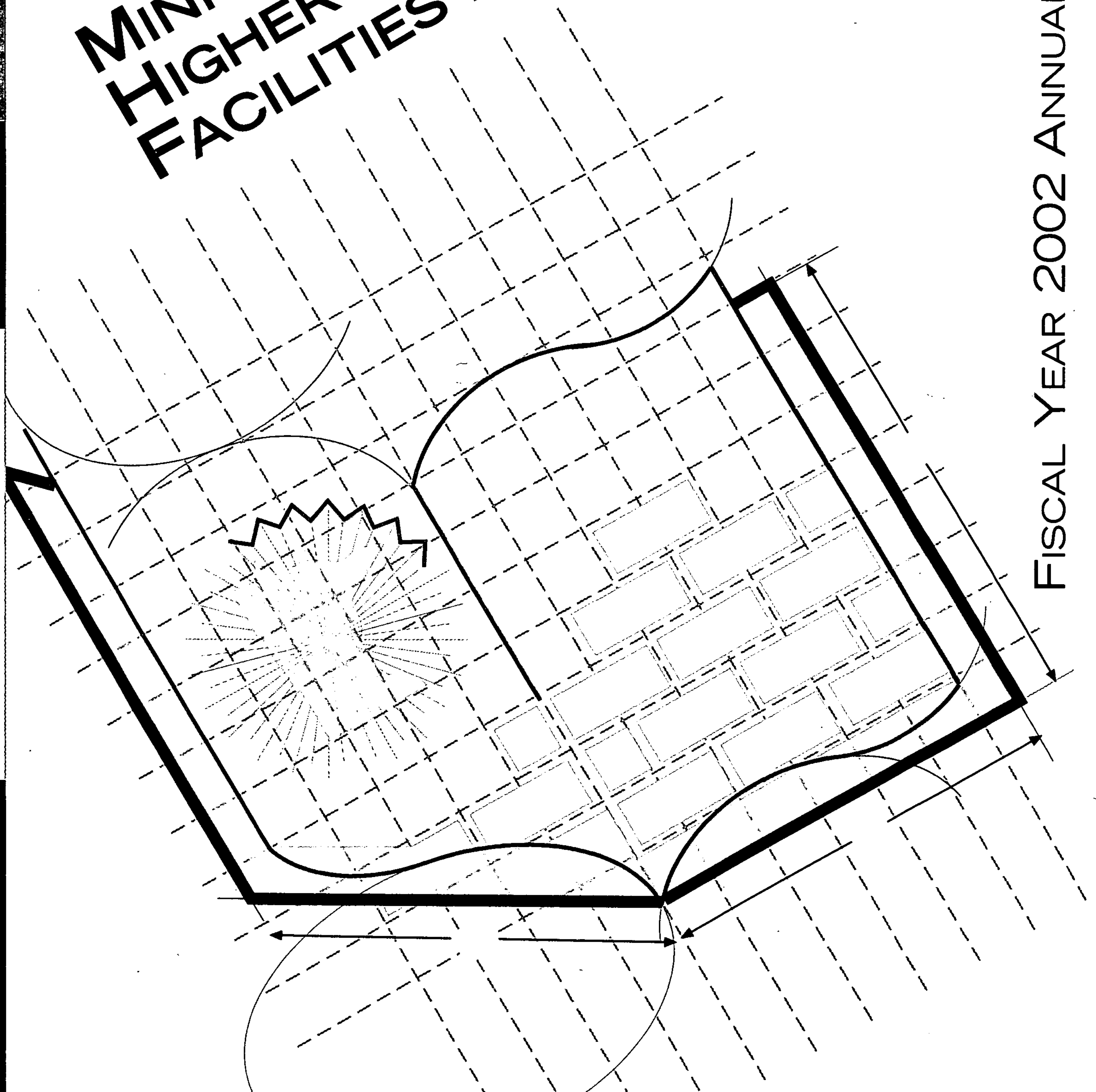
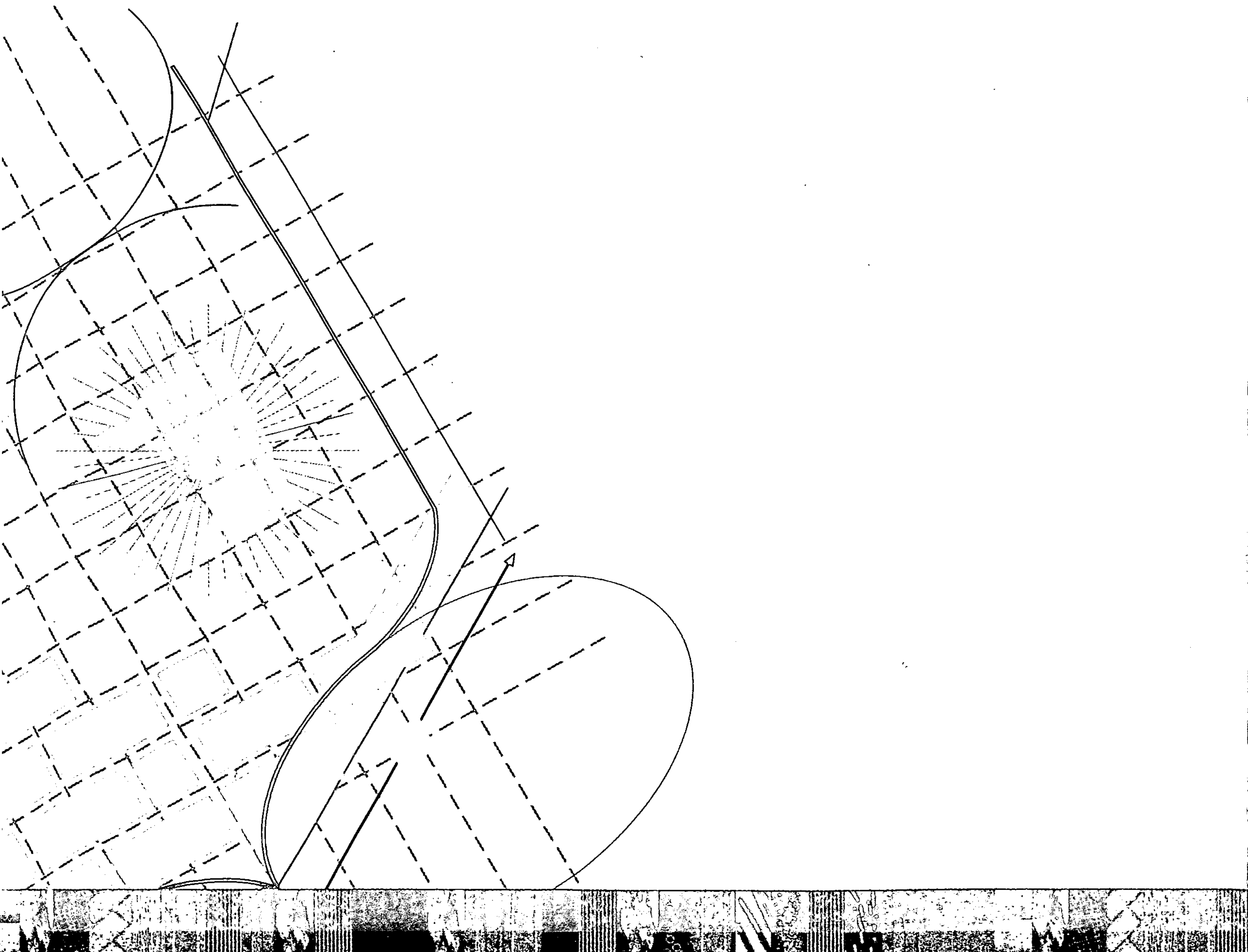
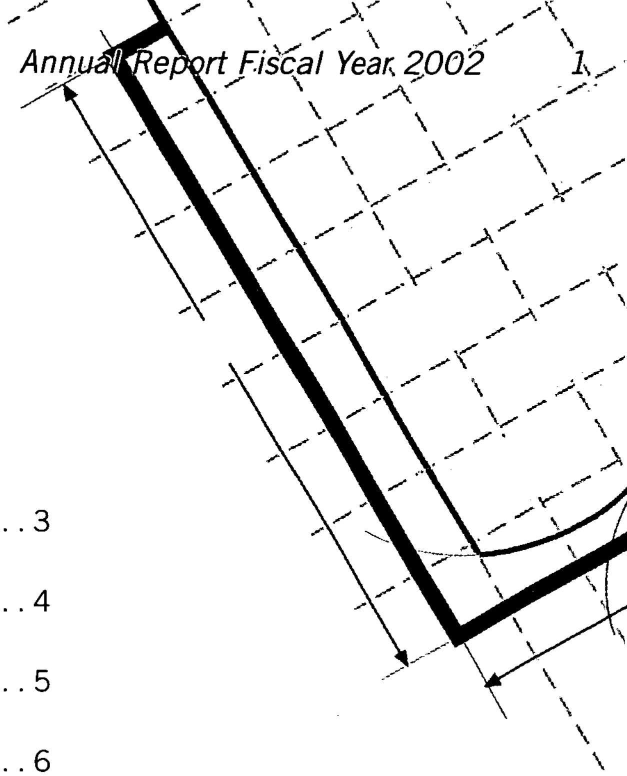
# Minnesota Higher Education Facilities Authority



