Minnesota Higher Education Facilities Authority

Annual Report

Fiscal Year 1997

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The Minnesota Higher Education Facilities Authority was created by Chapter 868, Laws of Minnesota, 1971 (Sections 136A.25 through 136A.42, Minnesota Statutes), for the purpose of assisting institutions of higher education within the State in the construction and financing of projects.

Institutions eligible for assistance by the Authority include nonprofit educational institutions authorized to provide a program of education beyond the high school level. Under current statutory authority, public community and technical colleges in the State are also eligible for assistance, but only in the financing of child-care and parking facilities. Sectarian institutions are not eligible for assistance; however, the fact that an institution is sponsored by a religious denomination does not of itself make the institution sectarian. Application to the Authority is voluntary. The scope of projects for which the Authority may issue bonds is broad, including buildings or facilities for use as student housing, academic buildings, parking facilities and other structures or facilities required or useful for the instruction of students, conducting of research, or in the operation of an institution of higher education.

November 3, 1997

Greetings:

It is our pleasure to present the Annual Report of the Minnesota Higher Education Facilities Authority for the year ended June 30, 1997, including the financial statements for the year, as audited by Coopers & Lybrand L.L.P. This report provides information about the financial services provided by the Authority to nonprofit institutions of higher education in the State of Minnesota. In the final analysis, the Authority's real worth can best be measured by the financial savings that are realized by those colleges and universities that finance their capital projects with tax-exempt debt issued through the Authority.

Fiscal Year 1997 was a banner year for the Authority as it provided financing in the amount of $62,700,000, of which $13,465,000 represented refundings of prior Authority debt. The net new money financing amount, $49,235,000, was the largest such amount for any fiscal year since the Authority was organized in 1971. More information about the specifics of the financing projects completed during the year follows in the report of the Authority's Executive Director.

This level of activity brought the total principal outstanding for Authority-issued debt to $288,314,597 as of the end of the fiscal year. With additional projects in process totaling just over an additional $50 million, the Authority was gratified by the action of the State Legislature in the past session which raised its limit on outstanding debt from $350 million to $500 million. This will permit the Authority to continue its assistance to Minnesota's nonprofit colleges and universities for some years to come.

As throughout the Authority's history, this financing assistance has been provided without cost to the taxpayers of Minnesota. The credit of the State does not back the bonds, either directly or indirectly, and the operating expenses of the Authority are paid from fees associated with the various financings.

During the year, Governor Carlson appointed one new Member to the Authority, Mr. Kenneth Johnson of Duluth. Mr. Johnson replaces departing Member Earl Herring, who served longer than any other Member in the Authority's history. Not quite a charter Member, Mr. Herring was appointed to fill the unexpired term of one of the original Members in 1972, and has served with distinction ever since, including two separate terms as Chair. Mr. Herring's steady guidance and quiet wisdom will be missed by his colleagues. At the same time, we welcome Kenneth Johnson as a new Member and look forward to the benefits of his insights as an architect who has designed several college facilities in the course of his career.

As a new slate of officers assume their duties with the turn of the fiscal year, the authority is deeply indebted to Kathryn Brewer for her two excellent years of leadership as its Chair. With the combined efforts of the Authority Members, staff and advisors, we look forward with confidence to continuing its long record of providing assistance to the nonprofit colleges and universities of Minnesota as they continue their outstanding record of stewardship of the resources entrusted to them.

