

ANNUAL FINANCIAL REPORT

June 30, 2017



NORTH DAKOTA UNIVERSITY SYSTEM

ANNUAL FINANCIAL REPORT

Fiscal Year Ended
JUNE 30, 2017

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
FARGO BRANCH OFFICE
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FARGO, NORTH DAKOTA 58103

INDEPENDENT AUDITOR'S REPORT

Members of the Legislative Assembly

The State Board of Higher Education

Report on the Financial Statements

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, 2017, and the related notes to the financial statements, which collectively comprise the North Dakota University System's 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, 2017, 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, 2017, 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, 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, 2017, 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, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 financial statements. The combining statements and the Schedule of Bonds Payable – Primary Institution, as listed in the table of contents, are presented for the purposes of additional analysis and are not required parts of the financial statements.

The combining statements and Schedule of Bonds Payable – Primary Institution, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

The Financial Information for Revenue Producing Buildings, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the 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 November 30, 2017 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 solely 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 the effectiveness of the State of North Dakota's 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.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota

November 30, 2017

NORTH DAKOTA UNIVERSITY SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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, 2017. It focuses on the current year's activities, resulting changes and currently known facts to assist readers in understanding the accompanying financial statements.

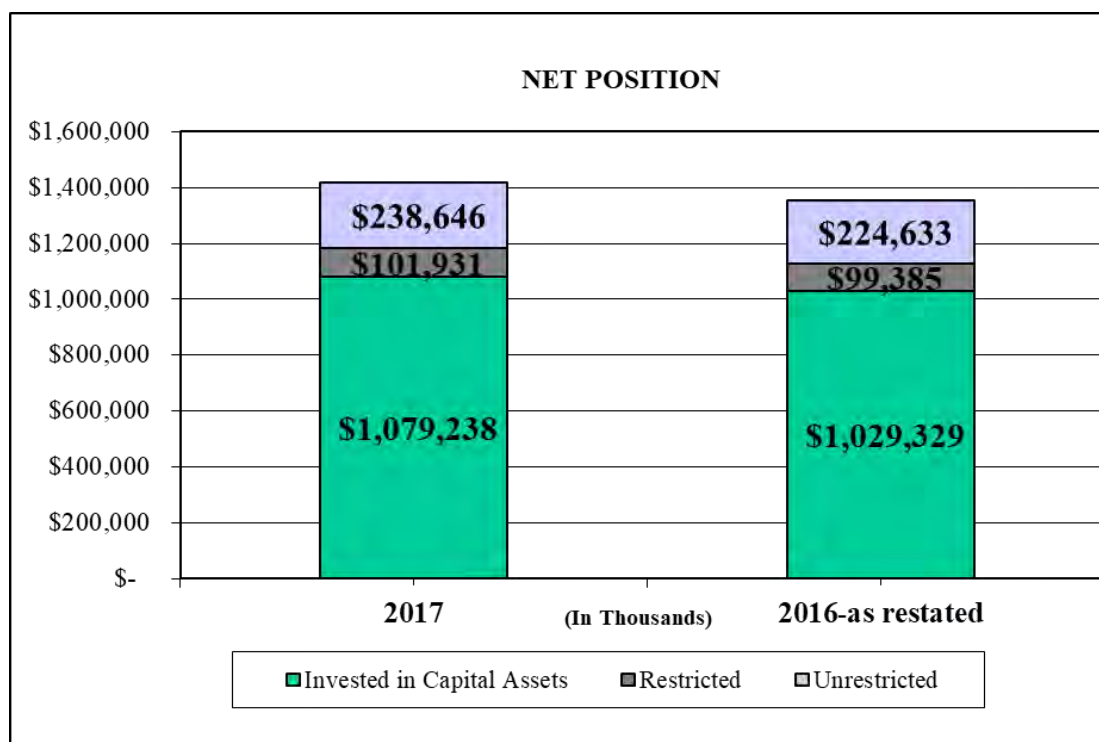
This discussion provides an overview of the financial position of the System for the year ended June 30, 2017 and should be read in conjunction with the accompanying financial statements and notes to the financial statements. The financial statements, notes, and this discussion and analysis are the responsibility 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 total assets and deferred outflows of resources of \$1.969 billion and total liabilities and deferred inflows were \$549 million, resulting in a net position total of \$1.420 billion (an increase of \$66.5 million over the previous fiscal year).

