7-1974

Revenue Bonds and Universities

Norman S. MacPhee

REVENUE BONDS

AND

UNIVERSITIES

by

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Bachelor of Science, University of North Dakota, 1970

An Independent Study

Submitted to the Faculty

of the

University of North Dakota

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for the degree of

Master of Science

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FOREWARD

I would like to thank three who have helped make writing on this subject possible: Mr. Gerald Skogley, Vice President, Finance, University of North Dakota, for his patience in giving me my initial opportunity in university financial administration; Mr. James Ness, C.P.A., Montana State University, for persevering in assistance with my first Revenue Bond accounting experience; and Dr. Earl B. Peterson, Business Manager, Northern Region, University of Alaska, for "turning me loose" on the long-term debt accounting at the University of Alaska and for his assistance in refining our present reports.

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The subject does not lend itself to extensive quoting of previous works since sources mention only briefly the objective of this report.

Revenue bonds are widely used by governmental units to generate revenue used to retire the bonds. The bond itself is a negotiable, interest-bearing instrument usually having coupons attached.

This paper will show current use of revenue bonds by universities and the details of concern during issue of the bonds and methods of reporting ongoing results of operations.

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I. FLOATING THE ISSUE

A. Present Use of Revenue Bonds

Colleges and universities are presently utilizing revenue bonds to generate dollars for purchase or construction of a wide variety of facilities. Although most uses center around providing housing and food service facilities for students, other uses do appear from time to time, such as:

utility systems
faculty housing
fire and security protection
bookstores
campus activity centers
graphic service centers.[1,2]

The above list is certainly not all inclusive, since uses for revenue bond funding are limited only by the imagination of the user. It does, however, provide some idea of current practice. The facility constructed or purchased may generate revenue from either sources outside the university or from within the school itself, through "interdepartmental" charges. One basic requirement is that the asset purchased with the proceeds from the sale of the bonds be used to generate revenue that will be

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[1]Montana State University, 1972 Revenue Bond Report, (Bozeman, 1972), p. 2.

[2]University of Alaska, 1973 Revenue Bond and Mortgage Report, (Fairbanks, 1973), p. 1.

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[1] Montana State University, 1972 Revenue Bond Report, (Bozeman, 1972), p. 2.

[2] University of Alaska, 1973 Revenue Bond and Mortgage Report, (Fairbanks, 1973), p. 1.

used to pay interest and principal due the bond holder.

The advantages of revenue bond funding in state-operated institutions are three-fold. First, it allows the school to generate construction capital for certain facilities without asking the taxpayer to pay additional tax dollars. Second, the interest paid to the bond-holder is generally tax free, so the purchaser of the bond is willing to accept a much lower rate. Third, the interest and principal may be repaid over the life of the facility using income generated by the project and is thereby charged to the user of the facility.

Various types of repayment agreements are utilized, most attempting to "level" the annual charge by increasing the amount of principal retired as the interest expense decreases.[3] There are usually provisions for early retirement, redemption reserves, repair and replacement reserves, and restrictions on the methods used in investing those reserves.[4]

The agreement itself, usually termed an indenture or resolution if issued by a legislative body, is a long, detailed legal document containing at least, but not limited to, the following sections:

1) Definitions of terms
2) Description of the facility to be built

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[3]University of Alaska, pp. 18,19.

[4]University of Alaska, Resolution, 1962 Revenue Bond Issue, (Fairbanks, 1962), pp. 29-41.

3) Estimate of revenues to be generated
4) Description of the bond issue to include maximum amount, face interest rate, date of bonds, date interest is payable, and redemption date
5) Outline of early redemption requirements
6) Designation of a trustee
7) Outline of the format of the bond
8) Regular redemption requirements
9) Statement releasing the state from a general fund obligation
10) Description of signatures and seals to be affixed
11) Procedures for delivery of bonds to trustee to include instruction for destruction of matured coupons, if any
12) Provisions for sale of the bonds
13) Instructions to the trustee concerning handling of proceeds of the sale
14) Description of the fund to be established for the recording of current transactions
15) Outline establishing redemption fund
16) Outline establishing repair and replacement fund
17) Instructions to the trustee concerning investment of funds held by him
18) Provision directing use to be made of any excess funds generated
19) Agreement not to sell facilities except under strict and specified conditions
20) Provisions governing possible issue of "parity" bonds
21) Provisions denying recourse against board members for failure to pay interest
22) Definition of situations considered default
23) Provisions for action after default
24) Replacement of lost bonds or coupons
25) Provision for resignation of trustee
26) Signatures of institution and trustee.[5]

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[5] IBID., pp. 2-59.