Respectfully submitted,
Mollie N. Thibodeau, Chair

BOARD MEMBERS

Jack Amundson
CPA, Partner, Larson, Allen, Weishair & Co., LLP, St. Cloud
Term Expires January, 1998

Kathryn Balstad Brewer, Ph.D.
Independent Scholar, Former Senior Vice President with First Bank Systems, New Brighton
Term Expires January, 1999

John S. Hoyt, Ph.D., Secretary
CEO, Effective Golf Course Systems, Inc. (EGCS), Edina
Term Expires January, 2001

Kenneth D. Johnson
AIA, Principal/Corporate President, The Stanius Johnson Architects, Inc., Duluth
Term Expires January, 2001

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

Tom Martinson
Principal, City Planning and Economic Development, Minneapolis
Term Expires January, 1999

Timothy Medd, Ex-officio Member
Audit Supervisor, Minnesota Higher Education Services Office

James R. Miller, Vice Chair
Owner and CEO, James Miller Investment Realty Company, St. Paul
Term Expires January, 2000

Christopher A. Nelson
Attorney at Law; Pustorino, Pederson, Tilton & Parrington; Minneapolis
Term Expires January, 1998

Mollie N. Thibodeau, Chair
CFRE, Fund Raising Consultant, Duluth
Term Expires January, 2000

STAFF

J. Luther Anderson, Executive Director
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

INDEPENDENT ACCOUNTANTS

Coopers & Lybrand L.L.P., Minneapolis

THE MISSION OF THE AUTHORITY

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.

J. Luther Anderson, Executive Director

As indicated in the Chair's cover letter to this report, the fiscal year ended June 30, 1977 was one of the busiest ever in terms of dollar amount of new financing provided to Minnesota's private, nonprofit colleges and universities. The activities surrounding those financings took center stage during the year, but a number of other efforts in support of the Authority's mission are also summarized below.

New Financings

The College of St. Benedict was the borrower in a $3,000,000 bond offering (Series Four-G) sold and settled in July, 1996. Proceeds of the bonds were used for the construction and furnishing of a three-story residence hall of approximately 30,367 square feet to house 120 students. The project also included construction of a skyway to link the new residence hall with the College's existing Margretta Residence Hall. The project was completed for occupancy in the fall of 1996.

A bond issue in the amount of $6,135,000 (Series Four-H) was sold by public competitive sale in August, 1996 on behalf of **Gustavus Adolphus College.** A total of six very competitive bids were received for the bonds. The issue was multi-purpose in nature. The attractive interest rate environment which prevailed throughout the year provided the opportunity for the College to reduce interest costs by the refinancing of three prior bond issues of the Authority (Series Two-N, Two-V and Three-B). Additional proceeds of the bonds were used by the College to acquire and install a new administrative computer system.

Hamline University borrowed $17,500,000 through the issuance of the Authority's Series Four-I Revenue Bonds in September, 1996. This too was a multi-faceted financing project, including refinancing of prior debt plus several new projects. The Authority's Series Three-A and Three-K Revenue Bonds on behalf of the University were refinanced. The new projects included partial financing of a new Fieldhouse including both athletic and recreational facilities; construction and furnishing of a 42,000 square foot addition to the Law and Graduate School Building; site acquisition and construction costs for approximately 220 parking spaces; and renovation of computer offices and equipment rooms on campus.

Hamline University also was the borrower in a private placement (Series Four-K) completed in April, 1997, under the Authority's small project financing program. In the amount of $625,000, this note financing provided funds to the College for a new telephone switch. The low front-end costs associated with the private placement resulted in a very cost-effective financing for a project of this scale.

A bond issue in the amount of $11,000,000 (Series Four-J) was issued on behalf of **Macalester College** in May, 1997. The purpose of the financing was primarily related to student housing. The largest component was for construction and furnishing of a new 113 bed residence hall, completed in July, 1977. In addition, proceeds of the issue financed remodeling and expansion of two existing residence halls, adding 30 to 35 beds, and acquisition and installation of heating and chilling equipment and related piping and tunneling.

The final financing completed during the fiscal year was for **Carleton College,** a $24,440,000 multi-purpose bond issue (Series Four-N). This competitive public sale garnered seven strong bids; the difference in total interest cost between the winning bid and the least favorable was nearly $400,000. The College is using the proceeds for a variety of projects, the largest of which include construction, furnishing and equipping of an 80,000 square foot recreation facility; construction, furnishing and equipping of a central student dining hall; and major renovation of existing Mudd Hall to house chemistry and geology departments. Also included in the total project list are renovations to dining areas in two residence halls now to be used for other purposes; a chiller and related piping system; and an administrative computer system.