The following graph illustrates the net position breakdown for fiscal years ending June 30, 2017 and 2016, as restated:



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.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

The following table shows the Condensed Statement of Net Position at June 30, 2017 and 2016:

	June 30 (in Thousands)		Dollar Change	Percent Change
	2017	2016-restated		
Current assets	\$ 424,008	\$ 392,276	\$ 31,732	8%
Capital assets, net	1,368,293	1,323,697	44,596	3%
Other noncurrent assets	140,152	148,557	(8,405)	-6%
Total assets	<u>\$ 1,932,453</u>	<u>\$ 1,864,530</u>	<u>\$ 67,923</u>	<u>4%</u>
Deferred Outflows of Resources	<u>\$ 36,101</u>	<u>\$ 17,151</u>	<u>\$ 18,950</u>	<u>110%</u>
Current liabilities	\$ 128,440	\$ 126,496	\$ 1,944	2%
Noncurrent liabilities	408,354	391,912	16,442	4%
Total liabilities	<u>\$ 536,794</u>	<u>\$ 518,408</u>	<u>\$ 18,386</u>	<u>4%</u>
Deferred Inflows of Resources	<u>\$ 11,945</u>	<u>\$ 9,926</u>	<u>\$ 2,019</u>	<u>20%</u>
Invested in capital assets	\$ 1,079,238	\$ 1,029,329	\$ 49,909	5%
Restricted	101,931	99,385	2,547	3%
Unrestricted	238,646	224,632	14,014	6%
Total Net Position	<u>\$ 1,419,815</u>	<u>\$ 1,353,345</u>	<u>\$ 66,469</u>	<u>5%</u>

The increase in total assets of \$67.9 million is due to an increase in current assets and net capital assets, offset by a decrease in other noncurrent assets. Additional explanation regarding the increase in capital assets, net is located in a later section of this MD&A.

The increase in current assets is primarily due an increase in cash at NDSCS of \$5.8 million and an increase in current investments at UND of \$35.0 million, partially offset by a decrease in cash at UND of \$10 million. Cash and investment balances can fluctuate during the year depending on the timing of operational needs and the accounts payable cycle.

Noncurrent assets decreased mainly as a result of a decrease in long-term investments of \$11.4 million. NDSU's non-current investments decreased \$5.8 million due to the \$3.6 million reduction in bond trustee restricted investments. UND's non-current investments decreased \$5.0 million primarily as a result of converting long-term investments to current investments.

Deferred outflows of resources increased \$18.9 million due to a change in actuarial assumptions used to calculate the pension liability at all NDUS institutions.

Total liabilities increased \$18.4 million during fiscal year 2017 to a total of \$536.8 million. The increase in long-term liabilities is discussed in a later section of this MD&A.

The increase in the deferred inflow of resources is related to a change in actuarial assumptions used to calculate the pension liability at all NDUS institutions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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, 2017 and 2016

	June 30 (in Thousands)		Dollar Change	Percent Change
	2017	2016-restated		
Operating revenues	\$ 702,983	\$ 695,275	\$ 7,709	1%
Operating expenses	1,186,437	1,191,144	(4,707)	0%
Operating loss	\$ (483,454)	\$ (495,870)	\$ 12,416	-3%
Nonoperating revenues, net of expenses	471,324	483,100	(11,776)	-2%
Income before capital grants, gifts, and transfers	\$ (12,130)	\$ (12,769)	640	-5%
Capital appropriations, grants and gifts	78,599	129,055	(50,456)	-39%
Increase in net position	\$ 66,469	\$ 116,286	\$ (49,816)	-43%

Operating revenues and expenses fluctuations are discussed in later sections of this MDA analysis.

Revenues

The following table shows revenues by source for the fiscal years ended June 30, 2017 and 2016:

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

	June 30 (in Thousands)		Dollar Change	Percent Change
	2017	2016 - restated		
Operating revenues				
Student tuition and fees	\$ 327,658	\$ 315,747	\$ 11,911	4%
Grants and contracts	161,377	162,678	(1,301)	-1%
Sales and services of education departments	103,010	105,290	(2,280)	-2%
Auxiliary enterprises	109,079	109,650	(571)	-1%
Other	1,860	1,910	(50)	-3%
Total operating revenues	\$ 702,983	\$ 695,275	\$ 7,709	1%
Nonoperating revenues, capital gifts and grants				
State appropriations	\$ 396,860	\$ 423,223	\$ (26,363)	-6%
Federal appropriations	7,302	6,488	813	13%
Federal grants and contracts	35,801	36,260	(459)	-1%
Local Appropriations	984	1,012	(28)	-3%
Gifts	37,026	31,613	5,413	17%
Endowment and investment income	8,860	4,739	4,121	87%
Insurance proceeds	2,767	495	2,272	459%
Tax revenues	5,131	4,675	456	10%
Gain on sale of capital assets	(3,247)	1,187	(4,433)	-374%
Other nonoperating, net	1,585	6,456	(4,871)	-75%
State appropriations-capital assets	46,573	99,446	(52,873)	-53%
Capital grants & gifts	32,026	29,609	2,417	8%
Total nonoperating revenues, capital gifts and grants	\$ 571,668	\$ 645,203	\$ (73,534)	-11%
Total Revenues	\$ 1,274,652	\$ 1,340,479	\$ (65,826)	-5%