Fiscal Year 2002 Annual Report





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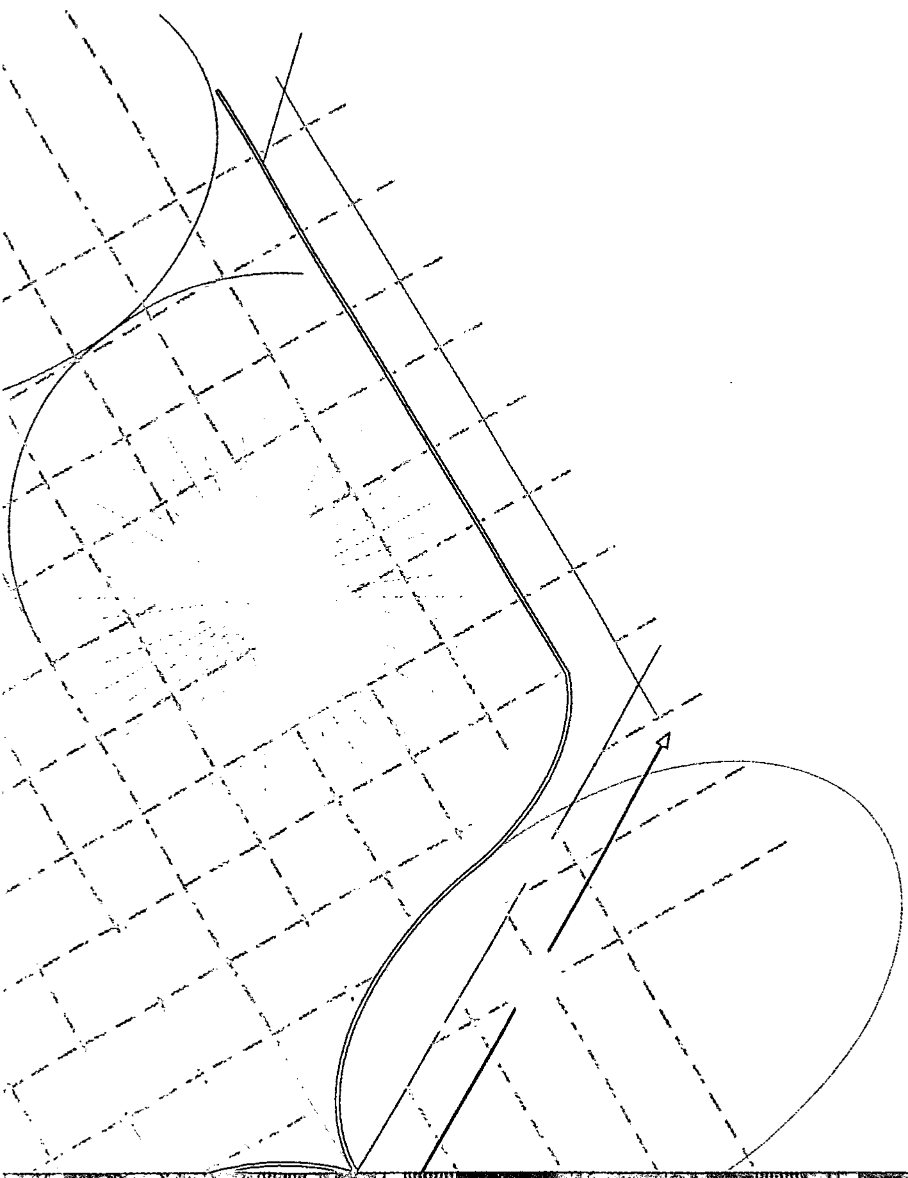

## Mission of the Authority

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.

## MHEFA Board Members

Gary D. Benson, MHEFA Vice Chair
Vice President, Kraus-Anderson
Construction Company, Midwest Division
New Brighton
Term Expires January 2003

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Researcher and Consultant
New Brighton
Term Expires January 2003

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Manager, Norwest Bank Minnesota, N.A.
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Council

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Associate Vice Chancellor for Academic Programs, MN
State Colleges and Universities
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Audit Manager,
MN Higher Education Services Office

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St. Louis Park
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Chief Financial and Administrative Officer,
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Circle Pines
Term Expires January 2006

David D. Rowland
Vice President,
The St. Paul Companies
Edina
Term Expires January 2005

Mollie N. Thibodeau
CFRE, Fund Raising Consultant
Duluth
Term Expires January 2004

## MHEFA Staff

Marianne T. Remedios, Executive Director
Elaine J. Yungerberg, Assistant Executive Director
Jessica L. Nye, Administrative Assistant

## Financial Advisors

Springsted Incorporated, St. Paul

## Independent Auditors

Kern, DeWenter, Viere, Ltd., Minneapolis

## Letter from the Chair

*Greetings:*

We are pleased to present the Annual Report of the Minnesota Higher Education Facilities Authority for the year ended June 30, 2002, including the financial statements for the year as audited by Kern, DeWenter, Viere, Ltd. This report includes information about the services provided by the Authority to nonprofit institutions of higher education in the State of Minnesota. The primary service is to provide financing for capital projects of those colleges and universities through tax-exempt debt issued by the Authority. A critical benefit associated with that service is the monetary savings that are realized by those institutions as a result of the lower interest rates available through the Authority's tax-exempt financing.

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.

In fiscal year 2002, the Authority completed three financings for three institutions. The total principal amount of $42,405,000 represents continuing stable activity. Taking into account regularly scheduled repayments and the refunding of certain prior Authority bonds to take advantage of lower interest rates, the total principal outstanding for Authority-issued debt grew to $489,008,866 as of the end of the fiscal year. The current limit on outstanding debt of $650 million granted by the State Legislature during the 2000 session is expected to be sufficient to carry the Authority through fiscal year 2003.

During the fiscal year, Governor Ventura reappointed Christopher A. Nelson and Jack Amundson. Mr. Amundson resigned in May, 2002 and a vacancy was created through the end of the fiscal year. We take this opportunity to thank Mr. Amundson for over 16 years of service as a member and officer of the Authority.

With three financings already completed in fiscal year 2003 and several others under discussion, it seems clear that the Authority continues to be an important source of financing to Minnesota's nonprofit colleges and universities. At the same time, we are confident that the combined efforts of the Authority members, staff and advisors will enable us to continue to provide requested services in an efficient and cost-effective manner.

Respectfully Submitted,

*Christopher A. Nelson*
Chair

# The Year in Review

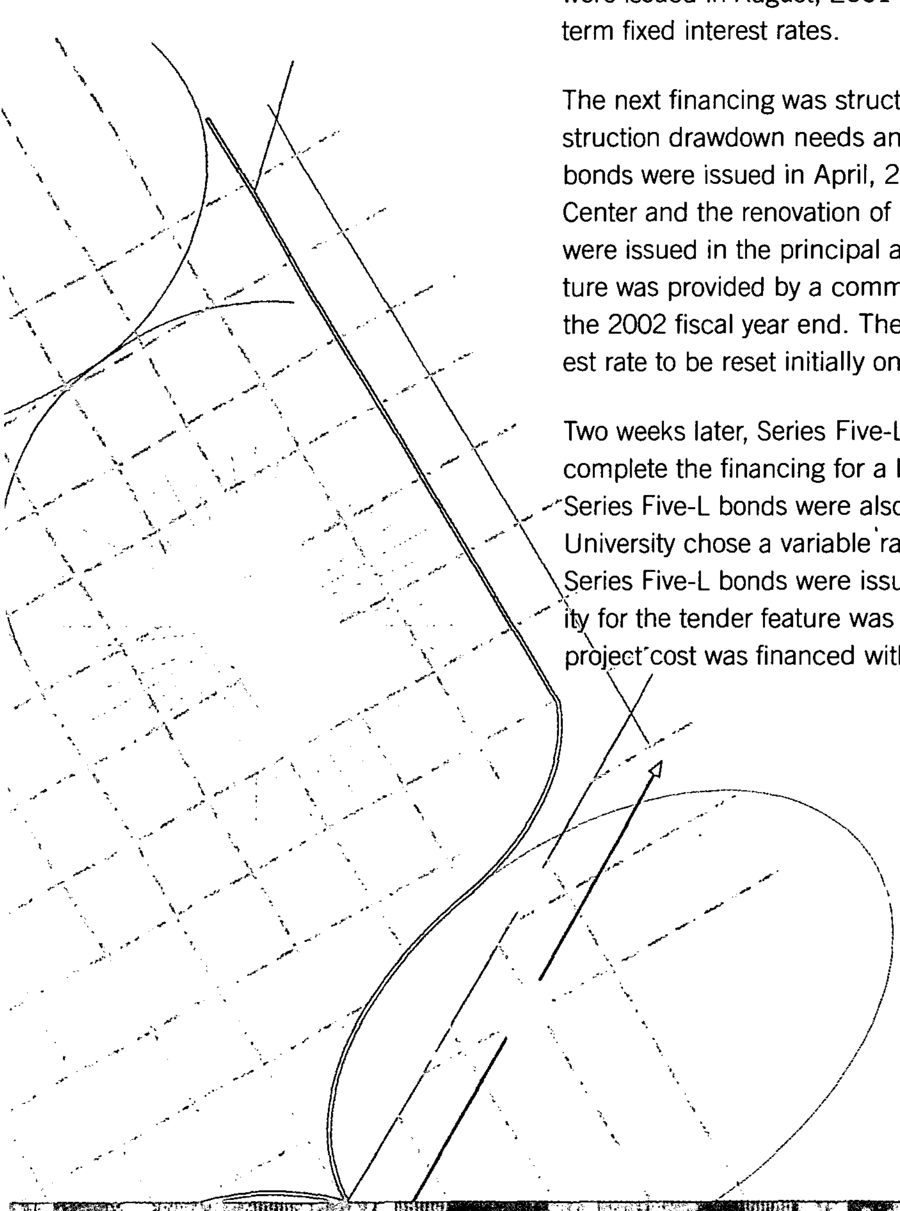
The volume for the past fiscal year reflects a moderate demand for capital among Minnesota private colleges and universities. The total principal amount issued in fiscal year 2002 was $42,405,000. That total belies the brisk pace of bond financings during the calendar year. During the past nine months, the Authority issued over $100,000,000 in bonds. The debt has been incurred mainly to implement long-term capital plans rather than to take advantage of continued low interest rates. Only 9% of the total principal was applied to refunding Authority bonds. A brief summary of the Authority's activity in the past fiscal year follows.

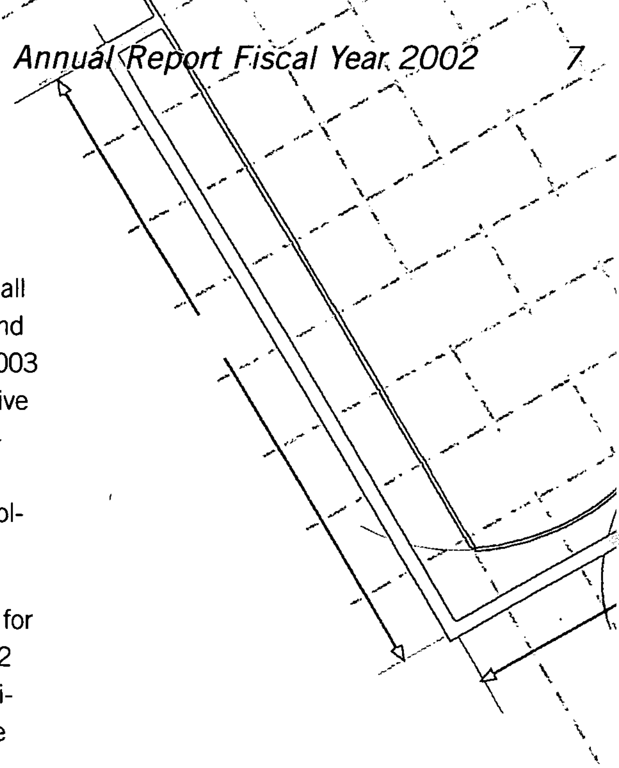
## New Financings

The Minneapolis College of Art and Design had an unexpected opportunity to increase its student housing with the acquisition of two apartment buildings on the perimeter of its campus. The Series Five-K bonds were used to finance the acquisition and renovation of the apartment buildings, the renovation of Morrison Memorial Building and Library and the creation of additional parking. The Series Five-K bonds were issued in August, 2001 in the principal amount of $4,355,000 and bear long term fixed interest rates.

