

ANNUAL FINANCIAL REPORT

June 30, 2015



NORTH DAKOTA UNIVERSITY SYSTEM

ANNUAL FINANCIAL REPORT

Fiscal Year Ended
JUNE 30, 2015

Prepared by the North Dakota University System Director of Financial Reporting
in collaboration with Campus Controllers and Accounting Staff.



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NORTH DAKOTA UNIVERSITY SYSTEM

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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE – DEPT 117
BISMARCK, NORTH DAKOTA 58505

INDEPENDENT AUDITOR'S REPORT

Honorable Jack Dalrymple, Governor

Members of the Legislative Assembly

The State Board of Higher Education

We have audited the accompanying financial statements of the business-type activities, and the aggregate discretely presented component units of the North Dakota University System as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the North Dakota University System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

Opinion Unit	Type of Opinion
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Qualified

Basis for Qualified Opinion of the Aggregate Discretely Presented Component Units

Management has not included the financial data for Dickinson State University Foundation, a discretely presented component unit of the North Dakota University System, with its aggregate discretely presented component units. Accounting principles generally accepted in the United States of America require the financial data for such component units to be reported with the financial data of the North Dakota University System's aggregate discretely presented component units. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of the North Dakota University System, as of June 30, 2015, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the North Dakota University System as of June 30, 2015, the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 1, *New Accounting Pronouncements*, the North Dakota University System adopted the provisions of GASB No. 68, *Accounting and Financial Reporting for Pensions* and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

As described in Note 16 and Note 20, there are circumstances surrounding the Dickinson State University Foundation that could negatively impact Dickinson State University. Our opinion is not modified with respect to this matter.

As described in Note 1, the North Dakota University System's financial statements are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only those portions of the business-type activities, and aggregate discretely presented component units of the North Dakota University System that are attributable to the transactions of the North Dakota University System. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of June 30, 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of employer's share of net pension liability and schedule of employer contributions, on pages 5-16 and pages 77-78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the North Dakota University System's basic financial statements. The combining statements and the Schedule of Bonds Payable – Primary Institution listed in the table of contents are presented for the purposes of additional analysis and are not required parts of the basic financial statements.

The combining statements and Schedule of Bonds Payable – Primary Institution are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors the combining statements and Schedule of Bonds Payable – Primary Institution are fairly stated, in all material respects, in relation to the basic financial statements as

a whole.

The Deficit Net Position Balances > \$100,000 and the Financial Information for Revenue Producing Buildings has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2015 on our consideration of the North Dakota University System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the North Dakota University System's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota

December 2, 2015

**NORTH DAKOTA UNIVERSITY SYSTEM
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

The North Dakota University System’s (the “System”) discussion and analysis (MD&A) provides an overview of the System’s financial activities and issues for the year ended June 30, 2015. It is designed to focus on the current year’s activities, resulting changes and currently known facts to assist readers in understanding the accompanying financial statements.

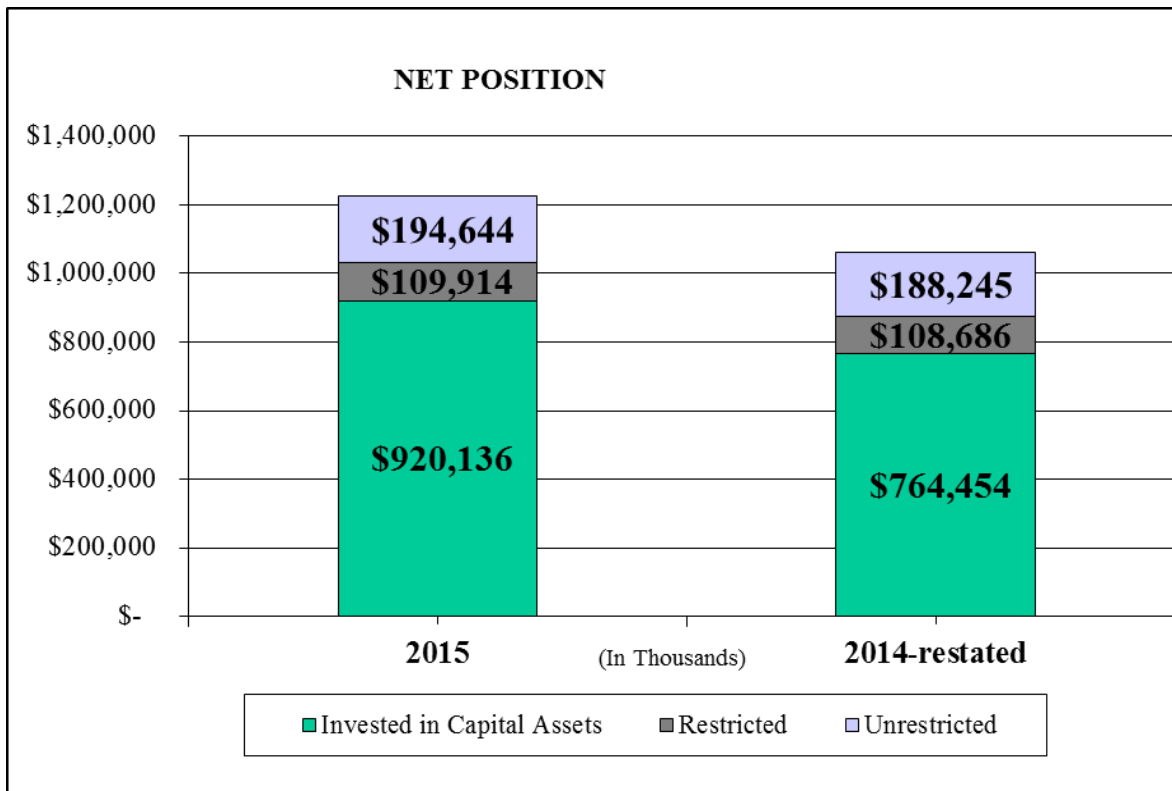
This discussion provides an overview of the financial position of the System for the year ended June 30, 2015 and should be read in conjunction with the accompanying financial statements and notes to the financial statements. The financial statements, notes, and this discussion and analysis are the responsibility of management.

Activities from the eleven public post-secondary campuses, the North Dakota University System Office, and the System’s component units are included in the accompanying financial statements. For a detailed listing of these entities, refer to Note 1 of the accompanying financial statements.

FINANCIAL HIGHLIGHTS

The System’s overall financial standing continues to be sound with total assets and deferred outflows of resources of \$1.775 billion and total liabilities and deferred inflows of \$550 million, resulting in a net position total of \$1.225 billion (an increase of \$163.3 million over the previous fiscal year).

The following graph illustrates the net position breakdown for fiscal years ending June 30, 2015 and 2014:



As a percent of total net position, invested in capital assets is the largest category of net position due to the significant size of the System’s physical infrastructure.

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows provide information on the System as a whole and present a long-term view of the System's finances. Refer to Note 1 in the accompanying financial statements for activities included in the System's basic financial statements.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information on the System as a whole and on its activities in a way that helps answer this question. The Statement of Cash Flows summarizes transactions affecting cash and cash equivalents during the fiscal year. It also provides information about the ability of the System to generate future cash flows necessary to meet its obligations and to evaluate its potential for additional financing.

Other non-financial factors, such as the condition of the campuses infrastructure, changes in legislative funding and changes in student enrollments need to be considered in order to assess the overall health of the System.

STATEMENT OF NET POSITION

The Statement of Net Position presents the financial position of the System at one point in time and includes all assets and liabilities of the System. Net Position is the difference between assets and liabilities and may be thought of as one way to measure the System's financial health, or financial position. Over time, increases or decreases in the System's net position are an indicator of whether its financial health is improving or deteriorating.

Assets and liabilities are classified as either current or noncurrent. Current assets are those resources that are convertible to cash within one year and are available to satisfy current liabilities. Current assets include cash and cash equivalents, short-term investments and accounts receivable. Noncurrent assets are mainly long-term investments and property, equipment and intangibles. Current liabilities are those obligations of the System that are due within one year of the statement date. Noncurrent liabilities are comprised of long-term debt and other obligations of the System.

Net position is reported in three categories: investment in capital assets, restricted net position (both nonexpendable and expendable); and unrestricted net position. Net investment in capital assets consists of capital assets less the balance of the outstanding debt incurred during the construction or improvement of those assets. Restricted net position is limited in use due to the constraints put in place by the donors or by law. Unrestricted net position is those assets that do not qualify as either invested in capital assets or restricted net position but may have Board or other campus designated restrictions on use.

Unrestricted net position encompasses a wide array of core operational functions of the campuses. The balances shown are not only cash balances, but consist of investments, accounts receivable, inventories, and other non-liquid assets. Operating cycles create significant balance fluctuations during the fiscal year. Therefore, although some funds are not yet expended as of a particular point in time, they are generally designated for specific uses.

The following table shows the Condensed Statement of Net Position at June 30, 2015 and 2014:

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

	June 30 (in Thousands)		Dollar Change	Percent Change
	2015	2014-Restated		
Current assets	\$ 362,802	\$ 351,243	\$ 11,559	3%
Capital assets, net	1,218,246	1,038,958	179,288	17%
Other noncurrent assets	178,309	190,310	(12,001)	-6%
Total assets	<u>\$ 1,759,357</u>	<u>\$ 1,580,511</u>	<u>\$ 178,846</u>	<u>11%</u>
Deferred Outflows of Resources	\$ 15,834	\$ 2,062	\$ 13,772	668%
Current liabilities	\$ 130,868	\$ 113,496	\$ 17,372	15%
Noncurrent liabilities	405,629	407,222	(1,593)	0%
Total liabilities	<u>\$ 536,497</u>	<u>\$ 520,718</u>	<u>\$ 15,779</u>	<u>3%</u>
Deferred Inflows of Resources	\$ 14,000	\$ 231	\$ 13,769	5961%
Invested in capital assets	\$ 920,136	\$ 764,454	\$ 155,682	20%
Restricted	109,913	108,686	1,227	1%
Unrestricted	194,644	188,484	6,160	3%
Total Net Position	<u>\$ 1,224,693</u>	<u>\$ 1,061,624</u>	<u>\$ 163,069</u>	<u>15%</u>
Current Ratio				
(current assets to current liabilities)	<u>2.8</u>	<u>3.1</u>		
Primary Reserve Ratio				
(expendable net position to operating expenses)	<u>0.25</u>	<u>0.32</u>		

The increase in total assets of \$178.8 million is primarily due to an increase in net capital assets. Additional explanation regarding the increase in capital assets, net is located in a later section of this MD&A.

Deferred outflow of resources increased \$13.8 million as a result of the implementation of GASB Statement #68 – Accounting and Financial Reporting for Pensions which went into effect in fiscal year 2015.

Total liabilities increased \$15.8 million during fiscal year 2015 to a total of \$536.5 million. Accounts payable and accrued liabilities at BSC, NDSCS, NDSU and UND contributed to the majority of the increase. Contractor/retainage payable also increased at BSC as a result of increased construction activity.

The current ratio, calculated by dividing current assets by current liabilities, measures the System's ability to meet current obligations. The System's current ratio at June 30, 2015 was 2.8 to 1, which indicates the System's current assets are almost three times that of its current liabilities. A ratio of less than 1 to 1 would be cause for concern.

The primary reserve ratio (calculated by dividing expendable and unrestricted net position by operating expenses), measures the ability of the System to continue operating at current levels, within current restrictions, without future revenues. Proof of an adequate reserve ratio is often required to secure long-term financing. The System's primary reserve ratio at June 30, 2015 is 0.25 to 1. A ratio of less than .05 would cause concern.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position provides information about the System's activities during the year by reporting all the revenues and expenses for the year. In the Statement of Revenues, Expenses and Changes in Net Position, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as the System's operating results.

Revenues and expenses are categorized as either operating or nonoperating. Operating revenues are revenues earned by the System in exchange for its goods and services, such as tuition and fees, grants and contracts, sales and services of educational departments and auxiliary enterprise revenues. Operating expenses are expenses incurred during the normal operations of the System and include, salaries and wages, operating expenses, depreciation, scholarships and fellowships and cost of sales and services. Nonoperating revenues and expense are those derived from non-exchange transactions. Examples include: insurance proceeds, investment income, gifts, state appropriations, interest on capital asset-related debt and gains or losses on capital assets. Even though state appropriations fund operating expenses, they are classified as nonoperating revenues as the Government Accounting Standards Board has ruled that they are not an exchange for goods or services. Other nonoperating items that are reported separately at the bottom of the statement include capital related transactions – appropriations, gifts, grants and transfers.

The following table shows a Condensed Statement of Revenues, Expenses and Changes in Net Position for the fiscal years ended June 30, 2015 and 2014:

	June 30 (in Thousands)		Dollar Change	Percent Change
	2015	2014		
Operating revenues	\$ 676,988	\$ 672,393	\$ 4,595	1%
Operating expenses	1,151,773	1,109,797	41,976	4%
Operating loss	(474,785)	(437,404)	(37,381)	9%
Nonoperating revenues, net of expenses	477,992	453,599	24,393	5%
Income before capital grants, gifts, and transfers	3,207	16,195	(12,988)	-80%
Capital appropriations, grants and gifts	165,192	67,654	97,538	144%
Transfers	(5,090)	(5,900)	810	-14%
Increase in net position	<u>\$ 163,309</u>	<u>\$ 77,949</u>	<u>\$ 85,360</u>	<u>110%</u>

Tuition and Fees Funding Ratio

(tuition and fees to operating expenses)

26%	27%
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Net Income Margin (increase in net position to total revenue)

12.1%	6.4%
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Operating revenues and expenses fluctuations are discussed in later sections of this MDA analysis. Net income margin, calculated by dividing increase in net position by total revenue, is a measure of current year financial status. The System's net income margin for fiscal year 2015 is 12.1 percent. A positive margin signifies the System is not spending more than it is taking in.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Revenues

The following table shows revenues by source for the fiscal years ended June 30, 2015 and 2014:

	June 30 (in Thousands)		Dollar Change	Percent Change
	2015	2014		
Operating revenues				
Student tuition and fees	\$ 303,763	\$ 298,535	\$ 5,227	2%
Grants and contracts	163,301	168,643	(5,342)	-3%
Sales and services of education departments	102,262	100,671	1,591	2%
Auxiliary enterprises	105,362	103,824	1,538	1%
Other	2,300	719	1,581	220%
Total operating revenues	<u>\$ 676,988</u>	<u>\$ 672,392</u>	<u>\$ 4,595</u>	<u>1%</u>
Nonoperating revenues, capital gifts and grants				
State appropriations	\$ 412,100	\$ 392,163	\$ 19,936	5%
Federal appropriations	6,702	5,791	911	16%
Federal grants and contracts	36,703	39,107	(2,403)	-6%
Local Appropriations	2,309	-	2,309	0%
Gifts	30,378	25,541	4,837	19%
Endowment and investment income	5,047	7,950	(2,903)	-37%
Insurance proceeds	52	466	(414)	-89%
Tax revenues	3,884	3,197	687	21%
Gain on sale of capital assets	1,681	-	1,681	0%
Other nonoperating, net	3,181	-	3,181	0%
State appropriations-capital assets	128,269	48,950	79,318	162%
Capital grants & gifts	36,923	18,704	18,220	97%
Total nonoperating revenues, capital gifts and grants	<u>\$ 667,229</u>	<u>\$ 541,869</u>	<u>\$ 125,362</u>	<u>23%</u>
Total Revenues	<u><u>\$ 1,344,217</u></u>	<u><u>\$ 1,214,261</u></u>	<u><u>\$ 129,957</u></u>	<u><u>11%</u></u>

Tuition and fee revenues increased 2 percent from fiscal year 2014. The increase is attributed to an increase in tuition rates while enrollment remained relatively stable from fiscal year 2014.

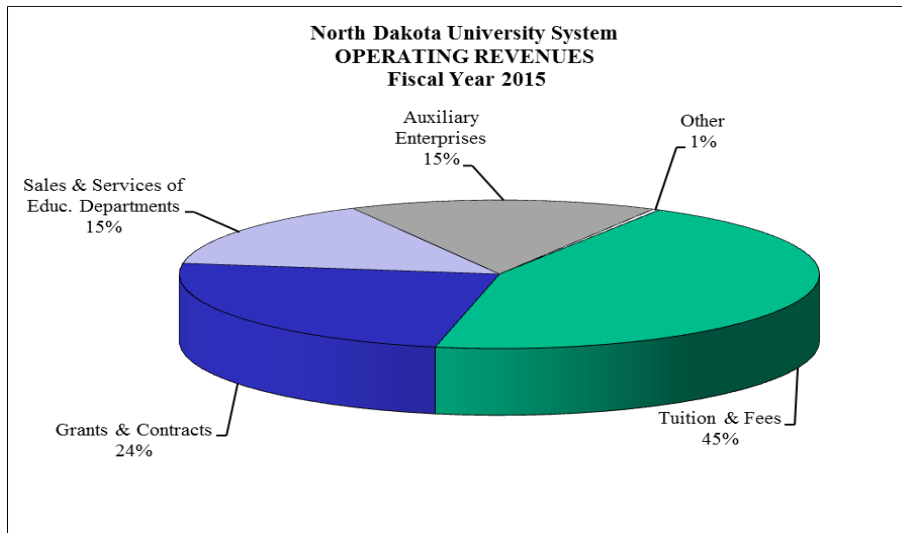
Grants and contracts decreased \$5.3 million or 3 percent from fiscal year 2014, as a result of a decrease in federal grants at NDSU and UND.

State appropriations, excluding capital assets, are determined by the North Dakota State Legislature and increased 5 percent over fiscal year 2014.

State appropriations-capital assets are also determined by the North Dakota State Legislature and increased 162 percent from fiscal year 2014. Additional information on capital assets and construction in process is included in a later section of this MD&A.

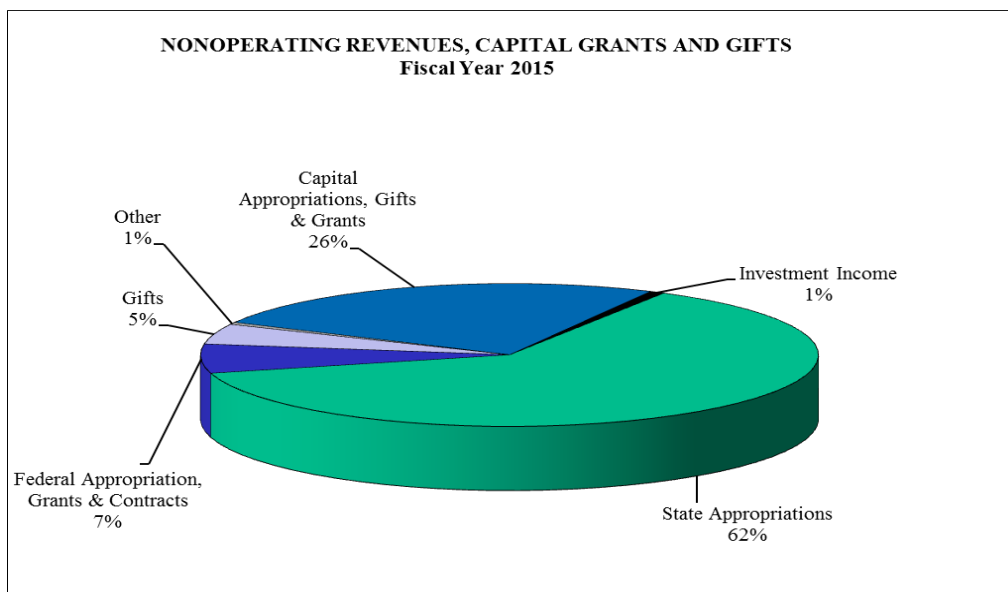
The following graph depicts sources of operating revenues for fiscal year 2015:

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015



There were no significant fluctuations compared to fiscal year 2014.

The following chart depicts sources of nonoperating revenues, capital grants and gifts for fiscal year 2015:



Capital appropriations, gifts and grants increased to 26 percent compared to 13 percent in fiscal year 2014. The increase is mainly attributed to an increase of \$79.3 in state appropriations for capital assets. In addition, capital grants and gifts increased \$18.2 million largely due to the North Dakota Higher Education Challenge Fund program which was established by the legislature in the 2013 legislative session. The program provides one dollar in matching grants for every two dollars of non-state, non-federal dollars raised by the university foundations for the advancement of academics.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

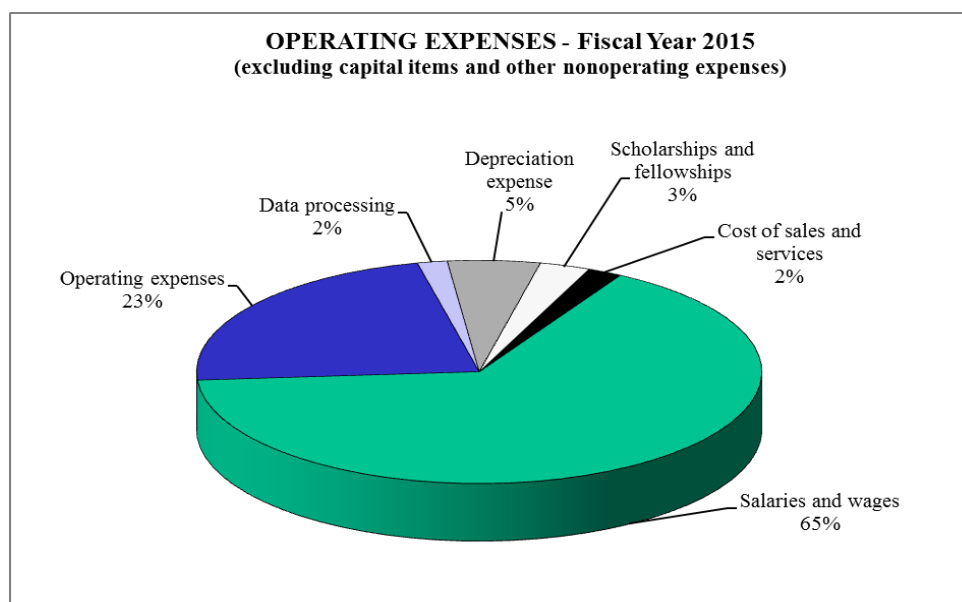
Expenses

The following table shows expenses by natural classification for the fiscal years ended June 30, 2015 and 2014:

	June 30 (in Thousands)		Dollar Change	Percent Change
	2015	2014-Restated		
Operating expenses				
Salaries and wages	\$ 754,027	\$ 724,440	\$ 29,587	4%
Operating expenses	261,194	254,094	7,100	3%
Data processing	19,662	18,635	1,026	6%
Depreciation expense	60,928	57,948	2,979	5%
Scholarships and fellowships	33,266	32,542	724	2%
Cost of sales and services	22,696	22,138	559	3%
Total operating expenses	<u>\$ 1,151,773</u>	<u>\$ 1,109,797</u>	<u>\$ 41,976</u>	<u>4%</u>
Nonoperating expenses				
Interest on capital asset related debt	\$ 13,476	\$ 13,398	\$ 78	1%
Loss on sale of capital assets	-	1,757	(1,757)	-100%
General and special grant expenditures	10,570	4,344	6,226	143%
Other nonoperating, net	-	1,116	(1,116)	-100%
Total nonoperating expenses	<u>\$ 24,046</u>	<u>\$ 20,615</u>	<u>\$ 3,431</u>	<u>17%</u>
Total expenses	<u>\$ 1,175,819</u>	<u>\$ 1,130,412</u>	<u>\$ 45,407</u>	<u>4%</u>

Salaries and wages expense for the System increased 4 percent from fiscal year 2014 as a result of wage increases and increases in health insurance expense.

The following chart depicts the uses of operating funds according to natural classification for fiscal year 2015:

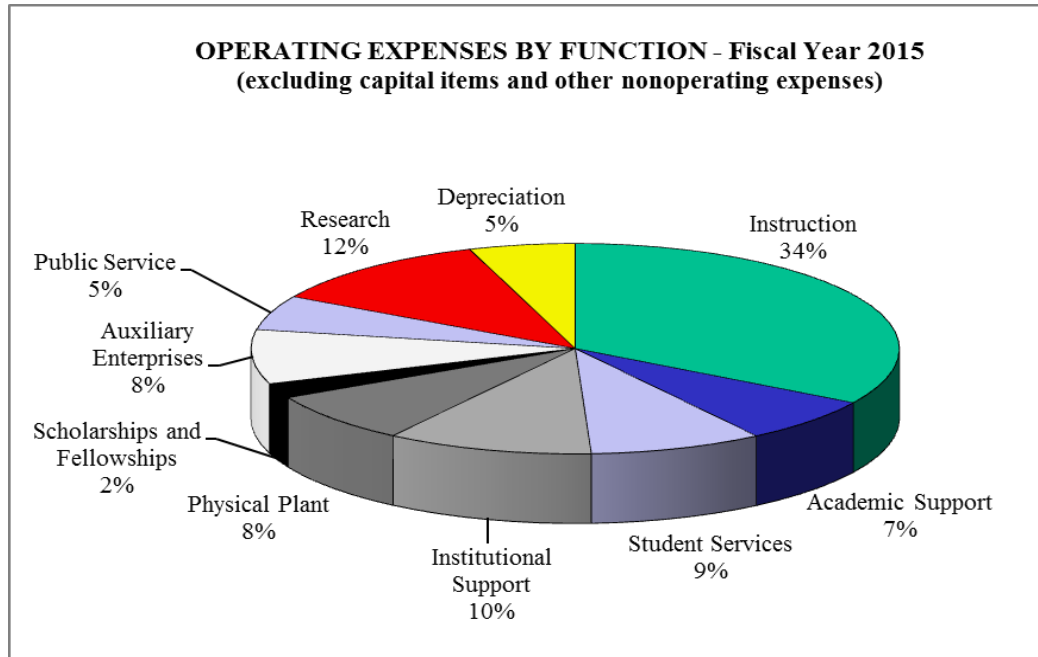


MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

The allocation of operating expenses among the natural classification categories has not changed significantly from fiscal year 2014.

The following chart illustrates operating expenses by function for fiscal year 2015:



The allocation of expenses to functional areas has not changed significantly from prior year. Instructional expenses, at 34 percent, continue to represent the largest expenditure category. The instructional function includes all expenses related to instruction (e.g. classroom, distance ed and continuing education) and instructional support. Academic support includes libraries, academic deans, and other departments that directly support the academic unit of the campuses. Student services include all offices that provide a specific service to students, including career services, registration, admission and counseling. Institutional support includes staff that supports the institution as a whole (e.g. business office, IT support and president's office). The physical plant function includes upkeep, maintenance and utilities for campus facilities. Scholarships and fellowships include aid provided to students. Auxiliary enterprises are the self-supporting activities of the campuses, such as bookstore, food service and housing. Depreciation represents the non-cash expense of capitalized assets over time. Public service includes expenses for activities established primarily to provide non-instructional services that are beneficial to individuals and groups external to the institution. All activities specifically organized to produce research, which is mostly federally funded, is included in the research function.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows shows inflows and outflows of cash without regard to accrual items. Cash flows from operating activities on the Statement of Cash Flows will always be different from the operating gain or loss on the Statement of Revenues, Expenses, and Changes in Net Position (SRECNP) because of the inclusion of noncash items, such as depreciation expense, on the SRECNP. Also, the SRECNP is prepared on the accrual basis of accounting, meaning that it shows revenues earned and expenses incurred. The primary cash receipts from operating activities consist of tuition and fees, grants and contracts, and auxiliary income from housing, food service and bookstore operations. Cash outlays include payment of wages and benefits; operating expenses such as utilities, supplies, insurance and repairs; and, scholarships to students.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

State appropriations are the primary source of cash flows from noncapital financing activities. Accounting standards require that we reflect this source of revenue as nonoperating, even though the campus budgets depend on this to continue the current level of operations. Other noncapital financing activity includes gifts received from endowment and charitable gift annuities.

Cash flows from capital and related financing activities include all plant funds and related long term debt activities (except depreciation and amortization), as well as capital gifts, grants and appropriations. Purchase and sale of investments and income earned on investments are included in cash flows from investing activities.

The Condensed Statement of Cash Flows for the fiscal years ended June 30, 2015 and 2014 is shown below:

	June 30 (in Thousands)	
	2015	2014
Cash flows from operating activities	\$ (403,996)	\$ (369,288)
Cash flows from noncapital financing activities	482,179	454,794
Cash flows from capital and related financing activities	(82,130)	(51,731)
Cash flows from investing activities	(16,420)	25,322
	<u> </u>	<u> </u>
Increase in cash and cash equivalents during the year	<u>\$ (20,367)</u>	<u>\$ 59,097</u>

Consistent with accounting standards, cash flows from state appropriations (excluding capital assets) are included in noncapital financing activities, even though they provide funding for operating activities. Cash received from state appropriations, excluding capital assets, in fiscal year 2015 was \$411.4 million. If this amount is added to the cash flows from operating activities, the result is a positive cash flow of \$7.5 million.

CAPITAL ASSET AND LONG-TERM LIABILITIES HIGHLIGHTS

CAPITAL ASSETS

On June 30, 2015, the System had \$1.2 billion invested in net capital assets which represents a net increase of \$179.3 million or 17 percent during the fiscal year.