Tuition and fee revenues increased 4 percent from fiscal year 2016. The increase is attributed to an increase in tuition rates while enrollment remained relatively stable from fiscal year 2016.

The North Dakota State Legislature determines state appropriations, excluding capital assets. These revenues decreased six percent over fiscal year 2016 primarily due to lower prices of agricultural commodities and oil, resulting in a reduction of tax revenues.

Gift revenue increased 17 percent from fiscal year 2016 as a result of:

- MiSU received \$682,000 in gift revenue for a seasonal air-supported multisport dome that will provide year-round access to an artificial turf field.
- NDSU's gift revenue increase of \$1.7 million occurred across most of the university departments. The increase is partially attributed to the Challenge Grant endowment income.
- UND experienced an increase in gift revenue of \$1.8 million due to an increase in scholarships and strategic initiatives from the UND Alumni Association and Foundation.

The North Dakota State Legislature also determines state appropriations-capital assets.

Capital appropriations, grants and gifts decreased, as a result of the following:

- In fiscal year 2015, UND received capital appropriations of \$68.5 million, mainly for the construction of the new School of Medicine and Health Sciences and the renovation and addition to the School of Law.

MANAGEMENT'S DISCUSSION AND ANALYSIS

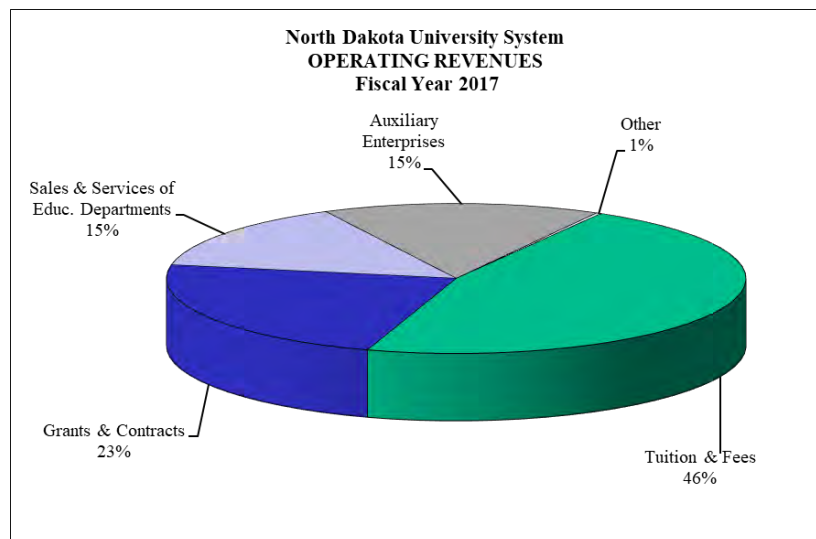
JUNE 30, 2017

These projects were completed during fiscal year 2016, resulting in a decrease of \$35.2 million from fiscal year 2016.

- The NDSU STEM Building was completed during fiscal year 2016 resulting in a decrease in state appropriations-capital assets of \$21.7 million.