The next financing was structured for St. Olaf College as two series to address construction drawdown needs and tax law restrictions on refinancings. Series Five-M1 bonds were issued in April, 2002 and used to finance the new Tostrud Recreation Center and the renovation of Skoglund Athletic Center. The Series Five-M1 bonds were issued in the principal amount of $12,205,000 and liquidity for the tender feature was provided by a commercial bank. Series Five-M2 bonds were issued after the 2002 fiscal year end. The College chose a variable rate structure with the interest rate to be reset initially on a daily basis for both series.

Two weeks later, Series Five-L bonds were issued for the University of St. Thomas to complete the financing for a law school building at its Minneapolis campus. The Series Five-L bonds were also used to refund certain Authority bonds. The University chose a variable rate structure with the interest rate reset weekly. The Series Five-L bonds were issued in the principal amount of $25,845,000 and liquidity for the tender feature was provided by a commercial bank. Only two-thirds of the project cost was financed with the balance funded with private gifts.





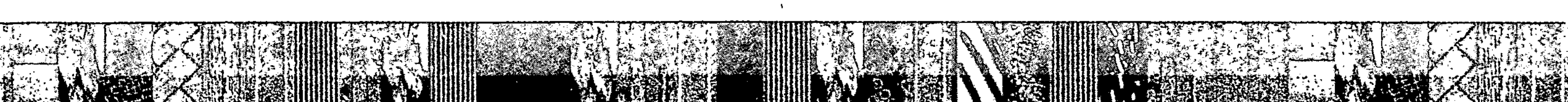
## Other Developments

The Authority was pleased to be able to reduce its annual administrative fees to all borrowers in fiscal year 2002 by 50%. The growing size of recent bond issues and a tight rein on expenses have made it possible to reduce all fees in fiscal year 2003 by a record 60%. Starting in fiscal year 1997, the Authority's annual administrative fees have been reduced across the board, while maintaining essentially a break-even operating budget. Although future reductions cannot be guaranteed, the Authority is committed to providing financing services at affordable fees to the colleges and universities.

Beginning with fiscal year 1996, the Authority has acted as dissemination agent for SEC reporting on behalf of those institutions that are subject to SEC rule 15c2-12 (most public issues after June 30, 1995). There are now fifteen colleges and universities that are subject to the reporting and the number continues to grow. The service is offered as a convenience to the institutions at no additional charge.

The annual debt financing conference was held at the Sheraton Four Points Hotel in April, 2002. The conference was again coordinated with a similar conference for business officers sponsored by the Minnesota Private College Council. The attendees were able to take advantage of convenient access to both sessions in one location. The annual debt conference provides a chance for Authority clients, members and finance professionals to share information on higher education capital financings. This year, the conference focused on the interplay between tax-exempt bonds and private gifts as sources of funds for capital projects and repayment of debt.

The Authority continues to review its policies and procedures in an ongoing attempt to most effectively provide financing assistance to Minnesota's nonprofit colleges and universities. It is through the concerted efforts of the borrowers, the Authority's advisors, staff and members, as well as public finance professionals, that tax exempt financing continues to be a vital tool for higher education. The Authority will work with all these groups to continue providing affordable financing to the private colleges and universities and, ultimately to their students.



# Colleges and Universities with Bond Issues Outstanding:

**AUGSBURG COLLEGE** is a private, four-year, liberal arts college located in Minneapolis, Minnesota 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 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 the new 75,000 square foot James G. Lindell Family Library. In addition, a portion of the proceeds of the bond issue financed the acquisition and installation of various types of energy management equipment and funded the refinancing of two previous Authority bond issues, Series Two-Z and Series Three-P.

- Series Four-W issued September 1998 in the amount of $450,000. The proceeds of these Revenue Notes were used for acquisition and remodeling of a house, which will serve as the President's residence and as a reception center for the College.

- Series Four-Y issued January 1999 in the amount of $15,840,000. The proceeds of this bond issue were used to refinance the Series Three-G bond issue and to finance the construction and equipping of a 145-bed, apartment-style student residence hall of approximately 66,000 square feet that includes underground parking for 60 cars.

**BETHEL COLLEGE** is a four-year, Christian liberal arts college offering Bachelor's degrees in 57 majors and Master's degrees in 11 areas of study. Bethel's wooded, lakeside campus is located just minutes from downtown St. Paul and Minneapolis, Minnesota in suburban Arden Hills, Minnesota.

- Series Four-S issued June 1998 in the amount of $22,865,000. The proceeds of these adjustable demand revenue bonds were used for the following: construction of a new residence hall; addition to the Fine Arts Center, composed of classrooms, offices and the expansion of chemistry laboratories; remodeling of spaces in various campus buildings; upgrade of campus wiring network and electronics infrastructure; construction of a baseball field; and parking expansion and improvements.

**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, and 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 new construction, remodeling and equipment acquisition projects, including appurtenant site improvements and a new telecommunications system.

- 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 were used to construct and furnish a recreation center and a student dining hall, install a chiller and related piping, and install an administrative and bookstore computer system. Also, portions of the proceeds were used to finance the renovation of Mudd Hall, Goodhue Dining Hall, and Evans Hall.

- Series Five-G issued June 2000 in the amount of $23,000,000. The proceeds of this bond issue together with additional funds of the College were used for three projects. The first project consisted of the construction and furnishing of a 63,000 square foot academic and dining facility. The second project was the construction of 24 apartment-style housing units, which have the capacity to house 100 students. The third project involved improvements of bridges, walkways, plantings and lighting on and near Lyman Lakes on the College campus.

**COLLEGE OF ST. 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 St. John's University for men allowing student access to the faculties and facilities of both campuses.

- Series Three-W issued March 1994 in the amount of $17,475,000. Portions 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. In 1998, a portion of this bond issue was refinanced with the proceeds of Bond Series Four-T.

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

- Series Four-T issued July 1998 in the amount of $25,430,000. The proceeds of this issue were used for several projects: renovation of Mary Hall Commons; construction of a centralized chiller plant; various renovations to existing campus buildings including the Loft Building; expansion of East Apartments; the addition of air conditioning to the first and second floors of Gertrude Hall; and the relocation of the inter-campus bus stop, including road reconstruction and the construction of a warming house. In addition, a portion of the bond proceeds was used to refund a portion of the Series Three-W Bonds.

**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, Minnesota and one in Minneapolis, Minnesota. Although the combined resources of the two campuses allow for the development of cooperative programs, each campus maintains its institutional integrity.

- Series Three-M1 and 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 four-year residential institution located in Duluth, Minnesota. The College was founded in 1912, and offers programs in the liberal arts and sciences and professional career fields.

- 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.

- Series Five-J issued May 2001 in the amount of $5,960,000. The proceeds of this issue were used to refinance two existing Authority issues, Series Two-T and Series Three-E bonds.

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

- 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 on the corner of Western and Selby Avenues in 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 a residential section of Moorhead, Minnesota.

- 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 including connecting it to the central heating and cooling system of the College.

**CONCORDIA UNIVERSITY, ST. PAUL** is a liberal arts university. The University was founded in 1893 and is affiliated with The Lutheran Church - Missouri Synod. The College's campus is located in an active St. Paul, Minnesota neighborhood, a short distance from both downtown St. Paul and Minneapolis, Minnesota.

- Five-A issued April 1999 in the amount of $1,440,000. The proceeds of this tax-exempt, off-balance sheet lease were used for an energy retrofit project including lighting upgrades, variable frequency drives, a new chiller, variable air volume system and steam system upgrades.

**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 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 Two-N, Series Two-V, and Series Three-B bond issues.

- Series Four-V issued July 1998 in the amount of $4,602,000. The proceeds of this off-balance sheet financing lease were used to fund an energy-related equipment retrofit to generate energy and operational savings, plus adding cooling capacity to certain campus buildings.

- Series Four-X issued November 1998 in the amount of $11,695,000. The proceeds of this issue, in addition to capital gifts received by the College, were used to finance two projects. The first project was a major expansion of the existing dining service building to create a new Campus Center, and the second project was an apartment-style student housing facility with capacity for approximately 95 students.

**HAMLINE UNIVERSITY,** located in St. Paul, Minnesota, was founded in 1854 and is affiliated with the United Methodist Church. The University is composed of an undergraduate College of Liberal Arts, 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. Portions 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 proceeds also were used to partially finance the construction of the field house, site acquisition and construction of campus parking and renovation of computer offices and equipment rooms. In addition, this bond issue 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.

- Series Five-B issued September 1999 in the amount of $7,750,000. Proceeds of this issue were used to construct and furnish an apartment-style student residence building to house approximately 150 students in 59 units. The project included underground and surface parking spaces.

**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-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 for the renovation of Rice and Olin Halls, and the construction of 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.

- Series Four-U1 in the amount of $7,145,000 and Series Four-U2 in the amount of $15,200,000 issued July 1998. The proceeds of Series Four-U1 were used together with additional funds of the College to finance the construction of an approximately 68,000 square foot Campus Center to replace the Student Union Building. Proceeds of Series Four-U2 were used to defease the Series Three-J Bonds.

**MINNEAPOLIS COLLEGE OF ART AND DESIGN** was established in 1886 and is a private, fully accredited, four-year college located just south of downtown Minneapolis, Minnesota. The curriculum is structured with studio emphasis and a liberal arts core.

- 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 space and other academic purposes.

- Series Five-D issued June 2000 in the amount of $7,920,000. The proceeds of this bond issue were used for two projects. The first project is the addition to the College's Main building consisting of additional studio space, an expanded food service operation, an enlarged commons area and other structural improvements. The second project is the refurbishing, remodeling and equipping of seven existing student apartment buildings owned by the College.

- Series Five-K issued August 2001 in the amount of $4,355,000. The proceeds of the bond issue were used for the purpose of acquiring, refurbishing and equipping of two apartment buildings for student housing. A smaller portion of the issue was used to demolish an existing residence, construct a parking lot and complete improvements to the Julia Morrison Memorial Building and the library.