	June 30 (in thousands)	
	2015	2014-Restated
Land	\$ 16,316	\$ 15,821
Land improvements/infrastructure	202,911	187,858
Buildings	1,219,143	1,168,034
Furniture, fixtures, and equipment	306,895	292,817
Library materials	107,768	108,460
Construction in progress	215,892	88,106
Capitalized software	24,343	23,754
Other intangibles	2,211	2,211
Total	<u>\$ 2,095,479</u>	<u>\$ 1,887,061</u>
	<u> </u>	<u> </u>
Total accumulated depreciation and amortization	<u>(877,234)</u>	<u>(848,101)</u>
	<u> </u>	<u> </u>
Capital assets, net	<u>\$ 1,218,245</u>	<u>\$ 1,038,960</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

Total additions to depreciable capital assets in fiscal year 2015 were \$56.4 million. Construction in progress for other projects underway totaled \$215.9 million at June 30, 2015. Some of the major projects, and their estimated project costs, include:

BSC

- Student Union Addition and Renovation - \$9.0 million
- Communications and Creative Arts Center - \$13.6 million

LRSC

- Erlandson Building Addition - \$5.9 million

MaSU

- HPER Facilities Improvement - \$5.8 million

MiSU

- Press Box - \$11.8 million

NDSCS

- Old Main Remodel - \$8.4 million

NDSU

- STEM Classroom Building - \$29.4 million
- Bison Sports Arena - \$41.0 million
- Aquatic Center - \$11.0 million

UND

- School of Medicine and Health Sciences Building - \$123.8 million
- Wilkerson Addition at UND - \$29.0 million

- Indoor Athletic Practice Facility at UND - \$19.5 million
- Collaborative Energy Complex - \$15.5 million
- Law School additions and renovations - \$14.4 million

VCSU

- Heating Plant - \$14.3 million
- Vangstad Hall renovation - \$3.5 million

WSC

- TrainND Building - \$8.2 million

Outstanding commitments for these and other capital projects as of June 30, 2015 totaled \$130.6 million. More detailed information about the System's capital assets is presented in Note 5 and Note 15 to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

LONG-TERM LIABILITIES

	June 30 (in thousands)	
	2015	2014
Bonds Payable	\$ 245,931	\$ 246,569
Notes Payable	21,218	19,536
Capital Leases	41,223	44,774
Special Assessments	4,342	3,949
Compensated Absences	31,862	31,642
Total Debt	\$ 344,576	\$ 346,470

Viability Ratio (expendable net position to L-T debt)	0.84	1.02
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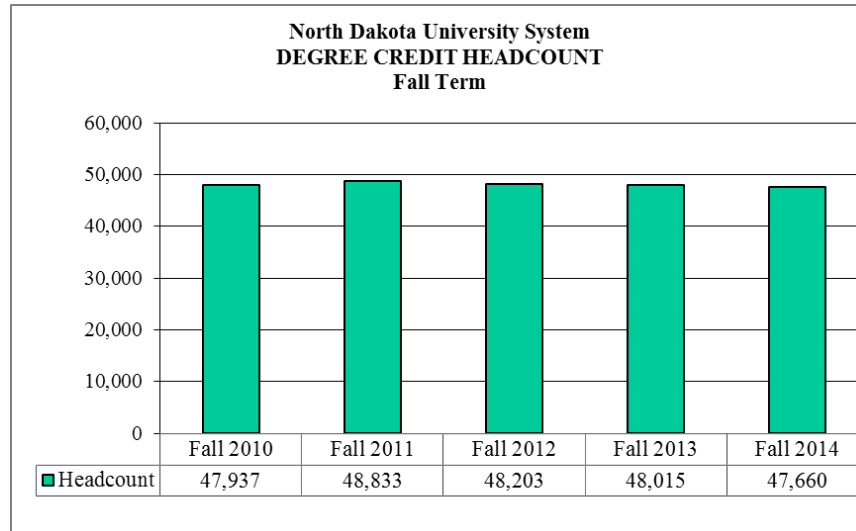
Long-term liabilities added in fiscal year 2015 totaled approximately \$44.5 million, including: revenue bonds totaling \$36.9 million for new construction and renovation projects, \$2.5 million in new notes payable, \$4.0 million in new capital leases for purchase of capital assets, \$766,000 in new special assessments for campus improvements and \$400,000 in compensated absences liability. Total debt retired in fiscal year 2015 was \$46.4 million, consisting primarily of capital lease payments of \$7.6 million and bond payments of \$37.5 million. At June 30, 2015, \$19.0 million of revenue is pledged as security for outstanding revenue bonds.

The viability ratio, calculated by dividing expendable net position by long-term debt, measures the System's ability to retire long-term debt using available current resources. The System's viability ratio at June 30, 2015 is 0.84 to 1. A ratio of 1 to 1 or greater is preferred. More detailed information about the System's long-term liabilities is presented in Notes 7 through 11 to the financial statements.

OTHER HIGHLIGHTS

STUDENT ENROLLMENTS

Annual FTE enrollment for fall 2014 was 38,175, a decrease of 0.4 percent over the previous fall enrollment. Annual Degree Credit Headcount enrollment for fall 2014 was 47,660. Degree credit headcount for the University System for the last five fall terms is as follows:



Source: 2014 Fall Enrollment Report: Table 8B-Degree Credit Fall Enrollment Report

Additional detailed enrollment data is contained in the 2014 Fall Enrollment Report at <http://www.ndus.edu/information/>.

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

STATE FUNDING

The 2013 Legislative Assembly approved a state general fund appropriation for all entities of the North Dakota University System (including major capital projects) of \$1.01 billion for the 2013-15 biennium. This was an increase of \$317.3 million or 45.5 percent more than the 2011-13 adjusted appropriation. Of the total increases, \$85.2 million was included for base funding; \$48.0 million for one-time items and the remaining \$184.1 million one-time funding was for major capital projects. Excluding one-time items and major capital projects, the total general fund increase over 2011-13 was \$85.2 million or 12.2 percent for all NDUS entities. The System's appropriation (excluding ag extension and research centers) as a percentage of the state's total 2013-15 general fund budget was 13.2 percent, compared to 15.5 percent in 2011-13.

FINANCIAL CONTACT

The System's financial statements are designed to present users with a general overview of the System's finances and to demonstrate accountability. If you have questions about the report or need additional financial information, contact the System's Director of Financial Reporting at robin.putnam@ndus.edu or State Capitol - 10th Floor, 600 E. Boulevard, Bismarck, ND 58505-0230.

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2015

STATEMENT OF NET POSITION

	Primary Institutions
ASSETS	
Current assets	
Cash and cash equivalents	\$ 145,337,938
Investments	91,318,495
Accounts receivable, net	24,347,008
Receivable from component units	11,526,981
Due from State General Fund	38,040,132
Grants and contracts receivables, net	33,592,689
Inventories	8,100,450
Notes receivable, net	7,409,927
Other assets	3,128,228
Total current assets	<u>\$ 362,801,848</u>
Noncurrent assets	
Restricted cash and cash equivalents	\$ 16,792,392
Restricted investments	16,566,417
Endowment investments	15,603,796
Notes receivable, net	26,381,520
Other long-term investments	101,633,153
Unamortized bond discount	327,865
Due from component units	331,235
Other noncurrent assets	672,819
Capital assets, net	1,218,245,629
Total noncurrent assets	<u>\$ 1,396,554,826</u>
Total assets	<u>\$ 1,759,356,674</u>
Deferred outflows of resources	\$ 15,834,042
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	\$ 47,958,469
Payable to component units	710,554
Accrued payroll	36,827,829
Unearned revenue	21,296,562
Deposits	7,314,290
Long-term liabilities--current portion	
Due to component units	2,833,410
Due to others	13,926,915
Total current liabilities	<u>\$ 130,868,029</u>
Noncurrent liabilities	
Pension Liability	\$ 71,311,046
Other noncurrent liabilities	6,502,022
Long-term liabilities	
Due to component units	44,823,174
Due to others	282,992,861
Total noncurrent liabilities	<u>\$ 405,629,103</u>
Total liabilities	<u>\$ 536,497,132</u>
Deferred inflows of resources	\$ 14,000,192
NET POSITION	
Invested in capital assets	\$ 920,135,843
Restricted for:	
Nonexpendable:	
Scholarships and fellowships	15,249,356
Expendable:	
Scholarships and fellowships	3,373,985
Research	10,838,974
Institutional	21,193,892
Loans	45,537,778
Capital projects	44,930
Debt service	13,112,199
Other	562,790
Unrestricted	194,643,645
Total net position	<u>\$ 1,224,693,392</u>

STATEMENT OF FINANCIAL POSITION

FASB Basis	Component Units
ASSETS	
Current assets	
Cash and cash equivalents	\$ 64,616,271
Investments	28,406,421
Accounts receivable, net	3,468,657
Receivable from Primary Institution	3,323,078
Unconditional promises to give, net of allowance	17,435,356
Assets limited as to use	-
Inventories	907,641
Other assets	10,414,743
Total current assets	<u>\$ 128,572,167</u>
Noncurrent assets	
Restricted cash and cash equivalents	\$ 10,428,268
Investments	
Investments, net of current portion	370,088,828
Investments, restricted	3,568,941
Investments, temporarily restricted	-
Investments, permanently restricted	-
Investments held in trust	33,886,508
Beneficial interest in trust	13,620,348
Charitable gift annuity investments	4,592,718
Investments held under split-interest agreements	-
Charitable remainder trust account investments	20,837,786
Endowment investments	-
Real estate and equipment held for investment, net of accumulated depreciation	26,129,725
Other long-term investments	8,904,391
Total investments	<u>\$ 481,629,245</u>
Contracts for deed and notes receivable, net of current portions	\$ 1,027,011
Long term pledges receivable/ unconditional promises to give	50,430,370
Other receivables	-
Due from Primary Institution-Capital Leases	44,789,093
Notes receivable, net	6,931,898
Other noncurrent assets	1,582,268
Capital assets, net	156,063,576
Total noncurrent assets	<u>\$ 752,881,729</u>
Total assets	<u>\$ 881,453,896</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	\$ 1,495,059
Payable to Primary Institution	15,149,906
Accrued payroll	807,223
Current portion of gift annuities and life income agreements	3,283,419
Deferred revenue	6,710,210
Other current liabilities	603,033
Long-term liabilities--current portion	5,838,672
Total current liabilities	<u>\$ 33,887,522</u>
Noncurrent liabilities	
Deferred revenue	\$ -
Deposits	27,573,501
Gift annuities and life income agreements, net of current portion	20,148,035
Obligations under split-interest agreement	6,048,817
Other noncurrent liabilities	238,729
Long-term liabilities	76,754,277
Total noncurrent liabilities	<u>\$ 130,763,359</u>
Total liabilities	<u>\$ 164,650,881</u>
NET ASSETS	
Temporarily restricted	\$ 132,983,866
Permanently restricted	372,180,360
Net investment in property and equipment	67,546,693
Unrestricted	144,092,095
Total net assets	<u>\$ 716,803,014</u>
Total liabilities and net assets	<u>\$ 881,453,895</u>

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Primary Institution
OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of \$64.1 million and bad debt allowance of \$851,144)	\$ 303,762,531
Federal grants and contracts (net of bad debt allowance recapture of \$17,602)	113,827,721
State grants and contracts	18,869,887
Nongovernmental grants and contracts	30,603,451
Sales and services of educational departments (net of bad debt allowance recapture of \$20,714)	102,262,141
Auxiliary enterprises (net of scholarship allowances of \$238,511 and bad debt allowance of \$395,227)	105,361,774
Other (net of bad debt allowance of \$10,417)	2,300,109
Total operating revenues	<u>\$ 676,987,614</u>
OPERATING EXPENSES	
Salaries and wages	\$ 754,027,176
Operating expenses	261,194,221
Data processing	19,661,557
Depreciation expense	60,927,835
Scholarships and fellowships	33,266,005
Cost of sales and services	22,696,419
Total operating expenses	<u>\$ 1,151,773,213</u>
Operating income (loss)	<u>\$ (474,785,599)</u>
NONOPERATING REVENUES (EXPENSES)	
State appropriations	\$ 412,099,544
Federal appropriations	6,701,819
Federal grants and contracts (net of bad debt allowance of \$1,859)	36,703,453
Local appropriations	2,309,410
Gifts (net of bad debt allowance recapture of \$23,627)	30,378,014
Endowment investment income	5,047,016
Interest on capital asset-related debt	(13,475,759)
Gain (loss) on disposal of capital assets	1,681,218
Insurance proceeds	51,893
Tax revenues	3,884,105
General and special grant expenditures	(10,570,029)
Other nonoperating revenues (expenses) (net of bad debt allowance recapture of \$270,654)	3,181,400
Net nonoperating revenues (expenses)	<u>\$ 477,992,084</u>
Income before capital grants, gifts, and transfers	\$ 3,206,485
State appropriations-capital assets	\$ 128,268,629
Transfers to from Building Authority	(5,089,626)
Capital grants and gifts	<u>\$ 36,923,275</u>
Increase in net position	\$ 163,308,763
NET POSITION	
Net position--beginning of year, as restated	<u>\$ 1,061,384,629</u>
Net position--end of year	<u><u>\$ 1,224,693,392</u></u>

STATEMENT OF ACTIVITIES

FASB BASIS	Component Units
Support and Revenue	
Gift and contributions	\$ 89,554,249
Investment income	9,939,309
Net realized and unrealized gains (losses) on investment securities	2,212,874
Program and event income	55,112,219
Other income	15,164,304
Total support and revenue	\$ 171,982,955
Expenses	
Program services	\$ 53,855,521
Supporting services	63,389,661
Impairment Loss on Property	-
Fundraising expense	2,641,379
Total operating expenses	\$ 119,886,561
Change in split-interest agreement	\$ (3,389,211)
Change in Net Assets	\$ 48,707,183
Net Assets, Beginning of Year, as restated	\$ 668,095,831
Net Assets, End of Year	\$ 716,803,014

STATEMENT OF CASH FLOWS

	<u>Primary Institution</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees	\$ 305,613,819
Grants and contracts	167,991,266
Payments to suppliers	(303,511,529)
Payments to employees	(751,977,988)
Payments for scholarships and fellowships	(33,266,005)
Loans issued to students	(6,392,469)
Collection of loans to students	8,178,403
Auxiliary enterprise charges	105,340,259
Sales and service of educational departments	108,268,451
Cash received/(paid) on deposits	(545,344)
Other receipts (payments)	(3,694,593)
Net cash used by operating activities	<u>\$ (403,995,730)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	\$ 411,377,210
Federal appropriations	6,701,819
Local appropriations	2,305,344
Grants and gifts received for other than capital purposes	66,788,899
Grants given for other than capital purposes	(10,595,626)
Direct lending receipts	181,561,183
Direct lending disbursements	(181,410,805)
Agency fund cash increase/(decrease)	1,570,575
Tax revenues	3,884,105
Other nonoperating revenues (expenses)	(3,951)
Net cash flows provided by noncapital financing activities	<u>\$ 482,178,753</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from issuance of debt	\$ 41,917,087
Transfers to Building Authority	(5,089,626)
Capital appropriations	114,906,894
Capital grants and gifts received	35,511,006
Proceeds from sale of capital assets	3,527,149
Purchases of capital assets	(212,746,056)
Insurance proceeds	(549,548)
Principal paid on capital debt and lease	(16,884,456)
Deposits with capital debt payment trustees	(29,020,000)
Deferred gain (loss) on refunding of debt	-
Interest paid on capital debt and lease	(13,702,718)
Net cash used by capital and related financing activities	<u>\$ (82,130,268)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	\$ 176,154,865
Interest on investments	5,905,132
Purchase of investments	(198,479,990)
Net cash provided by investing activities	<u>\$ (16,419,993)</u>
Net increase (decrease) in cash	\$ (20,367,238)
CASH - BEGINNING OF YEAR	<u>182,497,568</u>
CASH - END OF YEAR	<u>\$ 162,130,330</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (474,785,599)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	
Depreciation expense	60,927,835
Other nonoperating revenues (expenses)	2,247,282
Change in assets, deferred outflows, liabilities and deferred inflows	
Accounts receivable adjusted for interest receivable	9,640,249
Grant & contract receivables	3,189,853
Inventories	175,448
Notes receivable	2,061,017
Other assets	(8,258,262)
Accounts payable and accrued liabilities adjusted for interest payable	(2,253,963)
Pension liability	10,555,314
Net change in deferred outflows	(11,522,510)
Net change in deferred inflows	-
Accrued payroll	2,796,762
Compensated absences	219,619
Deferred revenue	1,556,422
Deposits	(545,203)
Net cash provided (used) by operating activities	<u>\$ (403,995,735)</u>
SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS	
Assets acquired through capital lease	\$ 3,404,147
Assets acquired through special assessment	89,539
Expenses paid by capital lease/special assessments	1,344,419
Gifts of capital assets	1,025,324
Net increase (decrease) in value of investments	12,670
Total non-cash transactions	<u>\$ 5,876,099</u>

STATEMENT OF FINANCIAL POSITION- MAJOR COMPONENT UNITS

FASB BASIS	BSC		NDSU		UND Alumni	
	Foundation		Development		Association & UND	
	June 30, 2015	December 31, 2014	June 30, 2015	June 30, 2015	June 30, 2015	June 30, 2015
Assets						
Current assets						
Cash and cash equivalents	\$ 535,733	\$ 17,558,012	\$ 2,533,008	\$ 18,852,803	\$ 8,528,179	
Investments	-	10,035,199	-	7,406,019	-	
Accounts receivable, net	25,515	-	61,685	3,133,758	-	
Receivable from Primary Institution	153,340	-	-	-	-	
Unconditional promises to give, net of allowance	440,307	8,252,123	2,500	-	-	8,299,682
Assets limited as to use						
Inventories	-	47,881	-	203,959	-	
Other assets	54,971	8,652,119	26,082	388,227	1,331,275	
Total current assets	\$ 1,209,866	\$ 44,545,334	\$ 2,623,275	\$ 29,984,766	\$ 18,159,136	
Noncurrent assets						
Restricted cash and cash equivalents	\$ -	\$ 8,280,526	\$ -	\$ -	\$ -	
Investments:						
Investments, net of current portion	9,570,312	129,320,346	-	-	203,000,196	
Investments, restricted	-	-	-	-	-	
Investments, temporarily restricted	-	-	-	-	-	
Investments, permanently restricted	-	-	-	-	-	
Investments held in trust	6,247,008	-	-	-	27,573,501	
Beneficial interest in trust	1,623,498	-	-	-	11,996,850	
Charitable gift annuity investments	-	-	-	-	4,592,718	
Investments held under split-interest agreement	-	-	-	-	-	
Charitable remainder trust account investments	-	-	-	-	20,837,786	
Real estate and equipment held for investment, net of accumulated depreciation	134,618	37,673,181	-	-	-	
Other long-term investments	79,913	-	-	-	7,630,545	
Total investments	\$ 17,655,349	\$ 166,993,527	\$ -	\$ -	\$ 275,631,596	
Contracts for deed and notes receivable, net of current portions	\$ -	\$ 1,027,011	\$ -	\$ -	\$ -	
Long term pledges receivable/unconditional promises to give	619,225	23,604,368	6,000	-	25,400,639	
Other receivables	-	-	-	-	7,435,340	
Receivable from Primary Institution	1,490,417	-	-	-	-	
Notes receivable, net	-	-	6,490,000	-	141,373	
Other noncurrent assets	365,920	567,757	343,848	19,629	-	
Capital assets, net	20,272,421	3,472,524	23,858,141	35,528,665	12,972,335	
Total noncurrent assets	\$ 40,403,332	\$ 203,945,713	\$ 30,697,989	\$ 35,548,294	\$ 321,581,283	
Total assets	\$ 41,613,198	\$ 248,491,047	\$ 33,321,264	\$ 65,533,060	\$ 339,740,419	
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities	\$ 960,454	\$ 989,802	\$ 210,746	\$ 1,038,520	\$ 358,591	
Payable to Primary University	40,434	1,806,537	-	939,919	3,463,138	
Accrued payroll	-	-	20,283	458,547	328,393	
Current portion of gift annuities and life income agreements	300,394	935,364	-	-	1,990,167	
Deferred revenue	-	43,463	-	4,747,043	-	
Other current liabilities	200,958	399,741	-	-	-	
Long-term liabilities-current portion	513,586	1,363,103	1,132,325	559,809	1,326,118	
Total current liabilities	\$ 2,015,826	\$ 5,538,010	\$ 1,363,354	\$ 7,743,838	\$ 7,466,407	
Noncurrent liabilities						
Deposits	\$ -	\$ -	\$ -	\$ -	\$ 27,573,501	
Gift annuities and life income agreements, net of current portion	3,788,423	-	-	-	16,007,532	
Obligations under split-interest agreement	-	6,048,817	-	-	-	
Other noncurrent liabilities	238,730	-	-	-	-	
Long-term liabilities	7,572,621	17,251,666	24,848,702	4,388,819	9,955,046	
Total noncurrent liabilities	\$ 11,599,774	\$ 23,300,483	\$ 24,848,702	\$ 4,388,819	\$ 53,536,079	
Total liabilities	\$ 13,615,600	\$ 28,838,493	\$ 26,212,056	\$ 12,132,657	\$ 61,002,486	
NET ASSETS						
Temporarily restricted	\$ 469,870	\$ 51,835,434	\$ 8,500	\$ 13,212,137	\$ 51,034,628	
Permanently restricted:	17,495,331	131,244,146	-	-	188,563,089	
Net investment in property and equipment	-	-	-	-	-	
Unrestricted	10,032,397	36,572,974	7,100,708	40,188,266	39,140,216	
Total net assets	\$ 27,997,598	\$ 219,652,554	\$ 7,109,208	\$ 53,400,403	\$ 278,737,933	
Total liabilities and net assets	\$ 41,613,198	\$ 248,491,047	\$ 33,321,264	\$ 65,533,060	\$ 339,740,419	

STATEMENT OF FINANCIAL POSITION - MAJOR COMPONENT UNITS - Continued

FASB BASIS	RE Arena, Inc UND Arena Services, Inc. UND Sports				
	Facilities, Inc. Arena Holdings Charitable LLC & Affiliates				
	May 31, 2015	Total Major Component Units	Non-major Component Units	Reclassifications	Total Component Units
ASSETS					
Current assets					
Cash and cash equivalents	\$ 6,671,532	\$ 54,679,267	\$ 9,937,004	\$ -	\$ 64,616,271
Investments	491,347	17,932,565	10,473,856	-	28,406,421
Accounts receivable, net	546,915	3,767,873	51,805	(351,021)	3,468,657
Due from Primary Institution	-	153,340	84,514	3,085,224	3,323,078
Unconditional promises to give, net of allowance	-	16,994,612	440,744	-	17,435,356
Assets limited as to use	-	-	\$ -	-	\$ -
Inventories	655,801	907,641	-	-	907,641
Other assets	159,621	10,612,295	505,062	(702,614)	10,414,743
Total current assets	\$ 8,525,216	\$ 105,047,593	\$ 21,492,985	\$ 2,031,589	\$ 128,572,167
Noncurrent assets					
Restricted cash and cash equivalents	\$ 2,147,742	\$ 10,428,268	\$ -	\$ -	\$ 10,428,268
Investments:					
Investments, net of current portion	-	341,890,854	28,197,974	-	370,088,828
Investments, restricted	3,568,941	3,568,941	-	-	3,568,941
Investments, temporarily restricted	-	-	-	-	-
Investments, permanently restricted	-	-	-	-	-
Investments held in trust	-	33,820,509	65,999	-	33,886,508
Beneficial interest in trust	-	13,620,348	-	-	13,620,348
Charitable gift annuity investments	-	4,592,718	-	-	4,592,718
Investments held under split-interest agreement	-	-	-	-	-
Charitable remainder trust account investments	-	20,837,786	-	-	20,837,786
Real estate and equipment held for investment, net of accumulated depreciation	-	37,807,799	5,214,669	(16,892,743)	26,129,725
Other long-term investments	-	7,710,458	1,193,933	-	8,904,391
Total investments	\$ 3,568,941	\$ 463,849,413	\$ 34,672,575	\$ (16,892,743)	\$ 481,629,245
Contracts for deed and notes receivable, net of current portions	\$ -	\$ 1,027,011	\$ -	\$ -	\$ 1,027,011
Long term pledges					
receivable/unconditional promises to give	-	49,630,232	800,138	-	50,430,370
Other receivables	-	7,435,340	-	(7,435,340)	-
Receivable from Primary Institution	-	1,490,417	520,962	42,777,714	44,789,093
Notes receivable, net	-	6,631,373	300,525	-	6,931,898
Other noncurrent assets	-	1,297,154	285,114	-	1,582,268
Capital assets, net	67,546,693	163,650,779	12,853,585	(20,440,788)	156,063,576
Total noncurrent assets	\$ 73,263,376	\$ 705,439,987	\$ 49,432,899	\$ (1,991,157)	\$ 752,881,729
Total assets	\$ 81,788,592	\$ 810,487,580	\$ 70,925,884	\$ 40,432	\$ 881,453,896
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	\$ 1,756,175	\$ 5,314,288	\$ 178,114	\$ (3,997,343)	\$ 1,495,059
Payable to Primary University	675,782	6,925,810	1,074,731	7,149,365	15,149,906
Accrued payroll	-	807,223	10,751	-	817,974
Current portion of gift annuities and life income agreements					
Deferred revenue	-	3,225,925	46,743	-	3,272,668
Other current liabilities	4,491,294	9,281,800	540,000	(3,111,590)	6,710,210
Long-term liabilities--current portion	-	600,699	2,334	-	603,033
Total current liabilities	\$ 528,681	\$ 5,423,622	\$ 415,050	\$ -	\$ 5,838,672
Noncurrent liabilities					
Deposits	\$ -	\$ 27,573,501	\$ -	\$ -	\$ 27,573,501
Gift annuities and life income agreements, net of current portion					
Obligations under split-interest agreement	-	19,795,955	352,080	-	20,148,035
Other noncurrent liabilities	-	6,048,817	-	-	6,048,817
Long-term liabilities	-	238,730	-	-	238,730
Total noncurrent liabilities	1,973,315	65,990,169	10,764,108	-	76,754,277
Total liabilities	\$ 1,973,315	\$ 119,647,172	\$ 11,116,188	\$ -	\$ 130,763,360
NET ASSETS					
Temporarily restricted	\$ -	\$ 116,560,569	\$ 16,423,297	\$ -	\$ 132,983,866
Permanently restricted	-	337,302,566	34,877,794	-	372,180,360
Net investment in property and equipment	67,546,693	67,546,693	-	-	67,546,693
Unrestricted	4,816,652	137,851,213	6,240,882	-	144,092,095
Total net assets	\$ 72,363,345	\$ 659,261,041	\$ 57,541,973	\$ -	\$ 716,803,014
Total liabilities and net assets	\$ 81,788,592	\$ 810,487,580	\$ 70,925,884	\$ 40,432	\$ 881,453,896

STATEMENT OF ACTIVITIES, Major Component Units

FASB BASIS

	BSC Foundation June 30, 2015	NDSU Development Foundation December 31, 2014	NDSU Research & Technology Park June 30, 2015	UND Aerospace Foundation June 30, 2015
Support and revenue				
Gifts and contributions	\$ 4,626,334	\$ 40,018,738	\$ 379,966	\$ 13,046,388
Investment income	360,829	4,819,603	4,598	630,653
Net realized and unrealized gains (losses) on investment securities	(144,304)	2,404,984	-	-
Program and event income	48,719	-	138,350	31,575,141
Other income	893,188	1,265,889	2,791,701	530,821
Total support and revenue	\$ 5,784,766	\$ 48,509,214	\$ 3,314,615	\$ 45,783,003
Expenses				
Program Services	\$ 2,239,252	\$ 17,561,798	\$ 1,176,242	\$ 199,224
Supporting services	999,619	7,800,457	1,583,537	29,355,097
Fund raising expense	93,706	-	-	-
Total expenses	\$ 3,332,577	\$ 25,362,255	\$ 2,759,779	\$ 29,554,321
Change in split-interest agreement	\$ 2,604	\$ (515,463)	\$ -	\$ -
Change in Net Position	\$ 2,454,793	\$ 22,631,496	\$ 554,836	\$ 16,228,682
Net Position, Beginning of Year, as restated	\$ 25,542,805	\$ 197,021,058	\$ 6,554,372	\$ 37,171,721
Net Position, End of Year	\$ 27,997,598	\$ 219,652,554	\$ 7,109,208	\$ 53,400,403

STATEMENT OF ACTIVITIES, Major Component Units - Continued

	UND Alumni Association & UND Foundation June 30, 2015	RE Arena, Inc UND Arena Services, Inc. UND Sports Facilities, Inc. Arena Holdings Charitable LLC & Affiliates May 31, 2015	Total Major Component Units	Non-Major Component Units	Total Component Units
Support and revenue					
Gifts and contributions	\$ 23,630,474	\$ 3,000,000	\$ 84,701,900	\$ 4,852,349	\$ 89,554,249
Investment income	2,838,084	-	8,653,767	1,285,542	9,939,309
Net realized and unrealized gains (losses) on investment securities	-	-	2,260,680	(47,806)	2,212,874
Program and event income	7,739,458	8,777,817	48,279,485	6,832,734	55,112,219
Other income	-	1,398,485	6,880,084	8,284,220	15,164,304
Total support and revenue	\$ 34,208,016	\$ 13,176,302	\$ 150,775,916	\$ 21,207,039	\$ 171,982,955
Expenses					
Program Services	\$ 25,810,089	\$ 855,631	\$ 47,842,236	\$ 6,013,285	\$ 53,855,521
Supporting services	2,558,003	9,962,645	52,259,358	11,130,303	63,389,661
Fund raising expense	2,547,673	-	2,641,379	-	2,641,379
Total expenses	\$ 30,915,765	\$ 10,818,276	\$ 102,742,973	\$ 17,143,588	\$ 119,886,561
Change in split-interest agreement	\$ (2,876,352)	\$ -	\$ (3,389,211)	\$ -	\$ (3,389,211)
Change in Net Assets	\$ 415,899	\$ 2,358,026	\$ 44,643,732	\$ 4,063,451	\$ 48,707,183
Net Assets, Beginning of Year, as restated	\$ 278,322,034	\$ 70,005,319	\$ 614,617,309	\$ 53,478,522	\$ 668,095,831
Net Assets, End of Year	\$ 278,737,933	\$ 72,363,345	\$ 659,261,041	\$ 57,541,973	\$ 716,803,014

June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, as summarized below, and the financial statements for the North Dakota University System are in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) which is the accepted primary standard-setting body for establishing governmental accounting and financial reporting principles.