B. <u>The Responsibilities of the University</u>

The institution must be able to assure the prospective bondholders that it will spend the funds generated carefully and then proceed to pay the bondholder the agreed-upon interest and principal while providing for required reserves. The details for this assurance are outlined specifically in the "indenture" or agreement.

The institution should also select a "trustee", usually a bank, who will stand as a disinterested third party and usually act as paying agent for the bond issue. If reserves are to be established, there may be a provision appointing the trustee to perform the task of investing these funds. The school should provide an adequate accounting system for recording transactions concerning operations and debt retirement. Plans to issue an annual report to the bondholders (and others) should be considered and might include the transactions of the trustee.

Care must be taken to maintain the facilities constructed in a condition that will allow continued generation of income.

A decision of major importance in the selection of a method for sale of the bonds, or "floating the issue". This decision will depend largely upon the credit rating enjoyed by the institution. Long-term debt credit information is available through such services as <u>Moody's</u> or <u>Standard and Poor's</u>, and may

MOODY'S MUNICIPAL & GOVERNMENT MANUAL

UNIVERSITY OF ALASKA
(Revenue Bonds)

In addition to general obligations of the State of Alaska on behalf of the University (see on a preceding page), are certain bonds of the University itself secured by project revenues.

Address: College, Alaska.

Enrollment: 1968-69, 2,225; 1967-68, 1,847.

University of Alaska Housing System Revenue Bonds: Outstanding June 30, 1971, $10,618,000 as follows:

		Dormitory—Issued	$750,000
3⅛s	'61	Ser. to 4- 1-2001 A&O1	$641,000
		Faculty Housing—Issued	$1,000,000
3½s	'61	Ser. to 4- 1-2001 A&O1	836,000
		Dining Hall—Issued	$1,100,000
3⅜s	'62	Ser. to 4- 1-2002 A&O1	985,000
		Dorm. & Married Studt. Apts.—	2,500,000
3½s	'63	Ser. to 4- 1-2003 A&O1	2,186,000
		Housing Equip.—Issued	$205,000
4s	'63	----- 8- 1-73 M&N1	140,000
		Dormitory—Issued	$3,073,000
3¾s	'64	Ser. to 4- 1-2004 A&O1	2,830,000
		Dormitory—Issued	$3,000,000
3s	'68	Ser. to 4- 1-2008 A&O1	3,000,000

INTEREST PAYABLE—At Chase Manhattan Bank, New York; except Housing Equipment bonds payable at University.

CALLABLE—Housing System revenue bonds at 103 beginning as follows: 3⅛s and 3½s of 1961, 10-1-71; 3⅜s of 1962, 10-1-72; 3½s of 1963, 10-1-73. Housing Equipment bonds at par on 10 days' notice.

SECURITY—Housing System revenue bonds secured solely by revenues of buildings comprising the System. Housing Equipment bonds by student fees.

University of Alaska Heating Corp. revenue bonds: Issued, $3,000,000; outstanding Aug. 15, 1971, as follows:

4¾s	'62	Ser. to 8-15-82 F&A15	$2,575,000

Interest paid at Chase Manhattan Bank, New York.

Callable at par beginning 8- 15-77.

Payable from revenues of non-profit corporation administering U. of A. heating facilities. Revenues are rentals paid by University on "lease back."

This listing gives all important information concerning University of Alaska Bond Issues. A prospective purchaser will review this listing, then probably request further financial information from the institution itself.

Fig. 1.--Sample Listing from Moody's

include listings as indicated in (Figure 1.).

