MINNESOTA HIGHER EDUCATION

FACILITIES AUTHORITY

A N N U A L   R E P O R T

F I S C A L   Y E A R   1 9 7 5

Suite 278, Metro Square, 7th & Robert Streets, Saint Paul, Minnesota 55101

MINNESOTA HIGHER EDUCATION
Facilities Authority

Office of the Executive Director

June 1, 1976

Mr. Donald C. Hamerlinck, President
Members of Higher Education Coordinating Board
Mr. Richard C. Hawk, Executive Director
Minnesota Higher Education Coordinating Board
Suite 400 Capitol Square Building
550 Cedar Street
Saint Paul, Minnesota 55101

Dear Commissioners and Mr. Hawk:

The Minnesota Higher Education Facilities Authority is pleased to submit its Fourth Annual Report for the period July 1, 1974 to June 30, 1975.

The Report provides a brief history of the Authority's founding and early operations, as well as highlights and accomplishments during fiscal 1975. Also included are various financial statements, particularly, the complete fiscal 1975 audit of Coopers & Lybrand.

The Authority can report it has undertaken five projects totaling $5,590,000 during the past year. The projects include a campus center, residence facilities, and a major academic building. The Authority, since its inception, has financed fourteen projects totaling $23,870,000.

More significantly, in these days of financial community anxiety over the financing of public agency revenue bond issues, the Authority is pleased to report that it has met all obligations as they became due. The Authority has never defaulted in the payment of interest on, or principal of, any of its issues. Furthermore, the Authority has been able to market and generate competitive public bids on its offerings.

The Authority is pleased to continue to be an effective means for helping higher educational institutions and looks forward to being of continued service to the higher education community and the State of Minnesota.

Respectfully submitted,

Bernard P. Friel

Bernard P. Friel, Chairman

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Bernard P. Friel, Chairman Member, Briggs & Morgan, Professional Association, Lawyers, St. Paul Expert - Municipal Finance	January 1, 1977
Robert W. Freson, Vice Chairman City Administrator General	January 1, 1981
Richard C. Hawk, Secretary Executive Director, Minnesota Higher Education Coordinating Board Ex officio member	Indeterminate
Earl R. Herring Vice President for Administrative Affairs Moorhead State University Expert - Higher Education	January 1, 1979
James E. Schatz Member, Doherty, Rumble & Butler, Lawyers, St. Paul General	January 1, 1977
Robert W. Bonine Assistant Executive Director Northwest Area Foundation, St. Paul General	January 1, 1981
Robert J. Huston, Owner St. Cloud Harley-Davidson, St. Cloud Expert - Construction	January 1, 1979

Dr. Joseph E. La Belle, Executive Director

BOND COUNSEL	FISCAL ADVISORS
Faegre & Benson (John S. Holten) Minneapolis, Minnesota	Springsted, Incorporated (Osmon R. Springsted) St. Paul, Minnesota

THE AUTHORITY

The Minnesota Higher Education Facilities Authority was created by Chapter 868, Laws of Minnesota, 1971 (Sections 136A.25 -- 136A.42, Minnesota Statutes 1971), for the purpose of assisting institutions of higher education of the State in the construction and financing of projects. The Authority consists of six members appointed by the Governor with the advice and consent of the Senate and a seventh member who is the Executive Director of the Minnesota Higher Education Coordinating Board and who is designated as the Secretary of the Authority.

Originally the Authority was given power to issue revenue bonds in a total amount not to exceed $45 million. The 1973 Legislature increased this limit to an aggregate of $62 million of principal outstanding at any time. Bonds issued by the Authority can be payable only from the rentals, revenues and other income, charges and moneys pledged for their payment. They do not in any manner represent or constitute a debt or pledge of the faith and credit of the State of Minnesota.

By the provisions of Chapter 868, Laws of Minnesota, 1971 "...neither the authority nor its agent shall be required to pay any taxes or assessments upon or in respect of a project or any property acquired or used by the authority or its agent under the provisions of this act or upon the income therefrom..."

Educational institutions of the State eligible for assistance by the Authority are non-profit educational institutions authorized to provide a program of education beyond the high school level. Sectarian institutions are not eligible for assistance; however, the fact that an institution is sponsored by a religious denomination does not of itself make the institution sectarian. Application to the Authority is voluntary.