REPORTING ENTITY

The North Dakota State Board of Higher Education (SBHE) is the governing body for North Dakota's eleven publicly supported colleges and universities. In addition to these eleven institutions, the SBHE also oversees the Agricultural Research Centers, Agronomy Seed Farm, North Dakota Cooperative Extension Service, Northern Crops Institute, School of Medicine and Health Sciences, the State Forest Service, and the Upper Great Plains Transportation Institute. The SBHE was established in 1939 when the voters of North Dakota approved an initiated measure to add Article VIII to the State Constitution. The SBHE consists of ten voting members. The Governor, with the advice and consent of the Senate, appoints seven of the eight voting members. The eighth member is a full-time resident student appointed by the Governor. A ninth member is a faculty member (non-voting) selected by the statewide Council of College Faculties. A tenth member is a staff member (non-voting) selected by the statewide Staff Senate. The SBHE is an entity of the executive branch of the government of the State of North Dakota. The colleges and universities governed by the SBHE are collectively known and referred to as the North Dakota University System hereafter referred to as the University System. The Board appoints a Commissioner of Higher Education (Chancellor) to serve as the chief executive officer of the Board and of the University System. The Chancellor and the Chancellor's staff must have their principal office in the State Capitol per the North Dakota Constitution. This office is referred to as the University System Office. The North Dakota Legislature appropriates funds it deems necessary and as required by law for those agencies and institutions authorized to exist by the constitution and statutes. Separate general ledgers are maintained for the University System office and each institution on the PeopleSoft Finance Module. The financial statements presented here are also included in the comprehensive annual financial report of the State of North Dakota.

The University System includes the following entities that were created by the North Dakota Constitution and/or North Dakota Century Code (NDCC). As stated above these entities are under the control and administration of the SBHE. Each entity receives a separate appropriation from the North Dakota Legislature as provided by North Dakota Constitutional Article VIII, S 6(6)(e) and state statute.

North Dakota University System Entities (Primary Institution)

North Dakota University System Office (NDUSO)

Bismarck State College (BSC)

Dakota College of Bottineau (DCB)

Dickinson State University (DSU)

Lake Region State College (LRSC)

Mayville State University (MaSU)

Minot State University (MiSU)

North Dakota State College of Science (NDSCS)

North Dakota State University (NDSU)

Agricultural Experiment Stations:

North Dakota State University Main Research Center

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Dickinson Research Extension Center
Central Grasslands Research Extension Center
Hettinger Research Extension Center
Langdon Research Extension Center
North Central Research Extension Center
Williston Research Extension Center
Carrington Research Extension Center
Agronomy Seed Farm
Northern Crops Institute
Upper Great Plains Transportation Institute
North Dakota State University Cooperative Extension Service
North Dakota Forest Service
University of North Dakota (UND)
School of Medicine and Health Sciences
Valley City State University (VCSU)
Williston State College (WSC)

Component Units

The process of evaluating potential component units involved the application of criteria set forth in Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity. In accordance with GASB Statement No. 14, a financial reporting entity consists of the primary institution, organizations for which the primary institution is financially accountable and other organizations for which the nature and significance of their relationship with the primary institution are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The definition of the reporting entity is based primarily on the criteria of financial accountability. The primary institution is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and it is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary institution. Governmental Accounting Standards Board (GASB) Statement No. 39, Determining Whether Certain Organizations Are Component Units, modifies and clarifies previously existing criteria of determining whether an organization should be reported as a component unit and how that component unit should be reported in the financial statements. The nature and significance of the organizations relationship and the extent of financial integration with the primary institution are now considered when determining potential component units. Governmental Accounting Standards Board Statement No. 61 amends the requirements established by GASB Statement No. 14 and GASB Statement No. 39 for inclusion of component units in the financial reporting entry. GASB Statement No. 61 requires a financial benefit or burden relationship in addition to a fiscal dependency.

As required by generally accepted accounting principles, the accompanying financial statements present the University System (the primary institution) and its component units. The component units are included in the University System's reporting entity because of the significance of their operational or financial relationships with the University System.

The component units' financial statements are presented under Financial Accounting Standards Board (FASB) standards. As such, certain amounts reported on the primary institution financial statements (receivables from and payables to component units) are not reflected on the component units' financial statements. A reclassification column has been added to the consolidating component unit's net asset

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NOTES TO THE FINANCIAL STATEMENTS

statement to reflect material inter-entity balances between the primary institutions and the component units. Certain other amounts have been reclassified for consistent presentation. Detailed component unit financial statements may be obtained at the respective addresses listed below.

Blended Component Units

A component unit whose governing body is substantively the same as the governing body of the primary institution, a financial benefit/burden relationship exists and the entity provides services entirely or almost entirely to the primary institution or otherwise exclusively or almost exclusively benefits the primary institution even though it does not provide services directly to it, is included in the primary institutions financial statements using the blending method.

The **Mystic Athletic Club (BSC)** is considered a blended component unit. Although it is a legally separate entity, the Mystic Athletic Club is reported as if it were part of the primary institution because the board is comprised of BSC employees and its sole purpose is to provide support for the athletic programs at BSC. Complete financial statements may be obtained at the entity's administrative office at Bismarck State College, Athletic Department, 1601 Edwards Avenue, Bismarck, ND 58501.

North Dakota University System Foundation is considered a blended component unit. Although it is a legally separate, non-profit 501(c)(3) organization, NDUS Foundation is reported as if it were part of the primary institution because its sole purpose is to support the NDUS. Some members of the SBHE serve on the Board of Trustees for the foundation. Complete financial statements may be obtained at the entity's administrative office at 600 E. Boulevard Ave. Dept. 215, Bismarck, ND 58505.

Discretely Presented Component Units

The following component units are legally separate entities; however, a fiscal dependency relationship exists whereby the entity does not have the ability to complete certain essential fiscal events without substantive approval from the primary institution or due to the nature and significance of the relationship to the University System, exclusion would render the financial statements incomplete or misleading. Although the primary institution does not control the timing or amount of receipts from the component units, the majority of resources, or income thereon that the entities hold and invest are restricted by the donors to the activities of the primary institution or its constituents. Therefore, these entities are discretely presented in the accompanying financial statements using Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Component units that are significant relative to the other component units and to the primary institution are considered "major" component units and are displayed in separate columns in the component unit section of the accompanying financial statements and are included in Note 16 under Major Component Units. Component units that are not significant relative to the other component units and to the primary institution are considered "non-major" component units and are displayed in a combined column in the component unit section of the accompanying financial statements.

Major Component Units

The Bismarck State College Foundation is a legally separate, tax-exempt organization providing support and recognition to BSC through a variety of programs. The foundation acts primarily as a fund-raising organization to supplement the resources that are available to the college. The foundation is managed by a 75-member board of directors comprised of leading citizens, both alumni and friends of

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the college as well as seven ex-officio members that are officers/employees of BSC. Complete financial statements for Bismarck State College Foundation may be obtained at the entity's administrative offices at 1255 Schafer Street, PO Box 5587, Bismarck, ND 58506-5587.

Dickinson State University Foundation, Inc., was organized in 1952 as a non-profit corporation to provide an avenue through which alumni and friends of the University may contribute financially to the University. Gifts, grants, and bequests to the foundation benefit present and future students by providing scholarship assistance and the funding of special projects. The foundation is managed by a 26-member board of directors comprised of leading citizens, both alumni and friends of DSU as well as one ex-officio member that is an officer/employee of DSU. In FY2015, the foundation was placed in receivership by the North Dakota State District Court. As of June 30, 2015, audited financial statements are not available for the foundation for FY2014 and FY2015.

North Dakota State University Development Foundation is an incorporated, nonprofit organization developed solely for the benefit of NDSU. The foundation is approved by the IRS as a charitable, tax-exempt organization and designated by the University as the repository for private giving to the University. Its purpose is to raise, manage, and disburse contributions for the benefit of NDSU. The foundation is managed by a board of trustees comprised of 60 elected alumni and friends of the university as well as four ex-officio members – the president of NDSU, the president and vice president of the Alumni Association and the executive director of the Development Foundation and Alumni Foundation. In fiscal year 2012, the foundation changed their fiscal year end from June 30 to December 31. Foundation financial statements and footnote disclosures are presented as of December 31, 2014. Complete financial statements for North Dakota State University Development Foundation may be obtained at the entity's administrative office at 1241 N. University Drive, Fargo, ND 58102.

NDSU Research & Technology Park, Inc., is a nonprofit organization established in 1999 to promote an economic environment dedicated to applied research and technology discovery for the benefit of NDSU, its faculty and staff and students and the citizens of North Dakota. The majority of the Park's board of directors (7 of 10) works in private industry. Vacancies are filled by a majority vote of the board. Officers of NDSU fill the remaining three positions. The President of NDSU serves as president of the board of directors and has control over final building plans for any new building at the Park. Complete financial statements for NDSU Research & Technology Park, Inc. may be obtained at the entity's administrative office at 1854 NDSU Research Circle North, Fargo, ND 58102.

UND Aerospace Foundation is a nonprofit entity organized in 1985 to encourage and develop the University of North Dakota's John D. Odegard School of Aerospace Sciences. The Foundation's principal activities consist of developing and conducting training programs, research and development, and consulting services related to the aerospace industry. The Foundation is governed by a board of directors consisting of five to seven voting members, including two or more persons who are active in the aerospace industry and/or graduates of UND with an interest in the aerospace industry, elected by the board. Non-voting members/representatives on the board include a senior manager of the foundation elected by the board, the dean of the Odegard School of Aerospace Sciences and the president of the University. The Foundation benefits the University, financially and otherwise, through its promotion of the Odegard School and its programs and in the sharing of resources. Complete financial statements for the UND Aerospace Foundation may be obtained at the entity's administrative office at 4251 University Ave Box 9023, Grand Forks, ND 58202-9023.

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The **UND Alumni Association and Foundation** is a nonprofit organization organized exclusively for the benefit of the University of North Dakota. The administrative office for the Organization is maintained on the University of North Dakota Campus at 3501 University Ave Stop 8157, Grand Forks, ND 58202-8157.

The University of North Dakota Alumni Association merged with the UND Foundation effective September 15, 2014. The process of formally merging the two 501(c)(3) organizations (the Alumni Association and the Foundation) was the final step in integrating the operations, leadership and strategic growth of the two organizations as they support UND. The UND Foundation was built, in large part, on the foundation of an engaged and generous alumni base thanks to the UND Alumni Association.

The UND Alumni Association & Foundation fosters connections, inspires generosity, and advances the University of North Dakota. The organization receives, holds and manages contributions from alumni and private sources and engages in development and engagement activities on behalf of the University of North Dakota.

The UND Alumni Association & Foundation is governed by a board of directors. The board of directors consists of twenty-two voting members, twenty-one who are alumni of UND and six ex-officio members who are officers of UND.

RE Arena Inc. (REA), UND Arena Services Inc. (UAS), UND Sports Facilities Inc. and Arena Holdings Charitable LLC (AHC) are related organizations with commonality among their boards of directors and management organized for the benefit of the University. These organizations operate and maintain a multipurpose sports and entertainment arena in Grand Forks, N.D. known as the Ralph Engelstad Arena Sports Complex (including the Ralph Engelstad Arena, the Olympic Arena, and the Betty Engelstad Sioux Center.) The complex is used primarily for UND athletics and activities. UND Sports Facilities, Inc. (UNDSF) is the sole member of Arena Holdings Charitable LLC. RE Arena, Inc. conducts day-to-day operations of the arena through a contract with UND Arena Services, Inc. UND Arena Services, Inc. is the legal manager of Arena Holdings Charitable LLC. Arena Holdings Charitable, LLC is the lessee of the land from UND and is the title holder of the complex. At the conclusion of the original 30 year lease (2030), the complex shall vest with UND. UAS and AHC have a seven-member board with one member being the UND Vice President for Finance and Operations (VPFO). REA has a five-member board with the President being the REA Manager. The remaining four board members are also board members of UAS and AHC, with no UND employee represented on the board. UNDSF has three board members, who also serve on the other boards, with one of the board members being the UND VPFO. All board members from all four entities have voting rights. A complete combined financial statement for these organizations may be obtained at Ralph Engelstad Arena, One Ralph Engelstad Arena Drive, Grand Forks ND 58203.

Non-major Component Units

Minot State University Development Foundation was incorporated in 1978 exclusively for the benefit of MiSU. Its purpose is to establish, promote and stimulate voluntary financial support for the benefit of the university, especially in the building of endowment and in addressing the long-term priorities of the university. A board of directors comprising 11 voting members manages the foundation. Two are ex-officio appointments from the Board of Regents and the Alumni Association, and three are ex-officio members who are employees of MiSU. Complete financial statements for Minot State University

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NOTES TO THE FINANCIAL STATEMENTS

Development Foundation may be obtained at the entity's administrative office at 500 University Avenue West, Minot, ND 58707.

North Dakota State College of Science Foundation was established to act primarily as a fund-raising organization to supplement the resources that are available to NDSCS. The foundation is managed by an 18 member board of directors comprised of leading citizens, both alumni and friends of the college as well as five ex-officio members that are officers/employees of NDSCS. Complete financial statements for North Dakota State College of Science Foundation may be obtained at the entity's administrative office at 800 Sixth Street North, Wahpeton, ND 58076-0002.

Williston State College Foundation was established to act primarily as a fund-raising organization to supplement the resources that are available to WSC. The foundation is managed by an 11-member board of directors comprised of leading citizens, both alumni and friends of the college. Complete financial statements for Williston State College Foundation may be obtained at the entity's administrative office at PO Box 1286, 501 18th Street East, Williston, ND 58802-1286.

JOINT VENTURES

Tri-College University

Tri-College University (TCU) is a legally separate organization that is organized exclusively for educational purposes within the meaning of section 501(c)(3) of the Internal Revenue Code. TCU's purpose is to assist in the establishment and maintenance of coordinated programs between Concordia College, Minnesota State University Moorhead and NDSU, as a means of maximizing higher educational services for the people of the region. The organization serves as an agency through which resources are received and dispensed to supplement the educational endeavors of the three universities. The corporation also serves as a means for promoting and strengthening existing and potential educational programs and courses. An eight-member board of directors, including the presidents of the three universities, handles the affairs of the corporation. All property, funds and income of this corporation are held for the exclusive use and benefit of Concordia College, Minnesota State University Moorhead and NDSU. Administration of funds and other resources received by TCU for use in connection with specific programs at NDSU are the responsibility of the university. As of June 30, 2015, Tri-College University had net position of approximately \$659,877 and is not considered a financial burden to NDSU. The financial activity of this organization is not reflected in the accompanying financial statements. Complete audited financial statements for Tri-College University may be obtained at the entity's administrative office at North Dakota State University, Renaissance Hall, 650 NP Avenue 100, Fargo, ND 58102.

INSIGNIFICANT COMPONENT UNITS

The following organizations are component units of the University System but have been deemed insignificant due to small total assets and revenues balances. Entities in this category had less than 1.0% each in total assets compared to total NDUS assets and less than 10% in payments to or from the primary institution. Separate boards of directors control these entities. In addition, the college or university does not exercise financial or administrative control over these entities and/or the entities' relationship with the primary institutions is not significant enough to warrant inclusion in the reporting entity's financial statements. The related organizations at June 30, 2015 were:

BSC:	National Alumni Association 1255 Schafer Street PO Box 5587 Bismarck, ND 58506-5587	DSU:	The Blue Hawk Booster Club 620 Villard St W Dickinson, ND 58601-5128
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DCB:	DCB Foundation 105 Simrall Boulevard Bottineau, ND 58318	LRSC:	Lake Region Community College Foundation 1801 College Drive North Devils Lake, ND 58301-1598
MaSU:	Mayville Mutual Aid Corporation 330 3 rd Street NE Mayville, ND 58257	MiSU:	Alumni Association, Inc. Minot State University 500 University Ave W. Minot, ND 58707
	Mayville State University Foundation 330 3 rd Street NE Mayville, ND 58257		Beaver Boosters, Inc. Minot State University 500 University Ave W Minot, ND 58707
NDSU:	Alliance for Arts & Humanities 221 Minard Hall, Albrecht Blvd PO Box 6050 Fargo, ND 58108-6050	UND:	EERC Foundation Energy & Environmental Research Center University of North Dakota 5 North 23 rd Street, Stop 9018 Grand Forks, ND 58202-9018
	RSVP Enterprise Dept. 2020 Box 6050 Fargo, ND 58108-6050		The Fellows of the University of North Dakota 264 Centennial Drive Twamley Hal Grand Forks, ND 58502
	NDSU 4H Foundation FLC 219, Dept. 7280 PO Box 6050 Fargo, ND 58108		UND Center for Innovation Foundation 4200 James Ray Drive Grand Forks, ND 58203
	NDSU Research Foundation 1735 NDSU Research Park Drive Suite 124 Fargo, ND 58108-6050		UND Research Foundation 4201 James Ray Drive Grand Forks, ND 58202
	NDSU Team Makers Club Dept. 1200 PO Box 6050 Fargo, ND 58108-6050	WSC:	Teton Booster Club PO Box 760 Williston, ND 58802
VCSU:	VCSU Foundation 101 College Street SW Valley City, ND 58072		

BASIS OF PRESENTATION

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, and Statement No. 35, Basic Financial Statements - and Management’s Discussion and Analysis - for Public Colleges and Universities, issued in June and November, 1999, as amended by GASB Statement Nos. 36, 37 and 38. The System follows the “business-type activities” (BTA) reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the System’s activities.

BASIS OF ACCOUNTING

The financial statements of the University System have been prepared using the economic resources measurement focus and the accrual basis of accounting, whereby all revenues are recorded when

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NOTES TO THE FINANCIAL STATEMENTS

earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

The University System follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard setting body for establishing generally accepted accounting principles for governmental entities.

UNRESTRICTED NET POSITION

Unrestricted net position includes resources derived from student tuition and fees, sales and services, unrestricted gifts, royalties, and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at each institution.

RESTRICTED ASSETS

The University System, based on certain bond covenants, is required to establish and maintain prescribed amounts of resources that can be used only to service outstanding debt. Also, included are unspent bond proceeds that will be expended for construction of capital assets.

REVENUE AND EXPENSE RECOGNITION

The University System presents its revenues and expenses as operating or nonoperating based on recognition definitions from GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. Operating activities are those activities that are necessary and essential to the mission of the University System.

Operating revenues include all charges to customers, grants received for student financial assistance, research contracts and grants, and interest earned on loans. Grants received for student financial assistance are considered operating revenues because they provide resources for student charges and such programs are necessary and essential to the mission of the University System. Revenues from nonexchange transactions and state appropriations that represent subsidies or gifts to the University System, as well as investment income, are considered nonoperating since these are either investing, capital or noncapital financing activities. Operating expenses are all expense transactions incurred other than those related to investing, capital or noncapital financing activities. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor nonoperating activities and are presented after nonoperating activities.

BUDGETARY PROCESS

The State of North Dakota operates through a biennial appropriation. Legislation requires the SBHE to present a single unified budget request covering the needs of all the institutions under its control to the Governor through the Director of the Office of Management and Budget. The Governor is required by legislation to present his budget to the General Assembly at the beginning of each session. The

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NOTES TO THE FINANCIAL STATEMENTS

General Assembly enacts the budget of the various institutions through the passage of specific appropriation acts. Before signing the appropriation acts, the Governor may veto or reduce any specific appropriation, subject to legislative override. Once passed and signed, the budget becomes the state's financial plan for the next two years.

The SBHE allocates contingency and capital emergency funding within guidelines provided by the General Assembly. Any funds received by the SBHE and entities of the University System pursuant to federal acts, private grants, and other sources not deposited in the operating funds in the state treasury are appropriated for the biennial period. The SBHE has the authority to transfer funds between line items by notifying the Office of Management and Budget in writing, with the exception that the SBHE may not approve transfers from any capital assets line item.

The North Dakota Constitution prohibits any transfers between institutions, even by the legislature. Institutions within the University System do not use encumbrance accounting. The legal level of budgetary control is at the institutional line item level, with administrative controls established at lower levels of detail in certain instances.

SBHE policy requires each college or university to submit a biennial budget for SBHE approval and annual budgets to be approved by the Chancellor. These budgets are prepared on an accrual basis and include activity relative to current funds and unexpended plant funds. These annual budgets are prepared within the framework of the legislative-approved appropriations and become each institution's financial plan for the coming year. The SBHE allows each institution's discretion in transferring funds between departments.

CASH AND CASH EQUIVALENTS

This classification includes cash on-hand, cash in-bank, regular and money market savings accounts, and certificates of deposit and time saving certificates (original maturity of 3 months or less). For purposes of the Statement of Cash Flows, the University System considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents representing assets of the University System's endowment, unspent bond proceeds and cash restricted by bond covenants are included in non-current restricted cash.

INVESTMENTS

Investments consist of certificates of deposit (maturity greater than three months), U.S. Treasuries, bonds, stocks and other securities held by trust departments or broker dealers. Investments are reported at fair value for year-end financial reporting. Fair value is the amount at which an investment could be exchanged between two willing parties, which for financial reporting purposes is based on quoted market prices. The net increase (decrease) in the fair value of investments is recognized as a part of investment income. Investments are classified as Investments, if the maturity date is more than three months to one year, or as Other Long-term Investments, if the maturity date is more than one-year from the date of the financial statements. Investments restricted by bond covenants or invested from bond proceeds are classified as Restricted Investments. Investments held by endowment funds are classified as Endowment Investments.

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NOTES TO THE FINANCIAL STATEMENTS

RECEIVABLES

Accounts receivables include tuition, fees, food service, room and board charges and apartment rent; accrued interest on investments; and Family Practice Center revenues (UND). Grants and contracts receivables include federal and private grants and contracts revenue and state grants and other income due from other state agencies. Loan fund notes receivable represents amounts due from students for Perkins and other federal loans, and short-term institutional loans. Net receivables are shown on the basic financial statements. The allowances for doubtful accounts/notes are detailed in Note 3.

INVENTORIES

Inventories held for resale in auxiliaries (including food, books and other merchandise) and unrestricted physical plant supplies are generally stated at the lower of cost (generally determined on the first-in, first-out, or moving weighted average method) or fair market value.

CAPITAL AND INTANGIBLE ASSETS

Land, buildings, equipment, and other property are stated at historical cost, with the exception of property acquired prior to the following dates for the various institutions which are stated at appraised values: July 1, 1964 (MiSU, BSC, NDSCS, NDSU); July 1, 1965 (UND); July 1, 1966 (VCSU, DCB); July 1, 1969 (DSU); July 1, 1970 (MaSU); July 1, 1984 (WSC); and July 1, 1987 (LRSC). Professional consultants for the purposes of insurance and financial record keeping evaluated these assets. Library books and periodicals are stated at an estimated inventory value as of the following dates for the following institutions with subsequent additions at cost and deletions at average cost: June 30, 1973 (MaSU, VCSU); June 30, 1974 (UND, NDSCS, NDSU, DCB); June 30, 1976 (DSU); July 1, 1979 (MiSU); June 30, 1985 (BSC, LRSC); and June 30, 1990 (WSC).

Capital assets, including purchased software with a unit cost of \$5,000 or greater and all library books, are recorded at cost at the date of acquisition, or if donated, at fair market value at the date of donation. Infrastructure assets are included in the financial statements and are depreciated. Depreciation is not allocated to the functional categories. Intangible assets, excluding purchased software, with a unit cost of \$25,000 or more are recorded at cost at the date of acquisition, or if donated, at fair market value at the date of donation. Internally developed intangible assets with a unit cost of \$50,000 or more are recorded at cost and are amortized.

The composite method is used for library book depreciation. All books purchased during a year are consolidated together and depreciated as a group of assets rather than individually. Expenses for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized, net of interest income earned on resources set aside for the construction or remodeling costs. Certain reserves have been established by bond indenture for the repayment of revenue bond indebtedness. Such reserves are recorded in the appropriate restricted assets category (cash/investments) and as "net position restricted for debt service" on the Statement of Net Position.

Depreciation and intangible amortization is calculated using the straight-line method over the following estimated useful lives for the System and its component units. All campuses, except UND and NDSU, use the ½ year convention.

June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS

Land Improvements	10 – 35 years
Infrastructure	20 – 60 years
Buildings	10 – 50 years
Equipment	3 – 20 years
Internally developed software	2 – 10 years
Purchased software	3 – 5 years
Other Intangibles	3 – 20 years
Library Books	10 years

DEPOSITS

Money received in advance for subsequent year’s residence hall, apartment reservations and flight training costs and funds held by an institution in a fiduciary capacity are classified as deposits.

COMPENSATED ABSENCES

Annual and sick leave are a part of permanent employees’ compensation as set forth in NDCC section 54-06-14. In general, accrued annual leave cannot exceed 30 days at each calendar year end while accrued sick leave is not limited. Employees are entitled to earn leave based on tenure of employment, within a range from a minimum of one working day, to a maximum of two working days per month, established by the rules and regulations adopted by the employing unit. Employees are paid for all unused annual leave upon termination or retirement. Employees who vest at 10 years of credible service are paid one-tenth of their accumulated sick leave upon termination or retirement. Compensated absences are accrued when earned.

PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS’ fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

SCHOLARSHIP ALLOWANCES

Student tuition and fees, and certain other revenues received from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the System’s state rates and charges and the amount actually paid by students and/or third parties making payments on behalf of students. Under this approach, scholarships, waivers and grants are considered as reductions in tuition and fee revenues rather than as expenses. Therefore, student tuition and fees and auxiliary revenues are presented net of scholarships applied to student’s accounts. Certain other scholarship amounts paid or refunded directly to the student are generally reflected as expenses.

June 30, 2015
NOTES TO THE FINANCIAL STATEMENTS

NET POSITION

Net position is classified according to external donor restrictions or availability of assets for satisfaction of University System obligations. Restricted Net Position represent funds that have been restricted for specific purposes by donors or granting agencies for scholarships and fellowships, instructional department uses, loan funds, debt service and other. Unrestricted net position is all other funds available at the discretion of the University System. Invested in capital assets represents the cost or gifted value of buildings, equipment, land improvements and infrastructure, less accumulated depreciation and related outstanding debt.

RESTATEMENT OF BEGINNING NET POSITION

	Primary Institution
Net Position, beginning of the year, as previously reported	\$ 1,120,207,741
<u>Prior period adjustments:</u>	
Change in accounting method related to pension accounting	(72,360,718)
Change of estimate	13,776,964
Correction of error	(239,357)
Net Position, beginning of the year, as restated	<u>\$ 1,061,384,629</u>

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The accompanying financial statements include estimates such items as allowances for uncollectible accounts, scholarship allowances, accrued expenses and other liability accounts.

New Accounting Pronouncements

In fiscal year 2015, the North Dakota University System adopted GASB No. 68, Accounting and Financial Reporting for Pensions. This statement revises accounting and financial reporting for most pensions provided to employees of state and local governments. The statement established standards for measuring and recognizing pension liabilities and expense as well as deferred outflows and deferred inflows of resources related to pensions. The statement required retroactive adoption and resulted in a restatement of prior period net position of \$72.4 million.

In November 2013, the GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68." This statement is effective for periods beginning after June 15, 2014 and addresses contributions made by an employer

June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS

to a defined benefit pension plan after the measurement date of the entity's beginning net pension liability.

In February 2015, the GASB issued Statement No.72, "Fair Value Measurement and Application." This statement is effective for periods beginning after June 15, 2015.

In June 2015, the GASB issued Statement No.73, "Accounting and Financial reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68." This statement is effective for periods beginning after June 15, 2016.

In June 2015, the GASB issued Statement No.74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." This statement is effective for periods beginning after June 15, 2016.

In June 2015, the GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." This statement is effective for periods beginning after June 15, 2017.

