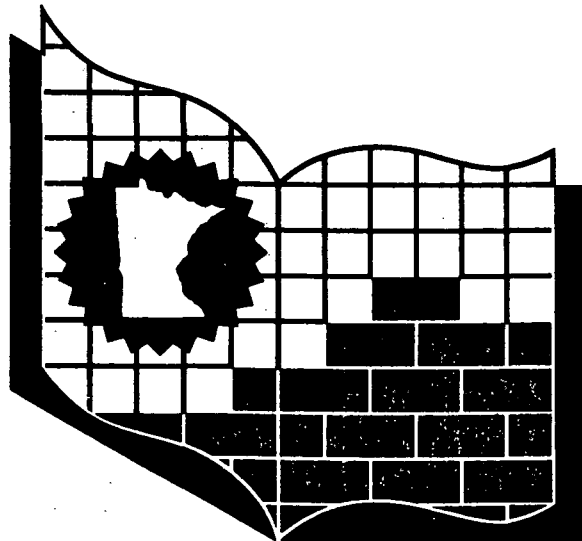


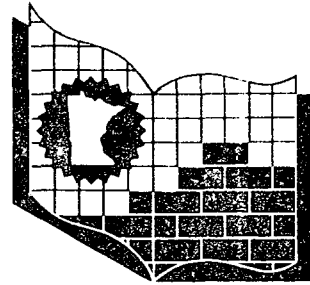
MINNESOTA HIGHER EDUCATION
FACILITIES AUTHORITY

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 7



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



MINNESOTA HIGHER EDUCATION
Facilities Authority

Office of the Executive Director

October 25, 1977

Mr. Emil Erickson, President
Members of Higher Education Coordinating Board
Dr. Clyde R. Ingle, Executive Director
Minnesota Higher Education Coordinating Board
Suite 400 Capitol Square Building, 550 Cedar Street
Saint Paul, Minnesota 55101

Dear Commissioners and Dr. Ingle:

The Minnesota Higher Education Facilities Authority is pleased to submit the Annual Report for Fiscal Year 1977.

The format of the report is similar to previous reports: a brief history of the Authority, as well as highlights and accomplishments during Fiscal Year 1977. Also included are various financial statements, particularly the complete Fiscal 1977 audit of Coopers & Lybrand.

The Authority has undertaken this past year three projects totaling \$4,165,000. The Authority had refinancing projects for Golden Valley Lutheran College and St. Mary's College. It also financed the construction of student residences at the College of Saint Catherine and Golden Valley Lutheran College. The Authority, thus far, has financed 22 projects totaling \$43,340,000.

Again, the Authority has strongly encouraged the participating institutions to develop long-range facilities planning. The refinancing projects were particularly helpful to the colleges for managing their long-term debt.

Members of the Authority are happy to serve the higher educational institutions and look forward to being of continued service to the higher education community and to the State of Minnesota.

Respectfully submitted,

Bernard P. Friel, Chairman

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MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Bernard P. Friel, Chairman
Member, Briggs & Morgan, Professional Association
Lawyers, St. Paul
Expert - Municipal Finance
January 1, 1980

Robert W. Freson, Vice Chairman
City Administrator, Rochester, Minnesota
General
January 1, 1982

Clyde R. Ingle, 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, 1980

James E. Schatz
Associate, Doherty, Rumble & Butler, Lawyers, St. Paul
General
January 1, 1979

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

Faegre & Benson
(John S. Holten)
Minneapolis, Minnesota

FISCAL ADVISORS

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, 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. A \$1,000 non-refundable application fee must accompany each submitted formal application. 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, trustee and paying agent are paid by the institution. The fees of bond counsel and the fiscal consultant 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

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.

Augsburg College 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 term in 1973. Moveable furnishings, except for common areas, are provided by the tenants.

BOND SERIES "B"

\$1,935,000

BETHEL COLLEGE

Bethel College, whose beginning was in Chicago in 1871, is a non-profit, co-educational, residential, four-year, liberal arts college in the City of Arden Hills, a northern suburb of Saint Paul. It is owned and operated by the Baptist General Conference. In 1972, the College moved from its former campus in Saint Paul to a new 168 acre site, exclusive of 62-acre Lake Valentine on the campus, in Arden Hills. However, at its Saint Paul campus it is continuing to use its three dormitories to house 405 students, and also the gymnasium there as a student center for these students.

The College 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 a site at the edge of the main campus.

BOND SERIES "D"

\$ 520,000

COLLEGE OF ST. SCHOLASTICA

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 College of St. Scholastica, Duluth, constructed six four-plex, pre-fabricated, frame, apartment buildings housing 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.

PROJECT DESCRIPTIONS

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, just seven miles from St. Cloud, Minnesota, is an academic community for 1,800 undergraduate women. It maintains close cooperation with the nearby St. John's University, a college for men.

The College of St. Benedict 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 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 the construction of 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 enabled the College to expand to 600 and permitted it to enlarge greatly the scope of its four-year program leading 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

The proceeds of this Bond Issue were used to fund the Pine Apartment Building at the College of St. Scholastica. 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.