As the fiscal year wound down, two other major financings were nearing completion: a $21,680,000 bond issue for the **University of St. Thomas** and a $29,850,000 bond issue for **St. John's University.** Both were completed before the end of July. As of the date of this report, a third, in the form of a $10,800,000 variable rate demand bond issue, has been completed for the **University of St. Thomas.** With one additional financing underway, it appears likely that the Authority will experience its first $100 million calendar year in 1997.

Other Developments

During fiscal year 1997, the Authority was pleased to be able to implement a fee-reduction program for all outstanding debt issues. Starting with a policy decision to limit further growth of its Operating Fund balance, the Authority conducted a study to determine the best method of achieving that end. The result was an across-the-board reduction of 30% for all administrative fees payable during fiscal year 1997. A similar analysis carried out at the end of the year led to a 40% reduction in fees payable in fiscal 1998. Although future reductions cannot be guaranteed, the Authority is pleased by this means to make its financing services yet more affordable to the colleges and universities it serves.

Another initiative implemented during the fiscal year was annual reporting of financial and operating data to central municipal securities data repositories, as required by SEC rule 15c2-12. The requirement falls on the ultimate borrowers, but the Authority has offered to facilitate this process for the colleges and universities affected by serving as dissemination agent for the data once it has been prepared. This process first went into effect during the fiscal year and was carried off smoothly.

Once again in 1997, the Authority sponsored its annual conference, at which various professionals from the finance community are brought together with financial officers and others from the colleges and universities that are eligible to issue debt through the Authority. The conference offers the chance to spend a day sharing information on the latest developments and opportunities in the area of campus facilities and the financing thereof.

Looking ahead, the Authority stands ready to continue its assistance to Minnesota's nonprofit colleges and universities in meeting their financing needs. That ability was enhanced by the timely increase in the Authority's debt limit from $350 million to $500 million by the past session of the State Legislature. We are grateful for the confidence in our ability to serve those needs represented by that action.

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 residence facility to house approximately 312 students.*
- ◆ *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 student 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.*
- ◆ *Series Four-F1 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.*

BETHEL COLLEGE is a four-year, Christian liberal arts college offering bachelor's degrees in 57 majors. Bethel's wooded, lakeside campus is located 15 minutes from downtown St. Paul and Minneapolis in suburban Arden Hills.

- ◆ *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.*

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

- ◆ *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.*
- ◆ *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.*

CARLETON COLLEGE Continued

- *Series Four-N issued June, 1997 in the amount of $24,440,000. The net proceeds of this bond issue and additional funds of the College will be used to construct and furnish a recreation center and a student dining hall. A portion of the proceeds will also be used to finance the renovation of Mudd Hall, Goodhue Dining Hall, and Evans Hall. Also, the proceeds will be used for the installation of a chiller and related piping and the installation of an administrative and bookstore computer system*

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.*
- *Series J issued July, 1974 in the amount of $370,000. The proceeds were used for the construction and furnishing of a campus center.*
- *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.*
- *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.*
- *Series Four-G issued July, 1996 in the amount of $3,000,000. The net proceeds of this bond issue were used to finance the construction and furnishing of a residence hall to house approximately 120 students.*

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 campuses allow for the development of cooperative programs, each campus maintains its institutional integrity.