In June 2015, the GASB issued Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments." This statement is effective for periods beginning after June 15, 2015.

In August 2015, the GASB issued Statement No. 77, "Tax Abatement Disclosures." This statement is effective for periods beginning after December 15, 2015.

The effect GASB Statements Nos. 72, 73, 74, 75, 76 and 77 will have on future financial statements has not yet been determined.

NOTE 2 – DEPOSITS AND INVESTMENTS

LIMITATIONS

Primary Institution

North Dakota Century Code (NDCC) governs the deposit and investment policies of the System. NDCC Section 6-09-07 states, "All state funds...must be deposited in the Bank of North Dakota (BND) ...or must be deposited in accordance with constitutional and statutory provisions."

In addition, NDCC Section 21-04-02 provides that public funds belonging to or in the custody of the state shall be deposited in the Bank of North Dakota. NDCC Section 15-10-12 requires that all moneys not deposited in the special revenue fund within the State Treasury (unless restricted by the terms of a grant, donation or bequest), received by the institutions from federal, state, and local grants and contracts, indirect cost recoveries, tuition, special student fees, room and board and other auxiliary enterprise fees, student activity fees, continuing education program fees, internal service fund revenues, and all other revenues must be deposited in the BND.

NDCC Sections 15-55-05 and 15-55-06 govern the investment of proceeds of revenue bonds and revenues pledged to bondholders. Such proceeds must be invested in the BND, in a separate fund in the State Treasury or in a duly authorized depository for the state funds that is a member of the federal

June 30, 2015
NOTES TO THE FINANCIAL STATEMENTS

deposit insurance corporation. The SBHE may invest such funds in direct obligations of, or in obligations where the United States of America guarantees the principal and interest, or obligations of the State of North Dakota or any municipality as defined in NDCC Section 21-03-01.

DEPOSITS

Cash and Cash Equivalents are reported on the Statement of Net Position as follows:

	Carrying Amount	Bank Balance
Cash deposits-BND	\$ 146,353,303	\$ 172,647,616
CDs-BND	185,996,221	185,996,221
Cash deposits-Other	15,555,695	20,039,648
CDs-Other	163,167	163,167
Total Bank Deposits	\$ 348,068,386	\$ 378,846,651
Cash on hand	\$ 221,332	
Amounts credit risked as deposits but reported as investments	(186,159,388)	
Cash & Cash Equivalents per Statement of Net Position	\$ 162,130,330	

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the System's deposits may not be returned to it. The System does not specifically address policies concerning custodial credit risk and while the deposits in the Bank of North Dakota are backed by the State of North Dakota, they are deemed to be uninsured and uncollateralized by GASB definition. As of June 30, 2015, \$376.6 million of the System's bank balance of \$378.8 million was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$358,643,836
Uninsured and collateral held by pledging bank not in system's name	\$ 17,655,653

Investments

Investments are reported at fair value (market) and reported on the Statement of Net Position as of June 30, 2015, as follows:

June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS

Investment Type	Market Value	Maturities			
		Less than 1 year	1 year to 5 years	6 years to 10 years	More than 10 years
US Treasuries	\$ 705,182	\$ -	\$ 705,182	\$ -	\$ -
US Strips	50,006	-	50,006	-	-
Corporate Bonds	-	-	-	-	-
Mutual Bond Funds	4,902,356	1,219,153	887,436	2,795,767	-
GICs	-	-	-	-	-
Money Market Mutual funds	11,443,860	11,443,860	-	-	-
Other	840,699	840,699	-	-	-
Debt Securities Subtotal	\$ 17,942,103	\$ 13,503,712	\$ 1,642,624	\$ 2,795,767	\$ -
Stocks	\$ 1,271,815				
Equity Mutual Funds	12,247,215				
Certificates of Deposit - BND	185,996,221				
Certificates of Deposit - non-BND	163,167				
Other	7,501,340				
Equity Securities Subtotal	\$ 207,179,758				
Total Investments per the Statement of Net Position	\$ 225,121,861				

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Per NDCC the system is limited to investing funds with the Bank of North Dakota, with the exception of gifts governed by an endowment agreement. Accordingly, the system does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Campuses choose terms based on maximizing their return within the limits of their cash flow needs. Campuses rely on brokers to provide year-end market values for the investments held with those brokers.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligation. As of June 30, 2015, the system's debt portfolio (excluding US Treasuries and US Agencies) included Standard & Poor's quality ratings as follows:

	Market Value	Credit Quality Rating		Total
		AAA	Not Rated	
Mutual Bond Funds	\$ 5,263,420	\$ 361,064	\$ 4,902,356	\$ 5,263,420
Guaranteed Investment Contracts	-	-	-	-
Money market mutual funds	11,082,796	11,082,796	-	11,082,796
Other	840,699	-	840,699	840,699
Total	\$ 17,186,915	\$ 11,443,860	\$ 5,743,055	\$17,186,915

June 30, 2015
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – RECEIVABLES

Receivables at June 30, 2015 consist of the following amounts:

	Current	NonCurrent	Total
Student & General	\$ 30,145,284		\$ 30,145,284
Interest Receivable	263,509		263,509
Allowance for doubtful Accts	(6,061,785)		(6,061,785)
Accounts Receivable, net	<u>\$ 24,347,008</u>		<u>\$ 24,347,008</u>
Grants & Contracts Receivable	\$ 27,146,347		\$ 27,146,347
Appropriation Receivable - Other	-		-
Due from Other State Agencies	6,446,342		6,446,342
Allowance for Doubtful Grants & Contracts Receivable	-		-
Grants & Contracts Receivable, net	<u>\$ 33,592,689</u>		<u>\$ 33,592,689</u>
Student	\$ 9,132,197	\$ 32,680,215	\$ 41,812,413
Others	-	-	-
Allowance for Doubtful Notes	(1,722,270)	(6,298,696)	(8,020,966)
Notes Receivable, net	<u>\$ 7,409,927</u>	<u>\$ 26,381,520</u>	<u>\$ 33,791,447</u>

NOTE 4 – ENDOWMENT FUNDS

The endowment funds reported herein are institutional funds under the terms of the gift instrument and are not wholly expendable by the institution. NDCC Section 59-21 the Uniform Prudent Management of Institutional Funds Act (UPMIFA) applies to the investment of endowments governed by a gift instrument. NDUS SBHE policy 810 stipulates endowment funds shall be invested according to the intent of the donor provided such intent is consistent with applicable laws. Absent terms expressing donor intent in a gift instrument, NDUS institution officers initially shall deposit the funds in institution accounts at the Bank of North Dakota. Thereafter, the funds may be invested according to NDCC 59-21. Subject to the intent of the donor, NDUS institution officers are delegated authority to manage and invest these institutional funds as provided by UPMIFA. NDCC Section 59-21-02.5a(7) applies to standard of conduct in the administration of powers to make and retain investments. It states that in managing and investing an institutional fund, the needs of the institution and the fund to make distributions and to preserve capital must be considered. Given the flexibility in NDCC 59-21-02, campuses have differing policies with respect to spending investment income and net appreciation on endowment funds. For UND, distributions for spending from Endowments each fiscal year will be calculated once annually with the quarter ended December 31 unitized market value and is based on the set spending rate, currently four percent, applied to the average market value for the four preceding quarters as of 2013, eight quarter average in 2014, building to a twelve quarter average which will begin in 2015. All endowments in existence at December 31 for one year will receive a distribution spending allocation. The available amount will be forecast to UND for planning purposes by February 1, and these distribution amounts will be available for spending in the upcoming fiscal year. MaSU, NDSU, VCSU and WSC give departments authority to spend all investment income earned on the endowment funds. Net appreciation on investments is available for expenditure and consists of the following at June 30, 2015:

June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS

		<u>Reflected in net position as:</u>
Mayville State University	\$ 3,170	Expendable scholarships & fellowships
North Dakota State University	144,701	Expendable scholarships & fellowships
University of North Dakota	961,946	Non-expendable scholarships & fellowships
Williston State College	2,933	Non-expendable scholarships & fellowships
Total NDUS	<u>\$ 1,112,750</u>	

Endowment funds reported herein do not include the Federal Land Grant Fund held by the State Land Department. The annual proceeds from assets held by the State Land Commissioner are deposited into each college/university's operating fund at the State Treasury and are used for current operating purposes. Bismarck State College, Lake Region State College does not participate in the proceeds allocated by the State Land Department. Total assets held by the State Land Department and proceeds for the fiscal year ended June 30, 2015 are approximately \$140.8 million and \$2.7 million, respectively.

NOTE 5 – CAPITAL AND INTANGIBLE ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	\$ 15,820,607	\$ 500,000	\$ 4,402	\$ -	\$ 16,316,205
Construction in progress	88,106,161	172,210,343	36,963	(44,387,490)	215,892,051
Total non-depreciable capital assets	\$ 103,926,768	\$ 172,710,343	\$ 41,365	\$ (44,387,490)	\$ 232,208,256
Land improvements/infrastructure	\$ 183,329,158	\$ 5,823,196	\$ 215,013	\$ 13,974,059	\$ 202,911,400
Buildings	1,172,562,543	23,963,787	6,178,727	28,795,652	1,219,143,255
Furniture, fixtures, and equipment	292,817,235	22,791,646	10,365,361	1,651,879	306,895,399
Intangibles:					
Computer Software	23,753,604	714,797	90,994	(34,100)	24,343,307
Websites	904,103	84	-	-	904,187
Other	1,306,428	-	-	-	1,306,428
Library materials	108,459,612	3,160,051	3,852,122	-	107,767,541
Total depreciable capital assets	\$ 1,783,132,683	\$ 56,453,562	\$ 20,702,217	\$ 44,387,490	\$ 1,863,271,517
Less accumulated depreciation and amortization					
Land improvements/infrastructure	\$ 84,019,731	\$ 5,280,636	\$ 162,409	\$ -	\$ 89,137,958
Buildings	472,078,171	28,156,623	5,596,504	-	494,638,290
Furniture, fixtures, and equipment	177,264,040	20,944,067	8,323,608	1,894	189,886,392
Intangibles					
Computer Software	15,614,392	1,839,141	83,875	(1,894)	17,367,764
Websites	466,098	91,295	-	-	557,393
Other	219,978	142,884	-	-	362,862
Library materials	84,662,422	4,473,189	3,852,124	-	85,283,487
Total accumulated depreciation and amortization	\$ 834,324,831	\$ 60,927,835	\$ 18,018,520	\$ -	\$ 877,234,145
Total depreciable capital assets, net	\$ 948,807,853	\$ (4,474,273)	\$ 2,683,697	\$ 44,387,490	\$ 986,037,373
Capital assets, net	\$ 1,052,734,620	\$ 168,236,070	\$ 2,725,062	\$ -	\$ 1,218,245,629

June 30, 2015
NOTES TO THE FINANCIAL STATEMENTS

Construction in progress for the year ended June 30, 2015 was as follows:

	Amount Authorized	Expended (CIP Asset)	Expended (Non capitalized)	Authorized Balance
Bismarck State College	\$ 22,673,126	\$ 20,108,826	\$ 583,612	\$ 1,980,688
Dakota College of Bottineau	-	-	-	-
Lake Region State College	5,807,709	5,424,358	343,390	39,961
Mayville State University	6,376,142	1,890,125	-	4,486,017
Minot State University	14,341,703	6,149,114	31,360	8,161,229
North Dakota State College of Science	11,779,657	7,954,006	-	3,825,651
North Dakota State University	92,670,952	43,991,893	281,726	48,397,333
University of North Dakota	213,159,220	121,635,192	3,479,566	88,044,462
Valley City State University	18,643,503	2,508,399	-	16,135,104
Williston State College	8,238,267	6,230,145	275,386	1,732,736
Total NDUS	<u>\$ 393,690,279</u>	<u>\$ 215,892,058</u>	<u>\$ 4,995,040</u>	<u>\$ 172,803,181</u>

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30, 2015:

Accounts Payable	\$ 30,310,045
Due to other state agencies	380,827
Due to Other Funds	173,210
Sales Tax Payable	(1,705)
Accrued Interest	2,487,722
Contractor Payable/Retainage	14,495,228
Other liabilities	113,140
Total Payables & Accrued Liabilities	<u>\$ 47,958,468</u>

NOTE 7 – LONG-TERM LIABILITIES

The changes in long-term liabilities during fiscal year 2015 are as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Noncurrent Portion
Bonds Payable	\$ 220,883,500	\$ 36,860,000	\$ 36,107,500	\$ 221,636,000	\$ 7,821,500	\$ 213,814,500
Bonds Payable to Component Units	25,685,000	-	1,390,000	24,295,000	1,430,000	22,865,000
Notes Payable	19,132,016	2,500,000	776,991	20,855,025	917,027	19,937,998
Notes Payable to Component Units	403,498	-	40,484	363,014	45,455	317,559
Capital Leases	20,348,911	4,022,659	6,146,542	18,225,028	2,812,162	15,412,866
Capital Leases with Component Units	24,424,623	-	1,426,052	22,998,571	1,357,955	21,640,616
Special Assessments	3,949,142	766,354	373,499	4,341,997	365,625	3,976,372
Compensated Absences	31,642,106	400,048	180,429	31,861,725	2,010,601	29,851,124
Total	<u>\$ 346,468,795</u>	<u>\$ 44,549,061</u>	<u>\$ 46,441,497</u>	<u>\$ 344,576,360</u>	<u>\$ 16,760,325</u>	<u>\$ 327,816,035</u>

June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – BONDS PAYABLE

Revenue bonds are limited obligations of the University System. The principal and interest on the bonds are payable generally from the net income of specific auxiliary activities, designated student fees, interest subsidies and debt service reserve funds. These revenues are generally pledged to the payment of bonds in accordance with the specific terms of the specific indenture. Amounts held by the trustee specifically for payment on bonds are reflected in Net Position, Restricted for Debt Service.

The summary of outstanding obligations of the campuses, as of June 30, 2015 is presented below and the detail is presented in the Supplementary Information section following these notes.

	Original Balances	Interest Rates	Balances Outstanding
Bismarck State College	\$ 10,005,000	2.0 - 4.0%	\$ 9,470,000
Lake Region State College	1,050,000	3.0 - 5.125%	285,000
Mayville State University	5,515,000	1.55 - 6.63%	4,675,000
Minot State University	18,305,000	2.0 - 6.60%	16,605,000
North Dakota State College of Science	9,000,000	3.76%	8,465,000
North Dakota State University	105,700,000	1.50 - 6.5%	96,425,000
University of North Dakota	100,750,000	0.75 - 5.0%	95,666,000
Valley City State University	5,995,000	2.8 - 7.05%	5,790,000
Williston State College	9,375,000	3.0 - 6.9%	8,550,000
Total Bonds Payable	\$ 265,695,000		\$ 245,931,000

Industrial Commission Bonds

For the 2013-2015 biennium, the North Dakota University System Office received an appropriation of \$10.4 million to act as the fiscal agent for the campuses on bond payments to the Industrial Commission. During fiscal year 2015, the North Dakota University System Office paid \$4.8 million in general funds to the Industrial Commission of North Dakota.

Refunding and Defeased Bonds

The purpose of a refunding bond is to refund in advance of maturity another bond issue. Under an advanced refunding arrangement, refunding bonds are issued, and the net proceeds plus additional resources that may be required, are used to purchase securities issued or guaranteed by the United States Government. These securities are then deposited in an irrevocable trust under an escrow agreement which provides that all proceeds from the trust will be used to fund the principal and interest payments of the previously issued bonded debt being refunded. The trust deposits have been computed so that the securities in the trust, along with future cash flow generated by the securities, will be sufficient to service the previously issued bonds. As a result, trust account assets and liabilities for the defeased bonds are not included in the University System's financial statements. The following is a description of the University System's defeased bonds and the balance of the bonds outstanding in the trust.

Bismarck State College

Bismarck State College issued \$3.335 million of Housing & Auxiliary Facilities bonds with an interest rate of 2.74 percent. The bonds were used to recall \$3.335 million of outstanding Series 2005 Housing

June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS

& Auxiliary Facilities bonds. The bonds were refunded to reduce total debt service payments over the next fifteen years by \$845,589. The economic gain realized as a result of the refunding was \$693,040.

North Dakota State University

North Dakota State University issued \$21.195 million Housing & Auxiliary Facilities bonds with an interest rate ranging from 3.0 percent to 5.0 percent. The bonds were used to recall \$16.2 million, \$8.5 million and \$2.3 million of outstanding Series 2005, Series 2006A, Series 2006B Housing & Auxiliary Facilities bonds, respectively. The bonds were refunded to reduce total debt service payments over the next twenty years by \$9.4 million. The economic gain realized as a result of the refunding was \$5,297,981.

Scheduled Maturities of Bonds Payable

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 12,941,500	\$ 10,491,047	\$ 23,432,547
2017	9,776,500	10,022,907	19,799,407
2018	10,121,500	9,671,211	19,792,711
2019	10,371,500	9,307,813	19,679,313
2020	10,711,500	8,940,477	19,651,977
2021 - 2025	55,427,500	37,958,551	93,386,051
2026 - 2030	55,256,000	26,341,233	81,597,233
2031 - 2035	51,895,000	14,361,280	66,256,280
2036 - 2040	21,600,000	4,861,461	26,461,461
2041 - 2045	7,830,000	660,703	8,490,703
	<u>\$ 245,931,000</u>	<u>\$ 132,616,683</u>	<u>\$ 378,547,683</u>

NOTE 9 – NOTES PAYABLE

Energy Performance Contracts

Dickinson State University and Mayville State University have individual notes payable to GE Capital Public Finance, Inc., for energy improvements through a performance contract. Lake Region State College has a note with Banc of America Public Capital Corp. The University of North Dakota has a note payable with Bremer Bank for the purchase of a building from the University of North Dakota Research Foundation in fiscal year 2015. Williston State College has a note payable of \$2,475,781 with the Bank of North Dakota for construction of the Petroleum Safety and Technology Center and a note payable of \$363,014 to the Williston State College Foundation for construction of a dormitory geothermal system. Details of the notes are as follows:

June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS

Institution	Original Balance	Maturity Date	Interest Rate	Outstanding Balance June 30, 2015
Dickinson State University	\$ 10,949	July 2016	9.90%	\$ 3,971
Lake Region State College	4,881,045	June 2027	3.27%-5.15%	4,110,878
Mayville State University	7,280,185	August 2012 - December 2024	4.97% - 5.25%	4,838,148
Williston State College	3,000,000	January, 2022 & May, 2030	1.75% - 3%	2,838,795
University of North Dakota	9,800,000	October 2023	5.38%	9,426,246
Total Notes Payable	\$ 24,972,179			\$ 21,218,038

Scheduled Maturities of Notes Payable

Fiscal Year	Principal	Interest	Total
2016	\$ 962,483	\$ 999,410	\$ 1,961,893
2017	1,037,326	963,681	2,001,007
2018	1,103,815	921,531	2,025,346
2019	1,174,368	876,236	2,050,604
2020	1,249,124	827,674	2,076,798
2021 - 2025	13,977,661	2,520,113	16,497,774
2026 - 2030	1,713,261	87,614	1,800,875
	<u>\$ 21,218,038</u>	<u>\$ 7,196,259</u>	<u>\$ 28,414,296</u>

NOTE 10 – CAPITAL LEASES

The institutions lease various types of capital assets under capital lease agreements. Capital leases give rise to property rights and lease obligations and therefore, the assets under lease are recorded as assets of the institution and the lease obligation is recognized as a liability. The leases have varying interest rates with maturities to 2040.

Carrying Value of Assets Held Under Capital Leases		
	Carrying Value	Accumulated Depreciation
Land improvements/infrastructure	\$ 558,431	\$ 173,987
Buildings	55,099,157	11,587,992
Intangibles - Easement	120,515	34,988
Furniture, fixtures, and equipment	11,637,157	4,366,572
Total	<u>\$ 67,415,260</u>	<u>\$ 16,163,539</u>

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Scheduled Maturities of Capital Leases

Fiscal Year	Principal	Interest	Total
2016	\$ 4,170,117	\$ 1,509,216	\$ 5,679,333
2017	3,971,986	1,414,236	5,386,222
2018	5,793,686	1,250,249	7,043,935
2019	3,401,562	1,017,911	4,419,473
2020	3,227,488	881,852	4,109,340
2021 - 2025	11,504,524	2,835,750	14,340,274
2026 - 2030	5,031,762	1,239,795	6,271,557
2031 - 2035	2,937,472	511,628	3,449,100
2036 - 2040	1,185,000	47,900	1,232,900
	<u>\$ 41,223,597</u>	<u>\$ 10,708,537</u>	<u>\$ 51,932,134</u>

NOTE 11 – OTHER LONG-TERM LIABILITIES

SPECIAL ASSESSMENTS

The institutions receive special assessments from the city or county for improvements made to roads and infrastructure owned by the city or county that are adjacent to or on campus property.

Scheduled Maturities of Special Assessments

Fiscal Year	PRIMARY INSTITUTION		Total
	Principal	Interest	
2016	\$ 365,625	\$ 196,901	\$ 562,526
2017	361,056	181,126	542,182
2018	345,891	164,441	510,332
2019	345,179	150,091	495,270
2020	346,012	134,774	480,786
2021 - 2025	1,141,139	493,134	1,634,273
2026 - 2030	718,282	282,213	1,000,495
2031 - 2035	703,507	107,214	810,721
2036 - 2040	15,306	1,633	16,939
	<u>\$ 4,341,997</u>	<u>\$ 1,711,527</u>	<u>\$ 6,053,524</u>

Compensated Absences

The compensated absences liability of the institutions at June 30, 2015 consists of accumulated unpaid annual leave, compensatory time, payable portion of accumulated sick leave, personal holiday hours, and Saturday/legal holiday hours earned and vested. Compensated absences for employees at June 30, 2015 and 2014 totaled \$31.9 million and \$31.6 million, respectively. Leave policies restrict the accumulation of unused vacation and thus limit the actual payments made to employees upon termination or retirement.

NOTE 12 – Deferred Outflows and Deferred Inflows

Deferred outflows and deferred inflows consist of the following:

Deferred Outflows	
Pension	\$ 13,833,119
Deferred outflows from debt refunding	2,000,923
	<u>\$ 15,834,042</u>
 Deferred Inflows	
Pension	\$ 13,915,594
Grant amounts received prior to meeting time requirements	80,865
Deferred inflows from debt refunding	3,733
	<u>\$ 14,000,192</u>

NOTE 13 – RETIREMENT BENEFITS

The North Dakota University System participates in two major retirement systems: North Dakota Public Employees’ Retirement System administered by the State of North Dakota and a privately administered retirement system: Teachers’ Insurance Annuity Association and College Retirement Equity Fund. The following is a description of each plan:

NORTH DAKOTA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (NDPERS)

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees.

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). The annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-

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certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 25 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the NDUS reported a liability of \$71.3 million for its proportionate share of the net

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pension liability. The pension liability for each institution was, as follows:

BSC	\$ 2,764,634
DSU	1,713,697
LRSC	1,347,621
MaSU	1,684,741
MiSU and DCB	3,970,855
NDSCS	4,149,542
NDSU	22,717,421
UND	29,432,373
VCSU	1,217,243
WSC	801,786
CTS	1,078,398
NDUSO	432,734
Total	<u>\$ 71,311,045</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The NDUS proportion of the net pension liability was based on the NDUS share of covered payroll in the Main System pension plan relative to the covered payroll of all participating NDPERS employers. At June 30, 2014, the proportion for each institution was:

BSC	0.426662%	MiSU and DCB	0.625606%	VCSU	0.191776%
DSU	0.269992%	NDSCS	0.653758%	WSC	0.126321%
LRSC	0.212317%	NDSU	3.579117%	CTS	0.169901%
MaSU	0.265430%	UND	4.637054%	NDUSO	0.068177%

For the year ended June 30, 2015, the total recognized pension expense for each institution was:

BSC	\$ 267,954	MiSU and DCB	\$ 392,896	VCSU	\$ 120,440
DSU	169,562	NDSCS	410,576	WSC	79,333
LRSC	133,340	NDSU	2,247,775	CTS	106,702
MaSU	166,697	UND	2,912,186	NDUSO	42,817
				Total	<u>\$ 7,050,278</u>

At June 30, 2015, the NDUS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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Deferred Outflow of Resources:

	Differences between expected and actual experience	Changes of assumptions	Net difference between projected and actual earnings on pension plan investments	Changes in proportion and differences between employer contributions and proportionate share of contributions	Employer contributions subsequent to the measurement date	Total
BSC	\$ 88,233	\$ -	\$ -	\$ -	\$ 450,088	\$ 538,321
DSU	55,561	-	-	-	289,684	345,245
LRSC	43,692	-	-	-	223,776	267,468
MaSU	54,622	-	-	-	300,569	355,191
MiSU/DCB	128,741	-	-	-	647,261	776,002
NDSCS	134,534	-	-	-	648,198	782,732
NDSU	736,532	-	-	-	3,659,713	4,396,245
UND	954,241	-	-	-	4,704,669	5,658,910
VCSU	39,465	-	-	-	207,763	247,228
WSC	25,995	-	-	-	143,414	169,409
CTS	34,963	-	-	-	175,242	210,205
NDUSO	14,030	-	-	-	72,133	86,163
Total	<u>\$ 2,310,609</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,522,509</u>	<u>\$ 13,833,119</u>

Employer contributions made subsequent to the measurement date of \$11.5 million are reported as deferred outflows of resources and a reduction of pension expense at June 30, 2015. These contributions will be reported as a reduction of net pension liability in the year ended June 30, 2016.

Deferred Inflow of Resources:

	Differences between expected and actual experience	Changes of assumptions	Net difference between projected and actual earnings on pension plan investments	Changes in proportion and differences between employer contributions and proportionate share of contributions	Employer contributions subsequent to the measurement date	Total
BSC	\$ -	\$ -	\$ 535,056	\$ -	\$ -	\$ 535,056
DSU	-	-	334,521	-	-	334,521
LRSC	-	-	263,061	-	-	263,061
MaSU	-	-	328,868	-	-	328,868
MiSU/DCB	-	-	775,127	-	-	775,127
NDSCS	-	-	810,007	-	-	810,007
NDSU	-	-	4,434,533	-	-	4,434,533
UND	-	-	5,745,319	-	-	5,745,319
VCSU	-	-	237,611	-	-	237,611
WSC	-	-	156,512	-	-	156,512
CTS	-	-	210,508	-	-	210,508
NDUSO	-	-	84,471	-	-	84,471
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,915,594</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,915,594</u>

June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense by the NDUS as follows:

Year ended June 30:	
2016	\$ (2,987,299)
2017	\$ (2,987,299)
2018	\$ (2,987,299)
2019	\$ (2,987,299)
2020	\$ 344,141
Thereafter	\$ 72

Actuarial assumptions. The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	3.85% per annum for four years, then 4.50% per annum
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages set back three years.. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females).

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2010. They are the same as the assumptions used in the July 1, 2014, funding actuarial valuation for NDPERS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.55%
International Fixed Income	5%	0.90%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

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Discount rate: The discount rate used to measure the total pension liability was 8 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2014, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
BSC	\$ 4,176,954	\$ 2,764,634	\$ 1,480,405
DSU	2,643,180	1,713,697	936,801
LRSC	2,078,550	1,347,621	736,684
MaSU	2,598,518	1,684,741	920,973
MiSU/DCB	6,124,585	3,970,855	2,170,689
NDSCS	6,400,189	4,149,542	2,268,369
NDSU	35,038,997	22,717,421	12,418,598
UND	45,396,035	29,432,373	16,089,362
VCSU	1,877,457	1,217,243	665,412
WSC	1,236,663	801,786	438,301
CTS	1,663,304	1,078,398	589,512
NDUSO	667,442	432,734	236,556
Total	<u>\$ 109,901,874</u>	<u>\$ 71,311,045</u>	<u>\$ 38,951,663</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report at <http://www.nd.gov/ndpers/employers/docs/gasb/pers2014gasbwapp20150807.pdf>.

TIAA-CREF RETIREMENT PLAN

Description of Plan

This is a privately administered defined contribution retirement plan which provides individual retirement fund contracts for eligible employees as defined by the SBHE in its approved TIAA-CREF retirement resolution. All benefits vest immediately to the participant. The SBHE has the authority for establishing

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or amending plan provision and establishing or amending contribution requirements. Further information can be obtained by writing to TIAA-CREF; Denver Regional Office; 1700 Broadway, Suite 770; Denver, Colorado 80290 or by calling 800-842-2009.

Funding Policy

The plan requires employee and employer contributions be based on a classification system and years of service based on the following schedule. Beginning, January 1, 2014 contributions in class I and II increased from 3.5 percent to 4.5 percent for participant contributions and from 11.5 percent to 12.5 percent for institution contributions for employees with zero to ten years of service. Contributions for employees with more than ten years of service increased from 4.0 percent to 5.0 percent for participant contributions for employee contributions and from 12.0 percent to 13.0 percent for institution contributions.

