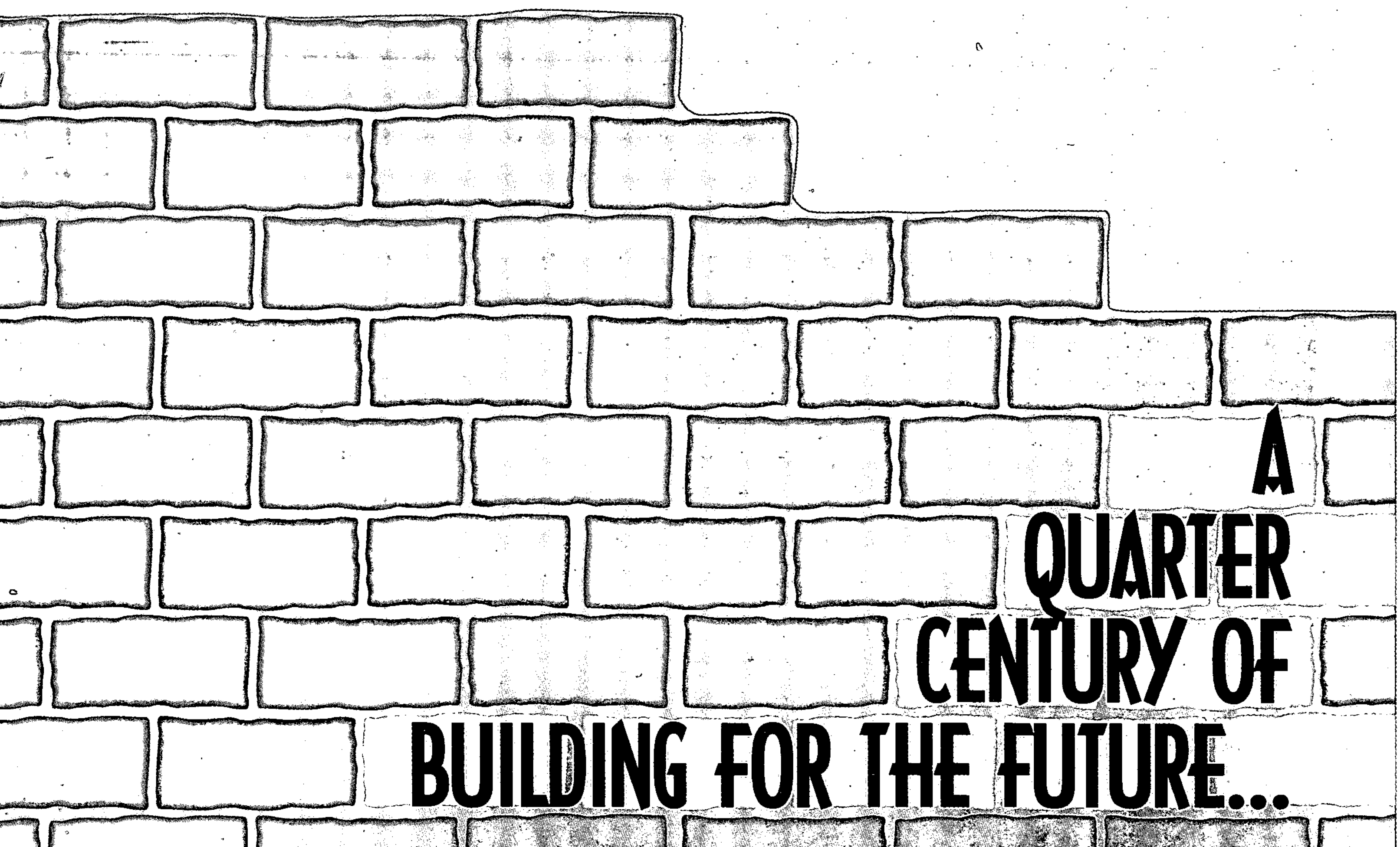
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

1996 annual report



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November 1, 1996

Honorable Arne Carlson, Governor
Members of the Legislature
State Capitol
Saint Paul, Minnesota 55115

Dear Governor Carlson and Members of the Legislature:

The Minnesota Higher Education Facilities Authority is pleased to submit its Annual Report for Fiscal Year 1996.

This year the Authority celebrates its first 25 years of fulfilling its mission of providing affordable financing of facilities for Minnesota's private not-for-profit colleges and universities through the issuance of tax-exempt debt on their behalf. Accordingly, this annual report incorporates a look back at the Authority's first quarter century and the key events which shaped its development, along with the more usual review of the past year.

With respect to the year completed June 30, 1996, the Authority experienced a more typical pace of financing activity. Six financings (involving eight series of bonds) were brought to completion during the year, representing a total principal amount of $47,430,000. The six financings encompassed a substantial variety of projects and financing vehicles, including variable rate demand bonds, annual put bonds, two private placements and the first financing of parking facilities for one of Minnesota's public community colleges, pursuant to modified legislative authority enacted in 1995. In addition, at the close of the fiscal year, three other financing projects were in process, representing an additional $26.5 million of borrowing.

In addition to the normal activities involved with new financings, the Authority has been active in providing assistance to its constituent institutions in a variety of related areas. The Securities and Exchange Commission in 1995 promulgated rules which mandate annual and event-driven reporting on an on-going basis related to all public offerings issued since July 1, 1995. The Authority has helped inform the institutions of their obligations under these new regulations and has also put in place a program through which it will assist in the distribution of the required reports.

Also during the current year, private colleges and universities have been faced with a major conversion in their external financial reporting requirements mandated by the Financial Accounting Standards Board ("FASB"). The accounting changes have been the topic of extensive debate and study since they will have ramifications for credit analysis as well as for bond covenant language for both existing and new financings. The Authority has attempted to provide continuity through development of a common approach to financial covenant language for new and existing issues, and by disseminating information on how credit analysis will be affected by the reporting changes.

As we look forward to the next quarter century, it is evident that the Authority's goal must be to continue to enhance the range and quality of services it provides in the area of debt management for the colleges and universities it serves. The Authority must be responsive to the ever more complex environment of the financial markets and the continually growing demands on the institutions to develop creative solutions to their financial challenges. We are committed to expending our best efforts in the continued pursuit of that goal.

Respectfully submitted,

Kathryn Balstad Brewer
Chairperson

BOARD MEMBERS

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Partner, McMahon, Hartmann, Amundson & Company, St. Cloud
Term Expires January, 1998

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Doctoral Candidate at University of Minnesota
Former Senior Vice President with First Bank Systems
Term Expires January, 1999

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Vice President for Administrative Affairs, Moorhead State University (Retired)
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Audit Supervisor, Minnesota Higher Education Services Office, St. Paul

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CFRE, Fund Raising Consultant, Duluth
Term Expires January, 2000

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

BOND COUNSEL

Faegre and Benson (Marianne Remedios), Minneapolis

FISCAL ADVISORS

Springsted, Incorporated (Barry Fick), St. Paul

LEGAL ADVISOR

Assistant Attorney General, St. Paul

INDEPENDENT AUDITORS

Coopers & Lybrand L.L.P., Minneapolis

THE MISSION OF THE AUTHORTTY

The mission of the Minnesota Higher Education Facilities Authority is to assist eligible institutions of higher education in the State of Minnesota in financing their capital needs in an efficient and cost-effective manner.

Within the framework of Minnesota Statutes 136A.25 - 136A.42, the Authority works to assist educational institutions primarily through the issuance of tax-exempt debt obligations on their behalf. The Authority also actively seeks to develop financing programs that may be of benefit to institutions and shall make its staff and technical resources available to institutions whenever the application of those resources may prove beneficial in the development or implementation of institutional debt financing plans. The Authority shall, where appropriate, actively seek to have laws and regulations amended to empower the Authority to provide such assistance. The Authority will also endeavor to inform and update the representatives of the institutions on the current regulations and strategies of debt financing.

The Authority shall conduct its activities in strict accordance with all applicable laws and regulations. The Authority will not act as a regulatory body with respect to the internal policies and activities, financial or otherwise, of any educational institution, except as may be required by law and prudent fiscal policy in the course of providing assistance to such educational institutions.

A REVIEW OF THE AUTHORITY'S FIRST 25 YEARS

The Authority was created by an Act of the 1971 State Legislature, but it was brought to life and made to flourish primarily through the efforts of three men: Dr. Joseph E. LaBelle, its first and long-time Executive Director; John S. Holten, bond counsel with the firm of Faegre & Benson; and Osmon R. Springsted, financial advisor with Springsted, Incorporated. These pioneers were responsible, in particular, for the General Bond Reserve structure, whereby a portion of the reserve funds for each of the early financings was deposited to a common reserve fund which secured all the series of bonds issued under that structure. This mechanism gave added strength to each of the early issues, particularly those of the weaker credits, and helped establish the credibility of the colleges' financings through the Authority. It also exemplifies the Authority's long-standing policy of making its services available to the whole spectrum of institutions.

The first formal meeting of the Authority was held on November 22, 1971. The seven original members of the Authority elected Gerald A. Rauenhorst as the first Chairman of the Authority. Other members included Dan Brutger, Bernard Friel, Mary Miller, Michael Sieben and Richard Hawk, ex officio as executive director of the Minnesota Higher Education Coordinating Commission.

Space does not permit listing of all the board members of the Authority over the years, but worth noting is the initial appointment of Earl Herring as a board member in September, 1972. Mr. Herring has been a member continuously since that time, served as Chair for many years and has been a pillar of continuity for the Authority. His long service and thoughtful contributions have been an instrumental force in maintaining the Authority's record of success.

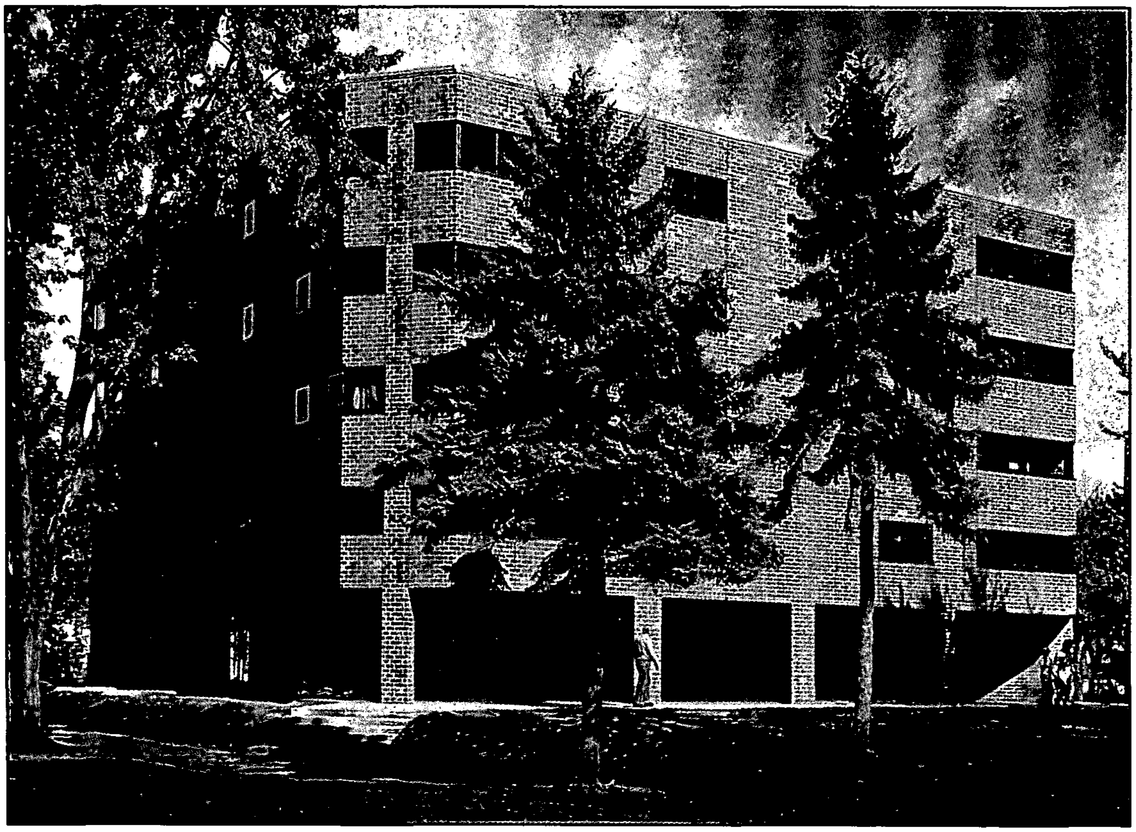
Mortensen Tower (Center) - Augsburg College. Bond Series A.