The scope of projects for which the Authority may issue bonds is broad, including buildings or facilities for use as student housing, academic buildings, parking facilities and other structures or facilities required or useful for the instruction of students, or conducting of research, in the operation of an institution of higher education.

A project for which bonds are issued by the Authority becomes the property of the Authority -- as long as bonds of the Authority issued for the project remain outstanding. Thereafter they may be subject to repurchase options. The project is leased by the Authority to the institution for operation. The revenues which are the primary security for the bonds are provided according to the terms of the lease between the Authority and the institution. Prior to delivery of an issue the Authority enters into a mortgage trust indenture with a trustee who administers the funds which are the security for the payment of the bonds, except the funds of the General Bond Reserve Account. These are under the supervision of the Authority.

As a general policy the Authority requires that the proceeds of the bonds include a sum equal to approximately one year's debt service, after deduction of any interest subsidy grants, for the creation of debt service reserves. Of this sum 80% is deposited with the trustee in a series reserve account; the remaining 20% is deposited by the Authority in the General Bond Reserve Account pledged to the payment of all bonds issued by the Authority for which such a deposit has been made. Funds from the series reserve accounts and from the General Bond Reserve Account cannot be used to pay operating expenses of the Authority.

Although the Authority retains broad powers to oversee planning and construction, it is current policy to permit the institution almost complete discretion with respect to these matters.

In Minnesota Higher Education Facilities Authority v. Hawk, filed August 8, 1975, the Minnesota Supreme Court affirmed the constitutionality of the issuance of tax exempt bonds by the Authority to refinance debts incurred by Minnesota private colleges in the construction of facilities used solely for nonsectarian educational purposes. In the opinion of Bond Counsel, this decision also confirms the legality of bonds issued by the Authority to finance original construction, improvement, and remodeling of projects.

The Authority is financed solely from fees paid by the institutions for whom bonds are issued. At the time of issuance, and usually from bond proceeds, the Authority is paid .35 of one percent of the principal amount of the issue. Thereafter, commencing as of the date of issue, and payable in advance, but not from bond proceeds or funds of the issue, the Authority receives an annual fee of one-fifth of one percent of the original principal amount of the bonds for their life.

Bond issuance costs, including fees of bond counsel, the fiscal consultant and trustee are paid by the institution. The fees of bond counsel and the fiscal consultant also usually come from bond proceeds.

The staff of the Authority consists of its Executive Director, Dr. Joseph E. La Belle, and one secretary.

PROJECT DESCRIPTIONS

BOND SERIES "A" $2,200,000 AUGSBURG COLLEGE

Augsburg College, located in Minneapolis, constructed an apartment-type student housing facility of 104 units accomodating 312 students of Augsburg College and of adjacent institutions of higher education. The building had full occupancy with the opening of the fall terms in 1973. Moveable furnishings, except for common areas, are provided by the tenants.

BOND SERIES "B" $1,935,000 BETHEL COLLEGE

Bethel College, Arden Hills, constructed and furnished two units of seven buildings each to provide townhouse-type student housing accomodating approximately 480 students. A design-and-build package contract had been entered into and students occupied the facilities in January, 1974. The units are frame with partial brick exterior and are built on the College's new Arden Hills campus. Each unit has three bedrooms, living room, bath and storage. Plumbing has been placed for future installation of an efficiency kitchen. Each unit houses six students.

BOND SERIES "C" $ 595,000 ST. MARY'S COLLEGE

St. Mary's College, Winona, constructed six frame buildings having 28 apartments for the accomodation of 108 students and two faculty members. The units are on an Authority-owned site at the edge of the main campus.

BOND SERIES "D" $ 520,000 COLLEGE OF ST. SCHOLASTICA, INC.

The College of St. Scholastica, Duluth, constructed six four-plex, prefabricated, frame, apartment buildings to house four students per apartment for a total of 96. Each apartment has two bedrooms, a living room, kitchen and bath. Furnishings include carpeting, stove, refrigerator, kitchen table, love seat, coffee table, draperies, eight chairs and bedroom furniture of two beds, a chest, desk and built-in shelving.

BOND SERIES "E" $1,030,000 GUSTAVUS ADOLPHUS COLLEGE

Gustavus Adolphus College, located in St. Peter, used $300,000 of the Bond proceeds to remodel the old library building into a science classroom. The balance of the Bond proceeds were for construction of a new administration building.