- *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.*

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 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.*
- *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.*
- *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.*
- *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, housing approximately 100 students in suite-style arrangements.*
- *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.*

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.*

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 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.*
- *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.*
- *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.*

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 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.*
- *Series Four-H issued August, 1996 in the amount of $6,135,000. A portion of this bond issue was used to finance the acquisition and installation of an administrative computer system. A larger portion of the bond issue was used to refund the Series Three-B, Series Two-V and Series Two-N bond issues.*

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 Four-I issued September, 1996 in the amount of $17,500,000. A portion of the proceeds of this issue were used to finance the construction and furnishing of an addition to the law and graduate school building. The bond issue proceeds also were used to partially finance the construction of the field house, site acquisition and construction of some campus parking and renovation of computer offices and equipment rooms. The proceeds of this bond issue also financed the refunding of two previous issues, Series Three-A and Series Three-K.*
- *Series Four-K issued April, 1997 in the amount of $625,000. This issue was a lease financing for the acquisition and installation of telecommunications equipment to be installed on the campus of the University.*

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 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.*
- *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.*
- *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.*
- *Series Four-J issued May, 1997 in the amount of $11,000,000. Proceeds of this bond issue were used to finance a portion of the construction of a 113-bed residence hall, the expansion of Wallace and Bigelow Halls, and the acquisition and installation of a boiler, central chiller, heating oil tank, and related infrastructure.*

MINNEAPOLIS COLLEGE OF ART AND DESIGN was established in 1889 and is a private, fully accredited, 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 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.*
- *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.*
- *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.*

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.*

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 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.*

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.

- ◆ *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.*
- ◆ *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.*

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 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.*

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. Saint Olaf has academic standards and traditions rooted in the rich heritage of the region's Scandinavian pioneers.

- ◆ *Series Y issued June, 1979 in the amount of $5,245,000. The proceeds were used to construct a three-story student residence with a capacity of 232 students.*

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 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.*
- *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.*
- *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.*
- *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.*

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.*
- ◆ *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.*

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 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.*

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, 1997 and 1996, 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, 1997 and 1996, 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 27, 1997

Balance Sheet

June 30, 1997 and 1996

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 $62,346 in 1997 and $58,385 in 1996) ....

Other ....

Total assets ....

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable and other accrued liabilities ....

Unearned administrative fee income ....

Revenue bonds and other debt obligations (less unamortized discount of $3,020,328 in 1997 and $2,402,161 in 1996) ....

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*			
1997	1996	1997	1996	1997	1996
$ 553,294	$ 812,224	$ 16,024,534	$ 16,364,000	$ 228,540	$ 702,550
1,252,382	902,631	38,741,756	33,308,561	780,072	626,187
23,104	15,908	570,437	452,462	13,544	8,542
—	—	6,951,239	8,466,443	—	—
—	—	226,371,434	191,123,408	—	—
—	—	220,048	289,773	—	—
16,208	23,078	—	—	—	—
2,021	1,025	—	—	—	—
$1,847,009	$1,754,866	$288,879,448	$250,004,647	$1,022,156	$1,337,279

35,722	41,240	—	—	—	—
28,909	—	—	—	—	—
—	—	285,294,269	246,641,638	—	—
—	—	3,585,179	3,363,009	—	—
—	—	—	—	220,048	289,773
64,631	41,240	288,879,448	250,004,647	220,048	289,773
1,782,378	1,713,626	—	—	—	—
—	—	—	—	802,108	1,047,506
$1,847,009	$1,754,866	$288,879,448	$250,004,647	$1,022,156	$1,337,279

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, 1997 and 1996

Revenues:

Annual administrative fees ....

Investment income ....

Other income ....

Revenues from institutions to finance interest expense ....

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 B, D, M and R in fiscal 1997.

Fund balances at end of year ....