PROJECT DESCRIPTIONS

BOND SERIES "I"

\$1,600,000

AUGSBURG COLLEGE

The Bonds have been issued to construct a two-rink, artificial ice, Ice Center on land of a 56,469 square foot area 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 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 3,600 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 had used two buildings owned by adjoining St. Mary's Hospital in Minneapolis. One of these was 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 had some laboratories. This building was demolished which, together with the need of this College for more room, made the new building necessary.

PROJECT DESCRIPTIONS

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. Saint 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 proceeds of the Bond Issue were for the construction of Fairview Apartments which consist of thirteen one-bedroom units and twenty-three two-bedroom units. Each apartment, in addition to the bedrooms, have a living room, dining area and kitchen. The building also includes two laundry rooms, one on the second and one on the third floors. Construction is of brick veneer on a wood frame with a concrete block fire wall, dividing the building in half. The total floor area of the building is 11,000 square feet.

BOND SERIES 'N'

\$1,450,000

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 houses 200 students and two faculty residents.

BOND SERIES 'O'

\$4,000,000

CARLETON COLLEGE

Carleton College is a Minnesota non-profit, independent, co-educational, residential, liberal arts college situated in Northfield, Minnesota, 40 miles south of the Twin Cities of Minneapolis and Saint Paul. Carleton, founded by the Congregational Church (now United Church of Christ), was chartered December 17, 1866. The College is now non-sectarian and independent. It is situated on a 90-acre main campus with 46 buildings. The total college's grounds comprise 900 acres, including a 400-acre arboretum, a virgin prairie, a forest tract, and open land.

The proceeds of the Issue were used to construct, furnish and equip a new science building and to remodel, improve and equip Burton Hall, an existing dormitory and dining facility. The new three-story science building for chemistry and geology contains classrooms, lecture halls, seminar rooms, offices, a computer room, a science library, and chemistry and geology laboratories. The Seeley G. Mudd Fund of California provided a grant of \$1,035,000 to help pay for the construction of this facility. The balance of the Bond proceeds, together with college funds on hand, were used for a \$2,321,000 renovation of Burton Hall, the oldest and second largest of Carleton's existing dormitory halls, for the construction of a new kitchen and conversion of existing kitchen space in Burton Hall to a new cafeteria-style serving facility to provide dining space, seating 550 students.

PROJECT DESCRIPTIONS

BOND SERIES "P"

\$2,350,000

ST. OLAF COLLEGE

St. Olaf College, a four-year, liberal arts college, is located in Northfield, Minnesota, a city of 10,000, 40 miles south of Minneapolis and Saint Paul. Its 350 acre campus is west of the City on an elevation known as Manitou Heights. The College owns approximately 1,175 acres of open space, now used for farming, adjoining its campus on the west, southwest and the north. The College was founded in 1874, but was operated as an academy until 1886. The name was changed to St. Olaf College in 1889. Throughout its history, St. Olaf has been related to the American Lutheran Church.

The proceeds of the Issue were used to construct a new 63,200 square foot music hall which includes two large instrumental rehearsal halls, a choral rehearsal hall, a 400 seat recital hall, a new music library, classrooms, offices, and practice and teaching studios. The total cost of the project was slightly in excess of \$4,000,000. In addition to the money available from the Bond proceeds, the College used monies from a recently completed fund-raising campaign.

BOND SERIES "1975-1"

\$6,460,000

BETHEL COLLEGE

The proceeds of this Issue, together with other funds furnished by the College, were used to repay fully the outstanding 8%, \$6,000,000 direct obligation notes issued by the Baptist General Conference February 7, 1972, to the Boatmen's National Bank of St. Louis to provide funds for the construction of four academic buildings on the College's new Arden Hills campus. Although the total construction costs, exclusive of equipment and furnishings, were \$7,623,000, the additional \$1,623,000 was provided by the College from other than borrowed funds. The proceeds of this Issue were used only to refund that part of the \$6,000,000 notes used for the construction of the following buildings: library and food service - building E, cultural arts - building D, and academic classroom - building B. They were not used to refinance any of the construction costs of the field house, since that facility is used for religious purposes.

PROJECT DESCRIPTIONS

BOND SERIES "1976-1"

\$1,695,000

COLLEGE OF ST. TERESA

The College of St. Teresa is a non-profit, women's residential, four-year, liberal arts college in the City of Winona, Minnesota. It traces its origin to 1894 when the Sisters of the Third Order Regular of the Congregation of Our Lady of Lourdes of St. Francis, who had conducted the Academy of Our Lady of Lourdes in Rochester since 1877, transferred the pupils of the Academy to Winona and opened the Winona Seminary. The first courses on the college level were opened in 1909. The name was changed to the College of St. Teresa in 1912.

In 1966 and 1967, the College constructed and equipped three buildings: Mary A. Molloy Library (\$1,138,683), Maria Hall Student Residence (\$1,406,745), and the Service Center (\$572,062). The College also renovated the dining hall and kitchen area of Lourdes Hall (\$617,619). The total cost was \$3,735,109. The Mary A. Molloy Library contains facilities for student and faculty study and research and special learning facilities. The library proper contains space for 200,000 volumes and 500 students and is equipped with individual study carrels and tables and chairs for reading and seminar groups. Special learning facilities include a completely equipped audio-visual department, a 99 seat lecture hall and classrooms. Maria Hall is a four-story residence accommodating 200 students and includes a study-living lounge on each floor. The Service Center facility combines a garage, power plant, laundry and maintenance offices. The kitchen renovation was in connection with the dining facilities in Lourdes Hall, a multi-use residence, recreation, and dining facility building which also houses some offices. The Bond proceeds were issued to refinance the outstanding debt originally incurred to construct and remodel these facilities.