**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 Four-Z issued January 1999 in the amount of $5,875,000. A portion of the bond proceeds were used to refund Series Two-X, with remaining proceeds being used to finance the following: construction and furnishing of the DeRusha Center for Clinical Education; remodeling classrooms, faculty offices, and meeting rooms; construction of a new maintenance shop and central storage area; improvement of lighting; fire protection; and central air handling systems on the College's main campus.

**ST. 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, St. John's is located in Collegeville, Minnesota, and is operated by Benedictine monastic men of St. John's Abbey.

- Series Four-L issued July 1997 in the amount of $29,850,000. The proceeds of this issue were used for a variety of projects including: the construction of a new field house and the renovation of the University's stadium and gymnasium; construction of three new housing units to provide housing for 36 students and renovation of Benet residence hall; renovation of Luke and Wimmer Hall for additional office space; infrastructure improvements and roofing replacements. In addition, a portion of the proceeds was used to finance the current refunding of Series Two-W and the advance refunding of Series Three-H bond issues.

- Series Five-I issued February 2001 in the amount of $14,270,000. The proceeds of this issue were used to finance several projects including: construction of two new student housing facilities; renovation of the Main Quadrangle; improvements to Sexton Commons and St. Mary's Hall; and reroofing of the Great Hall.

**SAINT MARY'S UNIVERSITY OF MINNESOTA**, is a four-year residential liberal arts institution. It was founded in 1912 and is administered by the De La Salle 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 was 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.

- Series Five-E issued June 2000 in the amount of $5,020,000. The proceeds of this issue will be used in the construction and equipping of a 41,000 square foot apartment-style student residence building on the University's Winona campus. This residence facility will have the capacity to house 100 students in 50 units.

- Series Five-F issued March 2000 in the amount of $1,037,118. This equipment lease financing was completed for the acquisition and installation of a standby electric generation system.

**ST. OLAF COLLEGE** is a four-year residential liberal arts institution 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 Four-R issued May 1998 in the amount of $15,000,000. The proceeds were used for the following: certain costs related to the construction of Buntrock Commons Building; an electrical generator; academic and administrative computers; payroll system hardware and software; classroom renovation; and residence hall furniture.

- Series Five-H issued October 2000 in the amount of $14,475,000. The proceeds of these variable rate demand bonds were used to finance several renovation projects on the College's campus, the main project being the renovation of the St. Olaf Center to house Art and Dance Departments. Other projects included replacement of residence hall furniture and athletic bleachers, and renovation of the Administration Building.

- Series Five-M1 issued April 2002 in the amount of $12,205,000. The proceeds will finance the construction of the Tostrud Recreation Center and finance the partial renovation of Skoglund Athletic Center.

**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, Minnesota and the center for graduate studies of the University is located in downtown Minneapolis, Minnesota.

- 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 the following 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. Not included in the refunding are two term bonds due September 1, 2015 and September 1, 2016, which were subsequently refinanced by Series Five-L.

- Series Four-A1 issued March 1996 in the amount of $11,645,000. The proceeds of this issue 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.

- Series Four-M issued July 1997 in the amount of $21,680,000. The proceeds of this bond issue were used together with proceeds of the Series Four-O bond issue and University funds to finance the construction and furnishing of a residence hall to accommodate approximately 345 students. This project included the construction of a parking ramp under the residence hall and surface parking adjacent to the hall for an additional parking capacity of 400 cars. Also financed by this bond issue was a commons building connecting Brady and Dowling Halls. This new building contains office space and recreational facilities.

- Series Four-O issued September 1997 in the amount of $10,800,000. The proceeds of this bond issue were used together with proceeds of the Series Four-M bond issue and University funds to finance the construction and furnishing of the residence hall and parking ramp as described in Series Four-M. A portion of the proceeds, together with University funds, was used to finance the current refunding of the Variable Rate Demand Revenue Bonds, Series Four-A2.

- Series Four-P issued December 1997 in the amount of $15,435,000. The proceeds were used to finance the acquisition, construction and equipping of Opus Hall, an approximately 98,200 square foot facility to be used for a library, offices, and classrooms. Included in the project was a skyway connection to the University's existing facility on its Minneapolis campus.

- Series Five-C issued October 1999 in the amount of $10,000,000. Proceeds of this bond issue were used for the renovation of Albertus Magnus Hall on the St. Paul campus. This former science building was converted to an office and classroom facility for the liberal arts and humanities departments.

- Series Five-L issued April 2002 in the amount of $25,845,000. The proceeds of the bonds along with University funds will be used to finance the construction and furnishing of the building that will house the University's Law School on the University's Minneapolis campus. A portion of the proceeds also went to refund the outstanding portion of the Series Three-C bonds.

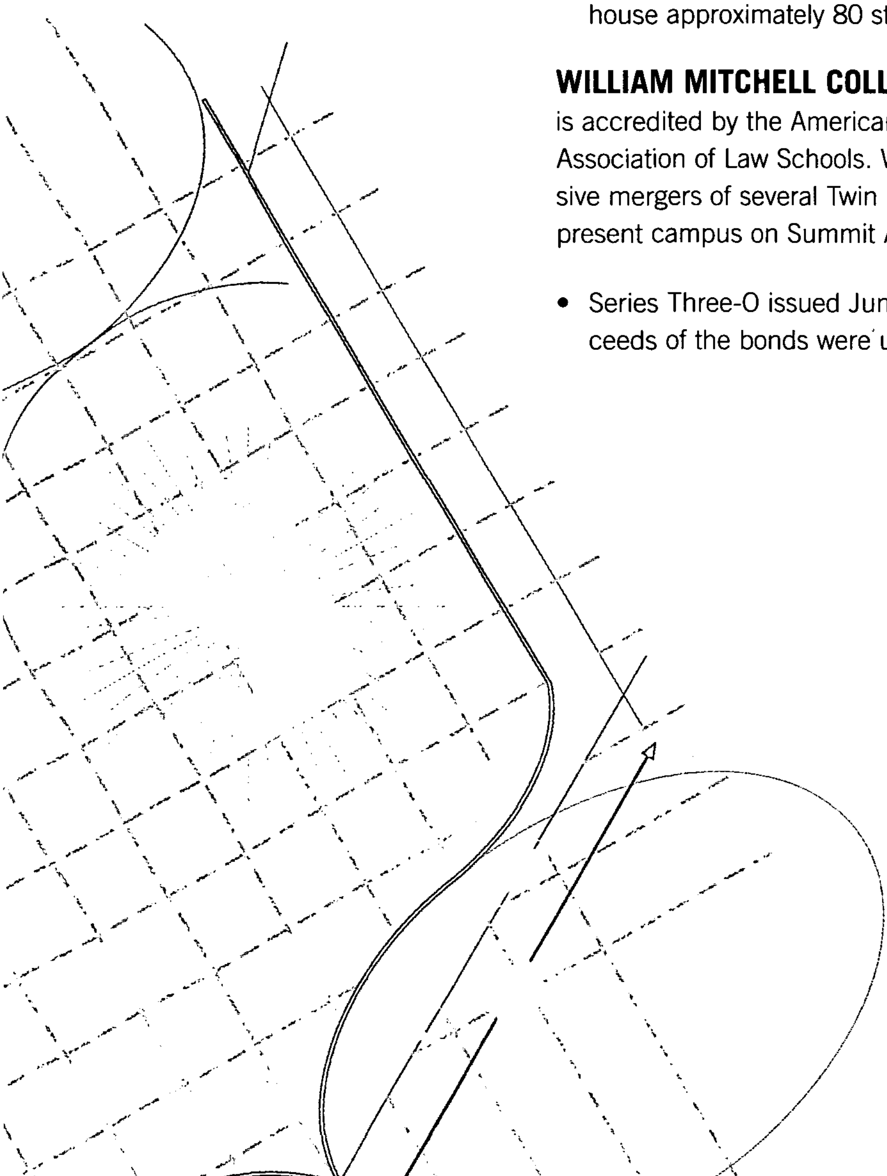
**VERMILION COMMUNITY COLLEGE** located in Ely, Minnesota, was established in 1922 as Ely Junior College and became a part of the Minnesota statewide system of public community colleges in 1964. The College offers one- and two-year degrees in several programs and emphasizes career training in natural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

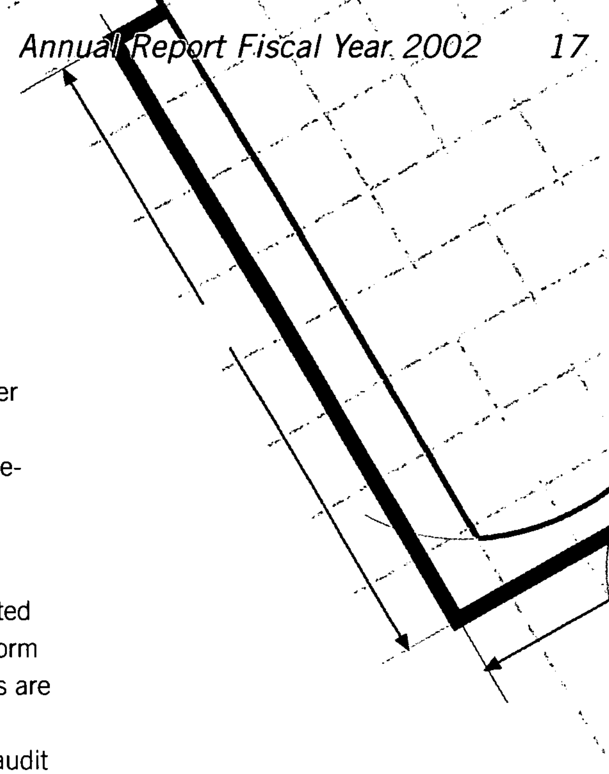
- Series Two-P issued November 1987 in the amount of $1,300,000. The proceeds were used to construct and furnish a residence hall on the College campus. The residence hall accommodates approximately 144 students.

- 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, Minnesota.

- Series Three-O issued June 1993 in the amount of $2,000,000. The net proceeds of the bonds were used to refinance the Series Two-R bonds.