General Operating Fund				General Bond Reserve Fund	
Unrestricted		*Restricted*			
1997	1996	1997	1996	1997	1996
$ 277,808	$ 356,227	—	—	—	—
90,485	85,954	$ 2,537,932	$ 1,467,574	$ 70,130	$ 68,822
2,000					
—	—	12,205,693	11,591,085	—	—
370,293	442,181	14,743,625	13,058,659	70,130	68,822
189,197	182,350	—	—	—	—
36,453	36,453	—	—	—	—
30,770	38,012	—	—	—	—
45,121	50,940	—	—	—	—
—	—	14,743,625	13,058,659	—	—
301,541	307,755	14,743,625	13,058,659	—	—
68,752	134,426	—	—	70,130	68,822
1,713,626	1,579,200	—	—	1,047,506	978,684
—	—	—	—	(315,528)	—
$1,782,378	$1,713,626	—	—	$ 802,108	$1,047,506

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, 1997 and 1996

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:
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 provided by (used in) 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) provided by 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			
1997	1996	1997	1996	1997	1996
$ 68,752	$ 134,426	—	—	$ 70,130	$ 68,822
8,237	8,745	—	—	—	—
—	—	$ 298,771	$ 194,760	—	—
—	—	—	—	—	—
(996)	733	—	—	—	—
(5,518)	958	—	—	—	—
28,909	—	—	—	—	—
(90,485)	(85,954)	(2,537,932)	(1,467,574)	(70,130)	(68,822)
—	—	14,444,854	12,863,900	—	—
—	—	69,725	—	(69,725)	—
—	—	10,760,196	9,644,021	—	—
—	—	(44,493,018)	(18,175,094)	—	—
8,899	58,908	(21,457,404)	3,060,013	(69,725)	—
(1,367)	(3,406)	—	—	—	—
—	—	61,783,062	46,740,256		
—	—	(23,429,202)	(9,997,910)		
—	—	(14,222,684)	(12,205,051)		
(1,367)	(3,406)	24,131,176	24,537,295		
153,003	—	54,132,609	15,087,936	266,474	240,000
(502,754)	(902,631)	(59,565,804)	(37,050,064)	(420,359)	(253,497)
—	—	—	—	(315,528)	—
83,289	70,046	2,419,957	1,250,969	65,128	68,721
(266,462)	(832,585)	(3,013,238)	(20,711,159)	(404,285)	55,224
(258,930)	(777,083)	(339,466)	6,886,149	(474,010)	55,224
812,224	1,589,307	16,364,000	9,477,851	702,550	647,326
$ 553,294	$ 812,224	$ 16,024,534	$ 16,364,000	$ 228,540	$ 702,550

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 non-profit institutions of higher education in financing the construction of educational facilities. During the years ended June 30, 1996 and 1995, the Authority was authorized to have a maximum of $350 million of revenue bonds outstanding. Effective July 1, 1997, the Authority is authorized to have a maximum of $500 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. While the annual administrative fee rate for new bond issues has changed periodically, the fee rate remains constant for the life of the bonds, with the exception of fee reductions for operating reserve stabilization purposes. The annual fee structure is as follows: bonds issued from December, 1971 to September, 1975 are charged .125% of original balance of the bonds; bonds issued from October, 1975 to December, 1989 are charged .2% of the original balance of the bonds; bonds issued from January, 1990 to present are charged .125% of the outstanding balance of the bonds. In an effort to stabilize its unrestricted General Operating Fund balance, the Authority periodically evaluates the administrative fees charged to participating institutions. For the year ended June 30, 1997, the Authority required participating institutions to pay 70% of the contractual administrative fees. In June 1997, the Authority determined that participating institutions will be required to pay 60% of the contractual administrative fees during the year ended June 30, 1998.

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, 1997 and 1996, 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 $57,580,578 at June 30, 1997, 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.

Reclassifications — Certain 1996 financial statement amounts have been reclassified to conform with the 1997 presentation. These reclassifications had no effect on fund balance as of June 30, 1996.