BOND SERIES "Q"

\$ 800,000

CONCORDIA COLLEGE

Concordia College is a non-profit, four-year, co-educational, liberal arts college founded April 4, 1891 as an academy by the Northwestern Lutheran College Association, a Red River Valley affiliation. A complete college department was organized in 1913. Concordia is owned and operated by the Concordia College Corporation, members of which are the congregations of the American Lutheran Church of northern Minnesota, North Dakota and Montana east of the continental divide; these congregations number almost 1,000, with a total membership of 350,000. The campus comprises 120-acre area within the residential section of Moorhead. Facilities include 30 major buildings, of which one-half have been built since 1955.

The proceeds of this Issue were used for constructing, financing, and equipping a student apartment building on the Concordia College campus. This building has 33 units and a maximum capacity of 126 students. It is the only air-conditioned campus residence hall, with individual units in each apartment. This 3-story structure is of frame construction with a brick veneer exterior and covers approximately 9,870 square feet of ground area. Kitchens are included in each of the units and are furnished with electric range, refrigerator and garbage disposal. Bedrooms and living rooms are carpeted and furnished, including dinette sets. Each unit has a private bath. A 67 car parking lot adjoins this new apartment building.

PROJECT DESCRIPTIONS

BOND SERIES "R"

\$ 795,000

COLLEGE OF SAINT CATHERINE

The College of Saint Catherine has constructed, furnished and equipped an apartment-dormitory complex consisting of 36 units to house 118 students. The new structure is of wood frame construction with a brick veneer exterior. The three-floor structure is divided in half by a concrete block firewall; fire doors and smoke detectors are part of the building. The total floor area of the building is 11,000 square feet. There are 13 one-bedroom, one-bath units; 12 two-bedroom, two-bath units; and 11 two-bedroom, one-bath units. Each apartment unit has a living room, dining area and kitchen. A laundry is located on both the second and third floors. A gas-fired boiler with hot water baseboard radiation provides heat. Utilities are included in the rent; although individual meter panels will enable the College to bill each unit if this proves preferable in the future. Units are individually air-conditioned.

BOND SERIES "S"

\$2,070,000

GOLDEN VALLEY LUTHERAN COLLEGE

Golden Valley Lutheran College is a co-educational, two-year liberal arts college. It is a non-profit, non-sectarian institution, although it has a strong Lutheran orientation. The College was established in 1967 by the Lutheran Bible Institute of Minneapolis (LBI). LBI was established as a bible college in 1919 in St. Paul, and moved to Minneapolis in 1929, and from there to Golden Valley in 1961. Title to the Golden Valley Lutheran College campus is in the name of LBI.

The major part of this Bond Issue, \$1,246,000, was used to construct, furnish and equip a new residence hall on the campus of Golden Valley Lutheran College. The three-story building has 44,160 square feet and is of concrete construction. The facility has 101 sleeping units accomodating two students each. There is a central living room for every eight bedrooms and one bath for every two bedrooms. In addition, there is 2 one-bedroom, residence-head apartments, an activity room, a lobby and service spaces. Designed by Hammel, Green & Abrahamson, Inc., the building is capable of conversion to fifty one-bedroom housing units providing that the land can be zoned for such use.

Approximately 439,000 of the Issue was used to refund a part of an existing first lien mortgage on the Golden Valley Lutheran College campus in favor of Minnesota Federal Savings and Loan Association, St. Paul, Minnesota. The original (December, 1971) principal sum was \$800,000. Due in December, 1996, the mortgage is currently payable in monthly installments of \$6,852, including interest. The College is current in its payments. Because this mortgage is a first lien on all of the campus of the College at Golden Valley so much of it as is eligible for refunding by the Authority will be paid. The mortgagee has released its first mortgage on all of the campus land and buildings except the Administration Building.

PROJECT DESCRIPTIONS

REFUNDING SERIES "1976-2" \$1,300,000

ST. MARY'S COLLEGE

St. Mary's College is a non-profit, non-sectarian, residential four-year co-educational liberal arts college. It was founded in 1913 by the second Bishop of Winona. Conducted at first by diocesan clergy, the College came under the administration of the Brothers of the Christian Schools in 1933. It now is operated as a separate corporation for which the Christian Brothers have no fiscal responsibility. Originally a men's school, the College became co-educational in 1969.

The proceeds of the Issue were used to refinance part of the outstanding long-term debt of the College originally incurred to construct a 63,000 square foot College Center in 1968 at a cost of \$1,631,000. Construction proceeds were provided by a \$500,000 40-year, 3% HUD Loan and the issuance of a \$1,250,000 unsecured Coupon Note, dated June 1, 1968. The Coupon Notes have a balloon payment of \$1,010,000 due June 1, 1978.