# Independent Auditor's Report

August 28, 2002

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

We have audited the accompanying financial statements of the Minnesota Higher Education Facilities Authority as of and for the years ended June 30, 2002 and 2001. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2002 and 2001 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, 2002 and 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Kern, DeWenter, Viere, Ltd

Kern, DeWenter, Viere, Ltd.
Minneapolis, Minnesota

# Minnesota Higher Education Facilities Authority Balance Sheet

*June 30, 2002 and 2001*

**ASSETS**

Cash and cash equivalents
Investments, at fair value
Accrued interest receivable
Financing agreements:
Annual fees receivable
Rentals receivable, financing leases
Loans receivable
Reserve deposits to General Bond Reserve
Furniture and equipment (less accumulated depreciation of $60,686 in 2002 and $60,583 in 2001)
Other

Total assets

**LIABILITIES AND RETAINED EARNINGS**

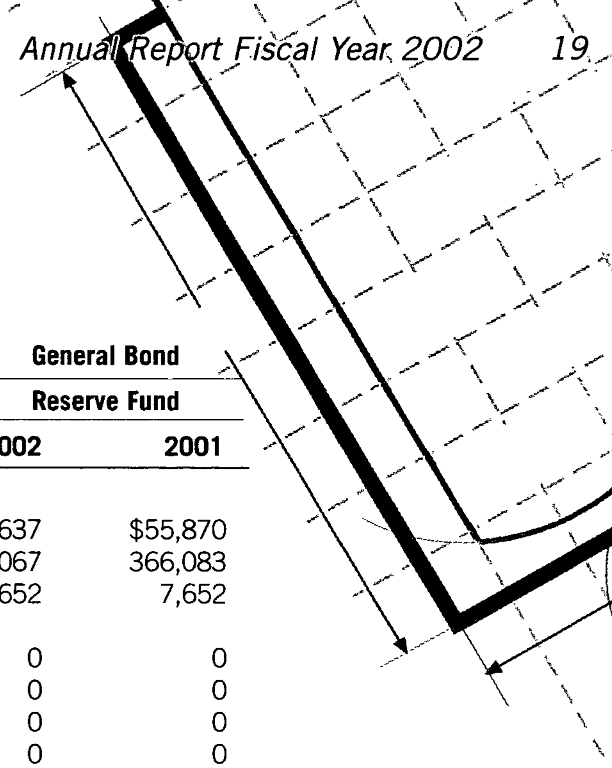
Liabilities:
Accounts payable and other accrued liabilities
Unearned administrative fee income
Revenue bonds and other debt obligations (less unamortized discount of $4,672,417 in 2002 and $4,857,192 in 2001)
Accrued interest payable
Reserve deposits from restricted assets of General Operating Fund

Total liabilities

Retained earnings:
Unreserved
Reserved

Total liabilities and retained earnings

The notes to the financial statements are an integral part of this statement.



| General Operating Fund | | | | General Bond Reserve Fund | |
|---|---|---|---|---|---|
| Unrestricted | | Restricted | | | |
| 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |
| $253,157 | $19,167 | $11,857,153 | $7,482,487 | $77,637 | $55,870 |
| 1,924,666 | 2,070,901 | 42,971,540 | 38,854,092 | 365,067 | 366,083 |
| 32,122 | 26,390 | 377,404 | 570,876 | 7,652 | 7,652 |
| 25,615 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 5,215,966 | 5,637,665 | 0 | 0 |
| 0 | 0 | 428,614,890 | 412,648,806 | 0 | 0 |
| 0 | 0 | 61,744 | 61,744 | 0 | 0 |
| 10,948 | 11,325 | 0 | 0 | 0 | 0 |
| 1,999 | 26,466 | 0 | 0 | 0 | 0 |
| $2,248,507 | $2,154,249 | $489,098,697 | $465,255,670 | $450,356 | $429,605 |
| $41,749 | $51,364 | $0 | $0 | $0 | $0 |
| 0 | 30,040 | 0 | 0 | 0 | 0 |
| 0 | 0 | 484,336,449 | 460,085,366 | 0 | 0 |
| 0 | 0 | 4,762,248 | 5,170,304 | 0 | 0 |
| 0 | 0 | 0 | 0 | 61,744 | 61,744 |
| 41,749 | 81,404 | 489,098,697 | 465,255,670 | 61,744 | 61,744 |
| 2,206,758 | 2,072,845 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 388,612 | 367,861 |
| $2,248,507 | $2,154,249 | $489,098,697 | $465,255,670 | $450,356 | $429,605 |

# Minnesota Higher Education Facilities Authority Statement of Revenues, Expenses and Changes in Retained Earnings

*For the years ended June 30, 2002 and 2001*

| |
|---|
| Operating revenues: |
| Annual administrative fees |
| Other income |
| Revenues from institutions to finance interest expense |
| Total operating revenues |
| Operating expenses: |
| Payroll, payroll taxes and employee benefits |
| Rent expense |
| Legal, audit and consulting expense |
| Depreciation expense |
| Other general and administrative expenses |
| Total operating expenses |
| Operating income (loss) |
| Nonoperating revenues (expenses): |
| Interest revenue |
| Net increase (decrease) in the fair value of investments |
| Interest expense and bond discount amortization |
| Total nonoperating revenues (expenses) |
| Net income |
| Retained earnings at beginning of year |
| Retained earnings at end of year |

The notes to the financial statements are an integral part of this statement.

| General Operating Fund | | | | General Bond Reserve Fund | |
|---|---|---|---|---|---|
| Unrestricted | | Restricted | | | |
| 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |
| $310,323 | $295,969 | $0 | $0 | $0 | $0 |
| 3,000 | 3,050 | 0 | 0 | 0 | 0 |
| 0 | 0 | 19,790,795 | 19,710,782 | 0 | 0 |
| 313,323 | 299,019 | 19,790,795 | 19,710,782 | 0 | 0 |
| 217,178 | 226,207 | 0 | 0 | 0 | 0 |
| 40,224 | 40,224 | 0 | 0 | 0 | 0 |
| 32,541 | 29,217 | 0 | 0 | 0 | 0 |
| 3,377 | 3,664 | 0 | 0 | 0 | 0 |
| 36,720 | 45,205 | 0 | 0 | 0 | 0 |
| 330,040 | 344,517 | 0 | 0 | 0 | 0 |
| (16,717) | (45,498) | 19,790,795 | 19,710,782 | 0 | 0 |
| 109,516 | 116,090 | 1,950,766 | 3,891,953 | 21,767 | 22,874 |
| 41,114 | 54,580 | 311,394 | 197,468 | (1,016) | 24,951 |
| 0 | 0 | (22,052,955) | (23,800,203) | 0 | 0 |
| 150,630 | 170,670 | (19,790,795) | (19,710,782) | 20,751 | 47,825 |
| 133,913 | 125,172 | 0 | 0 | 20,751 | 47,825 |
| 2,072,845 | 1,947,673 | 0 | 0 | 367,861 | 320,036 |
| $2,206,758 | $2,072,845 | $0 | $0 | $388,612 | $367,861 |

# Minnesota Higher Education Facilities Authority
# Statement of Cash Flows

*(Decrease) Increase in Cash and Cash Equivalents*
*for the years ended June 30, 2002 and 2001*

Cash flows from operating activities:
- Operating income (loss)
- Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:
  - Depreciation
  - Changes in assets and liabilities:
    - Administrative fees receivable
    - Financing agreements receivable
    - Other assets
    - Accounts payable and other accrued liabilities
    - Unearned administrative fee income

Net cash provided by (used in) operating activities

Cash flows from capital and related financing activities:
- Purchases of furniture and equipment
- Proceeds from revenue bonds and other debt issues
- Repayment of revenue bonds and other debt principal
- Interest payments

Net cash provided by (used in) capital and related financing activities

Cash flows from investing activities:
- Proceeds from sales and maturities of investments
- Purchase of investments
- Interest received

Net cash provided by (used in) investing activities

Net increase (decrease) in cash and cash equivalents

Cash and cash equivalents at beginning of year

Cash and cash equivalents at end of year

Summary of noncash transactions:
- Amortization of bond discount
- Change in fair value of investments

The notes to the financial statements are an integral part of this statement.

| General Operating Fund | | | | General Bond | |
|---|---|---|---|---|---|
| Unrestricted | | Restricted | | Reserve Fund | |
| 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |
| $(16,717) | $(45,498) | $19,790,795 | $19,710,782 | $0 | $0 |
| 3,377 | 3,664 | 0 | 0 | 0 | 0 |
| (25,615) | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | (15,544,385) | (42,721,030) | 0 | 0 |
| 24,467 | (25,485) | 0 | 0 | 0 | 0 |
| (41,179) | 9,918 | 0 | 0 | 0 | 0 |
| 1,524 | 30,040 | 0 | 0 | 0 | 0 |
| (54,143) | (27,361) | 4,246,410 | (23,010,248) | 0 | 0 |
| (3,000) | (454) | 0 | 0 | 0 | 0 |
| 0 | 0 | 42,146,115 | 34,435,598 | 0 | 0 |
| 0 | 0 | (18,338,692) | (22,271,104) | 0 | 0 |
| 0 | 0 | (22,017,347) | (23,065,682) | 0 | 0 |
| (3,000) | (454) | 1,790,076 | (10,901,188) | 0 | 0 |
| 1,105,000 | 946,544 | 47,864,989 | 87,538,583 | 0 | 0 |
| (917,651) | (1,258,252) | (51,671,047) | (72,608,581) | 0 | 0 |
| 103,784 | 102,277 | 2,144,238 | 4,024,921 | 21,767 | 22,874 |
| 291,133 | (209,431) | (1,661,820) | 18,954,923 | 21,767 | 22,874 |
| 233,990 | (237,246) | 4,374,666 | (14,956,513) | 21,767 | 22,874 |
| 19,167 | 256,413 | 7,482,487 | 22,439,000 | 55,870 | 32,996 |
| $253,157 | $19,167 | $11,857,153 | $7,482,487 | 77,637 | $55,870 |
| $0 | $0 | $443,569 | $470,839 | $0 | $0 |
| 41,114 | 62,124 | 311,390 | (18,399) | (1,016) | 24,951 |

# 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. In fiscal year 2000, the Authority was authorized to have a maximum of $650 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 to 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 the 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 years ended June 30, 2002 and 2001, the Authority required participating institutions to pay 50% of the contractual administrative fees. In May 2002, the Authority determined that participating institutions would be required to pay 40% of the contractual administrative fees during the year ending June 30, 2003.

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.

## General Operating Fund (Continued)

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

Pursuant to bond requirements, a specified portion of the proceeds from certain issuances of Authority bonds was 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 retained earnings. 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. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

## Investments

Investments are stated at fair value. Changes in fair value are recorded as unrealized gains and losses in the period of the change. Realized gains and losses on sales of investments are determined using the specific identification method. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as an increase (decrease) in the fair value of investments reported in the prior year(s) and the current year.