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, 1997 consisted of:

	General Operating Fund		General Bond Reserve Fund
	Unrestricted	*Restricted*	
U.S. Government and agencies	$1,250,000	$30,575,382	$ 780,000
Federated trust accounts	547,198	23,052,099	177,953
Investment agreements	—	3,446,097	—
Deposits	6,096	—	50,587
	1,803,294	57,073,578	1,008,540
Unamortized premium (discount)	2,382	(2,307,288)	72
Carrying value	$1,805,676	$54,766,290	$1,008,612
Approximate market value at June 30, 1997	$1,791,824	$54,482,521	$1,008,967

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 premium (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

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 were 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, 1997 (with comparative totals at June 30, 1996):

	June 30, 1997			
	Financing Leases	**Loans Receivable**	**Total**	**June 30, 1996**
Total minimum payments to be received	$14,263,388	$472,310,552	$486,573,940	$420,008,391
Assets held in trust	(1,963,761)	(53,028,163)	(54,991,924)	(49,453,948)
Unearned income	(5,348,388)	(192,910,955)	(198,259,343)	(170,964,592)
	$ 6,951,239	$226,371,434	$233,322,673	$199,589,851

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, 1997, 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
1998	$ 10,052,288	$ 15,682,089	$ 25,734,377
1999	12,026,204	15,326,086	27,352,290
2000	12,171,772	14,685,446	26,857,218
2001	12,997,149	14,019,532	27,016,681
2002	10,796,965	13,344,754	24,141,719
Thereafter	230,270,219	125,201,436	355,471,655
	$288,314,597	$198,259,343	$486,573,940

5. REVENUE BONDS AND OTHER DEBT OBLIGATIONS:

Revenue bonds payable at June 30, 1997 consist of the following serial and term bonds (Series SSS, Series XXX and Series YYY obligations are payable pursuant to promissory notes, and the Series VVV is payable pursuant to a capital lease agreement):

Original Principal Amount		Interest Rates
$ 2,200,000	Series A (Augsburg College)	4.0% to 5.6%
1,610,000	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%
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%
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%
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%
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%
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
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 Visual 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%

Maturity Dates	Principal Outstanding	Unamortized Discount	Principal Less Unamortized Discount
Dec. 1, 1975 to Dec. 1, 2012	$ 1,630,000	$ (7,886)	$ 1,622,114
Mar. 1, 1974 to Mar. 1, 1998	90,000	(72)	89,928
June 1, 1975 to June 1, 1999	50,000	(117)	49,883
July 1, 1976 to July 1, 2002	170,000	(808)	169,192
Mar. 1, 2007	2,265,000		2,265,000
Apr. 1, 1979 to Apr. 1, 2001	900,000		900,000
Apr. 1, 1981 to Apr. 1, 2010	3,810,000	(28,955)	3,781,045
Feb. 1, 1988 to Feb. 1, 2001	340,000	(1,698)	338,302
Jan. 1, 1990 to Jan. 1, 2007	955,000	(11,201)	943,799
Dec. 1, 1990 to Dec. 1, 2014	4,030,000	(46,218)	3,983,782
Sep. 1, 1990 to Sep. 1, 1999	1,000,000	(2,467)	997,533
Oct. 1, 1990 to Oct. 1, 1999	940,000	(11,759)	928,241
Oct. 1, 1992 to Oct. 1, 2005	3,960,000		3,960,000
Oct. 1, 1992 to Oct. 1, 2000	2,155,000	(8,411)	2,146,589
Sep. 1, 1993 to Sep. 1, 2016	3,560,000	(29,113)	3,530,887
Dec. 1, 1993 to Dec. 1, 2011	2,905,000	(34,048)	2,870,952
Jan. 1, 1995 to Jan. 1, 2017	9,005,000	(37,913)	8,967,087
Oct. 1, 1993 to Oct. 1, 2002	3,525,000	(2,925)	3,522,075
Oct. 1, 1993 to Oct. 1, 2003	7,475,000	(42,818)	7,432,182
Mar. 1, 1997 to Mar. 1, 2022	15,485,000	(93,509)	15,391,491
Nov. 1, 1993 to Nov. 1, 2012	22,455,000	(54,377)	22,400,623
Oct. 1, 1993 to Oct. 1, 2010	6,555,000	(54,229)	6,500,771
Dec. 1, 1994 to Dec. 1, 2012	3,130,000	(35,005)	3,094,995
Aug. 1, 2003	800,000	(8,964)	791,036
Oct. 1, 1994 to Oct. 1, 2023	11,995,000	(151,126)	11,843,874
Oct. 1, 1993 to Oct. 1, 2015	38,545,000	(506,777)	38,038,223
Jan. 1, 1994 to July 1, 2005	175,348		175,348
Jan. 1, 1995 to Jan. 1, 2013	860,000		860,000
Oct. 1, 1994 to Oct. 1, 2002	4,775,000	(24,667)	4,750,333
Feb. 4, 1994 to Aug. 4, 2000	338,862		338,862
Mar. 1, 1995 to Mar. 1, 2020	17,020,000	(293,221)	16,726,779
June 25, 1994 to Mar. 25, 2009	299,437		299,437
Dec. 1, 1994 to June 1, 2006	1,492,150		1,492,150
Mar. 1, 2024	6,660,000	(18,321)	6,641,679
Oct. 1, 1997 to Oct. 1, 2021	11,645,000	(202,059)	11,442,941
Oct. 1, 2021	6,600,000	(31,952)	6,568,048
Oct. 1, 1998 to Oct. 1, 2010	3,300,000	(39,650)	3,260,350