BOND SERIES "F" $1,610,000 COLLEGE OF ST. BENEDICT

The College of St. Benedict, located in St. Joseph, constructed 30 two bedroom, furnished apartments with kitchen, each housing four students for a total of 120. The College also constructed an indoor swimming pool addition to the Physical Education building. Also, the College remodeled and improved the Home Economics Department facility and remodeled and improved the dining facility in St. Gertrude Hall, each with appurtenant equipment, furnishings, utilities and site improvements.

BOND SERIES "G" $8,450,000 MPLS. SOCIETY OF FINE ARTS

The Minneapolis Society of Fine Arts, established in 1883, is a Minnesota non-profit corporation that operates the Minneapolis Institute of Arts, a Children's Theatre Company and the Minneapolis College of Art and Design. The College of Art and Design, founded in 1886, is a four year accredited educational institution.

The Bonds have been issued for constructing a new technical academic building with appurtenant equipment, furnishings, utilities and site improvements at the Minneapolis College of Art and Design. The Bond project includes a pedestrian bridge to and furnishings and equipment for the existing college building. The new facilities will enable the present 475 student college to expand to 600 and will permit it to enlarge greatly the scope of its four year program which leads to the Bachelor of Fine Arts Degree in Fine Arts and Design, with areas of concentration in painting, print-making, sculpture, intermedia, graphic design, photography, film, video and fashion design. The new four-story building has been designed by Kenso Tange, internationally known Japanese architect whose other works include the Olympic Sports Stadium in Tokyo.

BOND SERIES "H" $ 340,000 COLLEGE OF ST. SCHOLASTICA, INC.

The College of St. Scholastica was founded by the Benedictine Sisters Benevolent Association in 1906. The College was incorporated as a separate entity in 1962. Formerly a women's college, it became co-educational in 1968.

The proceeds of this Bond Issue were used to fund the Pine Apartment Building. The three-story brick and spancrete building houses 46 students. It has 11 four-student apartments. Each 800 square foot apartment has its own kitchen, bathroom, two bedrooms, living room and balcony area. An additional unit accomodates two students. The building has house laundry facilities for 142 students; 46 in the new facility and 96 from the adjoining Grove Apartments.

BOND SERIES "I" $1,600,000 AUGSBURG COLLEGE

Founded in 1869, Augsburg College is a private four year Liberal Arts College, one of 11 senior colleges affiliated with and supported in part by the American Lutheran Church.

The Bonds have been issued to construct a two-rink, artificial ice, Ice Center on land of a 56,469 square foot area now owned by the College and adjacent to the campus. The facility includes moderate spectator capacity, dressing rooms, offices, a service shop and a concession area. It is used for physical education programs of the College, including intramural and intercollegiate competition. It is available for rental to other colleges and to junior hockey organizations.

BOND SERIES "J" $ 370,000 COLLEGE OF ST. BENEDICT

The College of St. Benedict is situated in St. Joseph, seven miles from St. Cloud, Minnesota. Since its foundation, St. Benedict's has grown as a college and as a religious community. Today it serves over 1,200 women and has on its campus a convent with 800 sisters in education, health service, and missions in the Bahamas, Puerto Rico, Japan and Taiwan.

The Bonds were issued to provide funds for the construction, equipping and furnishing of a campus center which includes a bookstore, snack bar, post office, student government office and recreational lounge space.

BOND SERIES "K" $ 800,000 COLLEGE OF ST. THOMAS

The College of St. Thomas was founded by Archbishop John Ireland in 1885. The present campus, comprising 45 acres, is situated on Summit Avenue in the City of Saint Paul, midway between the downtown districts of the Twin Cities of Saint Paul and Minneapolis, and serves more than 2,200 students in both baccalaureate and graduate programs.

The Bonds were issued for the construction, equipping and furnishing of a faculty residence with 23 apartments, two guest rooms, a conference room, a lunch meeting room, an exercise room and five garage stalls.

BOND SERIES "L" $2,280,000 ST. MARY'S JUNIOR COLLEGE

St. Mary's Junior College, founded in 1964, was established to meet the needs of the community in the area of health care personnel.