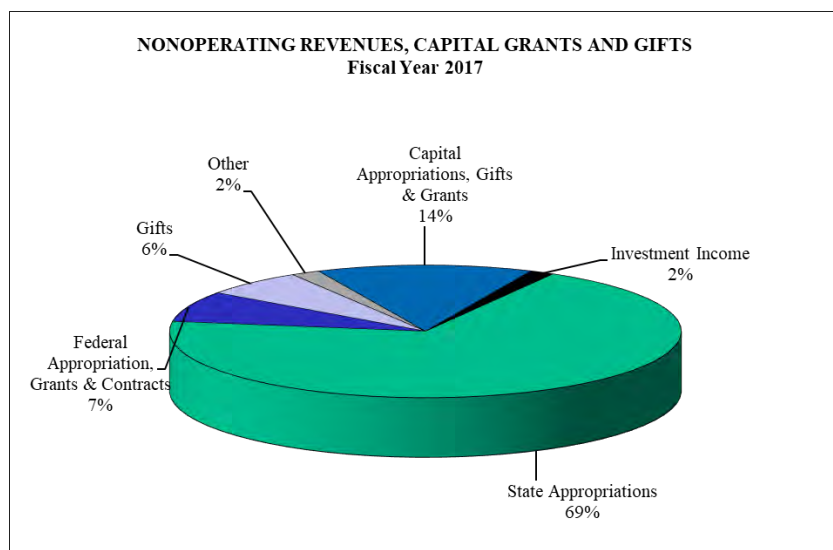
Additional information on capital assets and construction in process are included in a later section of this MD&A.

The following graph depicts sources of operating revenues for fiscal year 2017:



There were no significant fluctuations compared to fiscal year 2016.

The following chart depicts sources of nonoperating revenues, capital grants and gifts for fiscal year 2017:



Capital appropriations, gifts and grants decreased to 14 percent compared to 20 percent in fiscal year 2016. The decrease was addressed in the Revenue section of the MD&A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Expenses

The following table shows expenses by natural classification for the fiscal years ended June 30, 2017 and 2016:

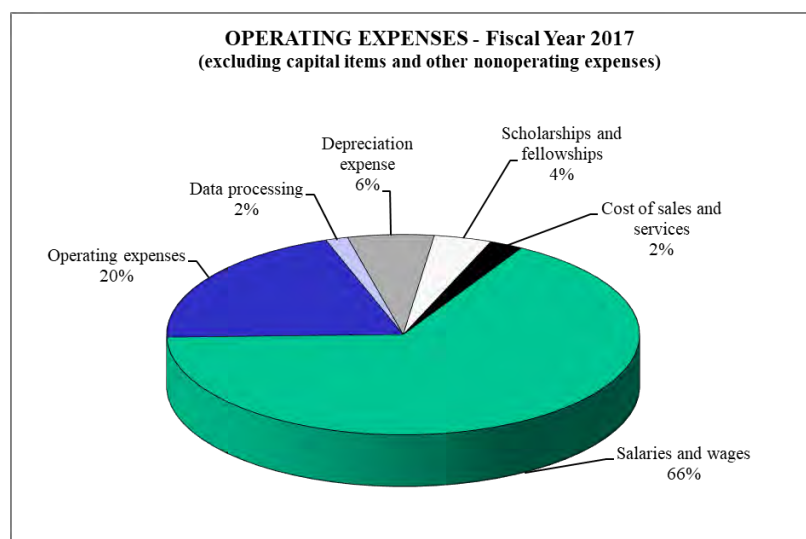
	June 30 (in Thousands)		Dollar Change	Percent Change
	2017	2016 - restated		
Operating expenses				
Salaries and wages	\$ 785,955	\$ 785,253	\$ 703	0%
Operating expenses	238,783	258,515	(19,732)	-8%
Data processing	18,042	19,502	(1,460)	-7%
Depreciation expense	69,778	68,661	1,117	2%
Scholarships and fellowships	46,756	33,561	13,195	39%
Cost of sales and services	27,123	25,653	1,469	6%
Total operating expenses	\$ 1,186,437	\$ 1,191,144	\$ (4,707)	0%
Nonoperating expenses				
Interest on capital asset related debt	\$ 11,369	\$ 11,971	\$ (602)	-5%
General and special grant expenditures	7,971	16,391	(8,420)	-51%
Transfers to Industrial Commission	2,406	4,686	(2,279)	-49%
Total nonoperating expenses	\$ 21,746	\$ 33,048	\$ (11,302)	-34%
Total expenses	\$ 1,208,183	\$ 1,224,192	\$ (16,009)	-1%

Operating expenses decreased due to system-wide budget reductions implemented as a result of reduced state appropriations and grants and contracts revenues.