## Bond Discounts

Discounts on bond obligations 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 certain leases 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, 2002 and 2001, 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

Cash equivalents and investments totaling $57,449,220 at June 30, 2002, are concentrated in two financial institutions. Investments consist of U.S. Government securities, 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.

Subject to applicable law, 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. Time deposits are allowed, provided they are fully insured by the Federal Deposit Insurance Corporation. 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 270 days or less and rated within the top two categories without gradation by either Standard & Poor's or Moody's. Investments are held by independent trustees in the Authority's name (GASB No. 3 Credit Risk Category 1).

At June 30, 2002 and 2001, investments recorded by the Authority consisted primarily of U.S. Government and agencies securities.

## 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. Commencing with Series GG, all agreements are recorded as loans receivable, except for Series 4K, Series 4V, Series 5A and Series 5F, which are financing leases.

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. Assets held in trust consist primarily of bond proceeds used to fund debt service reserves and construction accounts.

At June 30, 2002, 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 |
|---|---|---|---|
| 2003 | 17,510,880 | 21,754,666 | 39,265,546 |
| 2004 | 17,375,698 | 20,940,735 | 38,316,433 |
| 2005 | 15,880,888 | 20,164,856 | 36,045,744 |
| 2006 | 16,616,325 | 19,392,725 | 36,009,050 |
| 2007 | 18,239,903 | 18,559,456 | 36,799,359 |
| 2008-2012 | 91,941,129 | 79,187,579 | 171,128,708 |
| 2013-2017 | 117,194,043 | 51,600,836 | 168,794,879 |
| 2018-2022 | 82,580,000 | 29,188,062 | 111,768,062 |
| 2023-2032 | 47,650,000 | 13,565,719 | 61,215,719 |
| 2028-2032 | 51,815,000 | 3,745,647 | 55,560,647 |
| 2033-2037 | 12,205,000 | 95,351 | 12,300,351 |
| | **$ 489,008,866** | **$ 278,195,632** | **$ 767,204,498** |

# 5. Revenue Bonds and Other Debt Obligations

Revenue bonds payable at June 30, 2002 consist of the following serial and term bonds (the Series 3-S, Series 3-X, Series 3-Y, and Series 4-W obligations are payable pursuant to promissory notes, and the Series 4-K, Series 4-V, Series 5-A, and Series 5-F are payable pursuant to financing lease agreements):"

| Original Principal Amount | | Interest Rates |
|---|---|---|
| $2,200,000 | Series A (Augsburg College) | 4.0% to 5.6% |
| 2,385,000 | Series T (Carleton College) | 5.625% |
| 1,300,000 | Series 2-P (Vermilion Community College) | 6.75% to 9.0% |
| 10,200,000 | Series 3-I (University of St. Thomas) | 5.4% to 6.2% |
| 24,300,000 | Series 3-L (Carleton College) | 2.6% to 5.5% |
| 9,205,000 | Series 3-M (College of St. Catherine) | 2.8% to 6.0% |
| 3,695,000 | Series 3-N (College of St. Scholastica) | 3.25% to 6.2% |
| 2,000,000 | Series 3-O (William Mitchell College of Law) | Variable |
| 12,535,000 | Series 3-Q (St. Mary's University) | 3.25% to 6.15% |
| 46,000,000 | Series 3-R (University of St. Thomas) | 2.5% to 5.6% |
| 225,000 | Series 3-S (Minneapolis College of Art/Design) | 6.18% |
| 950,000 | Series 3-T (Vermilion Community College) | 6.0% |
| 6,420,000 | Series 3-U (Concordia College) | 3.0% to 4.9% |
| 17,475,000 | Series 3-W (College of St. Benedict) | 3.6% to 6.375% |
| 350,000 | Series 3-X (College of Associated Arts) | 6.35% |
| 1,612,000 | Series 3-Y (Minneapolis College of Art/Design) | 6.33% |
| 6,660,000 | Series 3-Z (Macalester College) | Variable |
| 11,645,000 | Series 4-A1 (University of St. Thomas) | 3.90% to 5.625% |
| 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% |
| 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% |
| 29,850,000 | Series 4-L (St. John's University) | 3.90% to 5.50% |
| 21,680,000 | Series 4-M (University of St. Thomas) | 4.20% to 5.375% |
| 24,440,000 | Series 4-N (Carleton College) | 5.00% to 6.00% |

| Maturity Dates | Principal Outstanding | Unamortized Discount | Principal Less Unamortized Discount |
|---|---|---|---|
| Dec. 1, 1975 to Dec. 1, 2012 | $1,305,000 | $(4,113) | $1,300,887 |
| Mar. 1, 2007 | 1,665,000 | | 1,665,000 |
| Jan. 1, 1990 to Jan. 1, 2007 | 620,000 | (3,595) | 616,405 |
| Oct. 1, 1993 to Oct. 1, 2003 | 2,450,000 | (3,110) | 2,446,890 |
| Nov. 1, 1993 to Nov. 1, 2012 | 20,300,000 | (29,601) | 20,270,399 |
| Oct. 1, 1993 to Oct. 1, 2010 | 3,735,000 | (21,608) | 3,713,392 |
| Dec. 1, 1994 to Dec. 1, 2012 | 1,975,000 | (16,820) | 1,958,180 |
| Aug. 1, 2003 | 600,000 | (1,586) | 598,414 |
| Oct. 1, 1994 to Oct. 1, 2023 | 10,915,000 | (108,423) | 10,806,577 |
| Oct. 1, 1993 to Oct. 1, 2015 | 28,010,000 | (245,525) | 27,764,475 |
| Jan. 1, 1994 to July 1, 2005 | 83,295 | | 83,295 |
| Jan. 1, 1995 to Jan. 1, 2013 | 670,000 | | 670,000 |
| Oct. 1, 1994 to Oct. 1, 2002 | 1,405,000 | (584) | 1,404,416 |
| Mar. 1, 1995 to Mar. 1, 2020 | 5,030,000 | (68,147) | 4,961,853 |
| June 25, 1994 to Mar. 25, 2009 | 198,322 | | 198,322 |
| Dec. 1, 1994 to June 1, 2006 | 766,899 | | 766,899 |
| Mar. 1, 2024 | 6,660,000 | (14,891) | 6,645,109 |
| Oct. 1, 1997 to Oct. 1, 2021 | 11,165,000 | (140,991) | 11,024,009 |
| Oct. 1, 1998 to Oct. 1, 2010 | 2,665,000 | (18,983) | 2,646,017 |
| Mar. 1, 1997 to Mar. 1, 2016 | 8,950,000 | (71,261) | 8,878,739 |
| Mar. 1, 1997 to Mar. 1, 2006 | 900,000 | (2,413) | 897,587 |
| May 1, 1997 to May 1, 2023 | 7,475,000 | (136,377) | 7,338,623 |
| May 1, 2026 | 345,000 | (40,008) | 304,992 |
| Mar. 1, 1997 to Mar. 1, 2011 | 2,365,000 | (27,360) | 2,337,640 |
| Oct. 1, 1996 to Oct. 1, 2010 | 3,215,000 | (24,703) | 3,190,297 |
| Oct. 1, 1998 to Oct. 1, 2016 | 15,120,000 | (168,379) | 14,951,621 |
| Mar.1, 1998 to Mar. 1, 2017 | 9,225,000 | (112,045) | 9,112,955 |
| Sep. 1, 1997 to June 1, 2004 | 206,246 | | 206,246 |
| Oct. 1, 1998 to Oct.1, 2012 | 27,115,000 | (420,843) | 26,694,157 |
| Apr. 1, 1999 to Apr. 1, 2012 | 19,570,000 | (299,696) | 19,270,304 |
| Nov. 1, 1999 to Nov. 1, 2018 | 22,235,000 | (202,225) | 22,032,775 |

## 5. Revenue Bonds and Other Debt Obligations
*continued*

| Original Principal Amount | | Interest Rates |
|---|---|---|
| $10,800,000 | Series 4-O (University of St. Thomas) | Variable |
| 15,435,000 | Series 4-P (University of St. Thomas) | 4.05% to 5.25% |
| 15,000,000 | Series 4-R (St. Olaf College) | 4.0% to 5.25% |
| 22,865,000 | Series 4-S (Bethel College & Seminary) | Variable |
| 25,430,000 | Series 4-T (College of St. Benedict) | 4.5% to 5.35% |
| 7,145,000 | Series 4-U1 (Macalester College) | 4.5% to 5.125% |
| 15,200,000 | Series 4-U2 (Macalester College) | 4.5% to 5.125% |
| 4,602,000 | Series 4-V (Gustavus Adolphus College) | 4.90% |
| 450,000 | Series 4-W (Augsburg College) | 5.98% |
| 11,695,000 | Series 4-X (Gustavus Adolphus College) | 4.75% to 5.05% |
| 15,840,000 | Series 4-Y (Augsburg College) | 3.6% to 5.05% |
| 5,875,000 | Series 4-Z (Northwestern College of Chiropractic) | 3.6% to 4.875% |
| 1,440,000 | Series 5-A (Concordia University) | 4.625% to 5.25% |
| 7,750,000 | Series 5-B (Hamline University of Minnesota) | 4.45% to 6.00% |
| 10,000,000 | Series 5-C (University of St. Thomas) | Variable |
| 7,920,000 | Series 5-D (Minneapolis College of Art & Design) | 5.25% to 6.75% |
| 5,020,000 | Series 5-E (St. Mary's University of Minnesota) | 6.0% to 6.75% |
| 1,037,118 | Series 5-F (St. Mary's University of Minnesota) | 5.85% |
| 23,000,000 | Series 5-G (Carleton College) | Variable |
| 14,475,000 | Series 5-H (St. Olaf College) | Variable |
| 14,270,000 | Series 5-I (St. John's University) | 3.625% to 5.25% |
| 5,960,000 | Series 5-J (College of St. Scholastica) | 4.625% to 5.25% |
| 4,355,000 | Series 5-K (Minneapolis College of Art and Design) | 3.50% to 4.25% |
| 25,845,000 | Series 5-L (College of St. Thomas) | Variable |
| 12,205,000 | Series 5-M1 (St. Olaf College) | Variable |
| **$585,386,118** | | |