THE SEVENTIES

Responding to pent-up demand, the Authority proceeded in parallel with its first three financings, culminating in competitive public sales on November 28, 1972 of Bond Series A, B and C for Augsburg, Bethel and St. Mary's Colleges, respectively, each of which financed student housing facilities. The Series A bond issue for Augsburg remains as the only 40-year financing by the Authority.

Activity remained brisk during the remainder of the 1970's, and by the end of 1979 a total of 29 financings completed in a total amount of just over $68 million.

The largest single financing during that time was for $8,450,000, on behalf of the Minneapolis Society of Fine Arts for construction of the academic/studio building which now houses the Minneapolis College of Art and Design. While student housing remained the most common purpose, other projects financed included student centers at St. Mary's College and the College of St. Benedict, a hockey rink for Augsburg College and a variety of academic buildings including the law school building at Hamline University, the final project of the decade.



John Paul Hall – University of St. Thomas. Bond Series X.

THE EIGHTIES

The decade of the 1980's brought considerable challenge and change to the Authority's financing programs. The dramatic increase in interest rates early in the decade created substantial difficulty. Only one financing was completed between June, 1980 and August, 1982, and it was the Authority's first short-term issue, intended to permit permanent financing after anticipated improvement in the market. By late 1982, however, pent-up demand again dictated proceeding with a number of projects, despite still-high interest rates. A number of innovations grew out of that milieu, however, including the Authority's first insured bonds (1982), its first and only pooled financing (1983) and its first variable rate bonds (1984). Some of these new structures were facilitated by an Attorney General's opinion in 1983 which permitted the Authority to loan bond proceeds to the institutions, rather than the Authority holding title to the project and leasing it to the institution until the bonds were repaid.

The Eighties Continued...

Another pause in the Authority's pattern of issuance occurred between December, 1985 and May, 1987, in this case a result of the uncertainty surrounding the legislative process which led up to the Tax Reform Act of August, 1986 and the subsequent period of interpretation of the Act and related regulations. As before, however, the professionals found a way to operate within the new constraints. Despite all the turbulence and generally higher interest rates than had prevailed in the prior decade, the Authority completed 24 financings during the decade for a total principal amount of over $112 million on behalf of its constituent institutions. As before, a wide variety of projects were financed. The largest single financing, aside from the $18.5 million pooled issue, was Series Two-O, in the amount of $11.1 million for the College of St. Thomas, primarily for additions to Murray Hall and the Brady Center. Notable also was the Authority's first issue for a public institution, a $1.3 million financing for Vermilion Community College for student housing, issued pursuant to special legislation. The issue was also unique in that it was secured both by project revenues and by a general obligation pledge from the city of Ely.

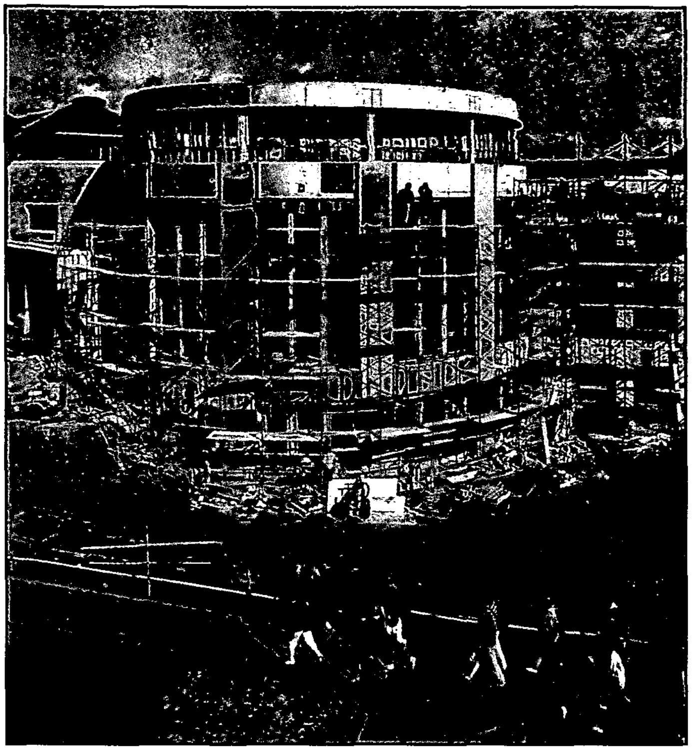
Vermilion Community College Housing Project. Bond Series Two-P.

THE NINETIES

The decade of the 1990's, to date, has been characterized by a much more attractive borrowing environment, as interest rates fell steadily, especially through its early years. This presented numerous opportunities for borrowing institutions to reduce borrowing costs by refinancing bonds issued during the prior years of high rates. Fourteen of the financings completed during this decade have involved refunding of existing debt.

In addition, many of the colleges and universities made substantial new capital investments in new and improved campus facilities. Despite doomsday predictions of falling enrollments and failing institutions resulting from the demographic reality of declines in high school graduates, Minnesota's private colleges have continued to thrive during this period, meeting the demographic challenge by a variety of entrepreneurial strategies. Many of these strategies involved tapping into the market for non-traditional students as adults sought to earn their first college degree or additional graduate and undergraduate training and degrees. Private colleges and universities also competed successfully for the declining numbers of traditional students, in many cases by providing desirable facilities such as apartment-style housing and recreational facilities.

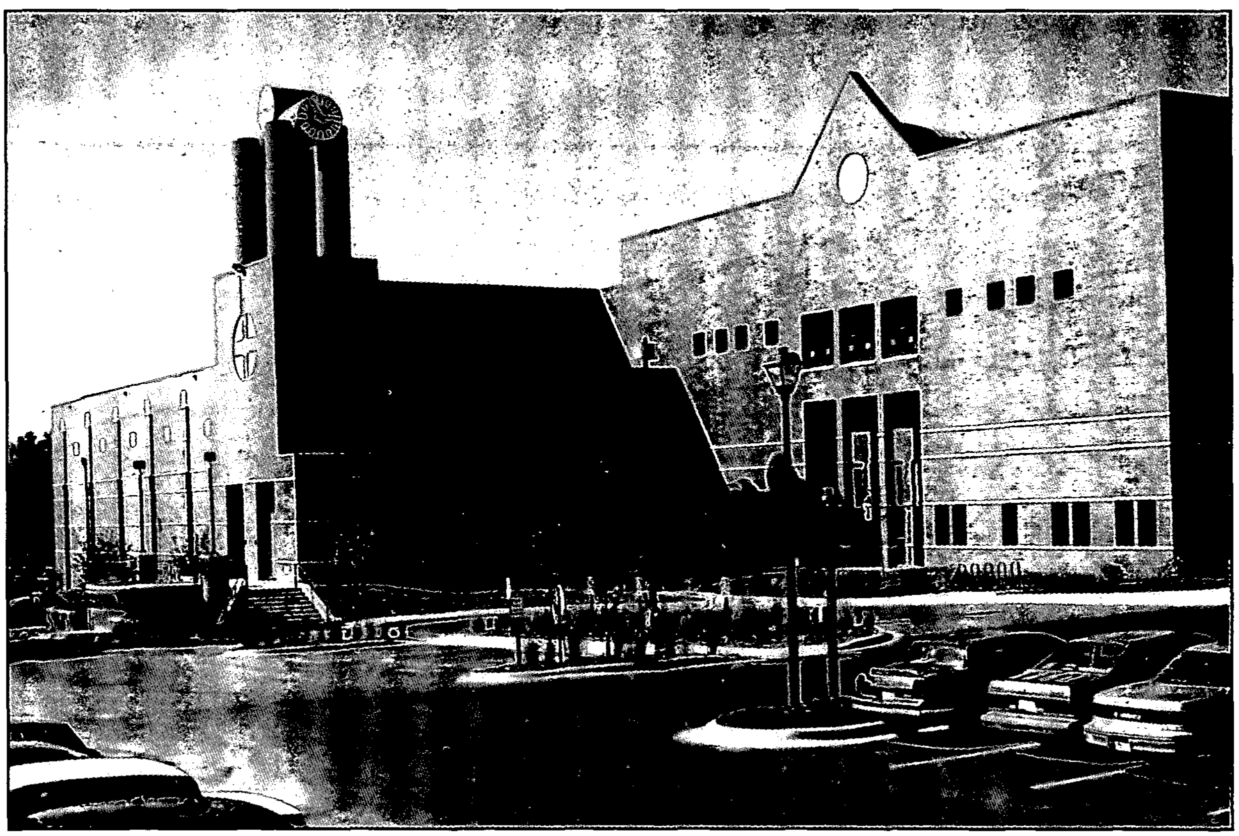
The Nineties Continued...



University of St. Thomas Construction of Herrick Addition. Series Two-O.

The accelerating rate of technological advances also led many institutions to invest in enhanced computer and telecommunication facilities, as well as building and equipment in support of science education. A new financing program developed by the Authority in 1990, its small-project financing program, was useful to a number of schools in financing projects of this type. The program is a streamlined financing vehicle which reduces issuance costs and speeds the issuance process, and has been found to be particularly cost-effective for equipment financing.

These factors all worked together to make the 1990's the busiest decade yet for the Authority. Through June 30, 1996, forty financings were completed with a total principal amount in excess of $281 million. The University of St. Thomas accounted for the largest single project, borrowing $24.4 million in 1991 to establish its downtown Minneapolis campus. Carleton College in 1992 had the Authority's largest-ever variable rate financing, in the amount of $20.3 million, for a variety of projects involved in the College's comprehensive capital improvement program.



College of St. Catherine – Butler Center Recreation Facility. Bond Series Three-M.

AS WE GO FORWARD

Throughout the quarter-century, the core financing team comprised of Authority staff, Faegre & Benson as bond counsel, and Springsted Incorporated as financial advisor remained intact and provided the intellectual energy which guided the Authority through the varied and sometimes treacherous landscape of tax-exempt financing that existed during that era. The three pioneers, Dr. Labelle, Mr. Holten and Mr. Springsted, each retired during the decade of the 90's, but each has been replaced by able successors who have continued the Authority's strong record of success. In that regard, it is worth noting that no bondholder of the Authority's debt has ever failed to receive timely payment on the obligations.

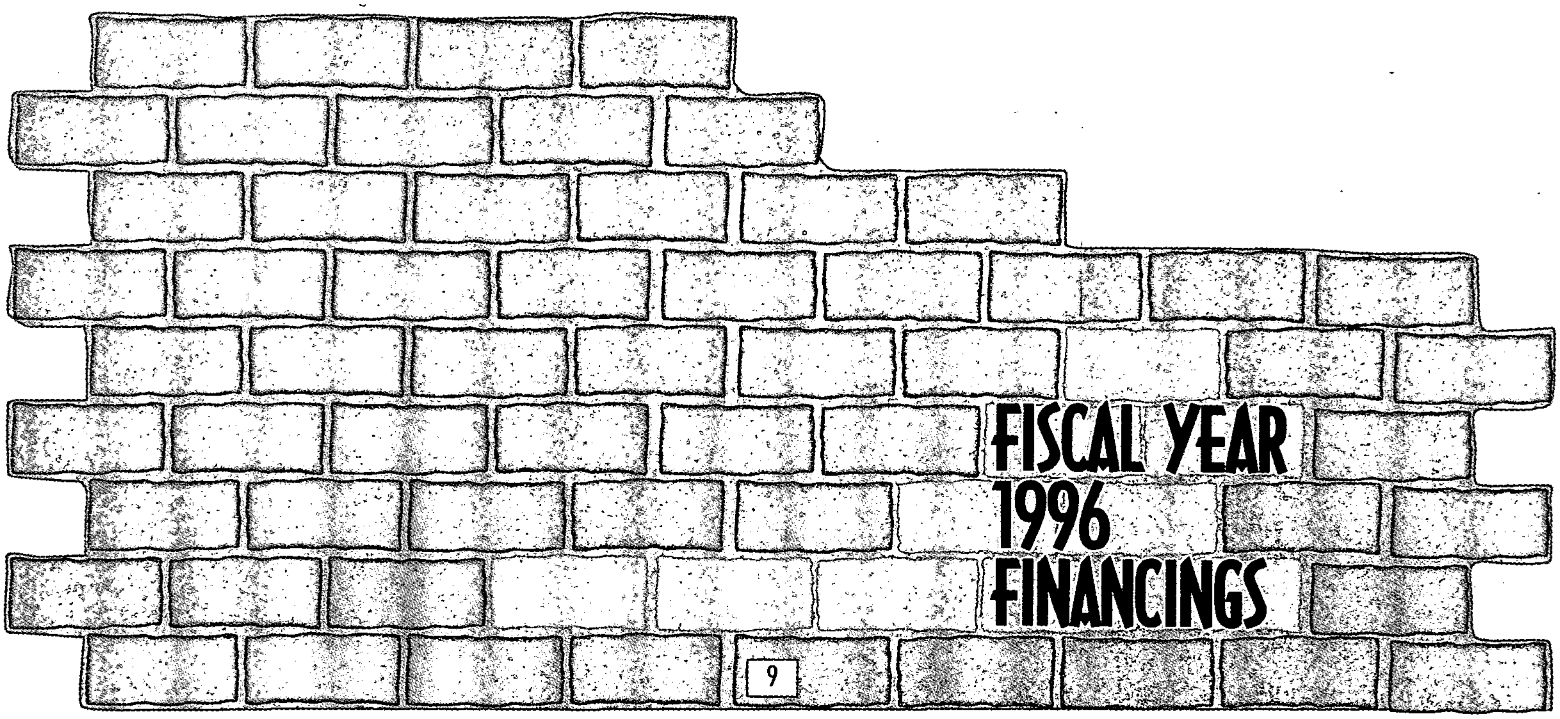
The efforts of the staff and professionals have been supported by a succession of well-informed and insightful members of the Board of the Authority. Coming from all walks of life and thus providing a wide variety of expertise, board members have been united in the common goal of providing responsible, cost-effective financing programs to facilitate higher education opportunities for Minnesota's students.