The increase in scholarship and fellowships expenses is mainly attributed to:

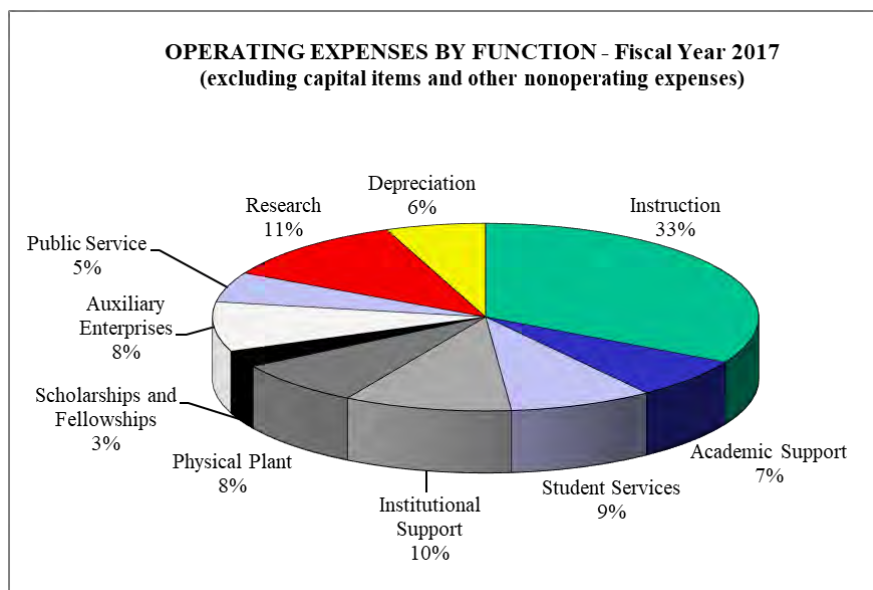
- A change in the system-wide methodology used to calculate the scholarship allowance in order to more accurately reflect pass-through scholarships in the allowance.
- An increase in scholarships at UND in nursing scholarships, UND Alumni Association and Foundation funded scholarships and athletic scholarships.

The following chart depicts the uses of operating funds according to natural classification for fiscal year 2017:



The allocation of operating expenses among the natural classification categories has not changed significantly from fiscal year 2016.

The following chart illustrates operating expenses by function for fiscal year 2017:



The allocation of expenses to functional areas has not changed significantly from prior year. Instructional expenses, at 33 percent, continue to represent the largest expenditure category. The instructional function includes all expenses related to instruction (e.g. classroom, distance education 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.

State appropriations are the primary source of cash flows from noncapital financing activities. Accounting standards require reporting 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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, 2017 and 2016 is shown below:

	June 30 (in Thousands)	
	2017	2016
Cash flows from operating activities	\$ (403,970)	\$ (409,599)
Cash flows from noncapital financing activities	466,537	482,431
Cash flows from capital and related financing activities	(39,893)	(70,795)
Cash flows from investing activities	(19,344)	20,528
Increase in cash and cash equivalents during the year	<u>\$ 3,330</u>	<u>\$ 22,565</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 2017 was \$391.0 million. If this amount is added to the cash flows from operating activities, the result is a cash out flow of \$13.0 million.

CAPITAL ASSET AND LONG-TERM LIABILITIES HIGHLIGHTS

CAPITAL ASSETS

On June 30, 2017, the System had \$1.4 billion invested in net capital assets, which represents a net increase of \$44.6 million or 3 percent during the fiscal year.

	June 30 (in thousands)	
	2017	2016
Land	\$ 19,675	\$ 19,248
Land improvements/infrastructure	211,775	207,107
Buildings	1,597,758	1,473,625
Furniture, fixtures, and equipment	334,652	323,222
Library materials	89,928	100,881
Construction in progress	60,515	100,815
Capitalized software	24,843	24,722
Other intangibles	2,136	2,136
Total	<u>\$ 2,341,281</u>	<u>\$ 2,251,756</u>
Total accumulated depreciation and amortization	<u>(972,988)</u>	<u>(928,058)</u>
Capital assets, net	<u>\$ 1,368,293</u>	<u>\$ 1,323,698</u>

Total additions to depreciable capital assets in fiscal year 2017 were \$70.8 million. Construction in progress for other projects underway totaled \$59.1 million at June 30, 2017. Some of the major projects and their estimated total project costs over the life of the project include:

NDSCS

- Water and Sewer Replacement - \$13.3 million

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

NDSU

- Churchill Hall - \$11.0 million
- Veterinary Diagnostic Lab - \$18.0 million
- University village – Phase 1 - \$10.0 million
- New Residence Hall - \$39.5 million

UND

- O'Kelly Hall Renovation - \$5.0 million

VCSU

- Heating Plant - \$13.5 million

WSC

- Workforce Training Center - \$7.5 million

Outstanding commitments for these and other capital projects as of June 30, 2016 totaled \$64.9 million. More detailed information about the System's capital assets is presented in Note 5 and Note 15 to the financial statements.