The College Center is a three-story structure with an exterior of Mankato stone housing the following activities: lower level: bookstore, post office, game room and several meeting rooms; main floor: snack bar, general lounge, Presidential Reception Room, music room and offices; top floor: all food service, including student dining hall, kitchen, and faculty dining room.

The facility is the only one in the Winona area capable of handling large convention-type gatherings and is frequently used for this purpose.

NEW BOND ISSUES

FISCAL YEAR 1977

<u>BOND SERIES</u>	<u>DATE</u>	<u>FINAL MATURITY</u>	<u>AVERAGE MATURITY</u>	<u>NET INTEREST RATE</u>	<u>AMOUNT</u>
First Mortgage Revenue Bonds, Series R (COLLEGE OF ST. CATHERINE)	8/01/76	1997	12.98 yrs.	6.49833%	\$ 795,000.00
First Mortgage Revenue Bonds, Series S (GOLDEN VALLEY LUTHERAN COLLEGE)	4/01/77	1997	13.43 yrs.	6.68618%	\$2,070,000.00
Mortgage Revenue Bonds, Refunding Series 1976-2 (ST. MARY'S COLLEGE)	4/01/77	2002	16.68 yrs.	6.3861 %	\$1,300,000.00

PREVIOUS BOND ISSUES

1972 TO 1976

<u>BOND SERIES</u>	<u>DATE</u>	<u>FINAL MATURITY</u>	<u>AVERAGE MATURITY</u>	<u>NET INTEREST COST</u>	<u>AMOUNT</u>
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)	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)	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

PREVIOUS BOND ISSUES

1972 TO 1976
(CONTINUED)

<u>BOND SERIES</u>	<u>DATE</u>	<u>FINAL MATURITY</u>	<u>AVERAGE MATURITY</u>		<u>NET INTEREST COST</u>		<u>AMOUNT</u>
First Mortgage Revenue Bonds, Series J (College of St. Benedict)	7/1/74	2002	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 St. 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
First Mortgage Revenue Bonds, Series O (Carleton College)	11/1/75	2000	25	yrs.	7.00	% \$	4,000,000
First Mortgage Revenue Bonds, Series P (St. Olaf College)	10/1/75	1989	9.25	yrs.	7.011879	% \$	2,350,000
First Mortgage Revenue Bonds, Refunding Series 1975-1 (Bethel College)	12/1/75	1994	12.89	yrs.	8.4331	% \$	6,460,000
First Mortgage Revenue Bonds, Refunding Series 1976-1 (College of St. Teresa)	4/1/76	1991	10.38	yrs.	7.100675	% \$	1,695,000
First Mortgage Revenue Bonds, Series Q (Concordia College)	5/1/76	1994	12.40	yrs.	6.2961	% \$	800,000
							<u>\$39,175,000</u>

GENERAL BOND RESERVE FUND,
STATEMENT OF CONTRIBUTIONS AND EARNINGS
FOR THE YEAR ENDED JUNE 30, 1977

	<u>DATE INVESTED</u>	<u>ORIGINAL INVESTMENT</u>
\$2,200,000 First Mortgage Revenue Bonds, Series A, (Augsburg College)	1/08/73	\$ 31,743.60
\$1,935,000 First Mortgage Revenue Bonds, Series B, (Bethel College)	1/08/73	\$ 34,082.00
\$ 595,000 First Mortgage Revenue Bonds, Series C, (St. Mary's College)	1/08/73	\$ 9,000.00
\$ 520,000 First Mortgage Revenue Bonds, Series D, (College of St. Scholastica)	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)	6/12/74	\$ 6,000.00
\$1,600,000 First Mortgage Revenue Bonds, Series I, (Augsburg College)	5/08/74	\$ 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	\$ 47,667.00
\$ 690,000 First Mortgage Revenue Bonds, Series M, (College of Saint Catherine)	5/15/75	\$ 12,000.00

GENERAL BOND RESERVE FUND
STATEMENT OF CONTRIBUTIONS AND EARNINGS
FOR THE YEAR ENDED JUNE 30, 1977

(CONTINUED)

	<u>DATE INVESTED</u>	<u>ORIGINAL INVESTMENT</u>
\$1,450,000 First Mortgage Revenue Bonds, Series N, (College of St. Benedict)	5/20/75	\$ 28,000.00
\$4,000,000 First Mortgage Revenue Bonds, Series O, (Carleton College)	12/02/75	\$ 80,000.00
\$2,350,000 First Mortgage Revenue Bonds, Series P, (St. Olaf College)	11/07/75	\$ 53,425.83
\$6,460,000 First Mortgage Revenue Bonds, Refunding Series 1975-1, (Bethel College)	1/06/76	\$ 138,000.00
\$1,695,000 First Mortgage Revenue Bonds, Refunding Series 1976-1, (College of St. Teresa)	4/06/76	\$ 40,000.00
\$ 800,000 First Mortgage Revenue Bonds, Series Q, (Concordia College)	5/27/76	\$ 17,000.00
\$ 795,000 First Mortgage Revenue Bonds, Series R, (College of Saint Catherine)	9/02/76	\$ 15,000.00
\$2,070,000 First Mortgage Revenue Bonds, Series S, (Golden Valley Lutheran College)	4/04/77	\$ 39,000.00
\$1,300,000 Mortgage Revenue Bonds, Refunding Series 1976-2 (St. Mary's College)	5/02/77	<u>\$ 22,800.00</u>
SUB-TOTAL		\$ 893,973.83
ACCUMULATED FUND EARNINGS		177,801.93
TOTAL		<u>\$1,071,775.76</u>

¹The 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.