The Bonds were issued for the construction of a new academic building which will house classrooms, laboratories, administrative offices and a library. Since the College opened in 1964, it has used two buildings owned by adjoining St. Mary's Hospital in Minneapolis. One of these is a 90,000 square foot structure in which the College has classrooms, laboratories, administrative offices and dormitory rooms. In November, 1974, the hospital gave the College a 25 year lease on this well-kept 1929 building at an annual rental of $10.00. The second building is a 15,000 square foot structure in which the College now has some laboratories. This building must be demolished which, together with the need of this College for more room, has made the new building necessary.

BOND SERIES "M" $ 690,000 COLLEGE OF SAINT CATHERINE

Founded in 1905 by the Sisters of St. Joseph of Carondelet, the College has played an important part in the educational development of the Upper Midwest ever since. The campus covers an area of more than 100 acres in a residential section midway between downtown Saint Paul and downtown Minneapolis. St. Catherine's proximity to several private colleges, as well as the five-college policy of non-tuition student exchange, makes the College part of a multi-college community. The current enrollment is approximately 1,500 students, of which about half are residential.

BOND SERIES "N" $1,450,000 COLLEGE OF ST. BENEDICT

The College of St. Benedict is an academic community for 1,200 undergraduate women. It maintains close cooperation with the nearby St. John's University, a college for men. Bond Series "F" and "J" have also been issued for the College of St. Benedict.

Bond Series "N" was issued to construct, furnish and equip a new student residence facility for the College. The new, apartment-type facility will house 200 students and two faculty residents.

NEW BOND ISSUES

FISCAL YEAR 1975

BOND SERIES	DATE	FINAL MATURITY	AVERAGE MATURITY	NET INTEREST RATE	AMOUNT
First Mortgage Revenue Bonds, Series J (College of St. Benedict)	7/1/74	1999	19.77 yrs.	6.7826 %	$ 370,000
First Mortgage Revenue Bonds, Series K (College of St. Thomas)	12/1/74	1994	12.15 yrs.	6.5867 %	$ 800,000
First Mortgage Revenue Bonds, Series L (St. Mary's Junior College)	4/1/75	1994	12.64 yrs.	8.26173 %	$2,280,000
First Mortgage Revenue Bonds, Series M (College of Saint Catherine)	5/1/75	1996	14.51 yrs.	7.997284%	$ 690,000
First Mortgage Revenue Bonds, Series N (College of St. Benedict)	5/1/75	1994	13.26 yrs.	8.3202 %	$1,450,000
					$5,590,000

PREVIOUS BOND ISSUES

BOND SERIES	DATE	FINAL MATURITY	AVERAGE MATURITY	NET INTEREST COST	AMOUNT
First Mortgage Revenue Bonds, Series A (Augsburg College)	12/1/72	2012	29.534 yrs.	5.59296 %	$ 2,200,000
First Mortgage Revenue Bonds, Series B (Bethel College)	12/1/72	1997	16.31 yrs.	5.459212%	$ 1,935,000
First Mortgage Revenue Bonds, Series C (St. Mary's College)	1/1/73	1998	16.52 yrs.	5.48085 %	$ 595,000
First Mortgage Revenue Bonds, Series D (College of St. Scholastica, Inc.)	3/1/73	1997	15.16 yrs.	5.9538 %	$ 520,000
First Mortgage Revenue Bonds, Series E (Gustavus Adolphus College)	3/1/73	1993	12.98 yrs.	5.3544 %	$ 1,030,000
First Mortgage Revenue Bonds, Series F (College of St. Benedict)	3/1/73	1998	16.15 yrs.	5.7270 %	$ 1,610,000
First Mortgage Revenue Bonds, Series G (Mpls. Society of Fine Arts)	8/1/73	1984	7.07 yrs.	6.6689 %	$ 8,450,000
First Mortgage Revenue Bonds, Series H (College of St. Scholastica, Inc.)	6/1/74	1999	16.43 yrs.	6.4046 %	$ 340,000
First Mortgage Revenue Bonds, Series I (Augsburg College)	5/1/74	1995	14.037 yrs.	6.2011 %	$ 1,600,000
					$18,280,000