LONG-TERM LIABILITIES

	June 30 (in thousands)	
	2017	2016
Bonds Payable	\$ 229,961	\$ 239,209
Notes Payable	19,246	20,244
Capital Leases	41,425	38,533
Special Assessments	5,209	4,409
Compensated Absences	31,356	31,995
Total Debt	<u>\$ 327,197</u>	<u>\$ 334,390</u>

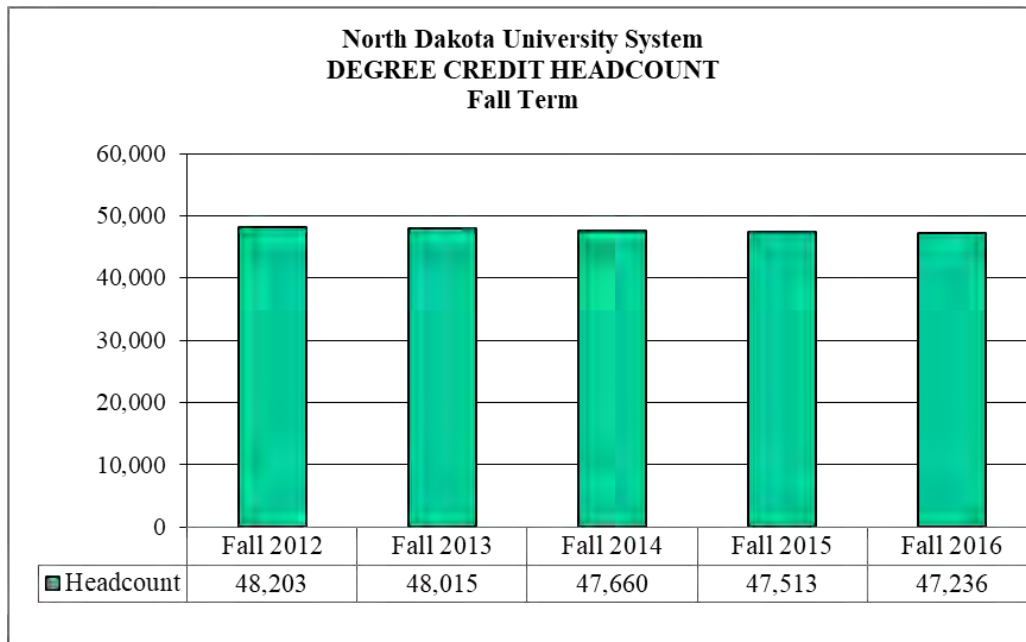
Long-term liabilities added in fiscal year 2017 totaled approximately \$40.3 million, including revenue bonds payments totaling \$29.5 million for new construction and renovation projects, \$9.4 million in new capital leases for capital assets, \$1.2 million in new special assessments for campus improvements and \$186,000 in compensated absences liability. Total debt retired in fiscal year 2017 was \$47.5 million, consisting primarily of bond payments of \$38.8 million, notes payable payments of \$999,000, capital lease payments of \$6.5 million and compensated absences of \$824,000. At June 30, 2017, \$16.9 million of revenue are pledged as security for outstanding revenue bonds.

A decrease in long-term liabilities at NDSU and UND contributed to most of the decrease. NDSU decreased bonds payable by \$33.0 million and capital lease payable by \$3.2 million while adding \$29.2 million in bonds payable and \$1.2 million in capital leases. UND's bond payable decreased of \$3.6 million.

OTHER HIGHLIGHTS

STUDENT ENROLLMENTS

As illustrated in the chart below, Annual Degree Credit Headcount enrollment for fall 2016 remained stable compared to fall 2015.



Source: 2016 Fall Enrollment Report: Table 6-Degree Credit Headcount Enrollment by Instructional Mode

Additional detailed enrollment data is contained in the 2016 Fall Enrollment Report at <http://www.ndus.edu/information/>.

STATE FUNDING

The 2015 Legislative Assembly approved a state general fund appropriation for all entities of the North Dakota University System (including major capital projects) of \$1.0 billion for the 2015-17 biennium. This was an increase of \$229.6 million above the 2013-15 adjusted appropriation. Of the total increases, \$68.3 million was included for base funding; \$59.9 million for one-time items and the remaining \$101.4 million one-time funding was for major capital projects. During the 2016 Special Legislative Session, the 2015-17 general fund appropriation for all NDUS entities was reduced by \$66.3 million.