GENERAL BOND RESERVE FUND
STATEMENT OF INVESTMENTS AND CASH
JUNE 30, 1977

	<u>Security</u> ^{1/}	<u>Due</u>
1. \$ 4,100.21	Savings Certificate #OV6704, First National Bank of St. Paul 7.25%	1/08/78
2. \$ 170,000.00	Certificate of Deposit #43601.3, First National Bank of St. Paul 5.10%	8/29/77
3. \$ 235,000.00	Federal National Mortgage Assn. Debentures 9.80%	6/11/79
4. \$ 70,000.00	Federal National Mortgage Assn. Debentures 6.80%	9/10/82
5. \$ 50,000.00	Federal National Mortgage Assn. Debentures 7.00%	3/10/92
6. \$ 15,000.00	Federal Land Bank Debentures 7.60%	4/20/78
7. \$ 150,000.00	Federal Land Bank Debentures 6.60%	10/20/77
8. \$ 80,000.00	Federal Land Bank Debentures Series B - 1981 7.45%	10/20/81
9. \$ 20,000.00	Federal National Mortgage Assn. Debentures Series SM-1978-H 7.45%	9/11/78
10. \$ 26,000.00	United States Treasury Notes 6.875%	9/30/80
11. \$ 35,000.00	Federal Land Bank Debentures 7.10%	1/20/81
12. \$ 105,000.00	Federal Intermediate Credit Bank 5.35%	9/01/77
13. \$ 45,000.00	Federal National Mortgage Assn. Series SM-1981-I 6.85%	4/10/81
14. \$ 32,000.00	United States Treasury Notes A-1984 7.25%	2/15/84
\$1,037,100.21		
5,554.12	Unamortized Premium on Investments	
\$1,042,654.33		
11,765.37	Cash on hand June 30, 1977	
\$1,054,419.70		

1/ Interest rates shown are coupon rates.

GENERAL BOND RESERVE FUND

FISCAL 1977 EQUITY SHARES

COLLEGE	CONTRIBUTIONS AT 6/30/76	ACCUMULATED DISTRIBUTION OF EARNINGS AT 6/30/76	BALANCE 6/30/76	CONTRIBUTIONS AMOUNT 1977	PERCENT SHARES	6/30/77 DISTRIBUTION OF EARNINGS	BALANCE 6/30/77
AUGSBURG	\$ 61,743.60	\$ 14,209.21	\$ 75,952.81		8.0	\$ 5,294.03	\$ 81,246.84
BETHEL	172,082.00	13,741.68	185,823.68		19.5	12,904.19	198,727.87
ST. MARY'S	9,000.00	2,594.53	11,594.53	22,800.00	1.6	1,058.81	35,453.34
ST. SCHOLASTICA	14,643.40	3,348.27	17,991.67		1.9	1,257.33	19,249.00
GUSTAVUS ADOLPHUS	19,308.00	5,450.66	24,758.66		2.6	1,720.56	26,479.22
ST. BENEDICT	56,304.00	9,133.62	65,437.62		6.9	4,566.10	70,003.72
MPLS. FINE ARTS	220,000.00	51,839.23	271,839.23		28.5	18,859.96	290,699.19
ST. THOMAS	14,000.00	1,488.91	15,488.91		1.6	1,058.80	16,547.71
ST. MARY'S	47,667.00	3,617.51	51,284.51		5.3	3,507.29	54,791.80
ST. CATHERINE'S	12,000.00	862.81	12,862.81	15,000.00	2.6	1,720.55	29,583.36
CARLETON	80,000.00	2,693.32	82,693.32		8.7	5,757.25	88,450.57
ST. OLAF	53,425.83	2,089.65	55,515.48		5.8	3,838.17	59,353.65
ST. TERESA	40,000.00	464.36	40,464.36		4.2	2,779.36	43,243.72
CONCORDIA	17,000.00	92.87	17,092.87		1.8	1,191.15	18,284.02
GOLDEN VALLEY	---	---	---	39,000.00	1.0	661.75	39,661.75
	\$817,173.83	\$111,626.63	\$928,800.46	\$76,800.00	100.0	\$66,175.30	\$1,071,775.76

SERIES RESERVE ACCOUNTS¹

CONTRIBUTIONS

NEW BOND ISSUES

	<u>BOND ISSUE</u>	<u>INITIAL SERIES RESERVE</u>
First Mortgage Revenue Bonds, Series R (COLLEGE OF SAINT CATHERINE)	\$ 795,000.00	\$ 60,000.00
First Mortgage Revenue Bonds, Series S (GOLDEN VALLEY LUTHERAN COLLEGE)	\$2,070,000.00	\$156,000.00
Mortgage Revenue Bonds, Refunding Series 1976-2 (ST. MARY'S COLLEGE)	<u>\$1,300,000.00</u>	<u>\$ 91,200.00</u>
	\$4,165,000.00	\$307,200.00