If the rating of the school is an excellent one, there will be no trouble approaching an investment broker for assistance with the sale. Such a sale is usually advertised for a time in advance, then bids are accepted. The proceeds of the sale may not match the par value of the bonds, since the interest rate indicated on the face of the bond itself may differ from the current market rate on like investments. Such differences are caused by delay between the date face interest is established and the date the bonds are sold. The difference in proceeds, whether premium or discount, is absorbed by the institution as an interest rate adjustment.

The cash proceeds from the sale of bonds is generally transferred to the selected trustee for investment and safe-keeping until contract payments to builders are due.

In the event that the credit rating of the school is not well established or is poor, the course of action may be quite different. The most likely method would be to approach the federal Department of Housing and Urban Development, "HUD", for their guarantee of interest or possible purchase of the issue. If the federal government sees fit to assist the university, the sale proceeds much as if it would for a sale to private buyers. "HUD" requires a special annual report, (Figure 2.), but differs little in other respects from private bondholders.

HUD-4370-CH
November 1971
(Formerly CFA-370-CH)

Form Approved
OMB No. 63-R1069

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT COLLEGE HOUSING LOAN PROGRAM LOAN MANAGEMENT REPORT	TO BE COMPLETED BY HUD A. REVIEWED BY B. GROUP ☐ I ☐ II
1. BORROWER'S NAME	2. PROJECT NUMBER
3. BORROWER'S ADDRESS AND ZIP CODE	4. FISCAL YEAR ENDING

5. PLEDGE REVENUES

a. INCOME FROM FACILITIES *(Identify)*	GROSS RECEIPTS	M AND O COSTS *(Exclude Debit Service)*	NET REVENUES	AVERAGE OCCUPANCY REGULAR TERM
	$	$	$	
TOTAL	$	$	$	

b. OTHER *(Specify sources)*	PLEDGED REVENUES
	$

c. SCHEDULE OF CURRENT RATE CHARGES IN PLEDGED FACILITIES

PER STUDENT

Room: ____________

Board: ____________

Fees: ____________

d. DEBT SERVICE COVERAGE *(To be completed by HUD)*:

(1) Total pledged revenues	$	Debt service coverage	
(2) Total net revenues	$	Debt service coverage	
(3) Project net revenues	$	Debt service coverage	

6. ENROLLMENT FOR EACH TERM FOR PAST SCHOOL YEAR AS REPORTED TO U.S. OFFICE OF EDUCATION

Term					
Total					
Full-time					
Residential					

7. FURNISH THE FOLLOWING INFORMATION:

ACCOUNT OR FUND	BALANCE BEGINNING OF YEAR	TOTAL DEPOSITS 1/	TOTAL WITHDRAWALS 1/	BALANCE END OF YEAR
Revenue Fund	$	$	$	$
Bond and Interest Sinking Fund				
Repair and Replacement Reserve Account				
Endowment Fund Escrow Account				
TOTAL	$	$	$	$

1/ Furnish transcript of deposits and withdrawals by object totals.

MARKET VALUE	
Collateral Account	$
Debt Service Reserve	$
Repair and Replacement Reserve Account	$
Endowment and Escrow Account	$

TO BE COMPLETED BY HUD:

OVERALL OPERATIONS	
Total Income	
Total Expenses	
Net Income *(deficit)*	
Operating Ratio	
Gifts included in above income	
Long Term Debt Ratio	

8. COMMENTS:

9. REVIEWER COMMENTS *(To be completed by HUD)*:

PREPARED BY:

______________________________ ____________
Signature *Date*

____
Name and Title (Please type)

HUD-Wash., D. C. HUD-4370-CH

Fig. 2.--Year-end HUD Report,

C. The Trustee

The institution usually is required to select a qualified, disinterested third party to act as trustee for the bond issue. This trustee would reasonably be the trust department of a bank known to the school. Once established, a trustee will probably be utilized for several, if not all, bond issues sold. The trustee is, of course, paid a reasonable fee for performance of this service.