| Maturity Dates | Principal Outstanding | Unamortized Discount | Principal Less Unamortized Discount |
|---|---|---|---|
| Oct. 1, 2021 | 10,800,000 | (43,312) | 10,756,688 |
| Apr. 1, 1999 to Apr. 1, 2012 | 14,290,000 | (184,225) | 14,105,775 |
| Apr. 1, 2000 to Apr. 1, 2029 | $14,370,000 | $(159,941) | $14,210,059 |
| Apr. 1, 2028 | 21,650,000 | (467,355) | 21,182,645 |
| Mar. 1, 1999 to Mar. 1, 2020 | 23,575,000 | (218,147) | 23,356,853 |
| Mar. 1, 1999 to Mar. 1, 2022 | 6,575,000 | (56,741) | 6,518,259 |
| Mar. 1, 1999 to Mar. 1, 2022 | 13,890,000 | (125,409) | 13,764,591 |
| Feb. 15, 1999 to Feb. 15, 2009 | 3,446,864 | | 3,446,864 |
| Mar. 25, 1999 to Sep. 25, 2015 | 390,179 | | 390,179 |
| Oct. 1, 2000 to Oct. 1, 2024 | 11,195,000 | (110,397) | 11,084,603 |
| Oct. 1, 1999 to Oct. 1, 2013 | 14,535,000 | (191,839) | 14,343,161 |
| Oct. 1, 1999 to Oct. 1, 2009 | 5,035,000 | (66,623) | 4,968,377 |
| Oct. 25, 1999 to April 25, 2014 | 1,254,410 | | 1,254,410 |
| Oct. 1, 2001 to Oct. 1, 2029 | 7,640,000 | (73,440) | 7,566,560 |
| Apr. 1, 2025 | 10,000,000 | (44,708) | 9,955,292 |
| May 1, 2002 to May 1, 2026 | 7,775,000 | (141,693) | 7,633,307 |
| Mar. 1, 2002 to Mar. 1, 2026 | 4,930,000 | (52,914) | 4,877,086 |
| Oct. 29, 2000 to Sep. 29, 2012 | 977,651 | | 977,651 |
| Nov. 1, 2029 | 23,000,000 | (52,941) | 22,947,059 |
| Oct. 1, 2030 | 14,475,000 | (39,827) | 14,435,173 |
| Oct. 1, 2002 to Oct. 1, 2026 | 14,270,000 | (140,513) | 14,129,487 |
| Dec. 1, 2001 to Dec. 1, 2014 | 5,615,000 | (68,270) | 5,546,730 |
| May 1, 2002 to May 1, 2021 | 4,330,000 | (88,168) | 4,241,832 |
| April 1, 2027 | 25,845,000 | (127,522) | 25,717,478 |
| October 1, 2032 | 12,205,000 | (35,145) | 12,169,855 |
| | **$489,008,866** | **$(4,672,417)** | **$484,336,449** |

## 5. Revenue Bonds and Other Debt Obligations *continued*

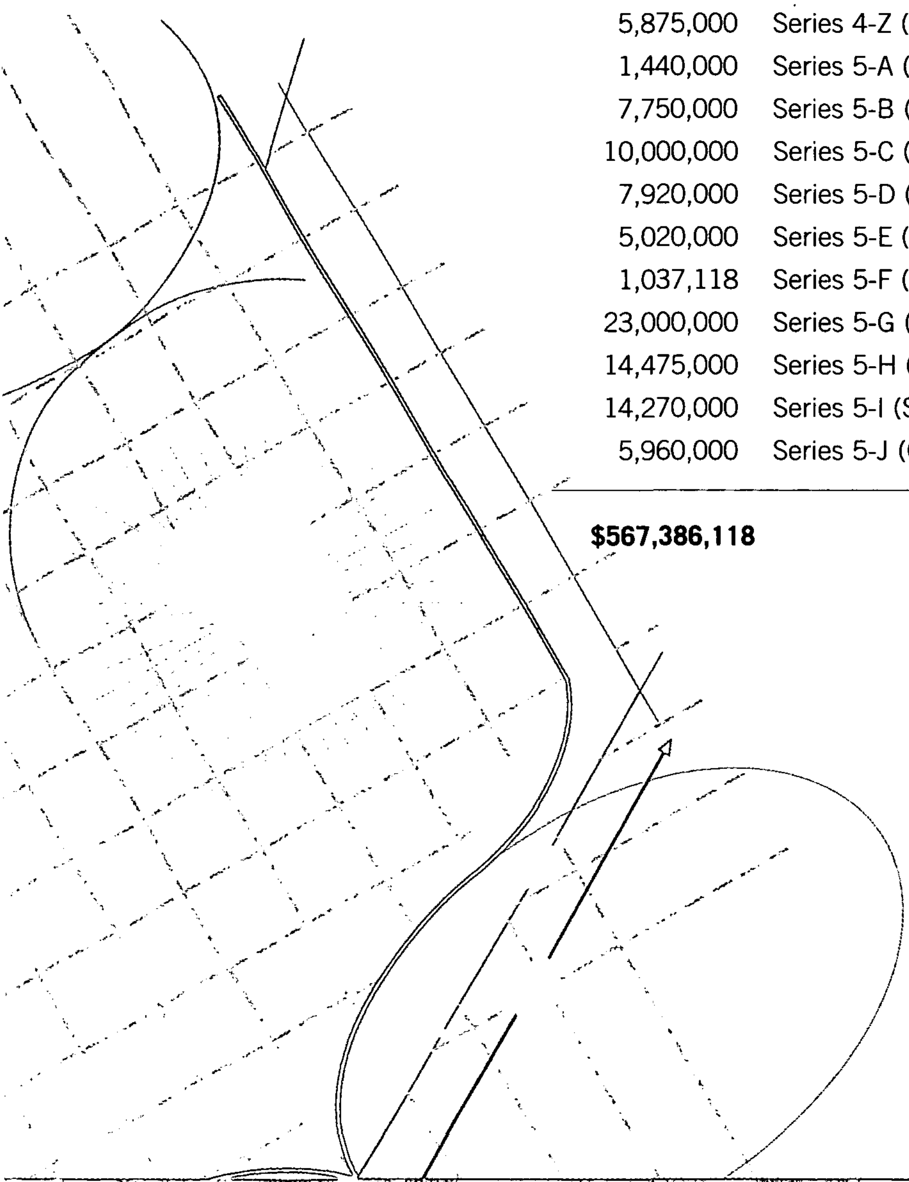
Revenue bonds payable at June 30, 2001 consist of the following serial and term bonds (the Series 3-S, Series 3-X, Series 3-Y, and Series 4-W obligations are payable pursuant to promissory notes, and the Series 4-K, Series 4-V, Series 5-A, and Series 5-F are payable pursuant to financing lease agreements):"

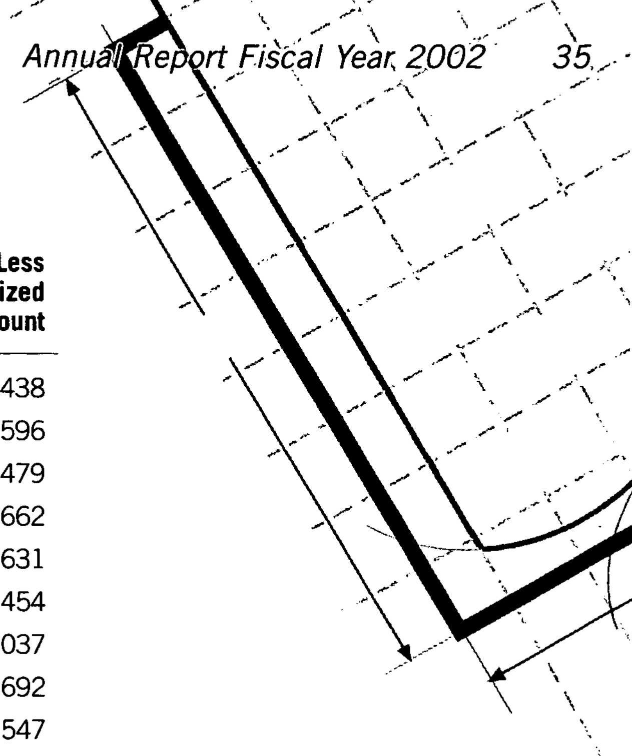
| Original Principal Amount | | Interest Rates |
|---|---|---|
| $2,200,000 | Series A (Augsburg College) | 4.0% to 5.6% |
| 2,385,000 | Series T (Carleton College) | 5.625% |
| 1,300,000 | Series 2-P (Vermilion Community College) | 6.75% to 9.0% |
| 24,405,000 | Series 3-C (University of St. Thomas) | 5.5% to 7.125% |
| 10,200,000 | Series 3-I (University of St. Thomas) | 5.4% to 6.2% |
| 24,300,000 | Series 3-L (Carleton College) | 2.6% to 5.5% |
| 9,205,000 | Series 3-M (College of St. Catherine) | 2.8% to 6.0% |
| 3,695,000 | Series 3-N (College of St. Scholastica) | 3.25% to 6.2% |
| 2,000,000 | Series 3-O (William Mitchell College of Law) | Variable |
| 12,535,000 | Series 3-Q (St. Mary's University) | 3.25% to 6.15% |
| 46,000,000 | Series 3-R (University of St. Thomas) | 2.5% to 5.6% |
| 225,000 | Series 3-S (Minneapolis College of Art/Design) | 6.18% |
| 950,000 | Series 3-T (Vermilion Community College) | 6.0% |
| 6,420,000 | Series 3-U (Concordia College) | 3.0% to 4.9% |
| 17,475,000 | Series 3-W (College of St. Benedict) | 3.6% to 6.375% |
| 350,000 | Series 3-X (College of Associated Arts) | 6.35% |
| 1,612,000 | Series 3-Y (Minneapolis College of Art/Design) | 6.33% |
| 6,660,000 | Series 3-Z (Macalester College) | Variable |
| 11,645,000 | Series 4-A1 (University of St. Thomas) | 3.90% to 5.625% |
| 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% |
| 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% |
| 29,850,000 | Series 4-L (St. John's University) | 3.90% to 5.50% |
| 21,680,000 | Series 4-M (University of St. Thomas) | 4.20% to 5.375% |
| 24,440,000 | Series 4-N (Carleton College) | 5.00% to 6.00% |