Employment Class	Years of Service	Contributions by the Participant	Contributions by the Institution
I and III	0 thru 10	4.5%	12.5%
	over 10	5.0%	13.0%
II	0 thru 2	3.5%	7.5%
	3 thru 10	4.5%	12.5%
	over 10	5.0%	13.0%
IV	Closed to new participants	4.0%	12.0%
President/Chancellor (additional employer contribution)	0 thru 12	0.0%	8.33%*
	or		
	less than 3	0.0%	0.0%
	3 to less than 6	0.0%	4.0%
	6 yrs and over	0.0%	8.0%

*A final contribution is made in the year the president terminates employment equal to the difference between total contributions made and the president's final annual salary in year of termination of employment.

Plan contributions are made on a tax-deferred basis in accordance with Section 414(h)(2) of the Internal Revenue Code. All contributions are applied as premiums to retirement annuity contracts owned by the participant. The North Dakota University System has no further liability once annual contributions are made. The University System contributed \$44.0 million and \$40.8 million to TIAA-CREF during the fiscal years ending June 30, 2015 and 2014, respectively.

NOTE 14 – POST-EMPLOYMENT BENEFITS

STATE GROUP HEALTH PLAN

Members who receive retirement benefits from the Public Employees Retirement System may receive a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. The benefits are set by statute and the plan is a cost-sharing multiple-employer defined benefit plan. The employer contribution for the Public Employees Retirement System is set by statute on an actuarially determined basis (projected unit actuarial cost method) at 1.14 percent of covered compensation.

There are approximately 860 retired University System employees receiving these benefits and 3,408 active employees with retiree health credit. The actuarially determined required employer contributions

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of \$1.183 million for the year ended June 30, 2015 is 1.14 percent of the covered payroll. The University System's actual and required contributions for the fiscal years ending June 30, 2015, 2014 and 2013 were \$1.183 million, \$1.130 million, and \$1.088 million, respectively.

As of June 30, 2015 there was \$99.1 million in net position available for benefits under the state retiree health insurance credit plan. The actuarially accrued liability was \$128.9 million and the underfunded actuarially accrued liability was \$39.5 million at June 30, 2015.

TERMINATION BENEFITS

Early Retirement Agreements

When early retirement is deemed to be in the mutual benefit of an employee and the University System, the SBHE has adopted Policy 703.1 on Early Retirement. This policy applies to tenured faculty, the chancellor, vice chancellors, other system office professional staff, presidents, executive deans, vice president, provosts, deans, and other officers responsible for a major unit of an institution who report directly to a president, vice president, provost, or executive dean who are members of TIAA-CREF, TFFR, or TIRF. During the fiscal year ended June 30, 2015, twenty three employees elected early retirement.

Under the Tenured (Contract) Purchase Option, the employee is eligible for payment of up to 100 percent of the employee's final contract salary if the sum of the employee's age and total years of employment equals 70 or greater. Payments will be pursuant to the approved agreement, but cannot be made until at least 90 days after the date of Early Retirement Agreement. During the fiscal year ended June 30, 2015, 39 University System employees elected to participate in this option. Policy 703.1 also allows the early retirement agreements to retain the retiree on the applicable group health and life insurance plan. Payment by the institution of premiums is negotiable. Total cost to the institutions for these termination benefits will be \$138,208 over the term of the contracts. Amounts payable to employees at June 30, 2015 for outstanding contract buyouts and future health and life premiums, adjusted for projected health insurance premium increases and discounted to the present were \$241,000, assuming health insurance premium increases ranging from 7.5 percent to 10 percent and a discount rate of 0.05 percent.

Under the Phased Retirement Option, retirement is over a period of time. The percentage of workload each year is negotiated. The campus may pay all or any part of the retirement contributions on the current salary or any part of the individual's salary until the individual terminates all employment. During the fiscal year ended June 30, 2015, 17 University System employees participated in this option. Total cost to the institutions for these termination benefits will be \$560,000 over the term of the contracts. Amounts payable to employees at June 30, 2015 for outstanding contract buyouts and future health and life premiums adjusted for projected health insurance premium increases and discounted to the present were \$380,000, assuming health insurance premium increases ranging from 7.5 percent to 10 percent and a discount rate of 0.05 percent.

There were six other early retirement agreements that were not tenured contract or phased retirement. Total cost to the institutions for these termination benefits will be \$171,000 over the term of the contracts. Amounts payable to employees at June 30, 2015 for outstanding contract buyouts and future health and life premiums adjusted for projected health insurance premium increases and discounted to the present were \$73,000, assuming health insurance premium increases ranging from 7.5 percent to 10 percent and a discount rate of 0.05 percent.

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Severance Agreements

In fiscal year 2015, institutions paid \$936,073 to nine employees under separate employment separation agreements.

NOTE 15 – Construction Commitments and Financing

The campuses have contracted for various construction projects as of June 30, 2015. Estimated costs to complete the various projects and the sources of anticipated funding are as follows:

Campus	Contracts Awarded	Expended Through 6/30/2015	Total Cost To Complete	Funding for Remaining Costs			
				Federal Sources	State Sources	Institutional Funds	Other Sources
BSC	\$ 20,656,516	\$ 19,607,270	\$ 1,049,246	\$ -	\$ 913,269	\$ 135,977	\$ -
DCB	-	-	-	-	-	-	-
DSU	22,500	-	22,500	-	22,500	-	-
LRSC	5,370,222	5,338,903	31,319	-	31,319	-	-
MaSU	6,052,005	1,426,644	4,625,361	-	4,385,395	239,966	-
MiSU	6,373,443	5,728,285	645,158	-	645,158	-	-
NDSCS	7,492,833	6,754,628	738,205	-	609,741	128,464	-
NDSU	90,273,949	42,491,690	47,782,259	-	17,732,079	1,681,427	28,368,753
UND	185,081,796	124,377,315	60,704,481	-	51,427,082	8,248,461	1,028,938
VCSU	3,815,628	2,039,707	1,775,921	-	1,775,921	-	-
WSC	6,820,189	6,734,807	85,382	-	-	85,382	-
Total	\$ 331,959,081	\$ 214,499,249	\$ 117,459,832	\$ -	\$ 77,542,464	\$ 10,519,677	\$ 29,397,691

NOTE 16 – COMPONENT UNITS

Major Component Units Investments

Investments are reported at fair value (market) and reported on the Statement of Financial Position as follows:

As of June 30, 2015, the major component units had investments as shown below:

Investment Type	Market Value	Maturities			
		Less than 1 year	1 year to 5 years	6 years to 10 years	More than 10 years
US Treasuries	\$ 698,097	\$ 61,070	\$ 317,430	\$ 209,564	\$ 110,033
US Agencies	526,047	-	-	-	526,047
Corporate Bonds	1,100,552	-	690,875	409,677	-
Mutual Bond Funds	79,276,427	14,514,865	16,718,509	36,489,645	11,553,408
Money Market Mutual Funds	325,685	276,122	49,563	-	-
Other	1,424,507	265,506	130,459	627,425	401,117
Subtotal	\$ 83,351,315	\$ 15,117,563	\$ 17,906,836	\$ 37,736,311	\$ 12,590,605
Equity Mutual Funds	213,201,071				
Trust Funds	-				
Investment in Real Estate	42,892,560				
Commodity Hedge and Limited Partnerships	42,286,984				
Stocks	17,655,368				
Certificate of Deposits	13,869,018				
Life income and annuity funds	-				
Other	68,525,662				
Total Investments per the Statement of Financial Position	\$ 481,781,978				

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Interest Rate Risk

North Dakota State University Development Foundation's investment policy addresses interest rate risk by requiring allocation of fixed income securities among maturities of different lengths according to interest rate prospects. Bismarck State College Foundation's investment policy limits the average maturity of the portfolio to between four and seven years with a maximum maturity for any one fixed income security of ten years.

Custodial Credit Risk

As of June 30, 2015, REA Arena, Inc., had approximately \$4.5 million in pledged collateral, in lieu of FDIC insurance. The major component units had no investments that were not registered in the name of the component unit.

Major Component Units Capital Assets

Capital asset activity for the major component units for the year ended June 30, 2015 was as follows:

	Beginning Balance-Restated	Additions	Retirements	Transfers	Ending Balance
Land	\$ 3,271,411	\$ 14,256	\$ -	\$ -	\$ 3,285,667
Construction in progress	376,750	6,283,005	-	-	6,659,755
Total non-depreciable capital assets	\$ 3,648,161	\$ 6,297,261	\$ -	\$ -	\$ 9,945,422
Land improvements/infrastructure	\$ 1,168,234	\$ 66,076	\$ -	\$ -	\$ 1,234,310
Buildings	174,535,401	13,722,689	155,462	-	188,102,628
Furniture, fixtures, and equipment	40,635,902	8,341,962	1,400,003	-	47,577,861
Total depreciable capital assets	\$ 216,339,537	\$ 22,130,727	\$ 1,555,465	\$ -	\$ 236,914,799
Less accumulated depreciation					
Land improvements/infrastructure	\$ 604,678	\$ 47,434	\$ -	\$ -	\$ 652,112
Buildings	58,071,110	4,409,682	155,462	-	62,325,330
Furniture, fixtures, and equipment	17,930,446	3,220,894	919,341	-	20,231,999
Total accumulated depreciation	\$ 76,606,234	\$ 7,678,010	\$ 1,074,803	\$ -	\$ 83,209,441
Total depreciable capital assets, net	\$ 139,733,303	\$ 14,452,717	\$ 480,662	\$ -	\$ 153,705,358
Capital assets, net	\$ 143,381,464	\$ 20,749,978	\$ 480,662	\$ -	\$ 163,650,780

MAJOR COMPONENT UNITS BONDS PAYABLE

Bonds payable for the major component units at June 30, 2015 was as follows:

Component Unit	Maturity Date	Interest Rate	Balance Outstanding
BSC Foundation	2021-2040	1.75 - 5.25%	\$ 2,842,533
NDSU Development Foundation	2020-2038	2.0 - 4.89%	17,915,737
NDSU Research & Technology Park, Inc.	2022-2032	4.0 - 4.75%	18,960,000
UND Alumni Foundation	2018-2027	0.75 - 4.2%	10,795,037
Total Component Unit Bonds Payable			\$ 50,513,307

June 30, 2015
NOTES TO THE FINANCIAL STATEMENTS

Scheduled Maturities of Major Component Bonds Payable

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 941,323	\$ 636,186	\$ 1,577,509
2016	3,514,305	1,880,997	5,395,302
2017	3,643,171	1,759,802	5,402,973
2018	5,897,316	1,632,486	7,529,802
2019	3,287,062	1,407,577	4,694,639
2020	2,967,819	1,291,707	4,259,526
2021 - 2025	12,108,744	4,929,350	17,038,094
2026 - 2030	11,303,430	2,680,718	13,984,148
2031 - 2035	5,857,473	733,808	6,591,281
2036 - 2040	992,664	42,277	1,034,941
	<u>\$ 50,513,307</u>	<u>\$ 16,994,908</u>	<u>\$ 67,508,215</u>

MAJOR COMPONENT UNITS NOTES PAYABLE

Detail of notes payable for the major component units is as follows:

<u>Component Unit</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Outstanding</u>
BSC Foundation	1.25% - 2.99%	2017 - 2020	\$ 5,243,674
NDSU Development Foundation	0%	2017	631,235
NDSU Research & Tech Park, Inc.	3.0%	2017	220,818
UND Alumni Association & UND Foundation	4.35%	2036	486,126
UND Aerospace Foundation	2.08% - 4.25%	2016 - 2019	3,399,922
RE, Arena, Inc	3.0%	2020	2,501,996
Total Component Unit Notes Payable			<u><u>\$ 12,483,771</u></u>

June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS

Scheduled Maturities of Major Component Units Notes Payable

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 419,300	\$ -	\$ 419,300
2016	1,659,982	398,077	2,058,059
2017	1,406,814	318,218	1,725,032
2018	1,162,256	276,378	1,438,634
2019	2,900,465	202,324	3,102,789
2020	4,527,996	54,717	4,582,713
2021 - 2025	98,364	78,382	176,746
2026 - 2030	122,215	54,530	176,745
2031 - 2035	151,850	24,895	176,745
2036 - 2040	34,529	820	35,349
	<u>\$ 12,483,771</u>	<u>\$ 1,408,341</u>	<u>\$ 13,892,112</u>

Scheduled Maturities of Major Component Units Capital Leases:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 54,024	\$ 72,315	\$ 126,339
2017	56,599	69,741	126,340
2018	59,296	67,044	126,340
2019	62,121	64,218	126,339
2020	65,082	61,257	126,339
2021 - 2025	374,995	256,702	631,697
2026 - 2030	473,278	158,420	631,698
2031 - 2035	403,311	38,876	442,187
	<u>\$ 1,548,706</u>	<u>\$ 788,573</u>	<u>\$ 2,337,279</u>

Reconciliation of Component Unit Receivable to and Payable from Primary Institution

A reconciliation of the receivables to and payables from balances between the Component Units and the Universities is as follows:

June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS

<table border="0"> <tr> <td>Primary University Due from Component Units - Current</td> <td style="text-align: right;">\$ 11,526,981</td> </tr> <tr> <td>Primary University Due from Component Units - Non-Current</td> <td style="text-align: right;">331,235</td> </tr> <tr> <td>Total Due from Component Units</td> <td style="text-align: right;"><u>\$ 11,858,216</u></td> </tr> <tr> <td>Timing Differences:</td> <td></td> </tr> <tr> <td>Transactions with Component Units having fiscal year ends other than June 30th</td> <td style="text-align: right;">(383,897)</td> </tr> <tr> <td>Transactions in transit at June 30, 2015</td> <td style="text-align: right;">163,062</td> </tr> <tr> <td>Other differences</td> <td style="text-align: right;">3,512,525</td> </tr> <tr> <td>Component Unit Payable to Primary University</td> <td style="text-align: right;"><u>\$ 15,149,906</u></td> </tr> </table>	Primary University Due from Component Units - Current	\$ 11,526,981	Primary University Due from Component Units - Non-Current	331,235	Total Due from Component Units	<u>\$ 11,858,216</u>	Timing Differences:		Transactions with Component Units having fiscal year ends other than June 30th	(383,897)	Transactions in transit at June 30, 2015	163,062	Other differences	3,512,525	Component Unit Payable to Primary University	<u>\$ 15,149,906</u>		<table border="0"> <tr> <td>Primary University Due to Component Units - Current</td> <td style="text-align: right;">\$ 710,554</td> </tr> <tr> <td>Primary University Long Term Liability to Component Unit - Current Portion</td> <td style="text-align: right;">2,833,410</td> </tr> <tr> <td>Primary University Long Term Liability to Component Unit - Non-Current Portion</td> <td style="text-align: right;"><u>44,823,174</u></td> </tr> <tr> <td>Total Due to Component Units</td> <td style="text-align: right;">\$ 48,367,138</td> </tr> <tr> <td>Timing Differences:</td> <td></td> </tr> <tr> <td>Transactions with Component Units having fiscal year ends other than June 30th</td> <td style="text-align: right;">(204,447)</td> </tr> <tr> <td>Transactions in transit at June 30, 2015</td> <td style="text-align: right;">(904)</td> </tr> <tr> <td>Other</td> <td style="text-align: right;"><u>(49,616)</u></td> </tr> <tr> <td>Total Receivable from Primary University</td> <td style="text-align: right;"><u>\$ 48,112,171</u></td> </tr> <tr> <td>Component Unit Current Receivable from Primary University - Current</td> <td style="text-align: right;">\$ 3,323,078</td> </tr> <tr> <td>Component Unit Non-Current Receivable from Primary University</td> <td style="text-align: right;"><u>44,789,093</u></td> </tr> <tr> <td>Total Component Unit Receivable from Primary Institution</td> <td style="text-align: right;"><u>\$ 48,112,171</u></td> </tr> </table>	Primary University Due to Component Units - Current	\$ 710,554	Primary University Long Term Liability to Component Unit - Current Portion	2,833,410	Primary University Long Term Liability to Component Unit - Non-Current Portion	<u>44,823,174</u>	Total Due to Component Units	\$ 48,367,138	Timing Differences:		Transactions with Component Units having fiscal year ends other than June 30th	(204,447)	Transactions in transit at June 30, 2015	(904)	Other	<u>(49,616)</u>	Total Receivable from Primary University	<u>\$ 48,112,171</u>	Component Unit Current Receivable from Primary University - Current	\$ 3,323,078	Component Unit Non-Current Receivable from Primary University	<u>44,789,093</u>	Total Component Unit Receivable from Primary Institution	<u>\$ 48,112,171</u>
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BEGINNING COMPONENT UNIT NET ASSET RESTATEMENTS

Net assets, beginning of the year, as previously reported	\$ 719,007,027
Prior period adjustments:	
Correction of error	397,853
Change in reporting entity	<u>(51,309,052)</u>
Net assets, beginning of the year, as restated	<u>\$ 668,095,828</u>

NOTES TO THE FINANCIAL STATEMENTS

SIGNIFICANT TRANSACTIONS AND DEVELOPMENTS

Bismarck State College Foundation

On January 25, 2007, BSC and BSC Foundation entered into a 15-year lease agreement to facilitate the construction of a Mechanical Maintenance building. Under the agreement, BSC is responsible for payment of all rent, maintenance, and repair of the facility, maintenance of all insurance required under the lease, and restrictions of use of the facility as set forth in the lease. The amount of the rent is tied to the \$1.4 million debt service retirement. Upon payment of all the bonds, BSC will have the option to purchase the premises for \$100. On August 15, 2013, an addendum was made to the lease agreement to facilitate an addition to the facility. Under this addendum, the additional amount of rent through September 30, 2015 is tied to the debt service retirement of \$228,000.

On October 19, 2007, BSC and BSC Foundation entered into a 25-year lease agreement to facilitate the construction of the National Energy Center of Excellence building. Under the agreement, BSC is responsible for payment of all rent, maintenance, and repair of the facility, maintenance of all insurance required under the lease, and restrictions of use of the facility as set forth in the lease. The amount of the rent is tied to the \$5.0 million debt service retirement. Upon payment of all the bonds, BSC will have the option to purchase the premises for \$100.

The foundation's financial statements include these transactions as a receivable from BSC and a long-term liability. BSC's financial statements include the capitalized assets and a long-term liability due to BSC Foundation.

	BSC	BSC Foundation
NECE Building	\$ 9,338,149	\$ 10,846,116
Accumulated Depreciation	(1,338,694)	(1,804,597)
Net Value of NECE Building	\$ 7,999,455	\$ 9,041,519

On September 26, 2014, BSC and Student Housing, LLC (a wholly owned subsidiary of BSC Foundation) entered into a 30-year Ground Lease to facilitate the construction and development of a student apartment housing complex on approximately 4.67 acres of land owned by BSC. Under the agreement, BSC would enter into a separate operating and lease agreement with LLC for the constructed student housing apartment complex for use as a College student housing facility. There are no separate rent payments to be paid by LLC during the term of the Ground Lease agreement in exchange for use of the land.

On October 14, 2014, BSC and Student Housing, LLC (a wholly owned subsidiary of BSC Foundation) entered into a Memorandum of Understanding (MOU) which sets forth the essential terms of an Apartment Master Lease agreement to be entered into between LLC and BSC, under which LLC will lease to BSC space in the student housing complex to be constructed by LLC on BSC property according to the terms and conditions of the Ground Lease. The 5-year renewable Apartment Master Lease Agreement will address quarterly rent payments by BSC and responsibilities for maintenance, repairs and insurance of the facilities and improvements during the term of the lease.

Dickinson State University Foundation

Arbitration:

The Dickinson State University Foundation (DSUF) has ownership interest and/or management responsibilities in various real estate projects by way of its membership in Dickinson Investments, LLC (Dickinson Investments) and other entities. DSUF is involved in a dispute with another member of Dickinson Investments, Granville Brinkman and other Brinkman entities (Respondent). An arbitration claim was filed on December 26, 2013. On September 30, 2014, the arbitrator awarded the Respondent a buy-out of their equity interest in the amount of \$1.260 million. The Respondent was also awarded repayment of a note, prejudgment interest and attorneys' fees and costs. DSUF and Dickinson Investments are jointly and severally liable for the buyout amount.

On October 28, 2014, the arbitrator issued a final arbitration award and ordered:

- a) prejudgment interest at 6% would commence December 26, 2013,
- b) the amount of attorney fees and costs to be repaid was \$233,420,
- c) the note prepayment amount was \$133,600
- d) the parties shared responsibility for arbitration fees and expenses totaling \$67,620.

The final award exceeds \$1.7 million. Although DSUF has an equity interest of about 6 percent in Dickinson Investments, the arbitrator has ruled that it is jointly and severally liable for the entire award, except the \$133,600 loan for which Dickinson Investments is responsible.

If DSUF is unable to meet this obligation as well as its ongoing operating expenses, creditors may seek to collect from and possibly foreclose on the assets of DSUF.

Receivership:

At the request of the NDUS Chancellor, on November 21, 2014, the North Dakota Attorney General petitioned the state district court for the appointment of a receiver. On December 3, 2014, the court appointed Sean Smith, JD, CPA, to act as the receiver for DSUF. The court order included the following directives:

- The receiver shall take immediate possession, custody, and control of all assets owned or held by DSUF;
- The DSUF board of directors shall be temporarily suspended and have no authority to act on behalf of DSUF;
- The receiver shall gather, protect and oversee DSUF's corporate and charitable assets;
- The receiver shall report to the court; and
- The receiver shall have all the authority necessary to continue the day-to-day activities of the DSUF.

The receiver filed interim reports on a regular basis through August 2015. In the seventh interim report, dated August 31, 2015, the receiver recommended that DSUF be dissolved. This recommendation is based on an inability to negotiate a mutually acceptable settlement of the outstanding Brinkman judgment against DSUF. The report indicates that dissolution should foremost prioritize DSUF obligations to honor restrictions placed on DSUF assets by donors, then address claims made by creditors, employees, and other interested parties. However, DSUF accounting reports indicate that the foundation has total net restricted assets in an amount less than total permanently and temporarily restricted donations.

June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS

The Office of Attorney General has requested the commencement of dissolution for DSUF. The dissolution will require the distribution or liquidation of DSUF assets. The receiver has recommended that protective orders should be entered to protect DSUF's corporate net assets to facilitate the dissolution process. At this time, it is anticipated the dissolution of the DSUF will be completed by September 30, 2016.

DSUF's Restated Articles of Incorporation state that upon dissolution, remaining assets shall be distributed to the SBHE for the exclusive use and benefit of the Dickinson State University or its direct successors in interest. The receiver recommended that all remaining net assets of DSUF be directed to be turned over to a new 501(c)(3) tax-exempt Foundation in keeping with DSUF's Restated Articles of Incorporation.

Financial Audit:

In fiscal year 2013, The DSUF's independent auditors issued a qualified opinion on the DSUF financial statements because they were unable to form an opinion regarding the proper amount and classification of unrestricted and temporarily restricted net assts. In fiscal year 2014, the DSUF's independent auditors are unable to issue an audit opinion on the DSUF financial statements as a result of the aforementioned arbitration and the overall condition of the DSUF financial records. An audit was not performed for fiscal year 2015. Therefore, the consolidated Statement of Financial Position presented on the following page is unaudited.

Additionally, it has been reported that DSUF may have used endowment funds as collateral to obtain financing and to meet monthly operating expenses of the foundation and one of its real estate projects.

The impact of the arbitration and the state of the financial records on DSUF's ability to provide funds going forward to Dickinson State University for scholarships and student-related programs is unknown.

June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS

DICKINSON STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014
UNAUDITED

ASSETS

Cash and cash equivalents	\$ 1,928,108
Cash and cash equivalents - restricted	3,944
Accounts receivable-Dickinson State University	529,601
Accounts receivable-other	54,216
Pledges receivables	1,854,351
Receivable from Dickinson Investments, LLC	2,467,256
Investments	5,584,245
Prepaid expenses	30,314
Inventory	7,690
Mineral rights	372,764
Property and equipment	
Land and land improvements	747,223
Buildings	9,957,947
Machinery and equipment	730,294
Collections	704,346
Less accumulated depreciation	<u>{1,572,595}</u>
Net property and equipment	<u>10,567,215</u>
Property held under split interest agreement	
Investments	1,155,634
Buildings, net of accumulated depreciation of \$2,513	<u>709,204</u>
Property held under split interest agreement	<u>1,864,838</u>
Total assets	<u>\$ 25,264,542</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 780,683
Arbitration payable	1,570,055
Funds held for others	3,944
Accrued salaries and payroll taxes	36,013
Accrued vacation	26,477
Accrued interest payable	108,933
Scholarships payable	509,752
Security deposits payable	63,377
Notes payable	8,256,251
BAC bonds payable	4,010,846
Obligations under split interest agreements	<u>853,442</u>
Total liabilities	<u>16,219,773</u>
Net assets	<u>9,044,769</u>
Total liabilities and net assets	<u>\$ 25,264,542</u>

June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS

NDSU Research and Technology Park, Inc.

On December 30, 1999, NDSU through the State of North Dakota and the SBHE entered into a ground lease, whereby the NDSU Research & Technology Park, Inc. (RTP) leases 40 acres of land for \$1 per year for the next seventy-five years.

On November 1, 2000, RTP entered into a \$6.5 million lease agreement with the City of Fargo to finance the construction of laboratory and research facilities and all equipment and furnishings located on property owned by the city. The agreement assigned to NDSU all of RTP's obligations under the lease, including but not limited to the payment of all rent, maintenance, and repair of the facility, maintenance of all insurance required under the lease, and restrictions of use of the facility as set forth in the lease. Upon payment of all the bonds, title to the facility will revert to RTP. On August 1, 2002, essentially the same legal and financial structure used to construct Research Building #1 was used to construct a second Research Building. The second lease agreement was for \$20.5 million.

On January 25, 2007, the city of Fargo, on behalf of the RTP, issued \$4.735 million of Series 2007A (Research 1) and \$18.1 million of Series 2007B (Research 2) Lease Revenue Refunding Bonds. These bonds are used to advance refund the callable maturities of both the Series 2000 (Research 1) and Series 2002 (Research 2) bonds and to pay the costs of issuance (including the insurance premium for the insurance policy and the reserve fund surety bond) relating to bonds for both Series 2007A and 2007B bonds. During the year ended June 30, 2011, the Series 2000 bonds were repaid in full with the funds held in escrow from the Series 2007A bond refinancing. During the fiscal year ended June 30, 2012, the Series 2002 bonds were repaid in full with the funds held in escrow from the Series 2007A bond refinancing.

The audited financial statements of RTP for fiscal year 2015 report these transactions as an operating lease and report the related capital assets and related debt as assets and debt of RTP.

On July 1, 2002, NDSU and the RTP entered into an agreement for cooperation and assistance between entities. The agreement is an annual agreement, which automatically extends for one-year periods unless cancelled by either party to the agreement.

During fiscal 2013, NDSU and the RTP entered into renewed agreements, whereby NDSU leases the Research Buildings #1 and #2 through June 30, 2022. During fiscal year 2015, total annual rent of \$2,152,593 was paid by NDSU for these two buildings. NDSU directly pays the utility costs under these agreements. The annual rent will be re-adjusted by mutual agreement every two years. These agreements are subject to funding and legislative appropriations.

Other Transactions

During fiscal 2015 NDSU made other payments to the RTP that were unrelated to the building leases for Research #1 & #2. These payments consist of the following: 1) \$31,100 for an operating lease for lab space and miscellaneous charges in the RTP's Technology Incubator Building; 2) \$181,000 for sponsorship of an RTP event called "Innovation Challenge '15" (\$86,000 from grant sub-awards and \$95,000 for additional event sponsorship). Also, during fiscal year 2015, the RTP paid NDSU a total of \$48,583 as reimbursement of NDSU operating expenses.

June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS

NDSU Development Foundation

Fargodome Lease and Improvements

In fiscal year 2006, the NDSUDF financed the construction and equipping of office space, locker rooms, meetings rooms, and related facilities in the Fargodome for use by NDSU through the sale of revenue bonds issued by Cass County. The NDSUDF has leased the space in the Fargodome from the City of Fargo and subleased the space, furniture, fixtures and equipment to NDSU. Under the agreement, NDSU will pay rent to the NDSUDF for use of the premises. The amount of the rent is tied to the \$3.5 million debt service retirement plus the Fargodome annual space rent and all costs incurred by the NDSUDF incident to the lease, less any contributions received by the NDSUDF for the project. Under this agreement in fiscal year 2015, the NDSUDF paid the debt service and other fees on behalf of NDSU in the amount of \$336,046.

The facility is included in long-term investments and the debt is included in long-term liabilities on the financial reports of the NDSUDF. NDSU has also recorded a capital asset and a capital lease payable, reflected as "Due to Component Units" by NDSU, of \$1.582 million as of June 30, 2015. Since the NDSUDF is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for the Fargodome improvements, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution.

Renaissance Hall

The former Northern School Supply building was donated to the NDSUDF by NDSU alum in December of 2001. During fiscal year 2003 and 2004, the NDSU Development Foundation renovated the building with the intent to lease the facility to NDSU beginning fall 2004. The NDSUDF transferred nearly the entire ownership of the building to 650 NP Avenue, LLC and Kilbourne Design Group, LLC, for a five-year period in order to achieve tax credits that would ultimately reduce the cost of the building to NDSU. During the five-year tax credit period, NDSU leased the building from the two LLCs, with the lease payments composed of interest and fees. With the five-year tax credit period ending December 31, 2010 (as extended), and the ownership was transferred back to the NDSUDF, permanent financing was put in place on December 17, 2010, with the issuance of \$5.65 million of 20-year University Facilities Lease Revenue Bonds, Series 2010 (Renaissance Hall Project). The financing structure involving the five-year temporary ownership transfer resulted in achieving tax credits of \$4.9 million which directly lowered the leasing cost to NDSU.