GENERAL BOND RESERVE FUND[1]
STATEMENT OF CONTRIBUTIONS AND EARNINGS
FOR THE YEAR ENDED JUNE 30, 1975

	DATE INVESTED	ORIGINAL INVESTMENT
$2,200,000 First Mortgage Revenue Bonds, Series A, (Augsburg College)	1/8/73	$ 31,743.60
$1,935,000 First Mortgage Revenue Bonds, Series B, (Bethel College)	1/8/73	$ 34,082.00
$ 595,000 First Mortgage Revenue Bonds, Series C, (St. Mary's College)	1/8/73	$ 9,000.00
$ 520,000 First Mortgage Revenue Bonds, Series D, (College of St. Scholastica, Inc.)	3/13/73	$ 8,643.40
$1,030,000 First Mortgage Revenue Bonds, Series E, (Gustavus Adolphus College)	3/13/73	$ 19,308.00
$1,610,000 First Mortgage Revenue Bonds, Series F, (College of St. Benedict)	3/13/73	$ 21,304.00
$8,450,000 First Mortgage Revenue Bonds, Series G, (Mpls. Society of Fine Arts)	9/13/73	$220,000.00
$ 340,000 First Mortgage Revenue Bonds, Series H, (College of St. Scholastica, Inc.)	6/12/74	$ 6,000.00
$1,600,000 First Mortgage Revenue Bonds, Series I, (Augsburg College)	5/8/74	$ 30,000.00
$ 370,000 First Mortgage Revenue Bonds, Series J, (College of St. Benedict)	7/11/74	$ 7,000.00
$ 800,000 First Mortgage Revenue Bonds, Series K, (College of St. Thomas)	1/17/75	$ 14,000.00
$2,280,000 First Mortgage Revenue Bonds, Series L, (St. Mary's Junior College)	4/29/75	$ 47,667.70
$ 690,000 First Mortgage Revenue Bonds, Series M, (College of Saint Catherine)	5/15/75	$ 12,000.00
$1,450,000 First Mortgage Revenue Bonds, Series N, (College of St. Benedict)	5/20/75	$ 28,000.00
	Sub Total	$488,748.00
	Earnings	65,190.00
	Total	$553,938.00

[1]The Authority is permitted to invest moneys in the General Bond Reserve Account in: Direct obligations of the United States of America, Certificates of Deposit or Time Deposits secured by direct obligations of the United States of America, such other securities as are eligible for investment of public funds of the State of Minnesota or of municipalities of the State. All investments are limited by arbitrage provisions of the Internal Revenue Code and regulations thereunder. The Authority has placed these moneys in an investment account with the First National Bank of Saint Paul.

SERIES RESERVE ACCOUNTS[1]

CONTRIBUTIONS

NEW BOND ISSUES

	BOND ISSUE	SERIES RESERVE
First Mortgage Revenue Bonds, Series J COLLEGE OF ST. BENEDICT	$ 370,000.00	$ 28,000.00
First Mortgage Revenue Bonds, Series K COLLEGE OF ST. THOMAS	$ 800,000.00	$ 56,000.00
First Mortgage Revenue Bonds, Series L ST. MARY'S JUNIOR COLLEGE	$2,280,000.00	$190,668.00
First Mortgage Revenue Bonds, Series M COLLEGE OF SAINT CATHERINE	$ 690,000.00	$ 48,000.00
First Mortgage Revenue Bonds, Series N COLLEGE OF ST. BENEDICT	$1,450,000.00	$112,000.00
	$5,590,000.00	$434,668.00

[1] By provisions of the mortgage trust indenture the trustee shall, upon request by the authorized institution representatives or the Authority, invest moneys in any of the following: Direct obligations of, or obligations fully guaranteed by, the United States of America; Certificates of Deposit of banks or trust companies having a combined capital and surplus of at least $25,000,000; Securities issued by the following agencies of the United States:

Federal Home Loan Banks
Federal Intermediate Credit Banks
Federal Land Banks
Banks for Cooperatives
Federal National Mortgage Association