In addition to the contributions of the core team, the Authority's success has depended on a strong and steady acceptance of its debt obligations by the local and national bond markets. That reception in turn has been supported by the efforts of the investment banking community, particularly the strong group of regional firms which are headquartered in the Twin Cities.

The State Legislature, too, has been instrumental, not only through the initial statutory authority but also by providing periodic fine-tuning to the enabling legislation, particularly increases to the bonding authority amount over the years as required by the Authority's issuance requirements. At the same time, the Authority is pleased to have operated throughout its entire history without appropriation of any public monies. Rather its operating budget has been provided by fees related to each of the financings undertaken.

Finally, the Authority's record of success could only have been developed and sustained with the strong support and cooperation of its primary customers, the community of private colleges and universities of the State of Minnesota. In the final analysis, the Authority's purpose is to assist those institutions in obtaining affordable capital financing and by so doing to help make the cost of college education manageable for Minnesota's students. As we look to the next quarter century, the continued vitality of those institutions and their ability to deliver quality, affordable education will be both the key to the Authority's own viability and the measure of its success in meeting its mission.

College of St. Scholastica Construction of Science Facility. Bond Series Four-E.



FISCAL YEAR 1996 FINANCINGS

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Series Four-B. The Authority's Revenue Bonds, Series Four-B, in the amount of $3,300,000 were sold at public competitive sale on September 20, 1995 on behalf of Concordia College (Moorhead). The project financed by the bonds was the renovation of Park Region Residence Hall and the extension of the College's central heating and cooling system to Park Region Hall.

The financing was a straightforward fixed-rate serial bond issue with a final maturity of fifteen years. For the financing team, however, it marked the first transaction of the Authority subject to S.E.C. Rule 15c(2)12, which mandates a new system of continuing disclosure involving annual reporting of key operating and financial data as well as certain critical events. This issue also marked the first introduction of new, revised financial covenants which takes into account the changes in financial reporting for private colleges and universities resulting from the adoption of new FASB accounting standards (FAS 116 & 117).

Series Four-C. In November, 1995, the Authority's $11,245,000 Revenue Bonds, Series Four-C were issued on behalf of Macalester College. This financing represented the second leg of an overall financing plan for a variety of campus renovations which began with $6,660,000 Series Three-Z in September, 1994.

The proceeds of the Series Four-C Bonds were used to renovate Rice Hall and Olin Hall and to construct an enlarged connection between the two halls, to result in a single, enhanced science and math facility. This was also a straightforward fixed-rate serial bond issue with a 25-year final maturity.

Series Four-D. Normandale Community College was the borrower for the first financing completed during fiscal year 1996, designated as the Authority's $800,000 Revenue Notes, Series Four-D. The project represented the Authority's first exercise of new authority granted by the State Legislature in 1996 to assist public community and technical colleges in the financing of parking facilities.

The project involved addition of new parking facilities and renovation of existing lots, to be financed from parking fees. Because the project was relatively small and also time-critical for the College, the Authority's small-project financing program was employed to minimize lead time and issuance costs. The private placement format also facilitated the ability to issue debt supported by a newly-created and limited revenue base.

College of St. Scholastica – Science Facility. Bond Series Four-E.

Series Four-A1 & Four-A2.

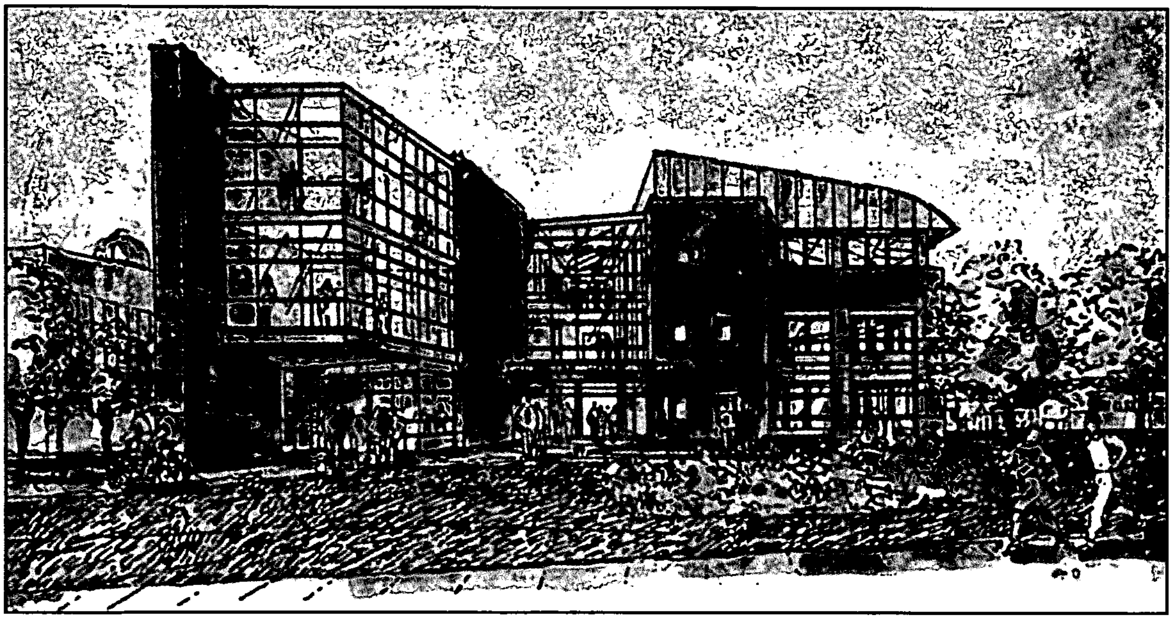
The University of Saint Thomas was the borrower for a financing project which was completed in March, 1996 as two separate series of bonds designated as $11,645,000 Revenue Bonds, Series Four-A1; and $6,600,000 Variable Rate Demand Revenue Bonds, Series Four-A2. The proceeds of both series of bonds are being used, together with a substantial federal grant, for the construction and equipping of a major new science and engineering center on the University's St. Paul campus. Total cost of the project, the largest ever undertaken by the University, is $34.4 million.

The two separate series of bonds resulted from the University's desire to issue a portion of the debt in variable-rate format, preserving the ability to retire those bonds at any time from anticipated receipt of gifts for the project and taking advantage of the lower interest rates generally associated with such debt. The interest rate is reset on the variable rate bonds weekly; bondholders accept a low rate in exchange for the ability to put their bonds back to the issuer on seven days notice. The University avoided the cost of a bank credit facility by securing Moody's highest short-term rating for the variable rate bonds based solely on the University's own liquidity, further enhancing the cost-effectiveness of that portion of the financing.

University of St. Thomas – Science and Engineering Center. Bond Series Four-A.

Series Four-E. The Authority's $2,000,000 Revenue Bonds, Series Four-E, were issued in May, 1996 for the College of St. Scholastica. The proceeds of the bonds were used for an addition to and remodeling of the College's Science Building.

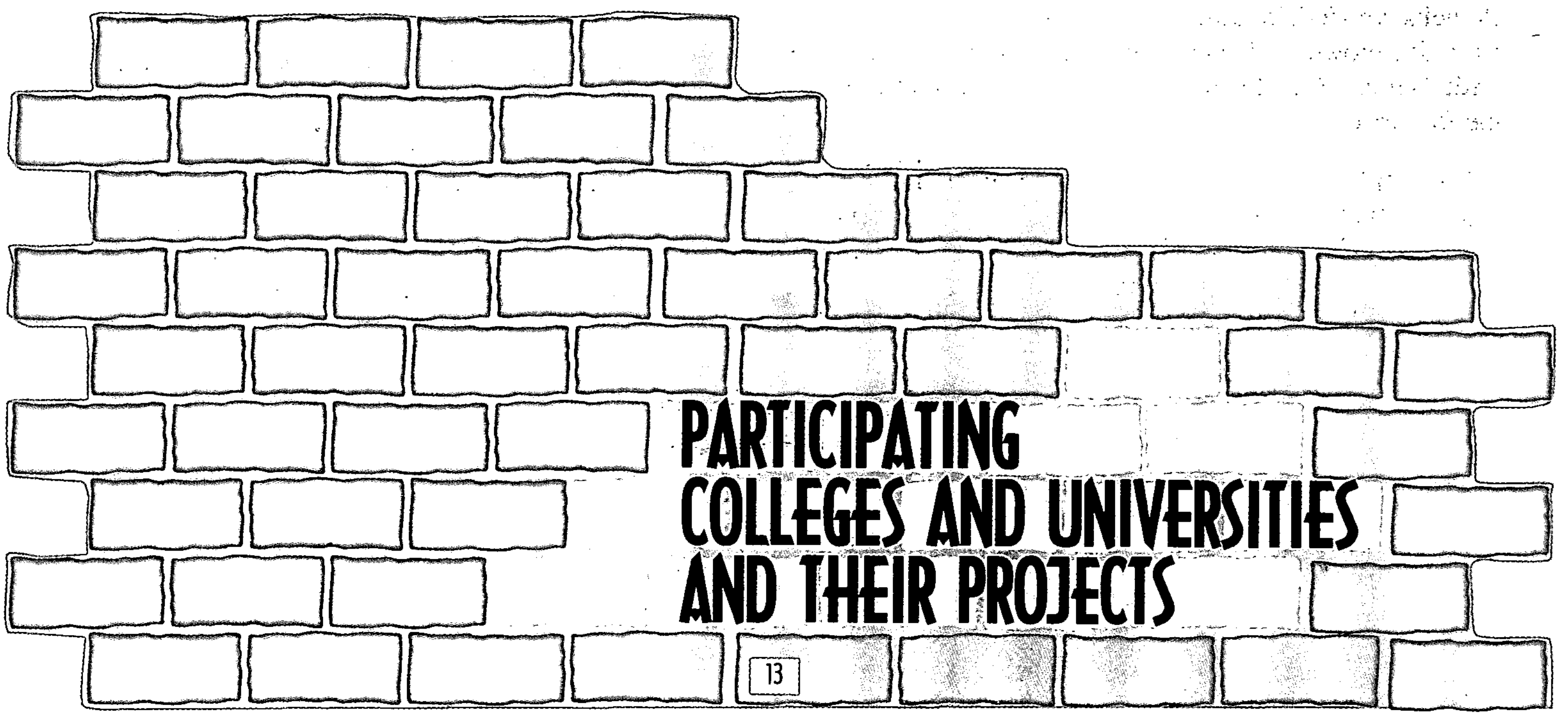
The private placement approach was used for this financing in order to facilitate an innovative financing structure which might best be described as a "rolling put bond." Anticipating retirement of the borrowing primarily from gifts over a five-year period, the College wished to retain flexibility to redeem bonds on a flexible schedule without penalty, but with a longer (ten-year) final maturity if gifts do not materialize. The financing amount was too small to absorb the front-end costs associated with a full-blown variable rate demand bond issue. A conventional annual put bond structure was also rejected since all the bonds might be put back by holders in any year, requiring costly liquidity support. Rather, a structure was used in which the initial pricing (and put) period for the various bonds ranges from one to five years. As each group of bonds reaches its put date, they may either be retired or re-priced for another one to five years, up to a total maturity of ten years. Because only a manageable portion of the bonds will be subject to put each year, the liquidity requirement is manageable with the College's own resources. Interest rate risk is also mitigated since only a portion of the bonds are re-priced annually.