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, 2017

STATEMENT OF NET POSITION

	Primary Institutions
ASSETS	
Current assets	
Cash and cash equivalents	\$ 184,998,611
Investments	139,389,002
Accounts receivable, net	21,415,129
Due from component units - investments held on behalf of the institutions	348,515
Due from component units	4,104,097
Due from State general fund	20,264,974
Grants and contracts receivables, net	35,207,492
Inventories	8,072,352
Notes receivable, net	7,355,920
Other assets	2,852,235
Total current assets	<u>\$ 424,008,327</u>
Noncurrent assets	
Restricted cash and cash equivalents	\$ 2,748,509
Restricted investments	5,562,584
Endowment investments	599,187
Notes receivable, net	26,428,306
Other long-term investments	76,642,412
Due from component units - investments held on behalf of the institutions	27,684,831
Other noncurrent assets	485,343
Capital assets, net	1,368,293,372
Total noncurrent assets	<u>\$ 1,508,444,544</u>
Total assets	<u>\$ 1,932,452,871</u>
Deferred outflows of resources	
Deferred outflows of resources	\$ 36,100,610
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	\$ 33,466,730
Due to component units	3,508,764
Accrued payroll	44,596,046
Unearned revenue	20,615,335
Deposits	5,928,657
Long-term liabilities - current portion	
Due to component units	5,317,148
Due to others	15,007,318
Total current liabilities	<u>\$ 128,439,998</u>
Noncurrent liabilities	
Pension liability	\$ 100,749,199
Other noncurrent liabilities	732,299
Long-term liabilities	
Due to component units	37,105,396
Due to others	269,766,754
Total noncurrent liabilities	<u>\$ 408,353,648</u>
Total liabilities	<u>\$ 536,793,646</u>
Deferred inflows of resources	
Deferred inflows of resources	\$ 11,944,888
NET POSITION	
Net investment in capital assets	\$ 1,079,237,896
Restricted for:	
Nonexpendable:	
Scholarships and fellowships	18,408,756
Expendable:	
Scholarships and fellowships	4,786,698
Research	6,226,898
Institutional	16,019,822
Loans	47,064,087
Capital projects	550,406
Debt service	8,347,099
Other	527,707
Unrestricted	238,645,577
Total net position	<u><u>\$ 1,419,814,946</u></u>

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2017

STATEMENT OF FINANCIAL POSITION

FASB Basis	Component Units
ASSETS	
Current assets	
Cash and cash equivalents	\$ 46,029,242
Investments	31,399,002
Accounts receivable, net	6,640,385
Receivable from Primary Institution	5,522,877
Unconditional promises to give, net of allowance	15,475,995
Inventories	1,095,397
Other assets	1,445,401
Total current assets	<u>\$ 107,608,299</u>
Noncurrent assets	
Restricted cash and cash equivalents	\$ 3,620,285
Contributions receivable	746,639
Investments	
Investments, net of current portion	460,490,826
Investments, restricted	5,047,319
Investments held in trust	36,584,639
Beneficial interest in trust	16,701,821
Charitable gift annuity investments	6,350,911
Charitable remainder trust account investments	18,516,368
Real estate and equipment held for investment, net of accumulated depreciation	20,763,375
Other long-term investments	8,858,777
Total investments	<u>\$ 573,314,036</u>
Contracts for deed and notes receivable, net of current portions	\$ 900,289
Long term pledges receivable/ unconditional promises to give	46,358,061
Other receivables	51,870
Due from Primary Institution-Capital Leases	35,890,603
Notes receivable, net	6,490,000
Other noncurrent assets	1,609,031
Capital assets, net	177,291,652
Total noncurrent assets	<u>\$ 846,272,466</u>
Total assets	<u>\$ 953,880,765</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	\$ 3,776,604
Payable to Institutions	4,127,625
Accrued payroll	939,744
Current portion of gift annuities and life income agreements	3,049,414
Deferred revenue	8,955,383
Other current liabilities	634,241
Long-term liabilities--current portion	11,591,721
Total current liabilities	<u>\$ 33,074,732</u>
Noncurrent liabilities	
Deposits	\$ 3,222,062
Investments held on behalf of Institutions	26,817,196
Gift annuities and life income agreements, net of current portion	20,710,442
Obligations under split-interest agreement	6,455,668
Other noncurrent liabilities	294,409
Long-term liabilities	81,586,783
Total noncurrent liabilities	<u>\$ 139,086,560</u>
Total liabilities	<u>\$ 172,161,292</u>
NET ASSETS	
Temporarily restricted	\$ 97,687,813
Permanently restricted	455,862,987
Net investment in property and equipment	62,994,811
Unrestricted	165,173,862
Total net assets	<u>\$ 781,719,473</u>
Total liabilities and net assets	<u>\$ 953,880,765</u>