¹By 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

	<u>BOND ISSUE</u>	<u>INITIAL SERIES RESERVE</u>
First Mortgage Revenue Bonds, Series A (AUGSBURG COLLEGE)	\$ 2,200,000.00	\$ 126,194.00
First Mortgage Revenue Bonds, Series B (BETHEL COLLEGE)	1,935,000.00	\$ 136,328.00
First Mortgage Revenue Bonds, Series C (ST. MARY'S COLLEGE)	\$ 595,000.00	\$ 36,000.00
First Mortgage Revenue Bonds, Series D (COLLEGE OF ST. SCHOLASTICA, INC.)	\$ 520,000.00	\$ 34,573.60
First Mortgage Revenue Bonds, Series E (GUSTAVUS ADOLPHUS COLLEGE)	\$ 1,030,000.00	\$ 77,232.00
First Mortgage Revenue Bonds, Series F (COLLEGE OF ST. BENEDICT)	\$ 1,610,000.00	\$ 85,216.00
First Mortgage Revenue Bonds, Series G (MPLS. SOCIETY OF FINE ARTS)	\$ 8,450,000.00	\$ 880,000.00
First Mortgage Revenue Bonds, Series H (COLLEGE OF ST. SCHOLASTICA, INC.)	\$ 340,000.00	\$ 24,000.00
First Mortgage Revenue Bonds, Series I (AUGSBURG COLLEGE)	\$ 1,600,000.00	\$ 120,000.00
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
First Mortgage Revenue Bonds, Series O (CARLETON COLLEGE)	\$ 4,000,000.00	TERM BOND

SERIES RESERVE ACCOUNTS

CONTRIBUTIONS

PREVIOUS BOND ISSUES

(CONTINUED)

	<u>BOND ISSUE</u>	<u>INITIAL SERIES RESERVE</u>
First Mortgage Revenue Bonds, Series P (ST. OLAF COLLEGE)	\$2,350,000.00	\$ 213,703.34
First Mortgage Revenue Bonds, Refunding Series 1975-1 (BETHEL COLLEGE)	\$6,460,000.00	\$ 552,000.00
First Mortgage Revenue Bonds, Refunding Series 1976-1 (COLLEGE OF ST. TERESA)	\$1,695,000.00	\$ 160,000.00
First Mortgage Revenue Bonds, Series Q (CONCORDIA COLLEGE)	\$ 800,000.00	<u>\$ 68,000.00</u>
		\$2,947,914.94
Total Series Reserve for New and Previous Issues		\$3,255,114.94

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS
for the years ended June 30, 1977 and 1976

COOPERS & LYBRAND
CERTIFIED PUBLIC ACCOUNTANTS

C O N T E N T S

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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, 1977 and 1976, and the related statements of revenue and expenses, changes in fund balances and changes in financial position for the years then ended. Our examinations were 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, 1977 and 1976 and the results of their operations and changes in their financial position for the years then ended in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

St. Paul, Minnesota
September 22, 1977

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
BALANCE SHEET, June 30, 1977 and 1976

ASSETS	General Operating Fund		General Bond Reserve Fund (Note 4)		Revenue Bonds Fund	
	1977	1976	1977	1976	1977	1976
Cash	\$33,126	\$34,720	\$ 11,765	\$ 746		
Investments, at cost which approximates market			1,042,654	916,681		
Accrued interest receivable			17,657	11,874		
Leases receivable (Notes 3 and 4):						
Cash (including certificates of deposit of \$615,848 in 1977 and \$1,239,921 in 1976)					\$ 679,990	\$ 1,286,077
Investments, at cost which approximates market					5,084,580	4,390,789
Accrued interest receivable					52,342	39,736
Property under lease					37,130,674	33,097,359
Reserve deposits to General Bond Reserve Fund					893,974	817,174
Furniture and equipment (less accumulated depreciation of \$3,531 in 1977 and \$2,675 in 1976)	4,862	5,469				
Other	300	500				
Total assets	\$38,288	\$40,689	\$1,072,076	\$929,301	\$43,841,560	\$39,631,135
LIABILITIES AND FUND BALANCE						
Revenue bonds payable (less unamortized discount of \$826,674 in 1977 and \$843,020 in 1976)(Note 4)					40,923,326	37,981,980
Reserve deposits from Revenue Bonds Fund			893,974	817,174		
Accrued interest payable					679,731	624,358
Accounts payable, operations	4,475	6,555	300	500	258	
Accounts payable, State of Minnesota	40,121	40,121				
Total liabilities	44,596	46,676	894,274	817,674	41,603,315	38,606,338
Fund balance:						
Unappropriated	(6,308)	(5,987)				
Appropriated (Note 1)			177,802	111,627	2,238,245	1,024,797
Total fund balance	(6,308)	(5,987)	177,802	111,627	2,238,245	1,024,797
Total liabilities and fund balance	\$38,288	\$40,689	\$1,072,076	\$929,301	\$43,841,560	\$39,631,135