The trustee has an initial duty to obtain a copy of the indenture or resolution and become familiar with all provisions affecting him. He may be merely a paying agent and investment counsel, but will, most probably, have an additional responsibility to the bondholders for assuring compliance with certain items outlined in the indenture. The trustee should review, in detail, the financial reports of the institution. He must insist upon timely transfer of funds from the current operation of the facility to the "reserve" or "redemption" funds held by him as provided for in the agreement.

The trustee will ordinarily assure that any unused portion of the proceeds is, immediately after completion of construction, used to retire bonds so that the value of the outstanding issue does not exceed the amount paid to the contractors or owner of the facility.

Once the facility is complete and in the hands of the school, the trustee turns his attention to the usually semi-annual interest transfers from the institution to the bondholder. This is accomplished through presentation of coupons (in the case of coupon bonds) to the trustee by the bondholder. The coupons are then given to the institution for destruction.

Another duty of the trustee is to insure adherence to the redemption schedule provided for in the indenture. He may have to call for early redemptions in addition to the regular schedule if income from the facility should exceed expectations.

The trustee should also be prepared to promptly invest any funds transferred to him for holding as "redemption reserves" or "repair and replacement" reserves. The investments should be made in accordance with specific instructions from the university if not outlined in the indenture. The instructions will almost surely stipulate government guaranteed marketable securities of medium to long term for redemption reserves and of short term for repair and replacement reserves.[6]

The trustee must also provide for adequate communications between himself, the institution, the bondholders, and any auditors involved in review of the financial aspects of the bonds. He should provide a prompt, detailed financial report of his actions as soon as possible after the close of the fiscal year <u>of the school</u>.

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[6]University of Alaska, p. 34.

II. ACCOUNTING FOR REVENUE, EXPENSE, AND DEBT SERVICE

The section on accounting for revenue bonds will address itself to the point of view of the school only. It will omit records of the bondholder or trustee as a consideration. As with most public organizations, universities follow "fund accounting" guidelines. More specifically, guidelines established by "College and University Business Administration", which were recently modified by pronouncements of the AICPA.[7]

Universities divide their accounting activities into various specialized "fund groups". Only three will be of interest here:

1) Current Funds--A group used to reflect only operations of a current nature.[8]

2) Plant Funds--A group used to record physical plant assets and long-term debt payable thereon.[9]

3) Retirement of Debt Funds--A group used to record transactions concerning the trustee, reserves, and redemptions.[10]

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[7] American Institute of Certified Public Accounting, Audits of Colleges and Universities, (New York, 1973), p. 47.

[8] American Council on Higher Education, College and University Business Administration, (Washington, D.C., 1968), p. 200.

[9] IBID., p. 211.

[10] IBID., p. 213.

Each of these "fund groups" balances, therefore, each contains asset accounts, liability accounts, income and expense accounts, and surplus or "fund balance" accounts. For purposes of uniformity in the presentation of this part on accounting for revenue bonds, the following information will provide a base:

1) This is the first year in the operation of a housing system purchased for $2,500,000 on July 1 of this fiscal year.

2) The purchase was financed by the sale of 3% revenue bonds on January 1--sold at face value. The bonds are coupon bonds, maturing at various times over the next 45 years.

3) The trustee will make all payments to bondholders, hold all interest reserves, and furnish an annual report to the university. The trustee fee will be $5,000 per year, payable in the subsequent year.

4) The redemption reserve will build at the rate of 1% of the purchase price of the facility per year to a maximum of $200,000.

5) The repair and replacement reserve will build at the rate of 1% of the purchase price of the facility per year to a maximum of 10% of the purchase price--$250,000.

6) Revenue in excess of requirements may be used for any lawful purpose.