SERIES RESERVE ACCOUNTS

CONTRIBUTIONS

PREVIOUS BOND ISSUES

	SERIES
$2,200,000 First Mortgage Revenue Bonds, Series A (AUGSBURG COLLEGE)	$ 126,194.00
$1,935,000 First Mortgage Revenue Bonds, Series B (BETHEL COLLEGE)	$ 136,328.00
$ 595,000 First Mortgage Revenue Bonds, Series C (ST. MARY'S COLLEGE)	$ 36,000.00
$ 520,000 First Mortgage Revenue Bonds, Series D (COLLEGE OF ST. SCHOLASTICA, INC.)	$ 34,573.60
$1,030,000 First Mortgage Revenue Bonds, Series E (GUSTAVUS ADOLPHUS COLLEGE)	$ 77,232.00
$1,610,000 First Mortgage Revenue Bonds, Series F (COLLEGE OF ST. BENEDICT)	$ 85,216.00
$8,450,000 First Mortgage Revenue Bonds, Series G (MPLS. SOCIETY OF FINE ARTS)	$ 880,000.00
$ 340,000 First Mortgage Revenue Bonds, Series H (COLLEGE OF ST. SCHOLASTICA, INC.)	$ 24,000.00
$1,600,000 First Mortgage Revenue Bonds, Series I (AUGSBURG COLLEGE)	$ 120,000.00
	$1,519,543.60
Total Series Reserve for New and Previous Issues	$1,954,211.60

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS

for the year ended June 30, 1975

COOPERS & LYBRAND

CERTIFIED PUBLIC ACCOUNTANTS

C O N T E N T S

COOPERS & LYBRAND
CERTIFIED PUBLIC ACCOUNTANTS

IN PRINCIPAL AREAS
OF THE WORLD

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

We have examined the balance sheet comprising the various funds of the Minnesota Higher Education Facilities Authority as of June 30, 1975 and the related statements of revenue and expenses, changes in fund balances and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the various funds of the Minnesota Higher Education Facilities Authority at June 30, 1975 and the results of their operations and changes in financial position for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the change from the cash to the accrual method of accounting as described in Note 5 to the financial statements.

Coopers & Lybrand

Saint Paul, Minnesota
April 15, 1976

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

BALANCE SHEET, June 30, 1975

ASSETS	General Operating Fund	General Bond Reserve Fund (Note 4)	Revenue Bonds Fund
Cash	$ 5,571	$ 22,451	
Investments, at cost which approximates market		525,623	
Accrued interest receivable		5,864	
Leases receivable (Notes 3 and 4):			
Cash			$ 411,066
Investments, at cost which approximates market			5,456,404
Accrued interest receivable			73,475
Property under lease			17,668,898
Reserve deposits to General Bond Reserve Fund			488,748
Furniture and equipment (less accumulated depreciation of $1,890)	5,671		
Total assets	$ 11,242	$553,938	$24,098,591
LIABILITIES AND FUND BALANCE			
Revenue bonds payable (less unamortized discount of $513,468) (Note 4)			23,201,532
Reserve deposits from Revenue Bonds Fund		488,748	
Accrued interest payable			361,397
Accounts payable, due principally to the Minnesota Higher Education Coordinating Board	41,024		
Total liabilities	41,024	488,748	23,562,929
Fund balance:			
Unappropriated	(29,782)		
Appropriated (Note 1)		65,190	535,662
Total fund balance	(29,782)	65,190	535,662
Total liabilities and fund balance	$ 11,242	$553,938	$24,098,591

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

STATEMENT OF REVENUES AND EXPENSES
for the year ended June 30, 1975

REVENUES	General Operating Fund	General Bond Reserve Fund	Revenue Bonds Fund
Rental income			$1,392,137
Application fees	$ 2,750		
Initial administrative fees	18,384		
Annual administrative fees	29,837		
Investment income		$36,696	272,692
Total revenues	50,971	36,696	1,664,829
EXPENSES			
Interest expense			1,222,488
General and administrative expenses	59,315	37	30,483
Total expenses	59,315	37	1,252,971
Excess (deficiency) of revenues over expenses	$(8,344)	$36,659	$ 411,858

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

STATEMENT OF CHANGES IN FUND BALANCE
for the year ended June 30, 1975

	General Operating Fund	General Bond Reserve Fund	Revenue Bonds Fund
Unappropriated fund deficit, beginning of year	$(21,438)		
Expenses over revenues	(8,344)		
Unappropriated fund deficit, end of year	(29,782)		
Appropriated fund balance, beginning of year, as previously reported		$ 8,946	$123,804
Adjustment for change to accrual method of accounting (Note 5)		19,585	
Appropriated fund balance, beginning of year, as restated		28,531	123,804
Revenues over expenses		36,659	411,858
Appropriated fund balance, end of year		65,190	535,662
Total fund balance (deficit)	$(29,782)	$65,190	$535,662