Augsburg College – Library and Information Technology Center. Bond Series Four-F.

Series Four-F1 & Four-F2. Another multi-series financing was completed in May, 1996 in the form of $7,700,000 Mortgage Revenue Bonds, Series Four-F1 and $4,140,000 Mortgage Revenue Bonds, Series Four-F2, on behalf of Augsburg College. The proceeds of these bonds will primarily be used for construction and equipping of a new Library and Information Technology Center for the College, but also for energy-conservation improvements throughout the campus and for refunding of two prior Authority small-project financings (Series Two-Z and Three-P).

Both series of bonds are long-term fixed-rate obligations, but again the division into two series was driven by the desire to have the ability to redeem some of the debt early from anticipated gift receipts. As a result, Series Four-F2 was structured as super-sinker bonds, which have a twenty-year maturity but which may be redeemed annually without penalty to the extent of gifts received for the Library and Information Technology Center project. Given the expectation of a much shorter average life than the nominal twenty-year maturity, the bonds carried a lower interest rate and also permit the early retirement of a substantial amount of the total borrowing without penalty, as desired.



PARTICIPATING COLLEGES AND UNIVERSITIES AND THEIR PROJECTS

PARTICIPATING COLLEGES AND UNIVERSITIES 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 in America.

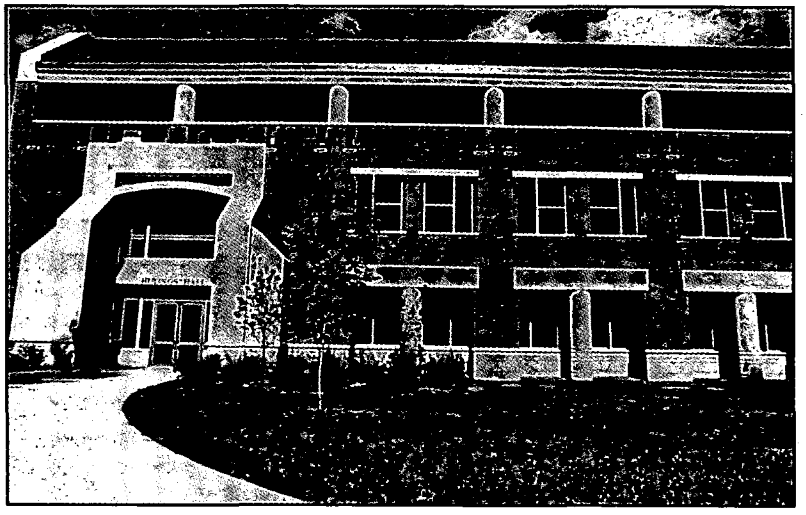
- Series A issued December, 1972 in the amount of $2,200,000. The proceeds were used for the construction of a student housing facility with a capacity of 312 students. Principal outstanding: $1,680,000
- Series I issued May, 1974 in the amount of $1,600,000. The proceeds were used for the construction of a two-rink artificial ice center. Principal outstanding: -0-
- 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-
- Series Two-Z issued August, 1990 in the amount of $900,000. 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: -0-
- Series Three-G issued May, 1992 in the amount of $9,645,000. A portion of the proceeds of this bond issue were used to partially finance the construction and furnishing of a new residence facility on the College's campus. The remaining portion of the proceeds were used to refinance a note originally issued to finance a portion of the Foss, Lobeck, Miles Center. Principal outstanding: $9,230,000
- Series Three-P issued April, 1993 in the amount of $1,560,000. The proceeds of this lease financing were used to finance a replacement of the existing AstroTurf surface and a dome for the Anderson-Nelson Athletic Field. Principal outstanding: -0-
- Series Four F-1 in the amount of $7,700,000 and Series Four-F2 in the amount of $4,140,000, issued May, 1996. A portion of the proceeds of the bonds financed the acquisition, construction, and furnishing of a new 75,000 square foot Library and Information Technology Center. In addition, a portion of the proceeds of the bond issue financed the acquisition and installation of various types of energy management equipment and also funded the refinancing of two previous Authority bond issues, Series Two-Z and Series Three-P. Principal outstanding: $11,840,000

BETHEL COLLEGE is a four-year, liberal arts college. Bethel's wooded, lakeside campus is located 15 minutes from downtown St. Paul and Minneapolis in suburban Arden Hills. Bethel College is owned and operated by the Baptist General Conference.

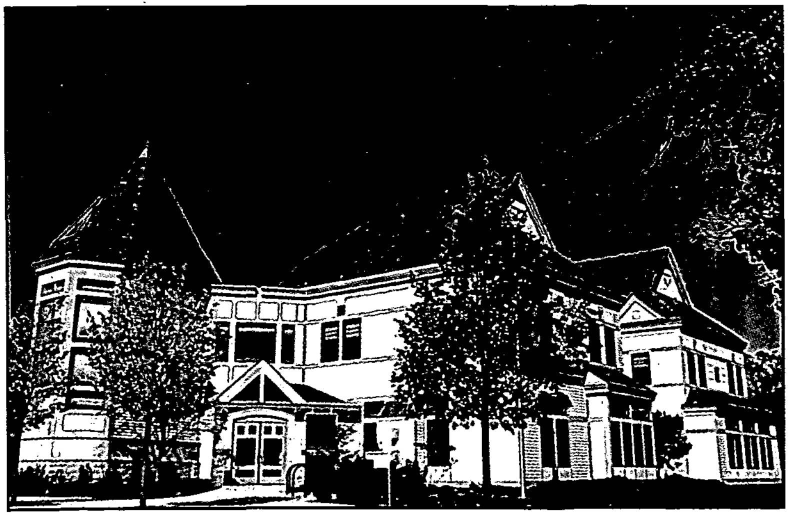
- Series B issued December, 1972 in the amount of $1,935,000. The proceeds were used to construct and furnish a student housing facility to accommodate 480 students. Principal outstanding: $160,000
- Series 1975-1 issued December, 1975 in the amount of $6,460,000. The proceeds were used to help repay the outstanding debt incurred in the construction of the library and food service building, the cultural arts building, and academic classrooms. Principal outstanding: -0-
- Series W issued August, 1978 in the amount of $2,360,000. The proceeds were used to construct two student housing residences to accommodate 282 students. Principal outstanding: $1,025,000

CARLETON COLLEGE is a coeducational, residential, liberal arts college located in Northfield, Minnesota. Carleton was chartered in December, 1866.

- Series O issued November, 1975 in the amount of $4,000,000. The proceeds were used to construct and equip a three-story chemistry and geology building, and to help pay for the renovation of Burton Hall, the oldest of Carleton's dormitories. Principal outstanding: -0-
- Series T issued December, 1977 in the amount of $2,385,000. The proceeds were used to remodel the Sayles Hill Gymnasium and two academic buildings for the humanities and social sciences departments. Principal outstanding: $2,385,000
- Series Two-E issued December, 1982 in the amount of $9,400,000. The proceeds were used to construct an addition to and remodel the library building, and also to remodel two residence halls for energy conservation and general improvement. Principal outstanding: -0-
- 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-
- Series Three-L1, Series Three-L2, Series Three-L3 issued October, 1992 in the amount of $24,300,000. 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. Principal outstanding: $22,940,000



Carleton College – Hulings Hall Biological Science Building. Bond Series Three-L.



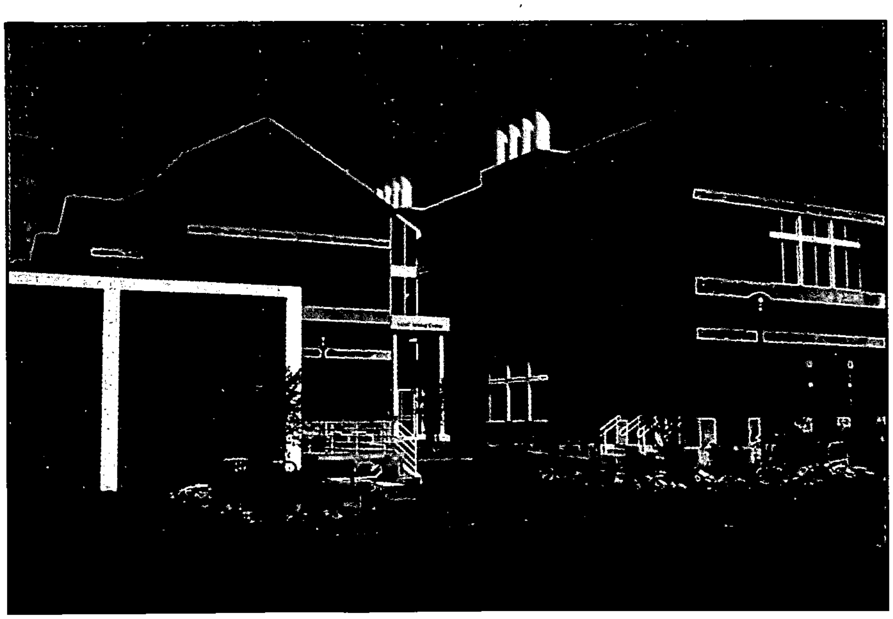
Carleton College – Johnson Guest House Admissions Office. Bond Series Three-L.

COLLEGE OF VISUAL ARTS is a four-year, liberal arts college emphasizing the visual arts. The College is located in St. Paul.

- Series Three-X issued March, 1994 in the amount of $350,000. The proceeds of this issue were used to finance the acquisition and improvement of a multi-unit building at 173-175 Western Avenue and 385 Selby Avenue, St. Paul, Minnesota, to be owned and operated as classroom and studio facilities by the College. Proceeds of the issue were also used to refinance a bank loan. Principal outstanding: $316,111

COLLEGE OF SAINT BENEDICT is a Catholic liberal arts college for women founded by Benedictine monastic women in 1887. Academic and social programs are carried out in cooperation with nearby Saint John's University for men allowing student access to the faculties and facilities of two campuses.

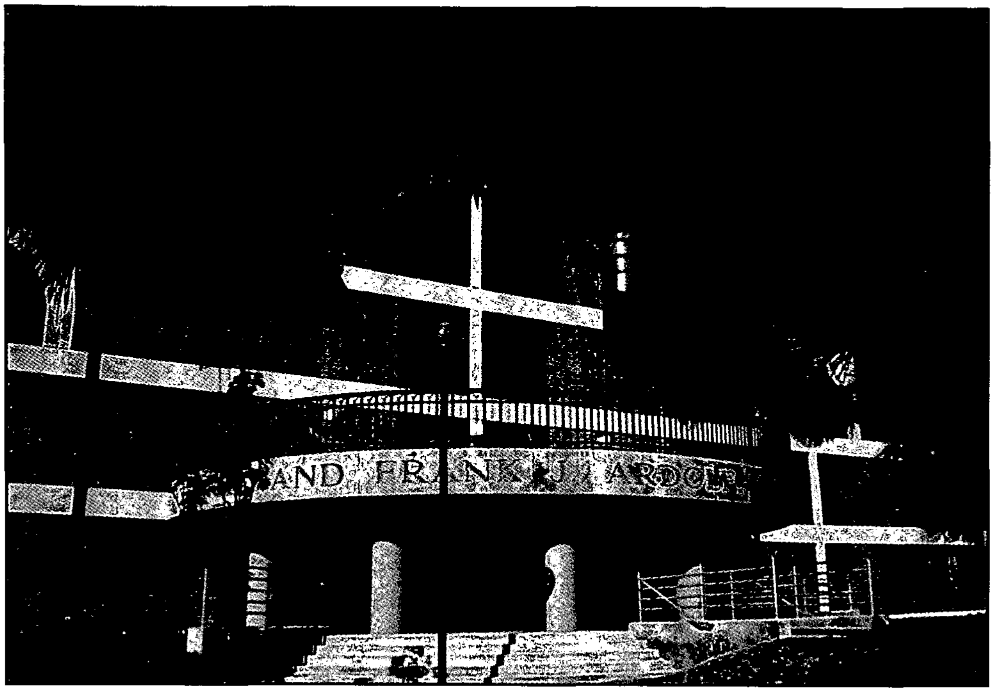
- Series F issued March, 1973 in the amount of $1,610,000. The proceeds were used to construct furnished student housing, to construct an indoor swimming pool addition to the physical education building, to remodel and improve the home economics department facility, and to remodel and improve the dining facility in St. Gertrude Hall. Principal outstanding: $210,000
- Series J issued July, 1974 in the amount of $370,000. The proceeds were used for the construction and furnishing of a campus center. Principal outstanding: $185,000
- Series N issued May, 1974 in the amount of $1,450,000. The proceeds were used to construct, furnish, and equip a student residence facility to house 200 students and two faculty residents. Principal outstanding: -0-
- Series Two-Q issued May, 1988 in the amount of $6,365,000. 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: -0-
- Series Two-U issued September, 1989 in the amount of $1,680,000. A portion of the proceeds were used to 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: $1,130,000
- Series Three-D issued May, 1991 in the amount of $5,100,000. 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: -0-



College of Saint Benedict – Ardolf Science Center. Bond Series Three-D.