Under this refinanced debt issuance and lease agreement, as approved by the SBHE on December 16, 2010, the property is leased to NDSU for rent equal to the semi-annual principal and interest on the bonds, plus all costs incurred by the NDSUDF incident to ownership of the property. Ownership of the property will transfer to NDSU when the bonds are repaid in full. NDSU paid the NDSUDF \$407,109 in fiscal year 2015 for debt service under this agreement. As of June 30, 2015 the outstanding balance on the bonds, reflected as "Due to Component Units" by NDSU, is \$4.795 million.

Barry Hall Business Building and Klai Hall Architecture Building

Effective November 28, 2007, NDSU and the NDSUDF entered into lease agreements for two buildings in downtown Fargo, formerly known as the "Pioneer Mutual Building" and "Lincoln Mutual building". The NDSUDF financed the construction of the Barry Hall business building and Klai Hall architecture building projects through the sale of \$18.52 million of 20-year University Facilities Revenue Bonds

June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS

issue by the City of Fargo, North Dakota. The City has loaned the bond proceeds to the NDSUDF for payments equal to the sum of the semi-annual interest payments and installments of varying principal amounts on the variable rate bonds and the semi-annual principal and interest payments on the fixed-rate bonds. The principal payments on the variable rate bonds will be funded from payments on donor pledges restricted for the project. Under the terms of the loan, the NDSUDF is responsible for the real estate taxes, insurance, repairs and maintenance, and other costs incident to ownership of the property. The property is included with property in the financial statements and the bonds have been recorded as a direct obligation of the NDSUDF. Ownership of the property will transfer to NDSU when the bonds are repaid in full. The bonds are guaranteed by the Foundation. This property is leased to NDSU for rental equal to the sum of the semi-annual interest only payments on the variable term bonds plus the semi-annual principal and interest payments on the fixed-rate bonds for the term of the bonds, plus all the costs incurred by the NDSUDF incident to ownership of the property.

In May 2012, the NDSUDF refinanced the original bonds issued in November 2007. As a result new leases were executed. Under the terms of the new leases, NDSU pays and recognizes a liability for entire amount of the previously issued bonds, including the portion originally planned to be paid from the collections of pledges. During fiscal year 2015, NDSU paid \$778,745 to the NDSUDF under the new leases for debt service on Barry Hall & Klai Hall. During fiscal year 2015, the NDSUDF paid \$282,716 to NDSU from the collection of pledges. NDSU has an option to acquire the property upon full payment of the bonds. As of June 30, 2015 the outstanding balance on the bonds, reflected as "Due to Component Units" by NDSU, is \$10.515 million and the portion payable by the NDSUDF to NDSU for the collection of pledges is recognized by NDSU as a current & non-current "Due from Component Units" for \$631,235.

Other Transactions

NDSU also has agreements in place with the NDSUDF for maintenance of the University's alumni records, for use and insurance on certain land and building. Amounts paid by NDSU under these agreements as of June 30, 2015 totaled \$878,544.

NDSUDF fiscal year end is December 31, NDSU year end is June 30. Timing differences in amounts may occur between entity financial statements, due to different year end dates.

UND Aerospace Foundation

The UND Aerospace Foundation (Aerospace) recorded expenses reimbursed to UND for salaries, building rent, aircraft rental, and goods and services under an operating agreement aggregating \$17.3 million in fiscal year 2015, respectively. This operating agreement has no specific term and is intended to memorialize various operating agreements, rate structures, duties, and obligations each party has to the other. Expenses reimbursed to UND represent actual costs incurred and are included in training expenses in the consolidated statements of activities.

The Foundation recorded revenue for service and hangar, CRJ, 360-degree tower, and aircraft rental to UND of \$4,480,172 in fiscal year 2015, respectively, which is included in training and support services revenue in the consolidated statements of activities.

As of June 30, 2015, the Foundation had recorded accounts payable to UND of \$939,919, for reimbursable costs and services. As of June 30, 2015, the Foundation had recorded accounts

June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS

receivable from UND of \$321,442, which are included in accounts receivable in the consolidated statements of financial position.

Foundation employees also have the ability, as do UND employees, to rent UND planes for personal use. Foundation and UND employees are charged directly by UND. These costs do not flow through the Foundation, but are paid to UND directly by the employee.

The Foundation entered into a sublease with UND to lease the aircraft storage hangar/ground support equipment facility (discussed in Note 3). The lease term is for 20 years, commencing on July 7, 2003, until July 6, 2023. For the first 15 years of the sublease, UND will pay the Foundation's monthly minimum payment of \$12,672, beginning on October 1, 2003, subject to actual cost adjustments. At the end of the 15 years of the sublease, rent will be adjusted based upon the interest rate adjustments of the debt incurred by the Foundation in the construction of the hangar.

RE Arena, Inc.

RE Arena Inc. and the UND, enter into an annual operating agreement from July 1 to June 30. The operating agreement sets forth the facility usage, fees and services, ticket administration and revenue allocation, sponsorship sales administration and revenue allocation, and net income disposition. In accordance with this agreement: (i) RE Arena Inc. collects all ticket revenue from ticketed UND athletic events (men's and women's hockey, football, men's and women's basketball, and volleyball), RE Arena, Inc. retains 52 percent of such ticket revenue and remits 48 percent to the UND, and (ii) RE Arena Inc. collects all sponsorship sales revenue from the UND athletic events at the arena, RE Arena, Inc. retains 64 percent of such sponsorship revenue, net of direct costs, and remits 36 percent to the UND net of direct costs. In addition, UND and RE Arena, Inc. jointly utilize the UND and RE Arena Inc. marketing staff to market and promote the UND athletic events.

RE Arena, Inc. may contract with UND for materials and personnel in service, utility and other areas and will reimburse UND based on separate agreements. Revenue and expense arrangements for all other UND events held at the arena will be negotiated on an event-by-event basis.

Gross tickets sales were \$4.298 million of which RE Arena, Inc. recognized revenue of \$2.235 million with a net due to UND \$2.063 million.

Gross ticket sales for the next athletic season year are recorded in deferred revenue at gross by RE Arena, Inc. for a total of \$2.317 million. RE Arena, Inc. recognized net sponsorship (advertising) revenue of \$729,762 and the net due UND in sponsorship (advertising) income of \$410,491.

RE Arena, Inc. recognizes box office revenue on a cost reimbursement basis, for ticket facility fees, credit card fees and payment plan fees and expenses. The total cost that the UND Athletic Department reimbursed RE Arena, Inc. for managing and administering the box office on their behalf was \$190,666. In addition, RE Arena, Inc. allocated \$200,000 of net income to the UND Athletic Department for the year ended May 31, 2015.

June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS

RE Arena, Inc. expensed \$1.034 million to UND for utilities, maintenance staff, phone service and other expenses. At the end of the fiscal year RE Arena, Inc. owes UND \$675,782 for the annual operating agreement and monthly services.

RE Arena Inc.'s fiscal year end is May 31st. There may be timing differences in certain account balances between RE Arena and UND as a result of the different fiscal year ends.

UND Alumni Association and Foundation

UND is providing payment for leasehold improvements done to the lower level of the Gorecki Alumni Center for establishing space for UND Admissions. The payments are \$169,472 for a period of five years. UND is also leasing space in the Gorecki Alumni Center in the amount of \$75,000. Additionally rental payments consisting of UND's share of the operating and maintenance costs for space used in the Gorecki Alumni Center are calculated annually.

During the year ended June 30, 2015, UND provided approximately \$1.089 million of institutional support for event and database support, annual giving campaign and campaign contributions, and Director of Development support. The UND Alumni Association and Foundation (the Organization) manages UND's endowment investments and charged them \$436,368 in investment management fees during the year ended June 30, 2015. These fees and support are reported as operations, fees and miscellaneous revenue on the statement of activities.

The Foundation has entered into direct-financing lease agreements with UND. On July 24, 2002, the Foundation issued \$8.6 million of tax-exempt bonds to finance the construction of an office building and the renovation of an existing building for the Energy and Environmental Research Center (EERC) of UND. The Organization recorded a receivable from UND of \$8.6 million due under the direct-financing lease arrangement. The EERC bonds were refinanced as taxable bonds on October 18, 2012. The balance as of June 30, 2015 was \$5.335 million. The terms for the repayment are the same as the payment terms of the related bonds.

On October 24, 2003, the Foundation issued \$4.4 million of tax-exempt lease revenue bonds to finance the purchase of land and the construction of a facility for the Minot Center for Family Practice in Minot, North Dakota. The Organization recorded a receivable from UND of \$4.4 million due under the direct-financing lease agreement. The balance as of June 30, 2015 is \$2.638 million. The terms for the repayment are the same as the payment terms of the related bonds. During fiscal year ended June 30, 2015, the Organization received payment of principal and interest of \$156,063. The interest income is included in operations, fees and miscellaneous income on the statement of activities.

In 2008, the Foundation issued bonds to finance the UND School of Medicine construction of the Human Patient Simulation Center. The facility is being leased to UND for a period of five years for a total amount of \$206,810 which is equivalent to finance the costs of the construction. In fiscal year 2015, the Organization received the final payment of \$41,362.

NON-MAJOR COMPONENT UNITS

North Dakota State College of Science Foundation

For the year ended June 30, 2015, NDSCS paid the Foundation \$174,000 for the rental of the Skills & Technology Training Center building and \$10,953 for parking lots.

June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS

The NDSCSF has an agreement with NDSCS for administrative services. Under this agreement, NDSCSF paid \$219,553 during fiscal year 2015.

In exchange for services provided by NDSCSF to NDSCS, NDSCSF receives office space and accounting services at no charge from NDSCS. The approximate fair market value for rent is \$5,670 and for accounting services is \$7,454.

Williston State College Foundation

In fiscal year 2012, WSC and the Williston State College Foundation (WSCF) entered into an arrangement whereby the WSCF lent WSC \$500,000 for a dormitory geothermal heating project. The note has an eleven year term and a 5 percent fixed annual interest rate. Effective July 1, 2015, the interest rate on the loan was changed to 3%.

On November 1, 2013, WSCF entered into a lease agreement with WSC. WSCF is leasing a bus, it had purchased, to WSC. The value of the bus was \$375,000. Quarterly lease payments of \$15,000 are being made by WSC for a seven year lease term.

WSCF leased two semis to WSC for \$9,000 per quarter maturing on June 30, 2013. Effective July 1, 2013, the payments were reduced to \$4,500 per quarter on a quarter to quarter basis. The total payments paid to the WSCF in fiscal year 2015 were \$-0-. The semis were gifted to WSC in July, 2014.

WSCF leases five trailer homes with a cost of \$153,997 and a carrying amount of \$96,964 to WSC for \$12,500 per quarter. The lease matured September 30, 2013 and has continued on a quarter to quarter basis. There were no payments made to the WSCF in FY 2015. The trailers were sold in July, 2014.

Individuals working on behalf of the WSCF and the North Dakota Department of Motor Vehicles (DMV) are employees of and paid by WSC. WSCF reimburses WSC for the time WSC employees spend on Foundation and DMV matters. Funds are reimbursed to WSC and are recorded as expenses by the Foundation. The amount reimbursed for the years ending June 30, 2015 was \$709,720. As of June 30, 2015, the outstanding amount owed to WSC was \$33,223.

June 30, 2015
NOTES TO THE FINANCIAL STATEMENTS

NOTE 17 – PLEDGED REVENUES

Pledged Revenue Required for Future Principal and Interest on Existing Bonds			
	\$	344,922,841	
Term of Commitment ranging from			
		2027 - 2044	
Percentage of Revenue Pledged			
		6%	
Current Year Pledged Revenue, by source:	Pledged Revenue	Recognized Revenue	% of Pledged Revenue to Recognized Revenue
Net revenues			
from auxiliaries	\$ 9,861,208	\$ 105,361,774	9%
Student Fees	8,924,573	303,762,531	3%
Other	185,124	-	0%
Total	\$ 18,970,905	\$ 409,124,305	5%
Current Year Principal and Interest Paid	\$ 19,209,675		

NOTE 18 – FUNCTIONAL EXPENSE CLASSIFICATION

The System reports operating expenses using the “natural classification” on the Statement of Revenues, Expenses and Changes in Net Position. Operating expenses for the year ending June 30, 2015, using the functional classification are presented below:

Operating Expense	
Instruction	\$ 387,295,812
Academic Support	80,079,843
Student Services	99,383,308
Institutional Support	118,327,435
Physical Plant	89,588,185
Scholarships and Fellowships	26,487,373
Auxiliary Enterprises	95,845,987
Public Service	61,383,302
Research	132,453,867
Depreciation	60,928,102
Total	<u><u>\$1,151,773,213</u></u>

NOTE 19 – OPERATING LEASES

The campuses are obligated under certain leases for equipment, vehicles and facility rental, which are accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the resulting expenditures are recognized as incurred. Lease expenditures for the year ended June 30, 2015, amounted to \$7.4 million.

Future minimum lease payments at June 30, 2015 are as follows:

Fiscal Year	Future Minimum Lease Payments
2016	\$ 4,810,681
2017	3,786,984
2018	2,242,068
2019	1,273,446
2020	745,000
2021 - 2025	1,115,634
2026 - 2030	472,678
2031 - 2035	425,410
	\$ 14,871,901

NOTE 20 – CONTINGENCIES

Amounts received and expended by the University System under various federal and state programs are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the financial position of the University System.

In the normal course of its activities, the institutions of the University System are party to various legal actions. Because, in the opinion of management and counsel, the risk of material loss in excess of insurance coverage for these items is remote, the outcome of the legal proceedings and claims is not expected to have a material effect on the financial position of the University System. Therefore, an estimated liability has not been recorded.

Dickinson State University

DSU is not a guarantor on the DSUF debt referenced in footnote 16. However, it is reasonably possible that DSU may be liable for a portion of the DSUF debt. An estimate of the range of liability is \$0 to \$1.9 million.

Minard Hall

Minard Hall is the largest academic facility located in the historical district on NDSU's campus. Legislative appropriations were approved for the 2007-09 and 2009-11 biennia for the renovation and an addition to Minard Hall. Original authorized funding for the project is \$18.0 million: \$17.5 million general funds and \$500,000 special/local funds.

Minard Hall experienced an unprecedented partial collapse of the north wall in the early morning hours of December 27, 2009. The partial collapse of Minard Hall's North wall, during the construction of the

June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS

legislatively approved addition, resulted in a delay in the completion of the project, increased costs for construction and legal expenses, as well as numerous other issues, such as relocation of faculty, staff, and classroom space.

The SBHE approved in December 2010, plans to expand the original scope and timeline of the Minard Hall capital improvement project and subsequent collapse to include NDSU seeking legislative authorization and funding. Minard Hall construction is complete, and the building has been in full operation since the Fall 2013-14 academic term.

NDSU requested and was approved by the SBHE in November 2011 and North Dakota Legislative Budget Section in December 2011 to increase the project authorization of the Minard Hall project by \$4,874,300 from \$18,000,000 to \$22,874,300 under NDCC 48-01.2-25 and to authorize under NDCC 15-10-12.3 the additional funding from insurance proceeds, legal settlements, and other available funds.

During the 64th Regular Legislative Assembly, NDSU sought and received an additional \$600,000 in project authorization due to the filing of a lawsuit by a contractor against NDSU. Authorization was increased from \$22,874,300 to \$23,474,300 for related costs. In July 2015, all three litigations relating to the Minard Hall project were settled by NDSU pursuant to authority granted by the SBHE. As a result of the settlements, NDSU paid one contractor the sum of \$220,000 and NDSU received from various other entities the sum of \$3,020,000. All settlement payments have been made, and the litigations have been dismissed.

Legal settlement proceeds will be less than the total expenditures on the project, and NDSU will seek direction from the NDUS Chancellor for options to pay the deficit of \$1,634,853 including a possible request for a deficiency appropriation.

NOTE 21 – RISK MANAGEMENT –

The University System is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The following are programs established by the state to address some of these risks and loss exposures.

There have been no significant reductions in insurance coverage from the prior year and settled claims from these risks have not exceeded insurance coverage in any of the past three years.

RISK MANAGEMENT FUND

The Risk Management Fund (N.D.C.C. ch. 32-12.2) was established by the 1995 North Dakota Legislature as a result of a court decision that eliminated the State's sovereign immunity. The Risk Management Division of the Office of Management and Budget administers the Fund.

The Fund provides liability coverage and defense of a claim/lawsuit brought against the state of North Dakota, its agencies and employees acting within the scope of employment. The coverage amounts are \$250,000 per person and \$1,000,000 per occurrence.

The Fund is a risk retention pool that is funded by contributions paid by all State agencies. The contributions are calculated by an actuary based on various factors, including the agency's loss history and number of full-time employees.

June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS

NORTH DAKOTA FIRE AND TORNADO AND STATE BONDING FUND

The University System also participates in the North Dakota Fire and Tornado Fund and State Bonding Fund. The University System pays an annual premium to the Fire and Tornado Fund to cover property damage to personal property. Replacement cost coverage is determined in consultation with the Fire and Tornado Fund. The State Bonding Fund currently provides the University System with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

Risk Management Workers Compensation Program

The Risk Management Workers Compensation Program (N.D.C.C. § 65-04-03.1) was established by the 2001 North Dakota Legislature and created a single workers compensation account for all state agencies. This cross agency program is designed to save premium dollars through a deductible program while enhancing recovery of injured employees. The program is administered by the Risk Management Division of the Office of Management and Budget.

Workers compensation provides money and medical benefits to an employee who has an injury as a result of an accident, injury or occupational disease on-the-job. The question of negligence or fault is usually not at issue.

Workforce Safety & Insurance (WSI) continues to determine the level of compensation an injured worker and his or her care provider are entitled to receive; and will determine experience rates, dividends, assessments, and the premiums payable by State entities for workers compensation coverage. Effective July 1, 2001, workers compensation premiums are paid to the Risk Management Division rather than to WSI.

NOTE 22 – ASBESTOS SETTLEMENT

During fiscal year 1999, the University System settled an asbestos lawsuit against W.R. Grace & Co. The Chancellor has designated the dollars for asbestos related projects at the campuses. The expenditures for NDSU and UND at June 30, 2015 were \$324,319 and \$1.044 million respectively.

NOTE 23 – FLOOD DAMAGES

Minot State University experienced significant flooding in fiscal year 2011. As a result, Minot State University received a deficiency appropriation from the Emergency Commission in June 2013 for \$1,839,710 under the provisions of NDCC 54-16-13. Total expenses incurred in fiscal year 2015 and cumulatively since fiscal year 2011 are \$194,471 and \$2,489,838, respectively. FEMA reimbursed received in fiscal year 2015 and cumulatively since fiscal year 2011 are \$80,899 and \$452,205, respectively. A remaining deficiency of \$184,873 existed at June 30, 2015.

June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS

NOTE 24 – SUBSEQUENT EVENTS

DICKINSON STATE UNIVERSITY FOUNDATION

As further discussed in footnote 16, the Office of Attorney General requested the commencement of dissolution of the DSUF based on a recommendation from the receiver. At this time, it is anticipated the dissolution of the DSUF will be completed by September 30, 2016.

DICKINSON STATE HERITAGE FOUNDATION

On October 16, 2015, the Dickinson State Heritage Foundation was established to replace the Dickinson State University Foundation. The new foundation is a legally separate, tax-exempt organization providing support and recognition to DSU. The foundation has an 18-member board of directors. The Interim President of DSU serves as an ex-officio member of the board.

UNIVERSITY OF NORTH DAKOTA

On August 18, 2015, UND issued \$38,055,000 of Housing and Auxiliary Facilities Revenue Bonds. The issuance was used to advance refund the 2006 Housing and Auxiliary Facilities Revenue Bonds and pay cost of issuance. The bonds mature in 2035 and carry interest rates from 3.00 percent to 4.00 percent. The 2006 bonds were issued to finance the construction of University Place residence hall, a parking garage and Squires Dining Center renovations.

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**North Dakota University System
Required Supplementary Information (RSI)
June 30, 2015**

Schedule of the NDUS Proportionate Share of Net Pension Liability - Last 10 Years *

NDUS' Proportion of the Net Pension Liability (%) (a)	Year ended June 30, 2014	NDUS' Proportionate Share of the Net Pension Liability (\$) (b)	Year ended June 30, 2014	NDUS Covered Employee Payroll (c)	Year ended June 30, 2014
BSC	0.427%	BSC	\$ 2,764,634	BSC	\$ 3,594,112
DSU	0.270%	DSU	1,713,697	DSU	2,274,356
LRSC	0.212%	LRSC	1,347,621	LRSC	1,788,518
MASU	0.265%	MASU	1,684,741	MASU	2,235,933
MISU/DCB	0.626%	MISU/DCB	3,970,855	MISU/DCB	5,269,970
NDSCS	0.654%	NDSCS	4,149,542	NDSCS	5,507,115
NDSU	3.579%	NDSU	22,717,421	NDSU	30,149,739
UND	4.637%	UND	29,432,373	UND	39,061,573
VCSU	0.192%	VCSU	1,217,243	VCSU	1,615,477
WSC	0.126%	WSC	801,786	WSC	1,064,107
CTS	0.170%	CTS	1,078,398	CTS	1,431,201
NDUSO	0.068%	NDUSO	432,734	NDUSO	574,313
			<u>\$ 71,311,045</u>		<u>\$ 94,566,414</u>

NDUS Covered Employee Payroll (c)	Year ended June 30, 2014
BSC	\$ 3,594,112
DSU	2,274,356
LRSC	1,788,518
MASU	2,235,933
MISU/DCB	5,269,970
NDSCS	5,507,115
NDSU	30,149,739
UND	39,061,573
VCSU	1,615,477
WSC	1,064,107
CTS	1,431,201
NDUSO	574,313
	<u>\$ 94,566,414</u>

Share of the Net Pension Liability as a Percentage of its Covered Payroll (d) = (b) / (c)	Year ended June 30, 2014	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability -	Year ended June 30, 2014
BSC	77%	All Institutions	77.70%
All other NDUS Institu	75%		

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Required Supplementary Information (RSI)

Schedule of NDUS Contributions - Last 10 Years*

Contractually Required Contributions (a)	Year ended June 30, 2014	Contributions in Relation to the Contractually Required Contributions (b)	Year ended June 30, 2014	Contribution Deficiency Excess (c) = a - b
BSC	\$ 255,901	BSC	\$ 255,901	\$ -
DSU	161,934	DSU	161,934	-
LRSC	127,342	LRSC	127,342	-
MASU	159,198	MASU	159,198	-
MISU/DCB	375,222	MISU/DCB	375,222	-
NDSCS	392,107	NDSCS	392,107	-
NDSU	2,146,661	NDSU	2,146,661	-
UND	2,781,184	UND	2,781,184	-
VCSU	115,022	VCSU	115,022	-
WSC	75,764	WSC	75,764	-
CTS	101,902	CTS	101,902	-
NDUSO	40,891	NDUSO	40,891	-
	<u>\$ 6,733,128</u>		<u>\$ 6,733,128</u>	<u>\$ -</u>

NDUS Covered Employee Payroll (d)	Year ended June 30, 2014	Contributions as a Percentage of Covered-Employee Payroll (e) = b / d	Year ended June 30, 2014
BSC	\$ 3,594,112	BSC	7.12%
DSU	2,274,356	DSU	7.12%
LRSC	1,788,518	LRSC	7.12%
MASU	2,235,933	MASU	7.12%
MISU/DCB	5,269,970	MISU/DCB	7.12%
NDSCS	5,507,115	NDSCS	7.12%
NDSU	30,149,739	NDSU	7.12%
UND	39,061,573	UND	7.12%
VCSU	1,615,477	VCSU	7.12%
WSC	1,064,107	WSC	7.12%
CTS	1,431,201	CTS	7.12%
NDUSO	574,313	NDUSO	7.12%
	<u>\$ 94,566,414</u>		<u>7.12%</u>

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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**North Dakota University System
Supplementary Information
June 30, 2015**

Combining Statement of Net Position

	North Dakota University System Office	Bismarck State College	Dakota College at Bottineau	Dickinson State University	Lake Region State College	Mayville State University	Minot State University
ASSETS							
Current assets							
Cash and cash equivalents	\$ 10,269,841	\$ 8,544,103	\$ 788,543	\$ 5,024,979	\$ 3,171,115	\$ 3,527,530	\$ 18,325,997
Investments	-	3,480,000	-	9,655,000	-	500,466	647,400
Accounts receivable, net	1,032	376,246	326,654	405,679	888,038	556,449	654,844
Receivable from component units	-	44,737	-	532,492	-	6,850	591,730
Due from other NDUS Institutions	460,578	246,884	1,616	31,324	78,736	18,112	199,127
Due from State General Fund	2,144,125	1,841,034	25,063	-	-	1,267,083	144,266
Grants & contracts receivable, net	188	3,212,861	598,565	398,394	750,787	230,256	1,044,896
Inventories	-	619,473	161,604	418,255	280,283	257,793	-
Notes receivable, net	-	73,501	41,982	244,740	68,742	136,258	572,172
Other assets	12,570	150,744	14,512	87,843	8,355	140,540	42,872
Total current assets	<u>\$ 12,888,334</u>	<u>\$ 18,589,583</u>	<u>\$ 1,958,539</u>	<u>\$ 16,798,706</u>	<u>\$ 5,246,056</u>	<u>\$ 6,641,337</u>	<u>\$ 22,223,304</u>
Non current assets							
Restricted cash and cash equivalents	\$ -	\$ 105,690	\$ -	\$ -	\$ 53,706	\$ 194,594	\$ 4,025,540
Restricted investments	-	-	-	-	105,000	-	752,260
Endowment investments	-	-	-	-	-	-	-
Notes receivable, net	-	264,592	133,643	701,025	235,543	362,059	2,059,714
Other long-term investments	-	81,000	-	-	-	-	-
Unamortized bond discount	-	-	-	-	-	44,339	5,354
Due from component units	-	-	-	-	-	-	-
Other non current assets	-	-	-	-	-	-	-
Capital assets, net	6,397,506	57,855,747	7,340,087	30,986,087	15,361,619	27,376,135	85,540,181
Total noncurrent assets	<u>\$ 6,397,506</u>	<u>\$ 58,307,029</u>	<u>\$ 7,473,730</u>	<u>\$ 31,687,112</u>	<u>\$ 15,755,868</u>	<u>\$ 27,977,127</u>	<u>\$ 92,383,049</u>
Total assets	<u>\$ 19,285,840</u>	<u>\$ 76,896,612</u>	<u>\$ 9,432,269</u>	<u>\$ 48,485,818</u>	<u>\$ 21,001,924</u>	<u>\$ 34,618,464</u>	<u>\$ 114,606,353</u>
Deferred outflows of resources	\$ 296,368	\$ 583,201	\$ 118,871	\$ 345,245	\$ 267,468	\$ 372,922	\$ 657,131
LIABILITIES							
Current liabilities							
Accounts payable & accrued liabilities	\$ 3,939,527	\$ 5,512,114	\$ (153,409)	\$ 595,674	\$ 345,756	\$ 1,128,132	\$ 1,136,868
Payable to component units	-	40,433	-	-	-	-	-
Accrued payroll	806,184	1,624,203	257,840	1,040,851	501,968	908,048	2,241,711
Unearned revenue	-	1,264,802	38,894	75,841	585,840	259,201	1,187,683
Deposits	167,606	604,726	301,877	76,676	217,771	39,442	723,964
Long-term liabilities-current portion							
Due to component units	-	153,339	-	-	-	-	-
Due to others	107,624	728,049	20,897	54,314	402,269	997,152	439,695
Total current liabilities	<u>\$ 5,020,941</u>	<u>\$ 9,927,666</u>	<u>\$ 466,099</u>	<u>\$ 1,843,356</u>	<u>\$ 2,053,604</u>	<u>\$ 3,331,975</u>	<u>\$ 5,729,921</u>
Noncurrent liabilities							
Pension Liability	\$ 1,511,132	\$ 2,764,634	\$ 524,153	\$ 1,713,698	\$ 1,347,621	\$ 1,684,741	\$ 3,446,702
Other noncurrent liabilities	40,819	164,897	-	1,858	-	28,046	(2,300)
Long-term liabilities							
Due to component units	-	1,490,416	-	-	-	-	-
Due to others	1,597,988	11,292,809	194,967	605,989	4,590,313	9,590,715	17,505,664
Total noncurrent liabilities	<u>\$ 3,149,939</u>	<u>\$ 15,712,756</u>	<u>\$ 719,120</u>	<u>\$ 2,321,545</u>	<u>\$ 5,937,934</u>	<u>\$ 11,303,502</u>	<u>\$ 20,950,066</u>
Total liabilities	<u>\$ 8,170,880</u>	<u>\$ 25,640,422</u>	<u>\$ 1,185,219</u>	<u>\$ 4,164,901</u>	<u>\$ 7,991,538</u>	<u>\$ 14,635,477</u>	<u>\$ 26,679,987</u>
Deferred inflows of resources	\$ 294,979	\$ 535,056	\$ 102,317	\$ 334,521	\$ 263,061	\$ 328,868	\$ 672,810
NET POSITION							
Investment in capital assets	\$ 6,397,506	\$ 44,382,931	\$ 7,330,700	\$ 30,931,410	\$ 10,829,824	\$ 17,296,056	\$ 68,729,253
Restricted for:							
Nonexpendable:							
Scholarships and fellowships	-	-	-	-	-	17,524	33,775
Expendable:							
Scholarships and fellowships	-	159,385	16,510	18,605	-	186,564	890,163
Research	-	-	-	-	-	-	-
Instructional	-	5,250	72,186	52,505	409,254	328,962	589,920
Loans	-	491,587	249,535	1,220,897	338,466	571,989	3,126,739
Capital Projects	-	-	-	-	-	-	-
Debt Service	-	31,704	5,251	-	203,962	380,791	4,629,438
Other	154,055	-	-	-	-	-	-
Unrestricted	4,564,788	6,233,478	589,422	12,108,224	1,233,287	1,245,155	9,911,399
Total net position	<u>\$ 11,116,349</u>	<u>\$ 51,304,335</u>	<u>\$ 8,263,604</u>	<u>\$ 44,331,641</u>	<u>\$ 13,014,793</u>	<u>\$ 20,027,041</u>	<u>\$ 87,910,687</u>