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

STATEMENT OF CHANGES IN FINANCIAL POSITION
for the year ended June 30, 1975

	General Operating Fund	General Bond Reserve Fund	Revenue Bonds Fund
Funds provided:			
From activities:			
Revenues in excess of expenses		$ 36,659	$ 411,858
Add amortization of bond discount not requiring cash			49,585
Total from activities		36,659	461,443
Deposits from Revenue Bonds Fund		108,667	
Proceeds from revenue bonds issued			5,416,996
Increase in accrued interest payable			43,880
Decrease in accrued interest receivable		13,721	
Increase in accounts payable	$ 967		
Total funds provided	967	159,047	5,922,319
Funds applied:			
Applied to operations:			
Expenses in excess of revenues	8,344		
Less depreciation not requiring cash	(1,143)		
Total applied to operations	7,201		
Redemption of revenue bonds			100,000
Increase in funds invested		138,637	2,105,456
Construction drawings			3,174,330
Deposits to General Bond Reserve Fund			108,667
Increase in accrued interest receivable			49,377
Total funds applied	7,201	138,637	5,537,830
Increase (decrease) in cash	(6,234)	20,410	384,489
Cash, beginning of year	11,805	2,041	26,577
Cash, end of year	$ 5,571	$ 22,451	$ 411,066

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

1. Authorizing Legislation and Funds:

AUTHORIZING LEGISLATION:

The Minnesota Higher Education Facilities Authority is a state agency created in 1971 by an Act of the Minnesota Legislature. The Authority was established for the purpose of assisting institutions of higher education in the construction and financing of educational facilities. The Authority is authorized to issue revenue bonds in a total amount not to exceed $62 million of principal outstanding at any time. Bonds issued by the Authority are payable only from the rentals, revenues and other income, charges and monies pledged for their payment. Amounts so issued shall not be deemed to constitute 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 mortgage indentures:

General Operating Fund:

This fund derives its revenues from fees paid by the institutions for whom bonds are issued, as follows:

At time of issue - 1/3% of principal amount of the issue

Annually, thereafter, until repayment - 1/8% of original principal amount of the issue

General and administrative expenses of the Authority are paid from this fund.

General Bond Reserve Fund:

Established by the General Bond Resolution adopted October 31, 1972, this fund is funded by a specified portion of the original proceeds from each sale of Authority bonds. Monies so contributed, as well as investment earnings thereon, are appropriated as additional collateral for repayment of all Revenue Bonds outstanding (See Note 4). Upon retirement of its bonds, participating institutions will be rebated their original contribution to the fund and a proportionate share of accumulated investment earnings.

Continued

1. Authorizing Legislation and Funds, continued:

FUNDS, continued:

Revenue Bonds Fund:

This fund is comprised of separate trust accounts maintained to account for the use of each bond issue's proceeds, to receive lease payments and to accumulate required reserves and sinking funds as stipulated in the related mortgage trust indentures.

Proceeds of the bonds are held by a trustee and invested in certain securities until withdrawn for payment of construction costs or debt service.

Under the terms of a net lease agreement, the institution leases the project from the Authority over the life of the bond issue. The rentals under these agreements are defined so as to provide revenues to this fund in an amount sufficient to meet debt service and principal redemption requirements of the bonds as well as any additional expenses of the issue.

Upon retirement of a bond series, any fund balance remaining in the related trust accounts will be rebated to the institution. These funds are appropriated for the purposes specified in the mortgage trust indentures and as such cannot be used to pay operating expenses of the Authority.

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 recorded at cost which approximates market.

BOND DISCOUNTS:

Bond discounts are amortized under the interest method over the term of the related bond series.

Continued

2. Accounting Policies, continued:

FURNITURE AND EQUIPMENT:

Office furniture and equipment is stated at cost and depreciated on the straight-line method over the estimated useful life of the asset.

LEASE RECEIVABLE:

Leases receivable are accounted for under the financing method. Since rentals under the lease agreements are intended only to fund debt service, principal redemptions and any related expenses, the Authority does not acquire an equity interest in the leased assets. Therefore, no deferred finance charges are recorded and the leases are capitalized at the present value of the lease payments at the inception of the agreement.