COLLEGE OF SAINT BENEDICT continued

- Series Three-W issued March, 1994 in the amount of $17,475,000. A portion of the proceeds of this bond issue were used to refund Series Two-Q and Series Three-D bond issues. The remaining portion of the proceeds financed the acquisition, construction, and furnishing of a three-story, 242-bed residence hall on a 2.35-acre site on the campus of the college. Principal outstanding: $17,180,000



College of Saint Benedict – Lottie and Frank Ardolf, Jr. Residence Hall. Bond Series Three-D.

COLLEGE OF ST. CATHERINE is a Catholic, liberal arts college founded in 1905 by the Sisters of St. Joseph of Carondelet. The College offers its programs on two campuses, one in St. Paul and one in Minneapolis. Although the combined resources of the two campus allow for the development of cooperative programs, each campus maintains its institutional integrity.

- Series M issued May, 1974 in the amount of $690,000. The proceeds were used to construct the Fairview Apartments student residences with 13 one-bedroom apartments and 23 two-bedroom apartments. Principal outstanding: $105,000

- Series R issued August, 1977 in the amount of $795,000. The proceeds were used to construct, furnish, and equip a student housing facility to accommodate 118 students. Principal outstanding: $70,000

- Series L issued April, 1975 in the amount of $2,280,000. The proceeds were used to construct an academic building with classrooms, offices, laboratories, and a library for the Minneapolis campus. Principal outstanding: -0-

- Series Three-M1, Series Three-M2 issued January, 1993 in the amount of $9,205,000. The proceeds of the bonds, together with other funds available to the College, were used to provide for the construction and furnishing of a sports facility (including gym and pool) to be located on the St. Paul campus. The remaining proceeds of this bond issue were used for various remodeling and construction projects in the Arts Building, Mendel Hall and St. Joseph Hall on the St. Paul campus and in the Education Building and Old Main, both located on the Minneapolis campus. Principal outstanding: $7,300,000

COLLEGE OF ST. SCHOLASTICA is a coeducational, liberal arts Benedictine college located in Duluth, Minnesota. The College was founded in 1912, and offers a variety of undergraduate and graduate programs.

- Series D issued March, 1973 in the amount of $520,000. The proceeds were used to construct six four-plexes to house a total of 96 students. Principal outstanding: $40,000
- Series H issued June, 1974 in the amount of $340,000. The proceeds were used to fund the Pine Apartment Building, which can house a total of 46 students. Principal outstanding: $75,000
- Series Two-B issued July, 1980 in the amount of $1,160,000. The proceeds were used to repay interim financing used for the construction of a multipurpose recreation building and related outdoor facilities. Principal outstanding: -0-
- 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-
- Series Two-L issued December, 1985 in the amount of $1,065,000. The proceeds of this issue were used for renovation and expansion of the College's library. Principal outstanding: -0-
- Series Two-T issued June, 1989 in the amount of $5,105,000. The proceeds were used to construct and furnish student residence facilities; construct and equip garage stalls for campus grounds equipment; renovate and equip office and classroom space in Tower Hall; and acquire and install a new campus telephone and computer system. Principal outstanding $4,220,000
- Series Three-E issued June, 1991 in the amount of $3,400,000. Proceeds of this bond issue were used for the 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: $3,015,000

College of St. Scholastica – Little Theatre under construction. Bond Series Three-E.

- Series Three-N issued March, 1993 in the amount of $3,695,000. 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 consisting of a three-story wing, accommodating approximately 100 students in suite-style arrangements. Principal outstanding: $3,325,000
- Series Four-E issued May, 1996 in the amount of $2,000,000. The proceeds of this bond issue were used to finance the construction of an approximately 28,300 square foot addition to and related remodeling and equipping of the existing Science Building. Principal outstanding: $2,000,000

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.

- Series 1976-1 issued April, 1976 in the amount of $1,695,000. The proceeds were used to refinance the outstanding debts on the construction and remodeling of Mary A. Molloy Library, Maria Hall Student Residence, the service center, dining hall and kitchen of Lourdes Hall. Principal outstanding: -0-

CONCORDIA COLLEGE - MOORHEAD is a four-year, liberal arts college of the Evangelical Lutheran Church in America. The College was founded in 1891 and is located within the residential section of Moorhead, Minnesota.

- Series Q issued May, 1976 in the amount of $800,000. The proceeds were used to construct, finance, and equip a student apartment building which can accommodate a maximum of 126 students. Principal outstanding: -0-
- Series Z issued August, 1979 in the amount of $6,500,000. The proceeds were used to construct, equip, and furnish an academic building for the biology and home economics departments. Principal outstanding: -0-
- Series Two-F issued March, 1983 in the amount of $3,055,000. The proceeds were used to make improvements to Brown Hall, a student residence for approximately 270 students. Principal outstanding: -0-
- 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-
- Series Two-Y issued July, 1990 in the amount of $3,800,000. Proceeds of this bond issue were used for renovation of the College's field house; construction of a bell tower and improvements to the central campus mall; remodeling third and fourth floors of the Carl B. Ylvisiker Library; expansion and upgrading of the College's electrical system; installing central air conditioning to service a large section of campus; and construction of tennis courts and parking lots. Principal outstanding: $2,530,000
- Series Three-U issued August, 1993 in the amount of $6,420,000. The proceeds were used to refinance Bond Series Z and Series Two-F. Principal outstanding: $5,340,000
- Series Four-B issued October, 1995 in the amount of $3,300,000. The proceeds of this bond issue were used to partially finance the renovation and refurbishing of the Park Region Residence Hall and connect the Park Region Hall to the central heating and cooling system of the College. Principal outstanding: $3,300,000

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.

- Series S issued April, 1977 in the amount of $2,070,000. The proceeds were used to construct, furnish, and equip a student residence that accommodated 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 residential, four-year, liberal arts college with a Swedish and Lutheran heritage. It was founded in 1862 and was given its name to honor the Swedish king who defended Protestantism during the Thirty Years War. The College is located in St. Peter, Minnesota.

- Series E issued March, 1973 in the amount of $1,030,000. Proceeds were used to remodel the old library building into a science classroom, and also to construct a new administration building. Principal outstanding: -0-

- Series 1983-A (pooled issue) issued November, 1983. Gustavus' share of the proceeds was $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-

- Series Two-N issued August, 1987 in the amount of $2,550,000. The proceeds were used to remodel the Johnson Student Union, construct campus roads, expand parking, and construct an interpretative center in the Arboretum. Principal outstanding: $1,660,000

- Series Two-V issued November, 1989 in the amount of $1,440,000. Net proceeds of this bond issue were used to refund, in advance of maturity, the outstanding principal of the Series 1983-A note, which was originally issued by the Facilities Authority. Principal outstanding: $1,165,000

- Series Three-B issued October, 1990 in the amount of $3,000,000. The proceeds of this bond issue were used for the construction and furnishing of Confer Hall and the acquisition and installation of an air conditioning system that will serve five buildings on the campus. Principal outstanding: $2,700,000

- Series Three-V issued August, 1993 in the amount of $622,189. This issue was a lease equipment financing to finance the acquisition and installation of telephone communication equipment, various audio-visual equipment and photocopying machines. Principal outstanding: $425,051

HAMLINE UNIVERSITY, located in St. Paul, was founded in 1854 and is affiliated with the United Methodist Church. The University is composed of an undergraduate college, the Hamline University School of Law, graduate programs, and a continuing professional studies division.

- Series Two-A issued November, 1979 in the amount of $6,000,000. The proceeds were used to construct a two and one-half story law building. Principal outstanding: -0-

- Series Two-G issued August, 1983 in the amount of $1,970,000. The proceeds were used for renovating, refurbishing, and repairing Sorin Hall dining room and kitchen and four residences on campus. Principal outstanding: -0-

- Series Three-A issued August, 1991 in the amount of $4,430,000. 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 maintenance projects. Principal outstanding: $3,885,000

- Series Three-K issued May, 1992 in the amount of $4,565,000. The net proceeds of this issue were used to redeem the remaining bonds of the Series Two-A bond issue. Principal outstanding: $4,055,000

MACALESTER COLLEGE is a four-year, coeducational, undergraduate, residential, liberal arts college located in St. Paul, Minnesota. The college was founded in 1874 and is affiliated with the Presbyterian Church (U.S.A.)

- Series Two-J issued December, 1985 in the amount of $5,075,000. Proceeds of the bond issue were used to remodel the student union, renovate the gymnasium and construct and equip a natatorium. Principal outstanding: -0-
- Series Three-J issued June, 1992 in the amount of $15,670,000. 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 various renovations and improvements on the campus. Principal outstanding: $15,670,000
- Series Three-Z issued September, 1994 in the amount of $6,660,000. The proceeds of this bond issue were used for the expansion of the College athletic fields and other renovations on the campus. Principal outstanding: $6,660,000
- Series Four-C issued November, 1995 in the amount of $11,245,000. The net proceeds of this bond issue, together with funds of the College, were used to renovate Rice Hall and Olin Hall, to demolish the existing connection between the two Halls and to construct an enlarged connection that integrates the two Halls into a single science and math facility. Principal outstanding: $11,245,000

MINNEAPOLIS COLLEGE OF ART AND DESIGN is a fully accredited, private, four-year college located in a residential neighborhood just south of downtown Minneapolis. The curriculum is structured with studio emphasis and a liberal arts core.

- Series G issued August, 1973 in the amount of $8,450,000. The proceeds were used for the construction of a new technical academic building with appurtenant equipment, furnishings, utilities and site improvement. Principal outstanding: -0-
- 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-
- Series Two-K issued December, 1985 in the amount of $830,000. The proceeds were used for constructing and furnishing 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: $410,000
- Series Three-S issued July, 1993 in the amount of $225,000. The proceeds were used to refinance a Contract for Deed in the acquisition of a four-plex apartment building at 200-204 East 26th Street and a four-plex apartment building at 206-210 East 26th Street, both to be owned and operated by the College as student housing facilities. Principal outstanding: $190,629
- Series Three-Y issued June, 1994 in the amount of $1,612,000. The proceeds were used to finance the construction and equipping of an approximately 13,500 square foot addition to the College's main building. The addition will be used for studio and other educational purposes. Principal outstanding: $1,612,000

NORMANDALE COMMUNITY COLLEGE is a two-year, public institution located in Bloomington and is operated under the Board of Trustees of the Minnesota State Colleges and Universities.

- Series Four-D issued September, 1995 in the amount of $800,000. The proceeds of this bond issue were used to finance the construction of two parking lots for approximately 245 additional spaces and related roadway and site improvements on the campus of the College. Principal outstanding: $730,008

NORTHWESTERN COLLEGE OF CHIROPRACTIC was founded in 1941 and offers a pre-professional and professional program for a Doctor of Chiropractic degree. Students must have completed two academic years of college coursework to gain admission to Northwestern. The College is located in Bloomington, Minnesota.