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

STATEMENT OF REVENUES AND EXPENSES
for the years ended June 30, 1977 and 1976

	General Operating Fund		General Bond Reserve Fund		Revenue Bonds Fund	
REVENUES	<u>1977</u>	<u>1976</u>	<u>1977</u>	<u>1976</u>	<u>1977</u>	<u>1976</u>
Rental income					\$3,675,612	\$2,233,650
Application fees	\$ 4,000	\$ 3,000				
Initial administrative fees	14,362	50,129				
Annual administrative fees	56,969	49,544				
Investment income	<u>1,148</u>	<u>1,143</u>	<u>\$66,505</u>	<u>\$50,411</u>	<u>274,996</u>	<u>380,081</u>
Total revenues	<u>76,479</u>	<u>103,816</u>	<u>66,505</u>	<u>50,411</u>	<u>3,950,608</u>	<u>2,613,731</u>
EXPENSES						
Interest expense					2,717,197	2,113,942
Payroll, payroll taxes and employee benefits	49,904	47,107				
Rent expense	7,622	7,275				
Legal and audit expense	12,339	18,389	300	3,959		
Other general and administrative expenses	6,935	7,250	30	15		
Bond issuance costs and trustees' fees					<u>19,963</u>	<u>10,654</u>
Total expenses	<u>76,800</u>	<u>80,021</u>	<u>330</u>	<u>3,974</u>	<u>2,737,160</u>	<u>2,124,596</u>
Excess (deficiency) of revenues over expenses	<u>\$ (321)</u>	<u>\$ 23,795</u>	<u>\$66,175</u>	<u>\$46,437</u>	<u>\$1,213,448</u>	<u>\$ 489,135</u>

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

STATEMENT OF CHANGES IN FUND BALANCE
for the years ended June 30, 1977 and 1976

	<u>General Operating Fund</u>	<u>General Bond Reserve Fund</u>	<u>Revenue Bonds Fund</u>
Unappropriated fund (deficit), June 30, 1975	\$(29,782)		
Appropriated fund balance, June 30, 1975		\$ 65,190	\$ 535,662
Excess of revenues over expenses	<u>23,795</u>	<u>46,437</u>	<u>489,135</u>
Unappropriated fund deficit, June 30, 1976	(5,987)		
Appropriated fund balance, June 30, 1976		111,627	1,024,797
Excess (deficiency) of revenues over expenses	<u>(321)</u>	<u>66,175</u>	<u>1,213,448</u>
Unappropriated fund deficit, June 30, 1977	(6,308)		
Appropriated fund balance, June 30, 1977		<u>177,802</u>	<u>2,238,245</u>
Total fund balance (deficit)	<u>\$ (6,308)</u>	<u>\$177,802</u>	<u>\$2,238,245</u>

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

STATEMENT OF CHANGES IN FINANCIAL POSITION
for the years ended June 30, 1977 and 1976

	General Operating Fund		General Bond Reserve Fund		Revenue Bonds Fund	
	<u>1977</u>	<u>1976</u>	<u>1977</u>	<u>1976</u>	<u>1977</u>	<u>1976</u>
Funds provided:						
From activities:						
Revenues in excess of (deficient of) expenses	\$ (321)	\$23,795	\$ 66,175	\$ 46,437	\$1,213,448	\$ 489,135
Charges not requiring cash:						
Depreciation	856	785				
Amortization of bond discount					88,362	75,837
Total from activities	<u>535</u>	<u>24,580</u>	<u>66,175</u>	<u>46,437</u>	<u>1,301,810</u>	<u>564,972</u>
Deposits from Revenue Bonds Fund			76,800	328,426		
Proceeds from revenue bonds issued					4,092,984	14,859,611
Net proceeds from investments sold						1,065,615
Increase in accrued interest payable					55,373	262,961
Decrease in accrued interest receivable						33,739
Increase in accounts payable		<u>5,652</u>		<u>500</u>	<u>258</u>	
Total funds provided	<u>535</u>	<u>30,232</u>	<u>142,975</u>	<u>375,363</u>	<u>5,450,425</u>	<u>16,786,898</u>
Funds applied:						
Decrease in accounts payable	2,080		200			
Construction drawings					4,033,315	15,428,461
Net increase in funds invested			125,973	391,058	693,791	
Deposits to General Bond Reserve Fund					76,800	328,426
Redemption of revenue bonds					1,240,000	155,000
Increase in accrued interest receivable			5,783	6,010	12,606	
Other	<u>49</u>	<u>1,083</u>				
Total funds applied	<u>2,129</u>	<u>1,083</u>	<u>131,956</u>	<u>397,068</u>	<u>6,056,512</u>	<u>15,911,887</u>
Increase (decrease) in cash	(1,594)	29,149	11,019	(21,705)	(606,087)	875,011
Cash, beginning of year	<u>34,720</u>	<u>5,571</u>	<u>746</u>	<u>22,451</u>	<u>1,286,077</u>	<u>411,066</u>
Cash, end of year	<u>\$33,126</u>	<u>\$34,720</u>	<u>\$ 11,765</u>	<u>\$ 746</u>	<u>\$ 679,990</u>	<u>\$ 1,286,077</u>

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

NOTES TO FINANCIAL STATEMENTS

1. Authorizing Legislation and Funds:

AUTHORIZING LEGISLATION:

The Minnesota Higher Education Facilities Authority 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 a debt of the State of Minnesota.