| Maturity Dates | Principal Outstanding | Unamortized Discount | Principal Less Unamortized Discount |
|---|---|---|---|
| Dec. 1, 1975 to Dec. 1, 2012 | $1,380,000 | $(4,797) | $1,375,203 |
| Mar. 1, 2007 | 1,785,000 | | 1,785,000 |
| Jan. 1, 1990 to Jan. 1, 2007 | 700,000 | (4,860) | 695,140 |
| Sep. 1, 1993 to Sep. 1, 2016 | 3,560,000 | (26,410) | 3,533,590 |
| Oct. 1, 1993 to Oct. 1, 2003 | 3,575,000 | (7,665) | 3,567,335 |
| Nov. 1, 1993 to Nov. 1, 2012 | 20,300,000 | (33,139) | 20,266,861 |
| Oct. 1, 1993 to Oct. 1, 2010 | 4,070,000 | (26,370) | 4,043,630 |
| Dec. 1, 1994 to Dec. 1, 2012 | 2,235,000 | (19,875) | 2,215,125 |
| Aug. 1, 2003 | 600,000 | (3,064) | 596,936 |
| Oct. 1, 1994 to Oct. 1, 2023 | 11,155,000 | (116,678) | 11,038,322 |
| Oct. 1, 1993 to Oct. 1, 2015 | 29,815,000 | (284,724) | 29,530,276 |
| Jan. 1, 1994 to July 1, 2005 | 104,012 | | 104,012 |
| Jan. 1, 1995 to Jan. 1, 2013 | 710,000 | | 710,000 |
| Oct. 1, 1994 to Oct. 1, 2002 | 2,160,000 | (3,226) | 2,156,774 |
| Mar. 1, 1995 to Mar. 1, 2020 | 5,550,000 | (76,257) | 5,473,743 |
| June 25, 1994 to Mar. 25, 2009 | 221,170 | | 221,170 |
| Dec. 1, 1994 to June 1, 2006 | 930,567 | | 930,567 |
| Mar. 1, 2024 | 6,660,000 | (15,539) | 6,644,461 |
| Oct. 1, 1997 to Oct. 1, 2021 | 11,335,000 | (152,997) | 11,182,003 |
| Oct. 1, 1998 to Oct. 1, 2010 | 2,830,000 | (22,973) | 2,807,027 |
| Mar. 1, 1997 to Mar. 1, 2016 | 9,380,000 | (80,229) | 9,299,771 |
| Mar. 1, 1997 to Mar. 1, 2006 | 1,100,000 | (3,798) | 1,096,202 |
| May 1, 1997 to May 1, 2023 | 7,515,000 | (144,404) | 7,370,596 |
| May 1, 2026 | 345,000 | (41,122) | 303,878 |
| Mar. 1, 1997 to Mar. 1, 2011 | 2,475,000 | (30,764) | 2,444,236 |
| Oct. 1, 1996 to Oct. 1, 2010 | 3,720,000 | (30,636) | 3,689,364 |
| Oct. 1, 1998 to Oct. 1, 2016 | 15,760,000 | (188,409) | 15,571,591 |
| Mar.1, 1998 to Mar. 1, 2017 | 9,625,000 | (125,064) | 9,499,936 |
| Sep. 1, 1997 to June 1, 2004 | 300,768 | | 300,768 |
| Oct. 1, 1998 to Oct.1, 2012 | 27,840,000 | (455,160) | 27,384,840 |
| Apr. 1, 1999 to Apr. 1, 2012 | 20,130,000 | (324,791) | 19,805,209 |
| Nov. 1, 1999 to Nov. 1, 2018 | 23,005,000 | (223,547) | 22,781,453 |

## 5. Revenue Bonds and Other Debt Obligations *continued*

| Original Principal Amount | | Interest Rates |
|---|---|---|
| $10,800,000 | Series 4-O (University of St. Thomas) | Variable |
| 15,435,000 | Series 4-P (University of St. Thomas) | 4.05% to 5.25% |
| 15,000,000 | Series 4-R (St. Olaf College) | 4.0% to 5.25% |
| 22,865,000 | Series 4-S (Bethel College & Seminary) | Variable |
| 25,430,000 | Series 4-T (College of St. Benedict) | 4.5% to 5.35% |
| 7,145,000 | Series 4-U1 (Macalester College) | 4.5% to 5.125% |
| 15,200,000 | Series 4-U2 (Macalester College) | 4.5% to 5.125% |
| 4,602,000 | Series 4-V (Gustavus Adolphus College) | 4.90% |
| 450,000 | Series 4-W (Augsburg College) | 5.98% |
| 11,695,000 | Series 4-X (Gustavus Adolphus College) | 4.75% to 5.05% |
| 15,840,000 | Series 4-Y (Augsburg College) | 3.6% to 5.05% |
| 5,875,000 | Series 4-Z (Northwestern College of Chiropractic) | 3.6% to 4.875% |
| 1,440,000 | Series 5-A (Concordia University) | 4.625% to 5.25% |
| 7,750,000 | Series 5-B (Hamline University of Minnesota) | 4.45% to 6.00% |
| 10,000,000 | Series 5-C (University of St. Thomas) | Variable |
| 7,920,000 | Series 5-D (Minneapolis College of Art & Design) | 5.25% to 6.75% |
| 5,020,000 | Series 5-E (St. Mary's University of Minnesota) | 6.0% to 6.75% |
| 1,037,118 | Series 5-F (St. Mary's University of Minnesota) | 5.85% |
| 23,000,000 | Series 5-G (Carleton College) | Variable |
| 14,475,000 | Series 5-H (St. Olaf College) | Variable |
| 14,270,000 | Series 5-I (St. John's University) | 3.625% to 5.25% |
| 5,960,000 | Series 5-J (College of St. Scholastica) | 4.625% to 5.25% |
| **$567,386,118** | | |





| Maturity Dates | Principal Outstanding | Unamortized Discount | Principal Less Unamortized Discount |
|---|---|---|---|
| Oct. 1, 2021 | 10,800,000 | (45,562) | 10,754,438 |
| Apr. 1, 1999 to Apr. 1, 2012 | $14,660,000 | $(198,404) | $14,461,596 |
| Apr. 1, 2000 to Apr. 1, 2029 | 14,625,000 | (169,521) | 14,455,479 |
| Apr. 1, 2028 | 22,070,000 | (499,338) | 21,570,662 |
| Mar. 1, 1999 to Mar. 1, 2020 | 24,130,000 | (240,369) | 23,889,631 |
| Mar. 1, 1999 to Mar. 1, 2022 | 6,770,000 | (61,546) | 6,708,454 |
| Mar. 1, 1999 to Mar. 1, 2022 | 14,175,000 | (135,963) | 14,039,037 |
| Feb. 15, 1999 to Feb. 15, 2009 | 3,850,692 | | 3,850,692 |
| Mar. 25, 1999 to Sep. 25, 2015 | 408,547 | | 408,547 |
| Oct. 1, 2000 to Oct. 1, 2024 | 11,450,000 | (118,562) | 11,331,438 |
| Oct. 1, 1999 to Oct. 1, 2013 | 15,025,000 | (208,070) | 14,816,930 |
| Oct. 1, 1999 to Oct. 1, 2009 | 5,345,000 | (76,747) | 5,268,253 |
| Oct. 25, 1999 to April 25, 2014 | 1,329,776 | | 1,329,776 |
| Oct. 1, 2001 to Oct. 1, 2029 | 7,750,000 | (77,586) | 7,672,414 |
| Apr. 1, 2025 | 10,000,000 | (46,631) | 9,953,369 |
| May 1, 2002 to May 1, 2026 | 7,920,000 | (150,896) | 7,769,104 |
| Mar. 1, 2002 to Mar. 1, 2026 | 5,020,000 | (56,419) | 4,963,581 |
| Oct. 29, 2000 to Sep. 29, 2012 | 1,037,026 | | 1,037,026 |
| Nov. 1, 2029 | 23,000,000 | (55,147) | 22,944,853 |
| Oct. 1, 2030 | 14,475,000 | (41,469) | 14,433,531 |
| Oct. 1, 2002 to Oct. 1, 2026 | 14,270,000 | (149,680) | 14,120,320 |
| Dec. 1, 2001 to Dec. 1, 2014 | 5,960,000 | (78,784) | 5,881,216 |
| | **$464,942,558** | **$(4,857,192)** | **$460,085,366** |

## 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:

- Any assets pledged as collateral by the institutions;
- 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 $2,197,312 for Series T.

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 through 2004. At June 30, 2002, outstanding principal on the previous bond series was $10,697,683.

## 6. Lease Commitment

The Authority has a lease commitment for office space through November 2007, with monthly base rent from $3,352 to $3,771.

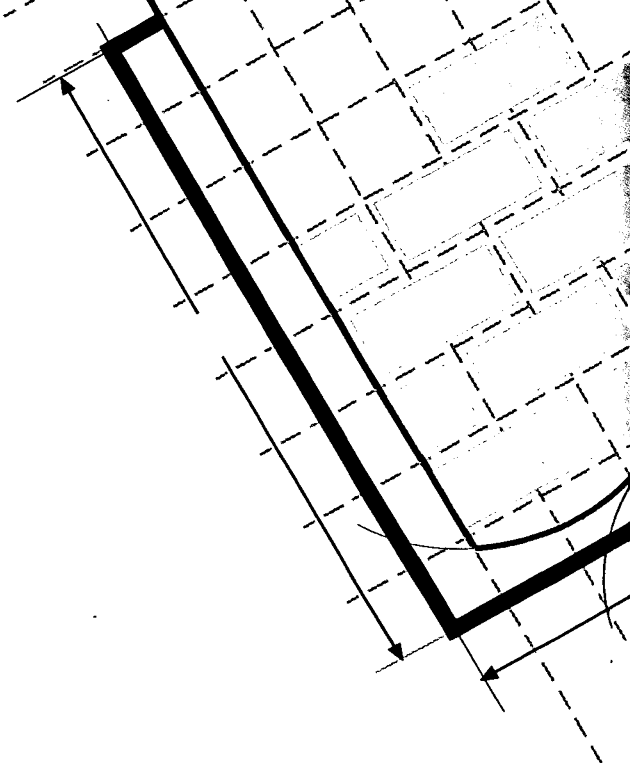
## 7. Subsequent Events

On August 1, 2002, the Authority issued $13,420,000 Variable Rate Demand Revenue Bonds (Five-M2) on behalf of St. Olaf College. The interest rate is variable and matures on October 1, 2020.

On August 1, 2002, the Authority issued $28,265,000 Revenue Bonds (Five-N1) on behalf of the College of St. Catherine. The interest rate ranges from 3.00% to 5.375% and matures on May 31, 2033.

On August 22, 2002, the Authority issued $24,625,000 Variable Rate Demand Revenue Bonds (Five N-2) on behalf of the College of St. Catherine. The interest is variable and matures on May 31, 2033.

On July 17, 2002, the Authority issued $1,000,000 Revenue Note (Five-O) to Hamline University. The interest rate is 5.010% and matures on June 1, 2009.



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