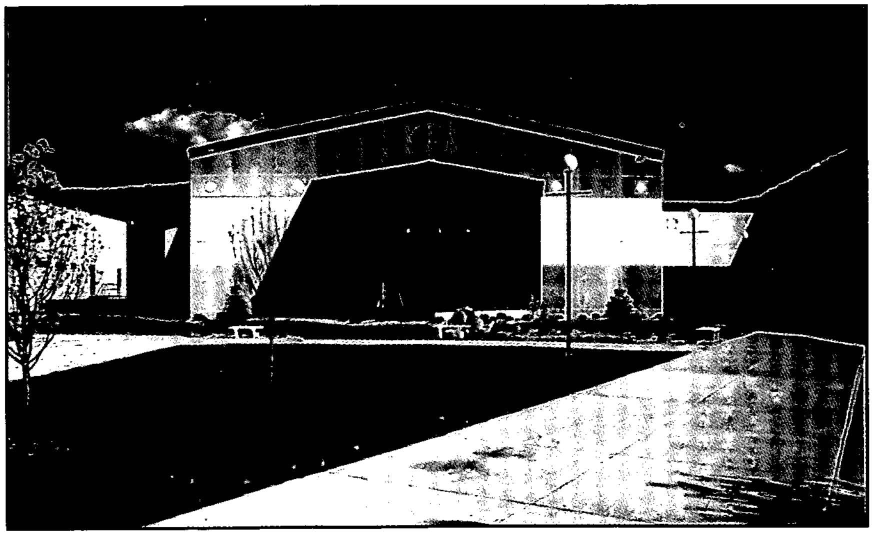
- Series 1983-A (pooled issue) issued November, 1983. Northwestern's share was 5.32 percent of the total issue or $838,026, which was used for financing the downpayment for the purchase of and remodeling of an academic building. Principal outstanding: -0-
- Series Two-X issued September, 1990 in the amount of $5,155,000. 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, acquiring, remodeling and furnishing an outpatient teaching clinic. Principal outstanding: $4,245,000

SAINT JOHN'S UNIVERSITY is a Catholic, liberal arts college for men which offers its academic and extracurricular program in conjunction with nearby College of Saint Benedict, which is a Catholic, liberal arts college for women. Founded in 1857, Saint John's is located in Collegeville, Minnesota, and is operated by Benedictine monastic men of Saint John's Abbey.

- Series 1983-A (pooled issue) issued November, 1983. Saint 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-
- Issue Two-W issued January, 1990 in the amount of $2,500,000. The proceeds were used to finance the construction of a new art building with appurtenant equipment and site improvements. Principal outstanding: $1,215,000
- Series Three-H issued June, 1992 in the amount of $5,000,000. The net proceeds of the bonds were used to finance the construction and furnishing of a new campus center and a new student residence facility, both located on the campus of the University. Principal outstanding: $3,935,000

SAINT MARY'S UNIVERSITY OF MINNESOTA, formerly Saint Mary's college, is a four-year, coeducational, residential, liberal arts institution. It was founded in 1912 and is administered by the Christian Brothers. In addition to the original undergraduate campus located in Winona, Minnesota, Saint Mary's maintains graduate school centers in Minneapolis and Rochester.

- Series C issued January, 1973 in the amount of $595,000. The proceeds were used to construct a student residence to house 108 students and two faculty members. Principal outstanding: -0-
- Series 1976-2 issued April, 1977 in the amount of $1,300,000. The proceeds were used to refinance part of the outstanding debt incurred for the construction of the college center. Principal outstanding: -0-
- Series 1983-A (pooled issue) issued November, 1983. Saint 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-
- Series Two-H issued October, 1984 in the amount of $2,825,000. The proceeds were used to finance the construction of a theater/recital hall. Principal outstanding: -0-

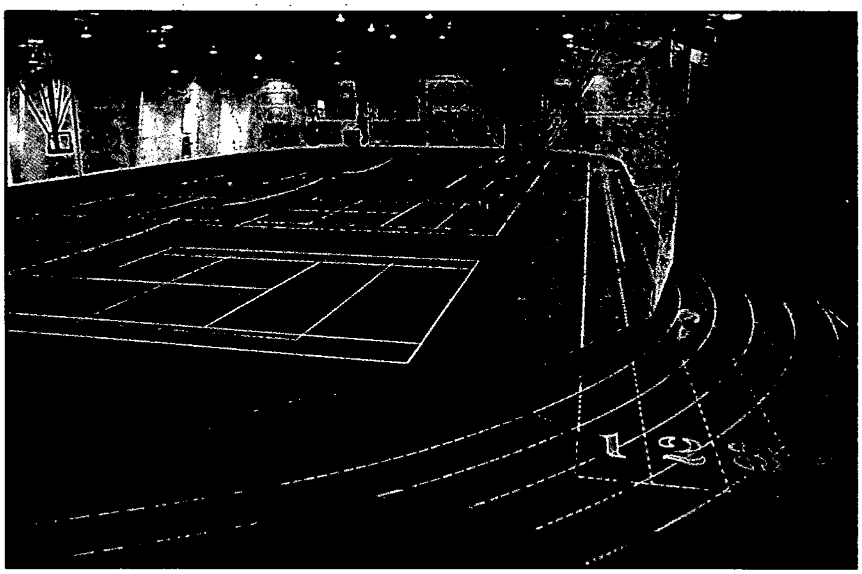


Saint Mary's University Recreation Facility. Bond Series Three-Q.

- Series Two-M issued May, 1987 in the amount of $2,500,000. 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 and a campus-wide telecommunications system. Principal outstanding: -0-

- Series Three-F issued June, 1991 in the amount of $2,950,000. The proceeds of this bond issue were used to redeem the outstanding Series Two-H bonds. Principal outstanding: -0-

- Series Three-Q issued June, 1993 in the amount of $12,535,000. 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. The remaining portion of the proceeds of the Series Three-Q bonds financed the construction and furnishing of a recreational facility on the University's Winona campus. Principal outstanding: $12,180,000



Saint Mary's University – Interior of Recreation Facility. Bond Series Three-Q

ST. MARY'S JUNIOR COLLEGE was 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.

*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 and is associated with the Evangelical Lutheran Church in America. St. Olaf has academic standards and traditions rooted in the rich heritage of the region's Scandinavian pioneers.

- Series P issued October, 1975 in the amount of $2,350,000. The proceeds were used to help pay for a 63,200 square foot music hall. Principal outstanding: -0-

- Series Y issued June, 1979 in the amount of $5,245,000. The proceeds were used to construct a three-story student residence which houses 232 students. Principal outstanding: $3,950,000

UNIVERSITY OF ST. THOMAS was founded in 1885 by Archbishop John Ireland and is a coeducational, liberal arts university. The main campus is located in St. Paul and the center for graduate studies of the University is located in downtown Minneapolis.

- Series K issued December, 1974 in the amount of $800,000. The proceeds were used to construct, equip, and furnish a 23-bedroom faculty residence. Principal outstanding: -0-

- Series U issued January, 1978 in the amount of $685,000. The proceeds were used to construct a student residential addition to the student union (Murray Hall) to help meet the residency requirements of female students. Principal outstanding: -0-

- Series X issued September, 1978 in the amount of $1,800,000. The proceeds were used to construct a five-story dormitory to house approximately 140 students. Principal outstanding: -0-

- Series Two-C issued November, 1980 in the amount of $5,980,000. 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-

- Series 1982-1 issued July, 1982 in the amount of $6,110,000. The proceeds were used to refund in advance of maturity the Series Two-C bonds. The Series Two-C bonds were discharged but the principal thereof was not paid until November 20, 1983, which was the maturity date for the Series Two-C bonds. Principal outstanding: -0-

- Series Two-D issued July, 1982 in the amount of $2,500,000. The proceeds were used to acquire grounds for, construct an addition to, and remodel the Daniel C. Gainey Conference Center in Owatonna, Minnesota. Principal outstanding: -0-

- 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-

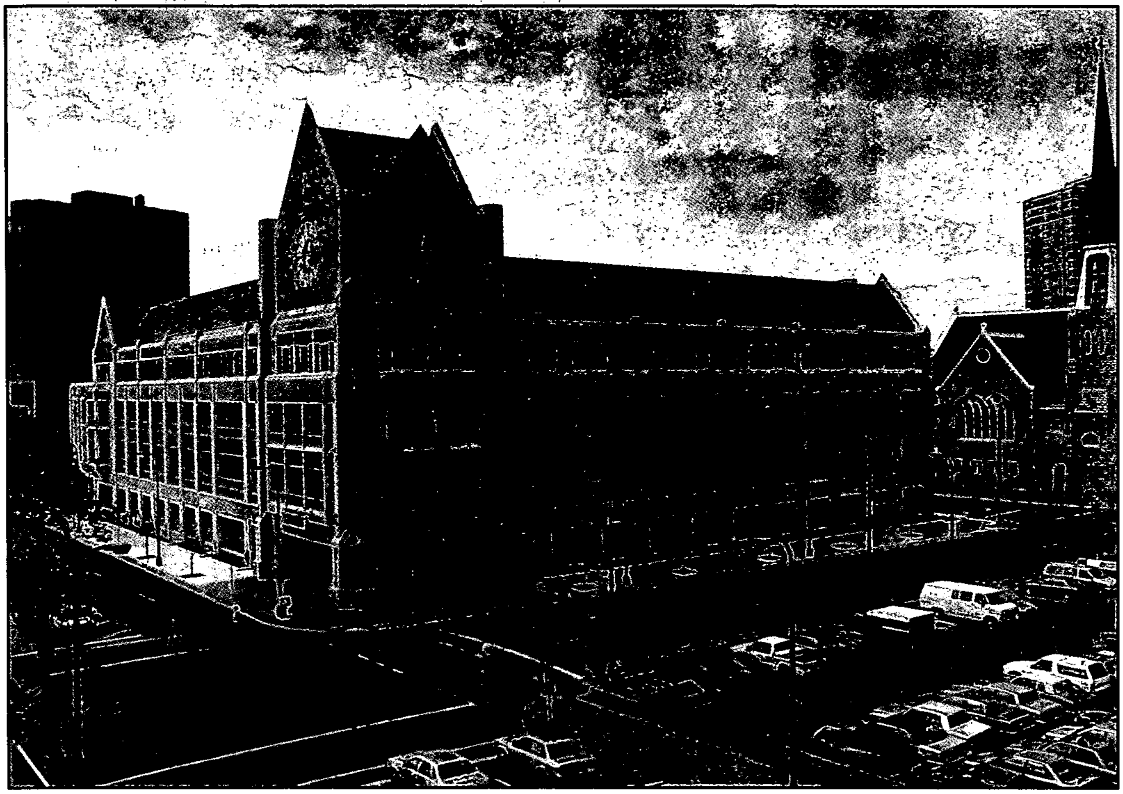
- Series 1985-1 issued May, 1985 in the amount of $8,055,000. The proceeds were used to refund in advance of maturity Bond Series Two-D and Bond Series 1982-1. Principal outstanding: -0-

- Series Two-I issued December, 1985 in the amount of $5,500,000. 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: -0-

- Series Two-O issued May, 1988 in the amount of $11,100,000. 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: -0-

- Series Two-S issued May, 1989 in the amount of $4,415,000. 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: -0-

- Series Three-C issued March, 1991 in the amount of $24,405,000. The proceeds of this bond issue were used for the acquisition of land and construction of an educational facility, which is the principal structure of the University's downtown Minneapolis campus. Principal outstanding: $3,560,000



University of St. Thomas Minneapolis Campus. Bond Series Three-C

- Series Three-I issued April, 1992 in the amount of $10,200,000. 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: $8,350,000

- Series Three-R1 and Three-R2 issued June, 1993 in the amount of $46,000,000. The Series Three-R1 Bonds for $22,985,000 were issued to refund outstanding maturities of prior bond issues: Series U, Series X, Series Two-I, Series Two-O, and Series Two-S. The Series Three-R2 Bonds for $23,015,000 were issued to refund a portion of the Authority's Mortgage Revenue Bonds, Series Three-C issued on behalf of the University. The refunding included all Series Three-C bonds maturing from 1993 through 2014. Not included in the refunding are two term bonds due September 1, 2015 and September 1, 2016. Principal outstanding: $40,555,000

- Series Four-A1 and Four-A2 issued March, 1996 in the amount of $18,245,000. Series Four-A1 bonds were issued as Revenue Bonds in the amount of $11,645,000 and Series Four-A2 were issued as Variable Rate Demand Revenue Bonds in the amount of $6,600,000. The proceeds of these issues were used to partially finance the construction and equipping of an approximately 195,000 square foot science and engineering center on the St. Paul campus of the University. The project will be home to the undergraduate department of science, math, computing science and engineering, and the Graduate School of Applied Science and Engineering. Principal outstanding: $18,245,000

VERMILION COMMUNITY COLLEGE located in Ely, Minnesota, was established in 1922 as Ely Junior College and became a part of the Minnesota statewide system of community colleges in 1964. The College offers one- and two-year degrees in several programs and emphasizes career training in natural resource and environmental programs.