A. "Current Fund" Operations

The transactions normally recorded in the current fund group are the day-to-day collection of income, payment of operational expenses, investment of excess current cash, and transfers to other funds. Presented below are a series of entries for a hypothetical first year in the operation of a university housing system, including closing entries, pre-closing trial balance, post-closing trial balance, and descriptions of each entry:

		Debit	Credit
1)	Cash	$250,000	
	Revenue from Housing To record collection of first semester rent.		$250,000
2)	Investments	75,000	
	Cash To record investment of a portion of cash collected.		75,000
3)	Operational Expenses	125,000	
	Cash To record operational expenses in the dormitory for the first semester.		125,000
4)	Transfer to Retirement of Debt	37,000	
	Cash To record transfer of first ½ year interest amount to the trustee.		37,500

		Debit	Credit
5)	Cash	$250,000	
	Revenue from Housing		$250,000
	To record collection of second semester rent.		
6)	Investments	75,000	
	Cash		75,000
	To record investment of a portion of cash collected.		
7)	Operational Expenses	125,000	
	Cash		125,000
	To record operational expenses in the dormitory for the second semester.		
8)	Cash	156,000	
	Investments		150,000
	Interest Revenue		6,000
	To record year-end liquidation of investments.		
9)	Transfer to Retirement of Debt	37,500	
	Cash		37,500
	To record transfer of second $\frac{1}{2}$ year interest amount to trustee.		
10)	Transfer to Retirement of Debt	31,000	
	Cash		31,000
	To record transfer of annual bond retirement amount to trustee.		
11)	Transfer to Retirement of Debt	50,000	
	Cash		50,000
	To record transfer of reserve requirements to trustee.		

CURRENT FUND
PRE-CLOSING TRIAL BALANCE

	Debit	Credit
Cash	$100,000	
Expenses	250,000	
Transfer to Debt Retirement	156,000	
Revenue		$500,000
Interest Income		6,000
	$506,000	$506,000

12) Revenue	500,000	
Interest Income	6,000	
Operational Expenses		250,000
Transfers to Retirement of Debt		156,000
Current Fund Balance		100,000
To record closing entry for the fiscal year.		

Current Fund Post-Closing Trial Balance

	Debit	Credit
Cash	$100,000	
Current Fund Balance		$100,000

It should be noted that the $100,000 remaining after current expenses, debt retirement, and reserve requirements are met is available for any lawful purpose--not necessarily restricted to use on the housing facility. Many institutions use these "excess" funds to retire bonds early--thereby reducing future interest and debt retirement requirements. This early retirement may be taken as a strength by the outside observer since the institution is doing better than meeting the minimum indenture requirements.

B. Retirement of Indebtedness

The transactions normally recorded in the retirement of indebtedness fund group are a reflection of the books of the trustee. The entries assume, however, that all coupons and bonds are promptly presented for payment. Presented below are the entries for the year depicted previously in the section on current funds:

	Debit	Credit
1) Cash	\$ 37,500	
Redemption Fund Balance To record receipt of first $\frac{1}{2}$ year interest due.		\$ 37,500
2) Redemption Fund Balance	37,500	
Cash To record payment of interest to bondholders. (Note that no expense account is used because this amount was already "expensed" in the current fund group.)		37,500
3) Cash	118,500	
Redemption Fund Balance		93,500
Repair and Replacement Fund Balance To record receipt of second $\frac{1}{2}$ year interest, retirement requirement, and reserve requirement.		25,000

	Debit	Credit
4) Redemption Fund Balance	$ 68,500	
Cash		$ 68,500
To record payment of interest and required principal to bondholders.		
5) Repair and Replacement Investments	25,000	
Redemption Investments	25,000	
Cash		50,000
To record investment, by the trustee, of reserves held by him.		

RETIREMENT OF INDEBTEDNESS FUNDS
YEAR-END TRIAL BALANCE

	Debit	Credit
Redemption Investments	$ 25,000	
Repair and Replacement Investments	25,000	
Redemption Fund Balance		$ 25,000
Repair and Replacement Fund Balance		25,000

Interest income generated by the trustee investments will usually be recorded as current fund income. There will probably be no actual cash transfer back to the institution, but instead the subsequent transfer to the trustee will be reduced by interest earned in the prior period.