FUNDS:

The following describes the funds maintained by the Authority, all of which conform with the authorizing legislation, bond resolutions and 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 for bonds issued before August 12, 1975 and $.35\%$ of principal amount thereafter.

Annually, thereafter, until repayment - $1/8\%$ of original principal amount of the issue for applications received prior to August 12, 1975 and $.2\%$ of original principal amount for applications received thereafter.

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 are invested in United States obligations and certificates of deposit. The investments and the 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

NOTES TO FINANCIAL STATEMENTS, 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.

INVESTMENT:

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

NOTES TO FINANCIAL STATEMENTS, 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. Components of leases receivable as presented on the balance sheet correspond to the status of bond proceeds and earnings thereon at June 30, 1977 and 1976 according to the respective trustees.

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 specified fee.

Continued

NOTES TO FINANCIAL STATEMENTS, Continued

4. Revenue Bonds Payable:

Revenue bonds payable consist of the following serial and term bonds:

				As at June 30, 1977		
Original Principal Amount		Interest Rate	Maturity Dates	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	\$ 2,190,000	\$ 27,944	\$ 2,162,056
1,935,000	Series B (Bethel College)	4.0% to 5.6%	Jun 1, 1974 to Jun 1, 1997	1,820,000	28,301	1,791,699
595,000	Series C (St. Mary's College)	4.2% to 5.6%	Jun 1, 1976 to Jun 1, 1998	575,000	8,759	566,241
520,000	Series D (College of St. Scholastica)	5.3% to 6.0%	Mar 1, 1974 to Mar 1, 1997	475,000	7,419	467,581
1,030,000	Series E (Gustavus Adolphus College)	4.0% to 5.5%	Mar 1, 1975 to Mar 1, 1993	940,000	13,612	926,388
1,610,000	Series F (College of St. Benedict)	4.9% to 5.8%	Mar 1, 1974 to Mar 1, 1998	1,515,000	22,288	1,492,712
8,450,000	Series G (Minneapolis Society of Fine Arts)	6.4%	Aug 1, 1976 to Aug 1, 1983	7,650,000	114,683	7,535,317
340,000	Series H (College of St. Scholastica)	6.0% to 6.4%	Jun 1, 1975 to Jun 1, 1999	325,000	7,305	317,695
1,600,000	Series I (Augsburg College)	5.75% to 6.2%	May 1, 1976 to May 1, 1995	1,540,000	24,891	1,515,109
370,000	Series J (College of St. Benedict)	6.3% to 6.8%	Jul 1, 1976 to Jul 1, 2002	365,000	9,440	355,560
800,000	Series K (College of St. Thomas)	5.5% to 6.9%	Sep 1, 1975 to Sep 1, 1994	755,000	7,196	747,804
2,280,000	Series L (St. Mary's Junior College)	7.0% to 8.25%	Jan 1, 1977 to Jan 1, 1994	2,220,000	75,282	2,144,718
690,000	Series M (College of St. Catherine)	7.4% to 8.0%	Nov 1, 1976 to Nov 1, 1996	680,000	15,692	664,308
1,450,000	Series N (College of St. Benedict)	8.0% to 8.25%	Nov 1, 1976 to Nov 1, 1994	1,415,000	36,498	1,378,502
4,000,000	Series O (Carleton College)	7.0%	Nov 1, 2000	4,000,000	70,933	3,929,067
2,350,000	Series P (St. Olaf College)	6.0% to 7.0%	Apr 1, 1976 to Oct 1, 1989	2,220,000	47,946	2,172,054
800,000	Series Q (Concordia College)	4.0% to 6.375%	Apr 1, 1978 to Apr 1, 1994	800,000	18,197	781,803
6,460,000	Series 1975-1 (Bethel College)	7.7% to 8.3%	Oct 1, 1976 to Oct 1, 1994	6,440,000	175,710	6,264,290
1,695,000	Series 1976-1 (College of St. Theresa)	5.875% to 7.1%	Apr 1, 1978 to Apr 1, 1991	1,695,000	44,864	1,650,136
1,300,000	Series 1976-2 (St. Mary's College)	6.0% to 6.5%	Apr 1, 1979 to Apr 1, 2002	1,300,000		1,300,000
795,000	Series R (College of St. Catherine)	4.0% to 6.625%	May 1, 1977 to May 1, 1997	760,000	18,927	741,073
2,070,000	Series S (Golden Valley Lutheran College)	6.5%	Apr 1, 1979 to Apr 1, 1997	2,070,000	50,787	2,019,213
				<u>\$41,750,000</u>	<u>\$ 826,674</u>	<u>\$40,923,326</u>

Aggregate principle payments of \$1,610,000 are due on the revenue bonds in 1978. 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. In addition, \$4,000,000 of Carleton College investment securities are pledged as collateral on Series O.

Continued

NOTES TO FINANCIAL STATEMENTS, Continued

5. Commitments:

At June 30, 1977 the Authority had a lease commitment to pay, from the General Operating Fund, monthly rentals of \$610 through September 1977 for office space. Rentals charged to expense in 1977 and 1976 amounted to \$7,622 and \$7,275, respectively.

6. Subsequent Events:

Subsequent to June 30, 1977 the Authority authorized the issuance of an additional revenue bond for \$2,000,000 which will mature serially through 1982.