- Series Two-P issued November, 1987 in the amount of $1,300,000. 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: $1,010,000
- Series Three-T issued July, 1993 in the amount of $950,000. The proceeds were used to finance the acquisition, installation and equipping of eleven manufactured duplex housing units, including related site improvements. These units will house approximately 80 students on the campus of the College. Principal outstanding: $890,000

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 to its present campus on Summit Avenue in St. Paul.

- Series Two-R issued November, 1988 in the amount of $4,250,000. The proceeds of this bond issue were used to finance the construction of The Warren E. Burger Law Library. Principal outstanding: -0-
- Series Three-O issued June, 1993 in the amount of $2,000,000. 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: $900,000

William Mitchell College of Law – The Warren E. Burger Law Library, Bond Series Two-R.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Executive Director and Members of the
Minnesota Higher Education Facilities Authority:

We have audited the accompanying balance sheet of the Minnesota Higher Education Facilities Authority as of June 30, 1996 and 1995, 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, the financial statements referred to above present fairly, in all material respects, the financial position of the Minnesota Higher Education Facilities Authority as of June 30, 1996 and 1995, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Coopers & Lybrand L.L.P.

Minneapolis, Minnesota
August 16, 1996

Balance Sheet

June 30, 1996 and 1995

ASSETS

Cash and cash equivalents ....

Investments ....

Accrued interest receivable ....

Financing agreements:

Rentals receivable, financing leases ....

Loans receivable ....

Reserve deposits to General Bond Reserve ....

Furniture and equipment (less accumulated depreciation of $58,385 in 1996 and $53,106 in 1995) ....

Other ....

Total assets ....

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable and other accrued liabilities ....

Revenue bonds and other debt obligations (less unamortized discount of $2,402,161 in 1996 and $2,220,611 in 1995) ....

Accrued interest payable ....

Reserve deposits from restricted assets of General Operating Fund ....

Total liabilities ....

Fund balances:

Unappropriated ....

Appropriated ....

Total liabilities and fund balances ....

General Operating Fund				General Bond Reserve Fund	
Unrestricted		*Restricted*			
1996	1995	1996	1995	1996	1995
$ 812,224	$1,589,307	$ 16,364,000	$ 9,477,851	$ 702,550	$ 647,326
902,631	—	33,308,561	11,346,433	626,187	612,690
15,908	—	452,462	235,857	8,542	8,441
—	—	8,466,443	11,692,917	—	—
—	—	191,123,408	179,365,861	—	—
—	—	289,773	289,773	—	—
23,078	28,417	—	—	—	—
1,025	1,758	—	—	—	—
$1,754,866	$1,619,482	$250,004,647	$212,408,692	$1,337,279	$1,268,457

41,240	40,282	—	—	—	—
—	—	246,641,638	209,704,532	—	—
—	—	3,363,009	2,704,160	—	—
—	—	—	—	289,773	289,773
41,240	40,282	250,004,647	212,408,692	289,773	289,773
1,713,626	1,579,200	—	—	—	—
—	—	—	—	1,047,506	978,684
$1,754,866	$1,619,482	$250,004,647	$212,408,692	$1,337,279	$1,268,457

The accompanying notes are an integral part of the financial statements.

Statement of Revenues, Expenses and Changes in Fund Balances

for the years ended June 30, 1996 and 1995

Revenues:	
Annual administrative fees	
Investment income	
Revenues from institutions to finance interest expense	
(Loss) gain on sale of investments	
Total revenues	
Expenses:	
Payroll, payroll taxes and employee benefits	
Rent expense	
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 year	
Distribution of pro rata share of fund earnings upon final redemption of Series 1975-1 in fiscal 1995	
Fund balances at end of year	

General Operating Fund				General Bond Reserve Fund	
Unrestricted		*Restricted*			
1996	1995	1996	1995	1996	1995
$ 356,227	$ 304,782	—	—	—	—
85,954	73,982	$ 1,467,574	$ 1,411,085	$ 68,822	$ 69,154
—	—	11,591,085	11,263,736	—	—
—	—	—	(163,731)	—	—
442,181	378,764	13,058,659	12,511,090	68,822	69,154
182,350	178,127	—	—	—	—
36,453	36,453	—	—	—	—
38,012	33,351	—	—	—	—
50,940	51,393	—	—	—	1,090
—	—	13,058,659	12,511,090	—	—
307,755	299,324	13,058,659	12,511,090	—	1,090
134,426	79,440	—	—	68,822	68,064
1,579,200	1,499,760	—	—	978,684	1,377,411
—	—	—	—	—	(466,791)
$1,713,626	$1,579,200	—	—	$1,047,506	$ 978,684

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents
for the years ended June 30, 1996 and 1995

Cash flows from operating activities:

- Excess of revenues over expenses
- Adjustments to reconcile excess of revenues over expenses to net cash flows provided by (used in) operating activities:
- Noncash items:
  - Depreciation
  - Amortization of bond discount
  - Loss (gain) on sale of investments
- Changes in assets and liabilities:
  - Accrued interest receivable
  - Other assets
  - Accounts payable and other accrued liabilities
  - Unearned administrative fees
- Nonoperating items:
  - Investment income
  - Interest expense
- Other operating cash flows:
  - Repayment of General Bond Reserve deposits
  - Collection of financing agreements receivable
  - Funds disbursed to institutions
- Net cash (used in) provided by operating activities

Cash flows from financing activities:

- Investments in fixed assets
- Proceeds from revenue bonds and other debt issues
- Repayment of revenue bonds and other debt principal
- Interest payments
  - Net cash used in financing activities

Cash flows from investing activities:

- Proceeds from sales and maturities of investments
- Purchase of investments
- Distribution of pro rata share of fund earnings upon final redemption of bonds
- Investment income
  - Net cash (used in) provided by investing activities

Net (decrease) increase in cash and cash equivalents

Cash and cash equivalents at beginning of year

Cash and cash equivalents at end of year

General Operating Fund				General Bond Reserve Fund	
Unrestricted		*Restricted*			
1996	1995	1996	1995	1996	1995
$134,426	$ 79,440	—	—	$ 68,822	$ 68,064
8,745	8,012	—	—	—	—
—	—	$ 194,760	$ 200,038	—	—
—	—	—	163,731	—	—
(15,908)					
733	2,533	—	—	—	—
958	(462)	—	—	—	—
—	(1,000)	—	—	—	—
(85,954)	(73,982)	(1,467,574)	(1,411,085)	(68,822)	(69,154)
—	—	12,863,900	12,311,052	—	—
—	—	—	138,000	—	(138,000)
—	—	9,644,021	8,854,026	—	—
—	—	(18,175,094)	(19,504,911)	—	—
43,000	14,541	3,060,013	750,851	—	(139,090)
(3,406)	(5,491)	—	—	—	—
—	—	46,740,256	6,640,020		
—	—	(9,997,910)	(9,830,804)		
—	—	(12,205,051)	(12,463,235)		
(3,406)	(5,491)	24,537,295	(15,654,019)		
—	—	15,087,936	18,610,980	240,000	733,000
(902,631)	—	(37,050,064)	(11,684,536)	(253,497)	(231,568)
—	—	—	—	—	(466,791)
85,954	73,982	1,250,969	1,397,985	68,721	66,227
(816,677)	73,982	(20,711,159)	8,324,429	55,224	100,868
(777,083)	83,032	6,886,149	(6,578,739)	55,224	(38,222)
1,589,307	1,506,275	9,477,851	16,056,590	647,326	685,548
$ 812,224	$1,589,307	$ 16,364,000	$ 9,477,851	$ 702,550	$ 647,326

The accompanying notes are an integral part of the financial statements.

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 Authority's 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 — Discounts on bonds 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.

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.

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, 1996 and 1995, amounts rebatable relating to such excess earnings were not significant.

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.

CONCENTRATION OF CREDIT RISK — The Authority has cash equivalents and investments totaling $52,716,153 at June 30, 1996, concentrated in two financial institutions. The Authority invests in U.S. Government investments, federated trust accounts, investment agreements and deposits (see Note 3). The Authority's investment viability and return is dependent on, among other factors, the financial results and viability of the underlying issuers.

3. INVESTMENTS:

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 participating institutions 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 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 & 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 & Poor's or 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, 1996 consisted of:

	General Operating Fund		General Bond Reserve Fund
	Unrestricted	*Restricted*	
U.S. Government and agencies	$ 900,000	$23,626,965	$ 627,000
Federated trust accounts	790,843	24,650,958	658,521
Investment agreements	—	1,785,662	—
Deposits	21,381	43,039	44,030
	1,712,224	50,106,624	1,329,551
Unamortized discount	2,631	(434,063)	(814)
Carrying value	$1,714,855	$49,672,561	$1,328,737
Approximate market value at June 30, 1996	$1,685,601	$50,035,643	$1,327,917

The carrying value of cash and cash equivalents and investments at June 30, 1995 consisted of:

	General Operating Fund		General Bond Reserve Fund
	Unrestricted	*Restricted*	
U.S. Government and agencies	—	$11,520,825	$614,000
Federated trust accounts	$1,580,140	7,239,705	626,297
Investment agreements	—	2,042,941	—
Deposits	9,167	195,205	21,029
	1,589,307	20,998,676	1,261,326
Unamortized discount	—	(174,392)	(1,310)
Carrying value	$1,589,307	$20,824,284	$1,260,016
Approximate market value at June 30, 1995	$1,589,307	$21,087,132	$1,259,137

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, and commencing with Series GG have been recorded as loans receivable, except for Series PPP and Series VVV which are financing leases.

The Authority's net investment in financing agreements consisted of the following at June 30, 1996 (with comparative totals at June 30, 1995):

	June 30, 1996			
	Financing Leases	Loans Receivable	Total	June 30, 1995
Total minimum payments to be received	$15,657,611	$404,350,780	$420,008,391	$351,019,709
Assets held in trust	(1,843,608)	(47,610,340)	(49,453,948)	(20,866,365)
Unearned income	(5,347,560)	(165,617,032)	(170,964,592)	(139,094,566)
	$ 8,466,443	$191,123,408	$199,589,851	$191,058,778

Assets held in trust consist primarily of bond proceeds used to fund debt service reserves and construction accounts and are included in cash and cash equivalents, investments and accrued interest receivable.

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, 1996, future minimum payments scheduled to be received under financing agreements to support aggregate bond payments is as follows:

Year Ended June 30	Principal	Interest	Total
1997	$ 9,879,202	$ 13,498,441	$ 23,377,643
1998	9,862,184	12,958,002	22,820,186
1999	11,191,549	12,417,124	23,608,673
2000	10,622,379	11,840,294	22,462,673
2001	11,372,736	11,262,667	22,635,403
Thereafter	196,115,749	108,988,064	305,103,813
	$249,043,799	$170,964,592	$420,008,391

Notes to Financial Statements *(continued)*

5. Revenue Bonds and Other Debt Obligations:

Revenue bonds payable at June 30, 1996 consist of the following serial and term bonds (the Series ZZ, Series SSS, Series XXX and Series YYY obligations are payable pursuant to promissory notes, and the Series PPP and Series VVV are payable pursuant to capital lease agreements):

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%
690,000	Series M (College of St. Catherine)	7.4% to 8.0%
795,000	Series R (College of St. Catherine)	4.0% to 6.625%
2,385,000	Series T (Carleton College)	5.625%
2,360,000	Series W (Bethel College)	6.4% to 7.0%
5,245,000	Series Y (St. Olaf College)	6.25% to 6.75%
830,000	Series KK (Minneapolis College of Art/Design)	6.5% to 8.75%
2,550,000	Series NN (Gustavus Adolphus College)	5.0% to 7.5%
1,300,000	Series PP (Vermilion Community College)	6.75% to 9.0%
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%
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)	5.5% to 7.125%
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%