C. Plant Funds

The entries to the plant fund group are usually made only when plant is purchased, bonds are sold, or at year-end, to reflect retirements. The first year operation is shown below:

	Debit	Credit
1) Cash	$2,500,000	
Revenue Bonds Payable		$2,500,000
To record sale of the bonds at par.		
2) Dormitories	2,500,000	
Cash		2,500,000
To record purchase of the facility.		
3) Revenue Bonds Payable	31,000	
Net Investment in Plant		31,000

PLANT FUNDS
YEAR-END TRIAL BALANCE

	Debit	Credit
Dormitories	$2,500,000	
Revenue Bonds Payable		$2,469,000
Net Investment in Plant		31,000

III. REPORTING RESULTS

A year-end report to management, trustee, and other interested parties should be considered. The suggested subjects and methods of display in this section are not necessarily in widespread use throughout higher education.

A. Describing the Issue

The report should give all pertinent information concerning the issue. This becomes more and more important when several issues are contained within one report.

1) Project Constructed or Purchased

A description of the facility will be helpful to the reader. It might include occupancy capacity of a dormitory, seating capacity of a food service, or other information. (Example in Figure 3.)

2) Description of the Details of Issue

It is proper to reflect the amount of initial issue, interest rates, and dates of interest payments and redemptions. (Example in Figure 3.)

3) Early Redemption

The report should include a section outlining conditions under which an early redemption can be made. (Example in Figure 3.)

4) Bonds Redeemed and Outstanding

The report reader should be made aware of the redemption history of the issue and amount remaining to be redeemed. (Example in Figure 3.)

5) Future Redemption Requirements

A display of future years' interest and principal payments should be a part of the report. It may be broken down by years as well as payment dates within those years. (Example in Figure 3.)

6) Earnings and Account Balance Requirements

A brief outline of minimum reserves to be held, annual deposits required, and other major restrictions imposed by the indenture should be covered. (Example in Figure 3.)

B. Revenue and Expense

A revenue and expense report should be prepared in detail, showing all income and operational expenses attributable to the facility, including allowable charges made by other departments within the institution.

Debt service expenses should be treated as a "below the line" item, but may be included on the same report. (Example in Figure 3.)

C. Debt Service and Reserves

The report should contain a section detailing all transactions for the fiscal year. It should cover all the different "funds" important to the bond issue. Here, it is very important to describe transfers between the various "funds" as well as income and expense involving outsiders.

A schedule of investments should be attached to the section on debt service and reserves. (Example in Figure 3.)

University of X

Revenue Bond Report

June 30, 1974

1974 Issue--Data on Bonds

PROJECT:

1) Construction of a men's dormitory to house 500 students and one head resident.

2) Construction of a women's dormitory to house 500 students and one head resident.

DESCRIPTION OF THE ISSUE:

$2,500,000 was originally issued against a total authorization of $3,000,000. Face interest is 3%. Interest payments are due each December 31 and June 30, and principal payments are due June 30.

Fig. 3.--Sample Bond Report, Part 1.

University of X

Revenue Bond Report

June 30, 1974

1974 Issue--Data on Bonds (continued)

EARLY REDEMPTION:

All bonds are redeemable on any interest payment date in inverse numerical order at premiums specified in the indenture.

BONDS REDEEMED AND OUTSTANDING:

Years Due	Interest	Original Issue	Redemptions Regular	Redemptions Early	Outstanding 6/30/74
1974-2018	3%	$2,500,000	$31,000	-0-	$2,469,000

FUTURE REDEMPTION REQUIREMENTS:

Fiscal Year Due	Interest Due December 31	Interest Due June 30	Principal Due June 30	Total Requirement
1975	$37,035	$37,035	$32,000	$106,070
1976	36,555	36,555	33,000	106,110
1977	36,060	36,060	43,000	106,120
1978	35,550	35,550	35,000	106,100
1979	35,025	35,025	36,000	106,050
1980	34,485	34,485	37,000	105,970
1981	33,930	33,930	38,000	105,860
1982	33,360	33,360	40,000	106,720
1983	32,760	32,760	41,000	106,520
1984	32,145	32,145	42,000	106,290
1985	31,515	31,515	43,000	106,030

Fig. 3.--Sample Bond Report, Part 2.