**North Dakota University System
Supplementary Information
June 30, 2015**

Combining Statement of Net Position

	North Dakota State College of Science	North Dakota State University	University of North Dakota	Valley City State University	Williston State College	Eliminations	Total
ASSETS							
Current assets							
Cash and cash equivalents	\$ 17,506,234	\$ 40,740,377	\$ 29,757,596	\$ 3,800,870	\$ 3,880,753	\$ -	\$ 145,337,938
Investments	471,792	12,025,018	63,371,621	1,167,198	-	-	91,318,495
Accounts receivable, net	1,246,274	10,143,132	8,937,610	379,222	431,828	-	24,347,008
Receivable from component units	443,826	1,574,280	7,810,349	30,051	492,666	-	11,526,981
Due from other NDUS Institutions	88,334	712,566	645,074	32,327	251,254	(2,765,932)	-
Due from State General Fund	1,559,692	13,798,972	16,843,312	362,997	53,588	-	38,040,132
Grants & contracts receivable, net	1,300,560	15,250,700	10,213,502	159,815	432,165	-	33,592,689
Inventories	473,321	1,632,290	4,043,804	179,124	34,503	-	8,100,450
Notes receivable, net	273,096	1,422,915	4,416,964	140,728	18,829	-	7,409,927
Other assets	20,000	950,114	1,625,399	72,776	2,503	-	3,128,228
Total current assets	<u>\$ 23,383,129</u>	<u>\$ 98,250,364</u>	<u>\$ 147,665,231</u>	<u>\$ 6,325,108</u>	<u>\$ 5,598,089</u>	<u>\$ (2,765,932)</u>	<u>\$ 362,801,848</u>
Non current assets							
Restricted cash and cash equivalents	\$ -	\$ 1,628,088	\$ 10,484,969	\$ 19,061	\$ 280,744	\$ -	\$ 16,792,392
Restricted investments	-	10,937,743	3,883,392	361,064	526,958	-	16,566,417
Endowment investments	-	412,183	14,251,497	887,916	52,200	-	15,603,796
Notes receivable, net	981,853	5,091,966	15,905,025	506,192	139,908	-	26,381,520
Other long-term investments	-	69,824,441	31,127,712	600,000	-	-	101,633,153
Unamortized bond discount	-	67,965	210,207	-	-	-	327,865
Due from component units	-	331,235	-	-	-	-	331,235
Other non current assets	-	672,819	-	-	-	-	672,819
Capital assets, net	45,255,451	392,410,954	473,841,485	23,475,098	52,405,279	-	1,218,245,629
Total noncurrent assets	<u>\$ 46,237,304</u>	<u>\$ 481,377,394</u>	<u>\$ 549,704,287</u>	<u>\$ 25,849,331</u>	<u>\$ 53,405,089</u>	<u>\$ -</u>	<u>\$ 1,396,554,826</u>
Total assets	<u>\$ 69,620,433</u>	<u>\$ 579,627,758</u>	<u>\$ 697,369,518</u>	<u>\$ 32,174,439</u>	<u>\$ 59,003,178</u>	<u>\$ (2,765,932)</u>	<u>\$ 1,759,356,674</u>
Deferred outflows of resources	\$ 782,732	\$ 5,366,463	\$ 6,627,004	\$ 247,228	\$ 169,409	\$ -	\$ 15,834,042
LIABILITIES							
Current liabilities							
Accounts payable & accrued liabilities	\$ 2,478,664	\$ 17,266,083	\$ 17,013,754	\$ 686,202	\$ 775,036	\$ (2,765,932)	\$ 47,958,469
Payable to component units	3,217	314,979	351,925	-	-	-	710,554
Accrued payroll	1,972,521	12,075,156	13,723,426	1,156,970	518,951	-	36,827,829
Unearned revenue	283,042	6,517,711	10,510,768	392,391	180,389	-	21,296,562
Deposits	304,157	1,530,520	2,811,543	145,361	527,575	(136,928)	7,314,290
Long-term liabilities-current portion							
Due to component units	-	1,991,156	592,083	-	96,832	-	2,833,410
Due to others	386,731	4,854,355	5,362,999	197,399	375,431	-	13,926,915
Total current liabilities	<u>\$ 5,428,332</u>	<u>\$ 44,549,960</u>	<u>\$ 50,366,498</u>	<u>\$ 2,578,323</u>	<u>\$ 2,474,214</u>	<u>\$ (2,902,860)</u>	<u>\$ 130,868,029</u>
Noncurrent liabilities							
Pension Liability	\$ 4,149,542	\$ 22,717,420	\$ 29,432,374	\$ 1,217,243	\$ 801,786	\$ -	\$ 71,311,046
Other noncurrent liabilities	-	3,144,939	3,115,961	-	7,802	-	6,502,022
Long-term liabilities							
Due to component units	-	33,861,586	8,916,128	-	555,044	-	44,823,174
Due to others	9,528,668	96,450,680	114,228,923	6,330,610	11,075,535	-	282,992,861
Total noncurrent liabilities	<u>\$ 13,678,210</u>	<u>\$ 156,174,625</u>	<u>\$ 155,693,386</u>	<u>\$ 7,547,853</u>	<u>\$ 12,440,167</u>	<u>\$ -</u>	<u>\$ 405,629,103</u>
Total liabilities	<u>\$ 19,106,542</u>	<u>\$ 200,724,585</u>	<u>\$ 206,059,884</u>	<u>\$ 10,126,176</u>	<u>\$ 14,914,381</u>	<u>\$ (2,902,860)</u>	<u>\$ 536,497,132</u>
Deferred inflows of resources	\$ 810,007	\$ 4,519,131	\$ 5,745,319	\$ 237,611	\$ 156,512	\$ -	\$ 14,000,192
NET POSITION							
Investment in capital assets	\$ 36,695,866	\$ 278,562,461	\$ 360,883,304	\$ 17,451,575	\$ 40,644,957	\$ -	\$ 920,135,843
Restricted for:							
Nonexpendable:							
Scholarships and fellowships	1,550	414,255	14,251,497	474,927	55,828	-	15,249,356
Expendable:							
Scholarships and fellowships	-	165,649	1,633,731	230,713	72,665	-	3,373,985
Research	-	7,297,016	3,541,958	-	-	-	10,838,974
Instructional	824,037	1,377,744	16,863,988	670,454	(408)	-	21,193,892
Loans	3,979,776	7,128,192	27,566,024	651,831	212,742	-	45,537,778
Capital Projects	-	44,930	-	-	-	-	44,930
Debt Service	(222,120)	3,460,618	3,690,276	361,015	571,264	-	13,112,199
Other	-	-	-	408,735	-	-	562,790
Unrestricted	9,207,507	81,299,640	63,760,541	1,808,630	2,544,646	136,928	194,643,645
Total net position	<u>\$ 50,486,616</u>	<u>\$ 379,750,505</u>	<u>\$ 492,191,319</u>	<u>\$ 22,057,880</u>	<u>\$ 44,101,694</u>	<u>\$ 136,928</u>	<u>\$ 1,224,693,392</u>

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	North Dakota University System Office	Bismarck State College	Dakota College of Bottineau	Dickinson State University	Lake Region State College	Mayville State University	Minot State University
OPERATING REVENUES							
Student tuition and fees (net of scholarship allowances of \$64.1 million and bad debt allowance of \$851,144)	\$ 4,854,490	\$ 12,896,932	\$ 1,787,195	\$ 5,978,716	\$ 3,994,051	\$ 4,541,479	\$ 14,153,131
Federal grants and contracts (net of bad debt allowance recapture of \$17,602)	464,597	6,492,451	573,450	1,021,025	1,701,458	2,771,491	4,790,157
State grants and contracts	-	2,086,353	254,327	324,230	1,280,469	342,483	1,415,213
Nongovernmental grants and contracts	10,000	149,796	45,138	(45,837)	31,859	7,471	294,588
Sales and services of educational departments (net of bad debt allowance recapture of \$20,714)	5,390,008	3,961,990	195,245	697,634	788,427	959,806	1,976,214
Auxiliary enterprises (net of scholarship allowances of \$239,000 and bad debt allowance of \$395,227)	-	4,157,774	1,626,859	2,770,442	1,645,579	2,375,095	4,209,525
Other (net of bad debt allowance of \$10,417)	-	13,643	13,707	82,437	10,993	21,677	91,534
Total Operating Revenues	\$ 10,719,095	\$ 29,758,939	\$ 4,495,921	\$ 10,828,647	\$ 9,452,836	\$ 11,019,502	\$ 26,930,362
OPERATING EXPENSES							
Salaries	\$ 18,452,106	\$ 28,487,259	\$ 5,849,212	\$ 18,361,051	\$ 11,211,357	\$ 13,596,560	\$ 37,776,346
Operating expenses	10,844,891	16,235,305	2,576,766	6,991,283	3,762,774	3,958,402	12,746,553
Data processing	5,894,923	978,965	115,821	476,899	474,030	168,506	521,663
Depreciation	1,849,326	2,325,579	362,578	1,506,132	957,485	1,452,878	3,759,665
Scholarships and fellowships	19,920,734	1,906,600	299,691	457,530	583,505	393,109	1,057,787
Costs of sales and services	-	2,212,850	234,153	474,567	698,717	888,405	-
Total operating expenses	\$ 56,961,980	\$ 52,146,558	\$ 9,438,221	\$ 28,267,462	\$ 17,687,868	\$ 20,457,860	\$ 55,862,014
Operating Income (Loss)	\$ (46,242,885)	\$ (22,387,619)	\$ (4,942,300)	\$ (17,438,815)	\$ (8,235,032)	\$ (9,438,358)	\$ (28,931,652)
NONOPERATING REVENUES (EXPENSES)							
State appropriations	\$ 73,374,210	\$ 17,592,698	\$ 3,915,492	\$ 13,820,603	\$ 6,449,485	\$ 7,326,424	\$ 22,915,106
Federal appropriations	-	-	-	-	-	-	-
Federal grants and contracts (net of bad debt allowance of \$1,859)	-	2,695,000	790,663	1,564,025	1,069,007	1,411,100	3,277,379
Local appropriations	-	-	-	-	-	4,066	2,305,344
Gifts (net of bad debt allowance recapture of \$23,627)	-	2,286,680	296,748	1,101,708	1,056,721	794,128	1,670,276
Endowment & investment income	261	18,077	796	39,479	5,715	134,249	40,204
Interest on capital asset-related debt	-	(505,173)	(4,661)	(2,332)	(184,460)	(542,494)	(644,410)
Gain (loss) on disposal of capital assets	-	(5,824)	(476)	(6,863)	-	-	(19,443)
Insurance proceeds	-	-	-	-	-	-	7,829
Tax revenues	-	-	-	-	-	203,857	-
General and special grant expenditures	(22,944,192)	-	-	-	-	-	-
Other nonoperating revenues (expenses) (net of bad debt allowance recapture of \$270,654)	484,378	(567,137)	317	4,120	585	(522,473)	(114,265)
Net nonoperating revenues (expenses)	\$ 50,914,657	\$ 21,514,321	\$ 4,998,879	\$ 16,520,740	\$ 8,397,053	\$ 8,808,857	\$ 29,438,020
Income (loss) before capital grants, gifts and	\$ 4,671,772	\$ (873,298)	\$ 56,579	\$ (918,075)	\$ 162,021	\$ (629,501)	\$ 506,368
State appropriations - capital assets	\$ -	\$ 10,351,198	\$ 1,346,435	\$ 227,340	\$ 2,126,640	\$ 3,643,678	\$ 3,796,288
Transfer to Building Authority	(4,804,252)	-	-	-	-	-	-
Inter-institutional transfers	426,881	-	-	-	-	-	-
Capital grants and gifts	-	1,151,769	-	181,937	102,180	13,095	461,747
Total other revenue	\$ (4,377,371)	\$ 11,502,967	\$ 1,346,435	\$ 409,277	\$ 2,228,820	\$ 3,656,773	\$ 4,258,035
Increase (decrease) in net assets	\$ 294,401	\$ 10,629,669	\$ 1,403,014	\$ (508,798)	\$ 2,390,841	\$ 3,027,272	\$ 4,764,403
NET POSITION							
Net position-beginning of year, as restated	\$ 10,821,948	\$ 40,674,666	\$ 6,860,590	\$ 44,840,439	\$ 10,623,952	\$ 16,999,769	\$ 83,146,284
Net position-end of year	\$ 11,116,349	\$ 51,304,335	\$ 8,263,604	\$ 44,331,641	\$ 13,014,793	\$ 20,027,041	\$ 87,910,687

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - CONTINUED

	North Dakota State College of Science	North Dakota State University	University of North Dakota	Valley City State University	Williston State College	Eliminations	Total
OPERATING REVENUES							
Student tuition and fees (net of scholarship allowances of \$64.1 million and bad debt allowance of \$851,144)	\$ 7,127,613	\$ 110,778,521	\$ 130,819,271	\$ 6,012,132	\$ 883,034	\$ (64,034)	\$ 303,762,531
Federal grants and contracts (net of bad debt allowance recapture of \$17,602)	1,379,894	41,554,635	54,451,963	405,031	1,824,499	(3,602,930)	113,827,721
State grants and contracts	1,453,048	8,363,527	10,426,034	119,813	552,765	(7,748,375)	18,869,887
Nongovernmental grants and contracts	95,352	11,623,657	18,398,847	6,704	(7,616)	(6,508)	30,603,451
Sales and services of educational departments (net of bad debt allowance recapture of \$20,714)	3,195,831	35,517,866	50,898,669	820,232	4,455,552	(6,595,333)	102,262,141
Auxiliary enterprises (net of scholarship allowances of \$239,000 and bad debt allowance of \$395,227)	6,117,445	43,286,230	34,524,589	2,862,205	2,028,456	(242,425)	105,361,774
Other (net of bad debt allowance of \$10,417)	201,839	1,091,936	745,787	21,161	5,537	(142)	2,300,109
Total Operating Revenues	\$ 19,571,022	\$ 252,216,372	\$ 300,265,160	\$ 10,247,278	\$ 9,742,227	\$ (18,259,747)	\$ 676,987,614
OPERATING EXPENSES							
Salaries	\$ 28,615,974	\$ 268,589,588	\$ 296,888,737	\$ 15,443,079	\$ 10,632,953	\$ 122,954	\$ 754,027,176
Operating expenses	9,899,410	92,916,914	100,350,958	8,692,404	4,419,892	(12,201,331)	261,194,221
Data processing	726,004	4,724,564	5,108,082	385,109	304,642	(217,651)	19,661,557
Depreciation	3,063,398	21,761,642	21,189,980	927,034	1,772,138		60,927,835
Scholarships and fellowships	756,633	2,498,685	6,655,723	215,608	384,616	(1,864,216)	33,266,005
Costs of sales and services	920,849	9,658,146	6,583,010	456,106	598,308	(28,692)	22,696,419
Total operating expenses	\$ 43,982,268	\$ 400,149,539	\$ 436,776,490	\$ 26,119,340	\$ 18,112,549	\$ (14,188,936)	\$ 1,151,773,213
Operating Income (Loss)	\$ (24,411,246)	\$ (147,933,167)	\$ (136,511,330)	\$ (15,872,062)	\$ (8,370,322)	\$ (4,070,811)	\$ (474,785,599)
NONOPERATING REVENUES (EXPENSES)							
State appropriations	\$ 19,241,456	\$ 119,487,388	\$ 108,236,618	\$ 13,292,638	\$ 6,447,426		\$ 412,099,544
Federal appropriations	-	6,701,819	-	-	-		6,701,819
Federal grants and contracts (net of bad debt allowance of \$1,859)	3,469,005	10,623,730	9,741,368	1,351,914	710,262		36,703,453
Local appropriations	-	-	-	-	-		2,309,410
Gifts (net of bad debt allowance recapture of \$23,627)	915,454	9,204,609	9,283,529	210,248	3,881,857	(323,944)	30,378,014
Endowment & investment income	477,318	2,267,067	1,822,333	238,721	2,796		5,047,016
Interest on capital asset-related debt	(314,102)	(5,048,939)	(5,283,410)	(320,823)	(624,955)		(13,475,759)
Gain (loss) on disposal of capital assets	(18,744)	971,177	1,031,103	3,149	(272,861)		1,681,218
Insurance proceeds	142	33,769	20,089	(12,586)	2,650	-	51,893
Tax revenues	-	103,660	3,576,588	-	-		3,884,105
General and special grant expenditures	-	-	-	-	-	12,374,163	(10,570,029)
Other nonoperating revenues (expenses) (net of bad debt allowance recapture of \$270,654)	214,577	2,747,987	1,498,613	136,305	76,501	(778,108)	3,181,400
Net nonoperating revenues (expenses)	\$ 23,985,106	\$ 147,092,267	\$ 129,926,831	\$ 14,899,566	\$ 10,223,676	\$ 11,272,111	\$ 477,992,084
Income (loss) before capital grants, gifts and	\$ (426,140)	\$ (840,900)	\$ (6,584,499)	\$ (972,496)	\$ 1,853,354	\$ 7,201,300	\$ 3,206,485
State appropriations - capital assets	\$ 6,168,105	\$ 22,709,435	\$ 68,460,994	\$ 3,241,028	\$ 6,197,488		\$ 128,268,629
Transfer to Building Authority	-	(285,374)	-	-	-		(5,089,626)
Inter-institutional transfers	-	-	(426,881)	-	-		-
Capital grants and gifts	1,988,629	21,973,267	15,762,881	159,565	2,192,577	(7,064,372)	36,923,275
Total other revenue	\$ 8,156,734	\$ 44,397,328	\$ 83,796,994	\$ 3,400,593	\$ 8,390,065	\$ (7,064,372)	\$ 160,102,278
Increase (decrease) in net assets	\$ 7,730,594	\$ 43,556,428	\$ 77,212,495	\$ 2,428,097	\$ 10,243,419	\$ 136,928	\$ 163,308,763
NET POSITION							
Net position-beginning of year, as restated	\$ 42,756,022	\$ 336,194,077	\$ 414,978,824	\$ 19,629,783	\$ 33,858,275	\$ -	\$ 1,061,384,629
Net position-end of year	\$ 50,486,616	\$ 379,750,505	\$ 492,191,319	\$ 22,057,880	\$ 44,101,694	\$ 136,928	\$ 1,224,693,392

COMBINING STATEMENT OF CASH FLOWS

	North Dakota University System Office	Bismarck State College	Dakota College of Bottineau	Dickinson State University	Lake Region State College	Mayville State University	Minot State University
CASH FLOWS FROM OPERATING ACTIVITIES							
Student tuition and fees	\$ 4,265,556	\$ 13,286,867	\$ 1,787,155	\$ 5,848,894	\$ 3,638,844	\$ 4,561,663	\$ 14,974,585
Grants and contracts	474,409	8,019,252	581,262	1,252,707	2,963,258	3,140,512	6,907,481
Payments to suppliers	(21,607,651)	(18,355,604)	(3,245,311)	(7,802,148)	(6,976,734)	(4,446,936)	(13,018,012)
Payments to employees	(18,963,500)	(28,407,504)	(6,015,384)	(18,401,812)	(11,194,168)	(13,473,769)	(37,942,145)
Payments for scholarships and fellowships	(19,920,734)	(1,906,600)	(299,691)	(457,530)	(583,505)	(393,109)	(1,057,787)
Loans issued to students	-	-	(44,914)	(151,952)	(83,743)	(126,813)	(624,826)
Collection of loans to students	-	122,500	63,217	263,558	82,960	147,976	689,214
Auxiliary enterprise charges	-	4,175,194	1,618,850	2,765,091	1,643,966	2,356,617	4,257,334
Sales and service of educational departments	8,925,785	4,087,344	263,541	199,154	754,663	911,857	2,199,829
Cash received/(paid) on deposits	2,487	6,202	(118,386)	(101,645)	22,120	(175,680)	7,294
Other receipts (payments)	1,180,147	176,395	15,125	66,520	20,461	(7,428)	(195,443)
Net cash provided (used) by operating activities	\$ (45,643,501)	\$ (18,795,954)	\$ (5,394,536)	\$ (16,519,163)	\$ (9,711,878)	\$ (7,505,110)	\$ (23,802,476)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
State appropriations	\$ 73,205,841	\$ 17,583,950	\$ 3,915,492	\$ 13,820,603	\$ 6,449,485	\$ 7,326,424	\$ 22,915,106
Federal appropriations	-	-	-	-	-	-	-
Local appropriations	-	-	-	-	-	-	2,305,344
Grants and gifts received for other than capital purposes	-	4,971,968	1,087,411	2,665,734	2,125,728	2,205,228	5,019,565
Grants given for other than capital purposes	(22,944,192)	-	-	-	-	-	-
Direct Lending Receipts	-	8,818,215	2,179,349	4,229,238	2,094,133	4,132,706	8,251,995
Direct Lending Disbursements	-	(8,834,513)	(2,179,349)	(4,153,299)	(2,083,386)	(4,117,854)	(8,230,698)
Agency fund cash increase/(decrease)	858,934	458,947	273,477	(14,309)	(269,357)	27,036	65,686
Tax revenues	-	-	-	-	-	203,857	-
Other nonoperating revenues (expenses)	-	(3,951)	-	-	-	-	-
Net cash flows provided (used) by noncapital financing activities	\$ 51,120,583	\$ 22,994,616	\$ 5,276,380	\$ 16,547,967	\$ 8,316,603	\$ 9,777,397	\$ 30,326,998
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from issuance of debt	\$ -	\$ 3,005,000	\$ -	\$ -	\$ -	\$ -	\$ 3,305,000
Transfers to Building Authority	(4,804,252)	-	-	-	-	-	-
Capital appropriations	4,021,608	9,319,574	1,321,372	238,640	3,104,769	2,376,595	3,720,009
Capital grants and gifts received	-	1,095,421	-	181,492	102,181	13,095	461,745
Proceeds from sale of capital assets	-	-	-	-	-	-	-
Purchases of capital assets	(107,243)	(13,624,342)	(1,434,728)	(639,484)	(1,209,609)	(3,384,979)	(7,366,328)
Insurance proceeds	-	-	-	-	-	-	7,829
Principal paid on capital debt and lease	-	(847,927)	(13,852)	(15,421)	(357,967)	(1,114,933)	(346,252)
Deposits with capital debt payment trustees	-	(2,930,000)	-	-	-	-	-
Deferred gain (loss) on refunding of debt	-	-	-	-	-	-	-
Interest paid on capital debt and lease	-	(462,807)	(4,661)	(2,332)	(184,460)	(536,721)	(695,058)
Net cash provided (used) by capital and related financing activities	\$ (889,887)	\$ (4,445,081)	\$ (131,869)	\$ (237,105)	\$ 1,454,914	\$ (2,646,943)	\$ (913,055)
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sales and maturities of investments	\$ -	\$ 3,741,000	\$ -	\$ -	\$ -	\$ -	\$ 457,275
Interest on investments	261	18,149	796	39,637	5,715	133,783	45,326
Purchase of investments	-	(3,741,000)	-	-	-	482	-
Net cash provided (used) by investing activities	\$ 261	\$ 18,149	\$ 796	\$ 39,637	\$ 5,715	\$ 134,265	\$ 502,601
Net increase (decrease) in cash	\$ 4,587,456	\$ (228,270)	\$ (249,229)	\$ (168,664)	\$ 65,354	\$ (240,391)	\$ 6,114,068
CASH - BEGINNING OF YEAR	\$ 5,682,385	\$ 8,878,063	\$ 1,037,772	\$ 5,193,643	\$ 3,159,467	\$ 3,962,515	\$ 16,237,469
CASH - END OF YEAR	\$ 10,269,841	\$ 8,649,793	\$ 788,543	\$ 5,024,979	\$ 3,224,821	\$ 3,722,124	\$ 22,351,537

COMBINING STATEMENT OF CASH FLOWS

	North Dakota University System Office	Bismarck State College	Dakota College of Bottineau	Dickinson State University	Lake Region State College	Mayville State University	Minot State University
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES							
Operating income (loss)	\$ (46,242,885)	\$ (22,387,619)	\$ (4,942,300)	\$ (17,438,815)	\$ (8,235,032)	\$ (9,438,358)	\$ (28,931,652)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	-	-	-	-	-	-	-
Depreciation expense	1,849,326	2,325,579	362,578	1,506,132	957,485	1,452,878	3,759,665
Other nonoperating revenues (expenses)	1,186,399	-	317	(15,015)	585	11,371	(309,724)
Change in assets, deferred outflows, liabilities and deferred inflows							
Accounts receivable adjusted for interest receivable	2,946,843	(4,031)	14,859	(566,643)	(42,788)	(16,657)	571,062
Grant & contract receivables	(188)	(709,348)	(291,652)	(46,711)	(50,527)	15,001	407,521
Inventories	-	137,373	-	(30,010)	48,923	(372)	-
Notes receivable	-	143,505	19,806	132,775	7,769	12,007	132,009
Other assets	(6,252)	162,751	1,100	(900)	8,884	(40,476)	22,748
Accounts payable and accrued liabilities adjusted for interest payable	(4,867,838)	948,850	(274,639)	103,783	(2,105,576)	549,753	168,740
Pension liability	142,427	407,739	36,282	278,866	211,984	260,713	238,584
Net change in deferred outflows	(247,375)	(450,088)	(101,877)	(289,684)	(223,776)	(300,569)	(545,384)
Net change in deferred inflows	-	-	-	-	-	-	-
Accrued payroll	(435,986)	56,716	(108,500)	(8,159)	13,339	115,444	88,015
Compensated absences	29,541	65,388	7,922	(21,785)	15,642	47,203	52,987
Deferred revenue	-	501,029	(46)	(21,351)	(340,909)	2,631	535,659
Deposits	2,487	6,201	(118,386)	(101,645)	22,120	(175,680)	7,294
Net cash provided (used) by operating activities	<u>\$ (45,643,501)</u>	<u>\$ (18,795,954)</u>	<u>\$ (5,394,536)</u>	<u>\$ (16,519,163)</u>	<u>\$ (9,711,878)</u>	<u>\$ (7,505,110)</u>	<u>\$ (23,802,476)</u>
SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS							
Assets acquired through capital lease	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assets acquired through special assessment	-	-	-	-	-	-	-
Expenses paid by capital lease/special assessments	48,384	569,701	-	-	-	535,420	-
Gifts of capital assets	-	56,348	-	445	-	-	-
Net increases (decrease) in value of investments	-	-	-	-	-	-	-
Total non-cash transactions	<u>\$ 48,384</u>	<u>\$ 626,049</u>	<u>\$ -</u>	<u>\$ 445</u>	<u>\$ -</u>	<u>\$ 535,420</u>	<u>\$ -</u>