Maturity Dates	Principal Outstanding	Unamortized Discount	Principal Less Unamortized Discount
Dec. 1, 1975 to Dec. 1, 2012	$ 1,680,000	$ (8,731)	$ 1,671,269
June 1, 1974 to June 1, 1997	160,000	(799)	159,201
Mar. 1, 1974 to Mar. 1, 1997	40,000	(36)	39,964
Mar. 1, 1974 to Mar. 1, 1998	210,000	(275)	209,725
June 1, 1975 to June 1, 1999	75,000	(237)	74,763
July 1, 1976 to July 1, 2002	185,000	(1,071)	183,929
Nov. 1, 1976 to Nov. 1, 1996	105,000		105,000
May 1, 1977 to May 1, 1997	70,000	(119)	69,881
Mar. 1, 2007	2,385,000		2,385,000
Apr. 1, 1979 to Apr. 1, 2001	1,025,000		1,025,000
Apr. 1, 1981 to Apr. 1, 2010	3,950,000	(32,340)	3,917,660
Feb. 1, 1988 to Feb. 1, 2001	410,000	(2,567)	407,433
Oct. 1, 1988 to Oct. 1, 2003	1,660,000	(12,262)	1,647,738
Jan. 1, 1990 to Jan. 1, 2007	1,010,000	(13,059)	996,941
Dec. 1, 1990 to Dec. 1, 2014	4,220,000	(50,500)	4,169,500
Sep. 1, 1990 to Sep. 1, 1999	1,130,000	(4,326)	1,125,674
Oct. 1, 1991 to Oct. 1, 2004	1,165,000	(8,767)	1,156,233
Oct. 1, 1990 to Oct. 1, 1999	1,215,000	(13,301)	1,201,699
Oct. 1, 1992 to Oct. 1, 2005	4,245,000		4,245,000
Oct. 1, 1992 to Oct. 1, 2000	2,530,000	(12,585)	2,517,415
Oct. 1, 1992 to Oct. 1, 2010	3,885,000		3,885,000
Oct. 1, 1992 to Oct. 1, 2010	2,700,000		2,700,000
Sep. 1, 1993 to Sep. 1, 2016	3,560,000	(30,912)	3,529,088
Dec. 1, 1993 to Dec. 1, 2011	3,015,000	(37,957)	2,977,043
Jan. 1, 1995 to Jan. 1, 2017	9,230,000	(41,061)	9,188,939
Oct. 1, 1993 to Oct. 1, 2002	3,935,000	(3,825)	3,931,175
Oct. 1, 1993 to Oct. 1, 2003	8,350,000	(55,290)	8,294,710
Mar. 1, 1997 to Mar. 1, 2022	15,670,000	(99,256)	15,570,744
June 1, 1994 to June 1, 2009	4,055,000	(44,503)	4,010,497
Nov. 1, 1993 to Nov. 1, 2012	22,940,000	(61,943)	22,878,057
Oct. 1, 1993 to Oct. 1, 2010	7,300,000	(62,320)	7,237,680

Notes to Financial Statements *(continued)*

5. Revenue Bonds and Other Debt Obligations, continued:

Original Principal Amount		Interest Rates
$ 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
12,535,000	Series QQQ (St. Mary's University)	3.25% to 6.15%
46,000,000	Series RRR (University of St. Thomas)	2.5% to 5.6%
225,000	Series SSS (Minneapolis College of Art/Design)	6.18%
950,000	Series TTT (Vermilion Community College)	6.0%
6,420,000	Series UUU (Concordia College)	3.0% to 4.9%
622,189	Series VVV (Gustavus Adolphus College)	5.18%
17,475,000	Series WWW (College of St. Benedict)	3.6% to 6.375%
350,000	Series XXX (College of Associated Arts)	6.35%
1,612,000	Series YYY (Minneapolis College of Art/Design)	6.33%
6,660,000	Series ZZZ (Macalester College)	Variable
11,645,000	Series 4-A1 (University of St. Thomas)	3.90% to 5.625%
6,600,000	Series 4-A2 (University of St. Thomas)	Variable
3,300,000	Series 4-B (Concordia College)	4.75% to 5.50%
11,245,000	Series 4-C (Macalester College)	4.00% to 5.55%
800,000	Series 4-D (Normandale Community College)	5.871%
2,000,000	Series 4-E (College of St. Scholastica)	4.50% to 5.35%
7,700,000	Series 4-F1 (Augsburg College)	4.00% to 6.25%
4,140,000	Series 4-F2 (Augsburg College)	5.75%
$ 302,604,189		

Revenue bonds payable at June 30, 1995 consist of the following serial and term bonds (the Series ZZ, Series SSS, Series XXX and Series YYY obligations are payable pursuant to promissory notes, and the Series PPP and Series VVV are payable pursuant to capital lease agreements):

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%
690,000	Series M (College of St. Catherine)	7.4% to 8.0%
795,000	Series R (College of St. Catherine)	4.0% to 6.625%
2,385,000	Series T (Carleton College)	5.625%

Maturity Dates	Principal Outstanding	Unamortized Discount	Principal Less Unamortized Discount
Dec. 1, 1994 to Dec. 1, 2012	$ 3,325,000	$ (39,373)	$ 3,285,627
Aug. 1, 2003	900,000	(10,439)	889,561
Oct. 1, 1994 to Oct. 1, 2023	12,180,000	(160,033)	12,019,967
Oct. 1, 1993 to Oct. 1, 2015	40,555,000	(558,195)	39,996,805
Jan. 1, 1994 to July 1, 2005	190,629		190,629
Jan. 1, 1995 to Jan. 1, 2013	890,000		890,000
Oct. 1, 1994 to Oct. 1, 2002	5,340,000	(32,211)	5,307,789
Feb. 4, 1994 to Aug. 4, 2000	425,051		425,051
Mar. 1, 1995 to Mar. 1, 2020	17,180,000	(313,527)	16,866,473
June 25, 1994 to Mar. 25, 2009	316,111		316,111
Dec. 1, 1994 to June 1, 2006	1,612,000		1,612,000
Mar. 1, 2024	6,660,000	(18,874)	6,641,126
Oct. 1, 1997 to Oct. 1, 2021	11,645,000	(214,430)	11,430,570
Oct. 1, 2021	6,600,000	(32,738)	6,567,262
Oct. 1, 1998 to Oct 1, 2010	3,300,000	(44,457)	3,255,543
Mar. 1, 1997 to Mar. 1, 2016	11,245,000	(130,511)	11,114,489
Mar. 1, 1996 to Sep. 1, 2000	730,008		730,008
Mar. 1, 1997 to Mar. 1, 2006	2,000,000	(13,830)	1,986,170
May 1, 1997 to May 1, 2023	7,700,000	(184,971)	7,515,029
May 1, 2026	4,140,000	(50,530)	4,089,470
	$ 249,043,799	$ (2,402,161)	$ 246,641,638

Maturity Dates	Principal Outstanding	Unamortized Discount	Principal Less Unamortized Discount
Dec. 1, 1975 to Dec. 1, 2012	$ 1,730,000	$ (9,601)	$ 1,720,399
June 1, 1974 to June 1, 1997	310,000	(1,132)	308,868
Mar. 1, 1974 to Mar. 1, 1997	75,000	(120)	74,880
Mar. 1, 1974 to Mar. 1, 1998	320,000	(613)	319,387
June 1, 1975 to June 1, 1999	100,000	(398)	99,602
July 1, 1976 to July 1, 2002	200,000	(1,357)	198,643
Nov. 1, 1976 to Nov. 1, 1996	155,000	(214)	154,786
May 1, 1977 to May 1, 1997	135,000	(375)	134,625
Mar. 1, 2007	2,385,000		2,385,000

5. Revenue Bonds and Other Debt Obligations, continued:

Original Principal Amount		Interest Rates
$ 2,360,000	Series W (Bethel College)	6.4% to 7.0%
5,245,000	Series Y (St. Olaf College)	6.25% to 6.75%
830,000	Series KK (Minneapolis College of Art/Design)	6.5% to 8.75%
2,550,000	Series NN (Gustavus Adolphus College)	5.0% to 7.5%
1,300,000	Series PP (Vermilion Community College)	6.75% to 9.0%
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)	5.5% to 7.125%
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 University)	3.25% to 6.15%
46,000,000	Series RRR (University of St. Thomas)	2.5% to 5.6%
225,000	Series SSS (Minneapolis College of Art/Design)	6.18%
950,000	Series TTT (Vermilion Community College)	6.0%
6,420,000	Series UUU (Concordia College)	3.0% to 4.9%
622,189	Series VVV (Gustavus Adolphus College)	5.18%
17,475,000	Series WWW (College of St. Benedict)	3.6% to 6.375%
350,000	Series XXX (College of Associated Arts)	6.35%
1,612,000	Series YYY (Minneapolis College of Art/Design)	6.33%
6,660,000	Series ZZZ (Macalester College)	Variable
$257,634,189		

Maturity Dates	Principal Outstanding	Unamortized Discount	Principal Less Unamortized Discount
Apr. 1, 1979 to Apr. 1, 2001	$ 1,150,000	$	$ 1,150,000
Apr. 1, 1981 to Apr. 1, 2010	4,080,000	(35,835)	4,044,165
Feb. 1, 1988 to Feb. 1, 2001	475,000	(3,583)	471,417
Oct. 1, 1988 to Oct. 1, 2003	1,800,000	(15,005)	1,784,995
Jan. 1, 1990 to Jan. 1, 2007	1,060,000	(15,007)	1,044,993
Dec. 1, 1990 to Dec. 1, 2014	4,395,000	(54,964)	4,340,036
Sep. 1, 1990 to Sep. 1, 1999	1,250,000	(6,414)	1,243,586
Oct. 1, 1991 to Oct. 1, 2004	1,250,000	(10,517)	1,239,483
Oct. 1, 1990 to Oct. 1, 1999	1,470,000	(15,246)	1,454,754
Oct. 1, 1992 to Oct. 1, 2005	4,505,000		4,505,000
Oct. 1, 1992 to Oct. 1, 2000	2,880,000	(17,420)	2,862,580
Feb. 1, 1991 to Aug. 1, 2000	344,426		344,426
Oct. 1, 1992 to Oct. 1, 2010	4,050,000		4,050,000
Oct. 1, 1992 to Oct. 1, 2010	2,790,000		2,790,000
Sep. 1, 1993 to Sep. 1, 2016	3,560,000	(346,148)	3,213,852
Dec. 1, 1993 to Dec. 1, 2011	3,120,000	(41,991)	3,078,009
Jan. 1, 1995 to Jan. 1, 2017	9,445,000	(44,271)	9,400,729
Oct. 1, 1993 to Oct. 1, 2002	4,325,000	(4,813)	4,320,187
Oct. 1, 1993 to Oct. 1, 2003	9,175,000	(69,040)	9,105,960
Mar. 1, 1997 to Mar. 1, 2022	15,670,000	(105,022)	15,564,978
June 1, 1994 to June 1, 2009	4,235,000	(49,943)	4,185,057
Nov. 1, 1993 to Nov. 1, 2012	23,410,000	(70,226)	23,339,774
Oct. 1, 1993 to Oct. 1, 2010	8,040,000	(71,085)	7,968,915
Dec. 1, 1994 to Dec. 1, 2012	3,515,000	(43,929)	3,471,071
Aug. 1, 2003	900,000	(11,914)	888,086
Dec. 1, 1994 to Dec. 1, 2002	1,510,000		1,510,000
Oct. 1, 1994 to Oct. 1, 2023	12,360,000	(169,034)	12,190,966
Oct. 1, 1993 to Oct. 1, 2015	42,310,000	(611,568)	41,698,432
Jan. 1, 1994 to July 1, 2005	205,008		205,008
Jan. 1, 1995 to Jan. 1, 2013	920,000		920,000
Oct. 1, 1994 to Oct. 1, 2002	5,895,000	(40,448)	5,854,552
Feb. 4, 1994 to Aug. 4, 2000	506,942		506,942
Mar. 1, 1995 to Mar. 1, 2020	17,310,000	(333,951)	16,976,049
June 25, 1994 to Mar. 25, 2009	331,767		331,767
Dec. 1, 1994 to June 1, 2006	1,612,000		1,612,000
Mar. 1, 2024	6,660,000	(19,427)	6,640,573
	$211,925,143	$(2,220,611)	$209,704,532

5. Revenue Bonds and Other Debt Obligations, continued:

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 by:

- 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; and
- 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 $3,032,530 and $531,923 for Series T and Series KK, respectively.

During recent fiscal years, the Authority issued various bond series for the purpose of refunding previous bond series. A portion of the proceeds of the refunded bond issues was deposited with a trustee to pay principal and interest on the redemption of certain bond series. 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 principal and interest on certain bond series upon redemption. Bonds will be called for at various dates from 1995 through 2001. At June 30, 1996, outstanding principal on the bonds was $41,000,000.

6. Lease Commitment:

The Authority has a lease commitment for office space of $3,038 per month through November 1997 with the remaining aggregate payments of approximately $51,645 at June 30, 1996. Rent expense was $36,453 for the years ended June 30, 1996 and 1995.

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