FUTURE REDEMPTION REQUIREMENTS: (continued)

Fiscal Year Due	Interest Due December 31	Interest Due June 30	Principal Due June 30	Total Requirement
1986	$30,870	$30,870	$45,000	$106,740
1987	30,195	30,195	46,000	106,390
1988	29,505	29,505	47,000	106,010
1989	28,800	28,800	49,000	106,600
1990	28,065	28,065	50,000	106,130
1991	27,315	27,315	52,000	106,630
1992	26,535	26,535	53,000	106,070
1993	25,740	25,740	55,000	106,480
1994	24,915	24,915	56,000	105,830
1995	24,075	24,075	58,000	106,150
1996	23,205	23,205	60,000	106,410
1997	22,305	22,305	62,000	106,610
1998	21,375	21,375	63,000	105,750
1999	20,430	20,430	65,000	105,860
2000	19,455	19,455	67,000	105,910
2001	18,450	18,450	69,000	105,900
2002	17,415	17,415	71,000	105,830
2003	16,350	16,350	73,000	105,700
2004	15,255	15,255	76,000	106,510
2005	14,115	14,115	78,000	106,230
2006	12,945	12,945	80,000	105,890
2007	11,745	11,745	83,000	106,490
2008	10,500	10,500	85,000	106,000
2009	9,225	9,225	88,000	106,450
2010	7,905	7,905	90,000	105,810
2011	6,555	6,555	93,000	106,110
2012	5,160	5,160	96,000	106,320
2013	3,720	3,720	99,000	106,440
2014	2,235	2,235	30,000	34,470
2015	1,785	1,785	30,000	33,570
2016	1,335	1,335	30,000	32,670
2017	885	885	30,000	31,770
2018	435	435	29,000	29,870
TOTAL	$917,220	$917,220	$2,469,000	$4,303,440
Redeemed in prior years			31,000	
INITIAL ISSUE			$2,500,000	

Fig. 3.--Sample Bond Report, Part 2.

EARNINGS AND ACCOUNT BALANCE REQUIREMENTS:

Redemption Reserve--Annual deposits of $25,000--are required until the maximum reserve of $200,000 is reached.

Repair and Replacement Reserve--Annual deposits of $25,000 are required until the maximum reserve of $250,000 is reached.

Fig. 3.--Sample Bond Report, Part 2.

University of X

Revenue Bond Report

June 30, 1974

STATEMENT OF REVENUE AND EXPENSES:

Revenue from Facilities		$500,000
Interest Income		6,000
TOTAL		$506,000
OPERATIONS EXPENSES:		
Salaries	$100,000	
Benefits	7,000	
Supplies	14,000	
Repairs	68,000	
Janitor Service	52,000	
Other	9,000	
TOTAL EXPENSES		250,000
OPERATING INCOME		$256,000

Fig. 3.--Sample Bond Report, Part 3.

University of X

Revenue Bond Report

June 30, 1974

STATEMENT OF CHANGES IN ACCOUNT BALANCES:

	Revenue Fund	Redemption Fund	Redemption Reserve	R & R Reserve
Balance 7/1/73	-0-	-0-	-0-	-0-
Additions				
Revenue from Facilities (Net)	$256,000			
Current Debt Retirement		$106,000		
Current R & R Requirement			$25,000	
Current Redemption Reserve Requirement				$25,000
Beginning Balance and Additions	$256,000	$106,000	$25,000	$25,000
Deductions				
Current Debt Retirement	106,000	106,000		
Current Reserve Requirements	50,000			
Excess to General Funds	100,000			
Balance 6/30/74	-0-	-0-	$25,000	$25,000
Balance with:				
University	-0-	-0-	-0-	-0-
Trustee	-0-	-0-	25,000	25,000
TOTAL	-0-	-0-	$25,000	$25,000
Balance by:				
Cash	-0-	-0-	-0-	-0-
Investments	-0-	-0-	25,000	25,000
TOTAL	-0-	-0-	$25,000	$25,000

Fig. 3.--Sample Bond Report, Part 4.

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