COMBINING STATEMENT OF CASH FLOWS - Continued

	North Dakota State College of Science	North Dakota State University	University of North Dakota	Valley City State University	Williston State College	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Student tuition and fees	\$ 7,182,574	\$ 111,926,354	\$ 131,332,886	\$ 5,932,128	\$ 940,347	\$ (64,034)	\$ 305,613,819
Grants and contracts	3,548,040	62,072,430	87,426,946	537,998	2,428,497	(11,361,526)	167,991,266
Payments to suppliers	(10,466,680)	(107,551,019)	(107,641,896)	(9,646,185)	(5,204,740)	12,451,387	(303,511,529)
Payments to employees	(28,194,958)	(267,622,327)	(295,627,688)	(15,310,973)	(10,700,806)	(122,954)	(751,977,988)
Payments for scholarships and fellowships	(756,633)	(2,498,685)	(6,655,723)	(215,608)	(384,616)	1,864,216	(33,266,005)
Loans issued to students	(233,988)	(1,431,864)	(3,522,794)	(149,825)	(21,750)	-	(6,392,469)
Collection of loans to students	463,094	1,450,580	4,704,405	142,001	48,898	-	8,178,403
Auxiliary enterprise charges	6,081,583	43,314,138	34,450,924	2,868,987	2,050,000	(242,425)	105,340,259
Sales and service of educational departments	3,076,168	35,539,366	53,919,163	1,006,788	3,980,126	(6,595,333)	108,268,451
Cash received/(paid) on deposits	(81,065)	(76,330)	(69,105)	116,610	59,082	(136,928)	(545,344)
Other receipts (payments)	525,979	993,891	(6,682,322)	167,924	105,290	(61,132)	(3,694,593)
Net cash provided (used) by operating activities	\$ (18,855,886)	\$ (123,883,466)	\$ (108,365,204)	\$ (14,550,155)	\$ (6,699,672)	\$ (4,268,729)	\$ (403,995,730)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
State appropriations	\$ 19,241,456	\$ 118,942,171	\$ 108,236,618	\$ 13,292,638	\$ 6,447,426	\$ -	\$ 411,377,210
Federal appropriations	-	6,701,819	-	-	-	-	6,701,819
							2,305,344
Grants and gifts received for other than capital purposes	4,384,459	19,744,423	18,728,446	1,562,162	4,592,119	(298,344)	66,788,899
Grants given for other than capital purposes	-	-	-	-	-	12,348,566	(10,595,626)
Direct Lending Receipts	-	51,770,123	94,816,298	4,013,178	1,255,948	-	181,561,183
Direct Lending Disbursements	-	(51,915,369)	(94,627,231)	(4,013,178)	(1,255,928)	-	(181,410,805)
Agency fund cash increase/(decrease)	103,687	(228,349)	45,179	46,123	203,521	-	1,570,575
Tax revenues	-	103,660	3,576,588	-	-	-	3,884,105
Other nonoperating revenues (expenses)							(3,951)
Net cash flows provided (used) by noncapital financing activities	\$ 23,729,602	\$ 145,118,478	\$ 130,775,898	\$ 14,900,923	\$ 11,243,086	\$ 12,050,222	\$ 482,178,753
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from issuance of debt	\$ -	\$ 33,102,299	\$ -	\$ -	\$ 2,504,788	\$ -	\$ 41,917,087
Transfers to Building Authority	-	(285,374)	-	-	-	-	(5,089,626)
Capital appropriations	4,815,000	18,288,411	57,125,217	3,176,025	7,399,674	-	114,906,894
Capital grants and gifts received	1,988,625	20,860,272	15,520,411	159,566	2,192,573	(7,064,375)	35,511,006
Proceeds from sale of capital assets	-	1,350,000	2,171,351	5,798	-	-	3,527,149
Purchases of capital assets	(8,891,696)	(59,558,050)	(100,077,892)	(2,895,552)	(13,556,153)	-	(212,746,056)
Insurance proceeds	142	33,769	135,766	(12,586)	2,650	(717,118)	(549,548)
Principal paid on capital debt and lease	(311,857)	(4,990,336)	(8,358,417)	(155,566)	(371,928)	-	(16,884,456)
Deposits with capital debt payment trustees	-	(26,090,000)	-	-	-	-	(29,020,000)
Deferred gain (loss) on refunding of debt	-	-	-	-	-	-	-
Interest paid on capital debt and lease	(315,452)	(5,283,066)	(5,268,923)	(320,823)	(628,415)	-	(13,702,718)
Net cash provided (used) by capital and related financing activities	\$ (2,715,238)	\$ (22,572,075)	\$ (38,752,487)	\$ (43,138)	\$ (2,456,811)	\$ (7,781,493)	\$ (82,130,268)
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sales and maturities of investments	\$ -	\$ 19,108,777	\$ 152,250,000	\$ 597,813	\$ -	\$ -	\$ 176,154,865
Interest on investments	476,549	2,258,726	2,684,657	238,721	2,812	-	5,905,132
Purchase of investments	(200,000)	(31,521,372)	(162,250,005)	(768,095)	-	-	(198,479,990)
Net cash provided (used) by investing activities	\$ 276,549	\$ (10,153,869)	\$ (7,315,348)	\$ 68,439	\$ 2,812	\$ -	\$ (16,419,993)
Net increase (decrease) in cash	\$ 2,435,027	\$ (11,490,932)	\$ (23,657,141)	\$ 376,069	\$ 2,089,415	\$ -	\$ (20,367,238)
CASH - BEGINNING OF YEAR	15,071,207	53,859,397	63,899,706	3,443,862	2,072,082	-	182,497,568
CASH - END OF YEAR	\$ 17,506,234	\$ 42,368,465	\$ 40,242,565	\$ 3,819,931	\$ 4,161,497	\$ -	\$ 162,130,330

COMBINING STATEMENT OF CASH FLOWS - Continued

	North Dakota State College of Science	North Dakota State University	University of North Dakota	Valley City State University	Williston State College	Eliminations	Total
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES							
Operating income (loss)	\$ (24,411,246)	\$ (147,933,167)	\$ (136,511,330)	\$ (15,872,062)	\$ (8,370,322)	\$ (4,070,811)	\$ (474,785,599)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities							
Depreciation expense	3,063,398	21,761,642	\$ 21,189,980	927,034	1,772,138		60,927,835
Other nonoperating revenues (expenses)	189,627	(35,732)	1,067,785	136,305	76,501	(61,132)	2,247,287
Change in assets, deferred outflows, liabilities and deferred inflows							
Accounts receivable adjusted for interest receivable	(74,283)	1,399,288	2,875,949	184,076	(413,358)	2,765,932	9,640,249
Grant & contract receivables	619,746	530,610	2,650,102	6,451	58,848		3,189,853
DCB	(127,864)	85,130	31,482	(10,173)	40,959		175,448
Notes receivable	229,090	60,686	1,277,478	(13,449)	59,341		2,061,017
Other assets	134,512	(55,194)	(8,495,894)	10,458	-		(8,258,262)
Accounts payable and accrued liabilities adjusted for interest payable	1,175,658	(218,460)	5,104,541	(67,062)	(5,781)	(2,765,932)	(2,253,963)
Accrued payroll	622,976	3,479,742	4,533,805	203,296	138,900		10,555,314
Compensated absences	(648,198)	(3,659,713)	(4,704,669)	(207,763)	(143,414)		(11,522,510)
Deferred revenue	298,475	1,290,278	1,429,632	132,837	(75,329)		2,796,762
Deposits	147,763	(143,047)	2,280	3,735	11,990		219,619
Net cash provided (used) by operating activities	5,525	(369,200)	1,252,759	(100,446)	90,771		1,556,422
Deposits	(81,065)	(76,330)	(69,105)	116,608	59,084	(136,786)	(545,203)
	<u>\$ (18,855,886)</u>	<u>\$ (123,883,466)</u>	<u>\$ (108,365,204)</u>	<u>\$ (14,550,155)</u>	<u>\$ (6,699,672)</u>	<u>\$ (4,268,729)</u>	<u>\$ (403,995,730)</u>
SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS							
Assets acquired through capital lease	\$ -	\$ 1,653,338	\$ 1,750,809	\$ -	\$ -		\$ 3,404,147
Assets acquired through special assessment	7,627	-	-	-	81,912		89,539
Expenses paid by capital lease/special assessments	-	107,114	83,800	-	-		1,344,419
Gifts of capital assets	-	278,531	690,000	-	-		1,025,324
Net increases (decrease) in value of investments	315	12,355	-	-	-		12,670
Total non-cash transactions	<u>\$ 7,942</u>	<u>\$ 2,051,338</u>	<u>\$ 2,524,609</u>	<u>\$ -</u>	<u>\$ 81,912</u>	<u>\$ -</u>	<u>\$ 5,876,099</u>

Statement of Financial Position -- Non-major Component Units

	MiSU Development Foundation June 30, 2014	NDSCS Foundation June 30, 2014	WSC Foundation June 30, 2014	Total Non-major Component
Assets				
Current assets				
Cash and cash equivalents	\$ 943,251	\$ 2,789,611	\$ 6,204,142	\$ 9,937,004
Investments	-	10,371,430	102,426	10,473,856
Accounts receivable, net	1,929	43,217	6,659	51,805
Receivable from Primary Institution	-	-	84,514	84,514
Unconditional promises to give, net of allowance	240,997	174,747	25,000	440,744
Other assets	23,841	-	481,221	505,062
Total current assets	<u>\$ 1,210,018</u>	<u>\$ 13,379,005</u>	<u>\$ 6,903,962</u>	<u>\$ 21,492,985</u>
Noncurrent assets				
Investments:				
Investments, net of current portion	\$ 17,760,770	\$ -	\$ 10,437,204	\$ 28,197,974
Investments held in trust	-	-	65,999	65,999
Real estate and equipment held for investment, net of accumulated depreciation	5,214,669	-	-	5,214,669
Other long-term investments	-	-	1,193,933	1,193,933
Total investments	<u>\$ 22,975,439</u>	<u>-</u>	<u>11,697,136</u>	<u>\$ 34,672,575</u>
Long term pledges receivable/unconditional promises to give	\$ 491,578	\$ 308,560	\$ -	\$ 800,138
Notes receivable, net	300,525	-	-	300,525
Receivable from Primary Institution	-	-	520,962	520,962
Other noncurrent assets	147,658	-	137,456	285,114
Capital assets, net	-	1,833,055	11,020,530	12,853,585
Total noncurrent assets	<u>23,915,200</u>	<u>2,141,615</u>	<u>23,376,084</u>	<u>49,432,899</u>
Total assets	<u>\$ 25,125,218</u>	<u>\$ 15,520,620</u>	<u>\$ 30,280,046</u>	<u>\$ 70,925,884</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	\$ -	\$ 16,406	\$ 161,708	\$ 178,114
Payable to university	570,682	443,826	60,223	1,074,731
Accrued payroll and life income agreements	46,743	-	10,751	57,494
Deferred revenue	-	40,000	500,000	540,000
Other current liabilities	2,334	-	-	2,334
Long-term liabilities--current portion	155,233	57,596	202,221	415,050
Total current liabilities	<u>\$ 774,992</u>	<u>\$ 557,828</u>	<u>\$ 934,903</u>	<u>\$ 2,267,723</u>
Noncurrent liabilities				
Gift annuities and life income agreements, net of current portion	\$ 352,080	\$ -	\$ -	\$ 352,080
Long-term liabilities	2,454,908	1,720,670	6,588,530	10,764,108
Total noncurrent liabilities	<u>\$ 2,806,988</u>	<u>\$ 1,720,670</u>	<u>\$ 6,588,530</u>	<u>\$ 11,116,188</u>
Total liabilities	<u>\$ 3,581,980</u>	<u>\$ 2,278,498</u>	<u>\$ 7,523,433</u>	<u>\$ 13,383,911</u>
NET ASSETS				
Temporarily restricted	\$ 1,503,158	\$ 2,303,139	\$ 12,617,000	\$ 16,423,297
Permanently restricted	17,810,159	10,634,794	6,432,841	34,877,794
Unrestricted	2,229,921	304,189	3,706,772	6,240,882
Total net assets	<u>\$ 21,543,238</u>	<u>\$ 13,242,122</u>	<u>\$ 22,756,613</u>	<u>\$ 57,541,973</u>
Total liabilities and net assets	<u>\$ 25,125,218</u>	<u>\$ 15,520,620</u>	<u>\$ 30,280,046</u>	<u>\$ 70,925,884</u>

STATEMENT OF ACTIVITIES, Non-Major Component Units

FASB BASIS

	MiSU Development Foundation	NDSCS Foundation	WSC Foundation	Total
Support and revenue				
Gifts and contributions				
Contributions, grants and donations	\$ 1,386,487	\$ 1,416,342	\$ 1,179,186	\$ 3,982,015
Government grants and contracts	656,779	-	-	656,779
In-Kind contributions	213,555	-	-	213,555
Gifts and contributions	\$ 2,256,821	\$ 1,416,342	\$ 1,179,186	\$ 4,852,349
Investment income				
Dividends and interest	\$ 378,040	\$ 316,486	\$ 596,106	\$ 1,290,632
Investment income	-	-	39,743	39,743
Change in split interest agreements	(44,833)	-	-	(44,833)
Investment income	\$ 333,207	\$ 316,486	\$ 635,849	\$ 1,285,542
Net realized and unrealized gains (losses) on investment securities	\$ 146,665	\$ (29,796)	\$ (164,675)	\$ (47,806)
Program and event income	\$ -	\$ 33,487	\$ 6,799,247	\$ 6,832,734
Other income	\$ 764,808	\$ 1,358,615	\$ 6,160,797	\$ 8,284,220
Total support and revenue	\$ 3,501,501	\$ 3,095,134	\$ 14,610,404	\$ 21,207,039
EXPENSES				
Program Services	\$ -	\$ 2,438,363	\$ 3,574,922	\$ 6,013,285
Supporting services	\$ 2,026,161	\$ 426,903	\$ 8,677,239	\$ 11,130,303
Total expenses	\$ 2,026,161	\$ 2,865,266	\$ 12,252,161	\$ 17,143,588
Change in Net Assets	\$ 1,475,340	\$ 229,868	\$ 2,358,243	\$ 4,063,451
Net Assets, Beginning of Year, as restated	\$ 20,067,898	\$ 13,012,254	\$ 20,398,370	\$ 53,478,522
Net Assets, End of Year	\$ 21,543,238	\$ 13,242,122	\$ 22,756,613	\$ 57,541,973

SCHEDULE OF BONDS PAYABLE - Primary Institution

Issue	Original Balance	Interest Rate	Installments	Balance Outstanding
Bismarck State College				
2015 Housing & Auxiliary Facilities, due through 2030, collateralized by net revenues of housing & auxiliary system and College Fee, interest rate fixed.	\$ 3,005,000	2.0 - 3.0%	\$160,000 to \$275,000	\$ 3,005,000
2012 Housing & Auxiliary Facilities, due through 2033, collateralized by net revenues of housing & auxiliary system and College Fee, interest rate fixed.	<u>7,000,000</u>	2.0 - 4.0%	\$265,000 to \$475,000	<u>6,465,000</u>
Total BSC	<u>\$ 10,005,000</u>			<u>\$ 9,470,000</u>
Lake Region State College				
2004 Housing & Auxiliary Facilities Improvement Revenue Bonds due through the year 2017, collateralized by auxiliary services net revenues, facility usage fees and HUD interest subsidy, interest rate fixed.	<u>\$ 1,050,000</u>	3.0 - 5.125%	\$55,000 to \$100,000	<u>\$ 285,000</u>
Total LRSC	<u>\$ 1,050,000</u>			<u>\$ 285,000</u>
Mayville State University				
2013 Facilities Revenue Bonds, due through the year 2024, collateralized by the student fees, sales tax and earnings, interest rate fixed.	\$ 1,850,000	2.0-3.25%	\$181,516 to \$213,413	\$ 1,695,000
2010 Facilities Revenue Bonds, due through the year 2030, collateralized by the Housing and Facilities revenue, student fees, federal interest subsidy related to the bond interest payments and earnings on funds created under the indenture.	<u>3,665,000</u>	1.55-6.63%	\$173,923 to \$265,602	<u>2,980,000</u>
Total MaSU	<u>\$ 5,515,000</u>			<u>\$ 4,675,000</u>
Minot State University				
2006 Student Services Facilities Revenue Bonds due through 2030, collateralized by net revenues from auxiliary housing, interest rate fixed.	\$ 5,000,000	4.0-5.25%	\$125,000 to \$290,000	\$ 3,860,000
2015 Student Services Facilities Revenue Bonds refunding due through 2030, collateralized by net revenues from auxiliary housing.	3,305,000	2.0-4.0%	\$195,000 to \$290,000	3,305,000
2010 Wellness Fund, due August 1, 2040, collateralized by student fees and net revenues from the Wellness Center, housing and the student union.	10,000,000	2.0-6.6%	\$135,000 to \$1,415,000	9,440,000
Total MiSU	<u>\$ 18,305,000</u>			<u>\$ 16,605,000</u>
North Dakota State College of Science				
2012 Housing Facilities Revenue Bonds, due through 2037, fixed rate collateralized by net housing and auxiliary facilities pledged revenues.	<u>\$ 9,000,000</u>	3.76%	\$265,000 to \$545,000	<u>\$ 8,465,000</u>
Total NDSCS	<u>\$ 9,000,000</u>			<u>\$ 8,465,000</u>
North Dakota State University				
2007B Research & Tech Park Refunding callable Revenue Bonds Maturity April 1, 2032, collateralized by lease revenue, fixed rate.	\$ 18,100,000	4.0-6.5%	\$805,000 to \$1,330,000	\$ 15,850,000
2007A Research & Tech Park Refunding callable Revenue Bonds Maturity April 1, 2022, collateralized by lease revenue, fixed rate	4,735,000	4.0 - 4.125%	\$220,000 to \$510,000	3,110,000
2007 Housing & Auxiliaries Facilities Revenue Bonds, fixed rate Maturity 2037, collateralized by Auxiliary revenue.	12,000,000	4.5-5.0%	\$735,237 to \$791,897	10,450,000
2009 Housing & Auxiliaries Facilities Revenue Bonds, Maturity July 29, 2039, collateralized by Auxiliary revenue.	26,245,000	1.5-4.8%	\$1,715,000	23,680,000
2012A Housing & Auxiliaries Facilities Revenue Bonds, Maturity April 1, 2027, collateralized by housing and auxiliary revenue.	5,730,000	2.0-3.0%	\$455,956 to \$465,450	4,735,000

SCHEDULE OF BONDS PAYABLE - Primary Institution (continued)

Issue	Original Balance	Interest Rate	Installments	Balance Outstanding
2014A Housing & Auxiliary Facilities Revenue Refunding Bonds Maturity April 1, 2034, collateralized by net revenues of housing and auxiliary services, interest rate fixed.	\$ 8,340,000	2.0-4.0%	\$575,237 to \$581,250	\$ 8,050,000
2015A Housing & Auxiliary Facilities Refunding Bonds Maturity April 1, 2035, collateralized by net revenues of housing and auxiliary services, interest rate fixed	21,195,000	3.0 - 5.0%	\$536,900 to \$2,351,200	21,195,000
2015B Housing & Auxiliary Facilities Bonds, Maturity April 1, 2035, collateralized by net revenues of housing and auxiliary services, interest rate fixed	9,355,000	2.0 - 5.0%	\$524,659 to \$683,806	9,355,000
Total NDSU	<u>\$ 105,700,000</u>			<u>\$ 96,425,000</u>
University of North Dakota				
2006 Housing & Auxiliary Facilities Revenue Bonds due through 2036, collateralized by net housing and auxiliary facilities system, debt service grants, & bond indenture earnings, fixed rate.	\$ 40,050,000	3.5-5.0%	\$85,000 to \$2,875,000	\$ 38,190,000
2009 Aerospace Hanger Revenue Bonds due through 2029, collateralized by revenue from flight operations and proceeds from any casualty insurance payments.	1,500,000	4.25%	\$73,016 to \$133,054	1,071,000
2012 Housing & Auxiliaries Facilities Revenue Bonds, Maturity April 1, 2027, collateralized by housing and auxiliary revenue.	17,360,000	2-5%	\$220,000 to \$1,115,000	16,410,000
2012 EERC Revenue Bonds, maturity June 1, 2027, variable interest rate	6,405,000	0.75-4.2%	\$325,000 to \$540,000	5,335,000
2013 Housing & Auxiliaries Facilities Revenue Bonds Maturity April 1, 2034 collateralized by net housing & auxiliary facilities system revenue	8,130,000	2.0%-4.1%	\$300,000 to \$560,000	7,830,000
2014 Housing & Auxiliaries Facilities Revenue Bonds Maturity April 1, 2044 collateralized by net housing & auxiliary facilities system revenue	27,305,000	3.0%-4.0%	\$475,000 to \$1,465,000	26,830,000
Total UND	<u>\$ 100,750,000</u>			<u>\$ 95,666,000</u>
Valley City State University				
2010 Housing & Auxiliary Facilities Revenue Bonds for the renovation of Snoeyenbos Hall Revenue Bonds due through 2040, collateralized by net housing and auxiliary facilities system, interest is variable and ranges from 2.8% to 7.05%	\$ 3,430,000	2.8% - 7.05%	\$25,000 to \$380,000	\$ 3,315,000
2013 Housing & Auxiliary Facilities Revenue Bonds due through 2033, collateralized by net housing and auxiliary facilities system, interest rate fixed.	2,565,000	3% - 4%	\$40,000 to \$185,000	2,475,000
Total VCSU	<u>\$ 5,995,000</u>			<u>\$ 5,790,000</u>
Williston State College				
2010 Housing and Auxiliary Services, matures 2041	\$ 9,375,000	6.9%	\$200,000 to \$505,000	\$ 8,550,000
Total WSC	<u>\$ 9,375,000</u>			<u>\$ 8,550,000</u>
Total Bonds Payable	<u>\$ 265,695,000</u>			<u>\$ 245,931,000</u>

Deficit Net Position Balances > \$100,000 (Unaudited)

As of June 30, 2015, the institutions listed below had the following reportable net position balance deficits greater than \$100,000.

<u>Institution</u>	<u>Fund</u>	<u>Description</u>	<u>Deficit Balance</u>
Dakota College of Bottineau	45402	Adult Farm Management Program	\$ 125,618
	45403	CTS Traditional Careers-Photography	102,501
			<u>\$ 228,119</u>
Mayville State University	10000	Food Services	\$ 169,910
			<u>\$ 169,910</u>
Minot State University	10232	University Heights Housing	\$ 595,862
	22243	Herb Parker Stadium Scoreboard Advertising-Stadium	552,608
	22245	Herb Parker Stadium Scoreboard Dome	425,323
	24513	Geothermal Remediation	109,498
	28100	Press Box Project	1,000,000
		Total MiSU	<u>\$ 2,683,291</u>
North Dakota State University	28100	Minard Building Collapse	\$ 1,625,343
		Total NDSU	<u>\$ 1,625,343</u>
University of North Dakota	22364	EERC Cost of Litigation	\$ 915,150
	22064/22066	EERC Sick Leave and Other	369,475
	21546/22024	EERC Fiscal Year End Carryover	2,158,503
		Total UND	<u>\$ 3,443,128</u>
Williston State College	17210	Athletics	\$ 237,338
	28001	Dorm Building Local Capital Project	168,060
		Total WSC	<u>\$ 405,398</u>
Total University System			<u><u>\$ 8,555,189</u></u>

DEFICIT NET POSITION BALANCES > \$100,000 (UNAUDITED) - continued

DAKOTA COLLEGE OF BOTTINEAU

The deficits are primarily due to timing differences of reimbursements from CTE grants and Distance Education Fund.

MAYVILLE STATE UNIVERSITY

The deficit is the result of lower housing occupancy which correlates with reduced revenue for food services. The reduced revenue was compounded by an increase in food costs and bad debt expense.

MINOT STATE UNIVERSITY

Fund 10232 - The deficit in the University Heights Housing fund represents the recording of a payable to a local fund for the payment of debt. The payable is offset by a corresponding receivable in the local fund. As revenue is collected, the cash will be transferred to the local fund to repay the debt.

Funds 22243 and 22245 - Funds from advertising contracts will be used to offset the purchase cost and installation of the scoreboard. Annual advertising revenue will continually reduce the fund net position deficit each year until fiscal year 2020 when it is expected to reach a positive balance.

Fund 24513 – This fund is used to record expenses associated with the investigation and eventual repair of system leaks of the geothermal heating and cooling system. These expenses will be billed to the contractor responsible for repairs of the system.

Fund 28100 – MiSU will receive the final payment of \$1 million of Community Development funds in January 2016, per the joint powers agreement, approved by the SBHE in FY2013.

NORTH DAKOTA STATE UNIVERSITY

Fund 28100 - Authorization was increased from \$22,874,300 to \$23,474,300 pursuant to Section 27 of HB1003 in the 64th Regular Legislative Assembly Session. The costs include collapse related change orders, department relocation, forensic and legal costs. November 2011-SBHE authorized NDSU to carry a deficit fund balance and authorized NDSU to take any necessary action, including litigation, to seek recovery of damages, expenses, and costs resulting from the collapse, with any recovery being used to offset the ongoing costs of Minard Hall or, if the project is complete at the time of recovery, to reimburse the State of ND for the costs of the project to the extent that recovery dollars are available, following consultation with the Chancellor. In September 2013, the SBHE authorized NDSU to carry a deficit fund balance as a temporary funding source until a state general fund deficiency appropriation is authorized during the 2015 or later legislative session. All settlement payments have been made, and the litigations have been dismissed. The 6/30/15 fund deficit balance represents the expenditures in excess of the final settlements, excluding final attorney's fees. The final attorney fees were received during the first half of FY2016. The final deficit balance after these attorney fees is \$1,634,854.

UNIVERSITY OF NORTH DAKOTA

Fund 22364 – EERC Legal Costs had an original balance of \$1.846 million at June 30, 2008. This balance represented the aggregate of costs incurred relative to ongoing litigation. The

SBHE Budget and Finance Committee approved a plan in October 2014 to reduce the deficit over a ten year period.

Fund 22064/22206 – This amount is recouped through the vacation and sick leave rate that is approved by the U.S. Department of Health and Human Services. The plan approved by the SBHE Budget and Finance Committee includes deficit elimination by FY2017.

Fund 21546/22024 – The plan approved by the SBHE Budget and Finance Committee requires the retirement of the debt over a period not to exceed ten years or by no later than June 30, 2025. Key elements of the plan are to increase awards and reducing F&A expenditures and other costs.

WILLISTON STATE COLLEGE

Fund 17210 – The deficit resulted from higher expenses in FY2015 related to travel and recruiting and hiring new head coaches and an athletic director. Operating budgets for individual sports have been reduced going forward. The deficit is expected to be reduced by June 30, 2019.

Fund 28001 – The deficit is expected to be eliminated by June 30, 2019 through future oil lease or production income

Financial Information for Revenue Producing Buildings (Unaudited)
(as Required by ND Century Code 15-55-20)

	Bismarck State College	Dakota State College	Dickinson State University	Lake Region State College	Mayville State University	Minot State University
Operating Revenues	\$ 4,136,241	\$ -	\$ -	\$ 1,639,668	\$ 2,399,377	\$ 462,225
Operating Expenses	4,385,056	-	-	1,438,815	2,039,123	581,443
Net Operating Revenues	<u>\$ (248,815)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,853</u>	<u>\$ 360,254</u>	<u>\$ (119,218)</u>
Pledged Fees	\$ 568,240	\$ -	\$ -	\$ 95,695	\$ 83,051	\$ 943,638
Non Operating Revenue	401,700	-	-	235,887	132,510	100,188
Investment Income	6,246	-	-	3,836	-	3,944
Debt Service Grants	-	-	-	-	59,446	192,367
Net Revenue available for Debt Retirement	<u>\$ 727,371</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 536,271</u>	<u>\$ 635,261</u>	<u>\$ 1,120,919</u>
Current year Debt Service Principal	\$ 270,000	\$ -	\$ -	\$ 85,000	\$ 150,000	\$ 310,000
Interest	<u>225,374</u>	<u>-</u>	<u>-</u>	<u>16,542</u>	<u>178,938</u>	<u>633,638</u>
Total Debt Service	<u>\$ 495,374</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,542</u>	<u>\$ 328,938</u>	<u>\$ 943,638</u>

Financial Information for Revenue Producing Buildings (Unaudited) - Continued
(as Required by ND Century Code 15-55-20)

	<u>North Dakota State College of Science</u>	<u>North Dakota State University</u>	<u>University of North Dakota</u>	<u>Valley City State University</u>	<u>Williston State College</u>	<u>Total</u>
Operating Revenues	\$ 5,969,516	\$ 43,286,454	\$ 34,915,826	\$ 2,897,448	\$ 880,153	\$ 96,586,908
Operating Expenses	5,422,452	35,985,422	32,651,549	2,916,411	344,232	85,764,503
Net Operating Revenues	<u>\$ 547,064</u>	<u>\$ 7,301,032</u>	<u>\$ 2,264,277</u>	<u>\$ (18,963)</u>	<u>\$ 535,921</u>	<u>\$ 10,822,405</u>
Pledged Fees	\$ 375,039	\$ 5,674,290	\$ 3,728,318	\$ 118,362	\$ 90,000	\$ 11,676,633
Non Operating Revenue	-	3,203,316	3,550,110	554,593	-	8,178,304
Investment Income	1,502	14,291	72,141	4	1,066	103,029
Debt Service Grants	-	-	-	92,600	236,018	580,431
Net Revenue available for Debt Retirement	<u>\$ 923,605</u>	<u>\$ 16,192,929</u>	<u>\$ 9,614,845</u>	<u>\$ 746,596</u>	<u>\$ 863,005</u>	<u>\$ 31,360,801</u>
Current year Debt Service Principal	\$ 275,000	\$ 5,343,295	\$ 2,595,000	\$ 135,000	\$ 251,000	\$ 9,414,295
Interest	<u>302,732</u>	<u>3,239,879</u>	<u>3,712,999</u>	<u>310,725</u>	<u>567,172</u>	<u>9,187,999</u>
Total Debt Service	<u>\$ 577,732</u>	<u>\$ 8,583,174</u>	<u>\$ 6,307,999</u>	<u>\$ 445,725</u>	<u>\$ 818,172</u>	<u>\$ 18,602,294</u>