ISSUANCE COSTS:

The costs of issuing the bonds, which are insignificant in amount, are expensed as incurred.

3. Leases Receivable:

The Authority has entered into net lease agreements under which the assets of each project are leased to the participating institutions. Aggregate annual maturities of these leases are equal to the annual bond redemptions (Note 4), bond interest and other related expenses.

The term of each lease agreement corresponds to the maturity of the related bond issue. At the expiration of the lease the institution has the option to acquire the project from the Authority for a nominal fee.

Continued

4. Revenue Bonds Payable:

Revenue bonds payable consist of the following serial bonds:

Original Principal Amount		Interest Rate	Maturity Dates	As at June 30, 1975 Principal Outstanding	Unamortized Discount	Principal Less Unamortized Discount
$2,200,000	Series A (Augsburg College)	4.0% to 5.6%	Dec 1, 1975 to Dec 1, 2012	$ 2,200,000	$ 30,148	$ 2,169,852
1,935,000	Series B (Bethel College)	4.0% to 5.6%	Jun 1, 1974 to Jun 1, 1997	1,880,000	32,774	1,847,226
595,000	Series C (St. Mary's College)	4.2% to 5.6%	Jun 1, 1976 to Jun 1, 1989	595,000	10,145	584,855
520,000	Series D (College of St. Scholastica)	5.3% to 6.0%	Mar 1, 1974 to Mar 1, 1997	500,000	8,671	491,329
1,030,000	Series E (Gustavus Adolphus College)	4.0% to 5.5%	Mar 1, 1975 to Mar 1, 1993	1,000,000	16,441	983,559
1,610,000	Series F (College of St. Benedict)	4.9% to 5.8%	Mar 1, 1974 to Mar 1, 1998	1,565,000	25,788	1,539,212
8,450,000	Series G (Minneapolis Society of Fine Arts)	6.4%	Aug 1, 1976 to Aug 1, 1983	8,450,000	182,256	8,267,744
340,000	Series H (College of St. Scholastica)	6.0% to 6.4%	Jun 1, 1975 to Jun 1, 1999	335,000	8,359	326,641
1,600,000	Series I (Augsburg College)	5.75% to 6.2%	May 1, 1976 to May 1, 1995	1,600,000	29,366	1,570,634
370,000	Series J (College of St. Benedict)	6.3% to 6.8%	Jul 1, 1976 to Jul 1, 2002	370,000	10,544	359,456
800,000	Series K (College of St. Thomas)	5.5% to 6.9%	Sep 1, 1975 to Sep 1, 1994	800,000	8,580	791,420
2,280,000	Series L (St. Mary's Junior College)	7.0% to 8.25%	Jan 1, 1977 to Jan 1, 1994	2,280,000	89,257	2,190,743
690,000	Series M (College of St. Catherine)	7.4% to 8.0%	Nov 1, 1976 to Nov 1, 1996	690,000	18,183	671,817
1,450,000	Series N (College of St. Benedict)	8.0% to 8.25%	Nov 1, 1976 to Nov 1, 1994	1,450,000	42,956	1,407,044
				$23,715,000	$513,468	$23,201,532

Under the terms of the related mortgage trust indentures, each bond issue is collateralized by a) all assets financed by the bond issue; b) all rights and revenues under the lease between the Authority and the institution; c) the assets in the Revenue Bonds Fund pertaining to each issue; and, d) a security interest in the assets of the General Bond Reserve Fund.

5. Restatement of Financial Statements:

The June 30, 1974 fund balance of the General Bond Reserve Fund has been increased by $19,585 to reflect the change from the cash to the accrual method of accounting for periods prior to the fiscal year ended June 30, 1975.

Continued

6. Commitments:

At June 30, 1975 the Authority had a lease commitment to pay, from the General Operating Fund, monthly rentals of $595 through September 1975 and $610 from September 1975 through September 1977 for office space. Rentals charged to expense in 1975 amounted to $7,140.

7. Subsequent Events:

Subsequent to June 30, 1975 the Authority issued five additional bond series for an aggregate amount of $15,305,000 with coupon rates ranging from 4.0% to 8.25%. The various bonds mature serially through 1994, except for one term bond issue in the amount of $4,000,000 which matures in the year 2000.