5. Revenue Bonds and Other Debt Obligations, continued:

Original Principal Amount		Interest Rates
$ 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%
3,000,000	Series 4-G (College of St. Benedict)	4.15% to 6.10%
6,135,000	Series 4-H (Gustavus Adolphus College)	4.70% to 5.25%
17,500,000	Series 4-I (Hamline University of Minnesota)	4.60% to 6.00%
11,000,000	Series 4-J (Macalester College)	3.90% to 5.55%
625,000	Series 4-K (Hamline University of Minnesota)	5.82%
24,440,000	Series 4-N (Carleton College)	5.00% to 6.00%
$345,379,189		

Revenue bonds payable at June 30, 1996 consist of the following serial and term bonds (the Series SSS, Series XXX and Series YYY obligations are payable pursuant to promissory notes, and the 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%

Maturity Dates	Principal Outstanding	Unamortized Discount	Principal Less Unamortized Discount
Mar. 1, 1997 to Mar. 1, 2016	$ 10,900,000	$ (119,899)	$ 10,780,101
Mar. 1, 1996 to Sep. 1, 2000	583,800		583,800
Mar. 1, 1997 to Mar. 1, 2006	1,700,000	(12,470)	1,687,530
May 1, 1997 to May 1, 2023	7,660,000	(176,800)	7,483,200
May 1, 2026	4,140,000	(49,415)	4,090,585
Mar. 1, 1997 to Mar. 1, 2011	2,860,000	(45,580)	2,814,420
Oct. 1, 1996 to Oct. 1, 2010	6,010,000	(64,035)	5,945,965
Oct. 1, 1998 to Oct. 1, 2016	17,500,000	(275,042)	17,224,958
Mar. 1, 1998 to Mar. 1, 2017	11,000,000	(181,534)	10,818,466
Sep. 1, 1997 to June 1, 2004	625,000		625,000
Nov. 1, 1999 to Nov. 1, 2018	24,440,000	(315,287)	24,124,713
	$288,314,597	$(3,020,328)	$285,294,269

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

5. Revenue Bonds and Other Debt Obligations, continued:

Original Principal Amount		Interest Rates
$ 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%
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 Visual 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		

Maturity Dates	Principal Outstanding	Unamortized Discount	Principal Less Unamortized Discount
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
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

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 $3,052,983 and $464,856 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, 1997, outstanding principal on the bonds was $51,886,730.

6. LEASE COMMITMENT:

The Authority has a lease commitment for office space of $3,038 per month through November 1997.

7. SUBSEQUENT EVENTS:

Subsequent to year end, two bond series were issued totaling $51,530,000.

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