NORTH DAKOTA UNIVERSITY SYSTEM

Financial Statements

JUNE 30, 2017

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Primary Institution
OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of \$59.4 million and bad debt allowance of \$950,000)	\$ 327,657,586
Federal grants and contracts	111,848,758
State grants and contracts	22,628,304
Nongovernmental grants and contracts	26,899,946
Sales and services of educational departments (net of bad debt allowance of \$738,000)	103,010,048
Auxiliary enterprises (net of scholarship allowances of \$1.0 million and bad debt allowance of \$281,000)	109,079,031
Other (net of bad debt allowance of \$4,600)	1,859,721
Total operating revenues	<u>\$ 702,983,394</u>
OPERATING EXPENSES	
Salaries and wages	\$ 785,955,346
Operating expenses	238,783,275
Data processing	18,041,540
Depreciation expense	69,778,358
Scholarships and fellowships	46,755,771
Cost of sales and services	27,122,816
Total operating expenses	<u>\$ 1,186,437,106</u>
Operating income (loss)	<u>\$ (483,453,712)</u>
NONOPERATING REVENUES (EXPENSES)	
State appropriations	\$ 396,860,084
Federal appropriations	7,301,633
Federal grants and contracts (net of bad debt allowance of \$29,500)	35,800,883
Local appropriations	983,840
Gifts	37,026,452
Endowment and investment income	8,860,142
Interest on capital asset - related debt	(11,368,718)
Gain (loss) on disposal of capital assets	(3,246,741)
Insurance proceeds	2,767,457
Tax revenues	5,130,867
General and special grant expenditures	(7,970,742)
Transfers to North Dakota Industrial Commission	(2,406,216)
Other nonoperating revenues (expenses) (net of bad debt allowance recapture of \$2.7 million)	1,585,061
Net nonoperating revenues (expenses)	<u>\$ 471,324,002</u>
Income (loss) before capital grants, gifts, and transfers	<u>\$ (12,129,710)</u>
State appropriations - capital assets	\$ 46,573,068
Capital grants and gifts	32,025,993
Total other revenue	<u>\$ 78,599,061</u>
Increase (decrease) in net position	<u>\$ 66,469,351</u>
NET POSITION	
Net position - beginning of year, as restated	\$ 1,353,345,595
Net position - end of year	<u>\$ 1,419,814,946</u>

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2017

STATEMENT OF ACTIVITIES

FASB BASIS

Support and Revenue

Gift and contributions	\$ 69,498,411
Investment income	34,812,342
Net realized and unrealized gains (losses) on investment securities	11,196,161
Program and event income	56,836,045
Other income	10,995,805
Total support and revenue	<u>\$ 183,338,764</u>

Expenses

Program services	\$ 48,228,422
Supporting services	67,477,549
Fundraising expense	2,856,069
Total operating expenses	<u>\$ 118,562,040</u>

Change in Net Assets \$ 64,776,724

Net Assets, Beginning of Year, as restated \$ 716,942,749

Net Assets, End of Year \$ 781,719,473

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2017

STATEMENT OF CASH FLOWS

	Primary Institution
CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees	\$ 327,153,782
Grants and contracts	162,727,390
Payments to suppliers	(285,170,921)
Payments to employees	(775,600,630)
Payments for scholarships and fellowships	(46,755,772)
Loans issued to students	(5,766,704)
Collection of loans to students	6,525,646
Auxiliary enterprise charges	108,509,709
Sales and service of educational departments	102,032,009
Cash received/(paid) on deposits	581,842
Other receipts (payments)	1,793,632
Net cash used by operating activities	<u>\$ (403,970,017)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	\$ 390,965,998
Federal appropriations	7,301,633
Local appropriations	983,840
Grants and gifts received for other than capital purposes	72,652,739
Grants given for other than capital purposes	(7,970,742)
Direct lending receipts	192,622,038
Direct lending disbursements	(192,805,036)
Agency fund cash increase/(decrease)	61,709
Transfers to Industrial Commission	(2,406,216)
Tax revenues	5,130,867
Net cash flows provided by noncapital financing activities	<u>\$ 466,536,830</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from issuance of debt	\$ 29,607,251
Capital appropriations	58,642,836
Capital grants and gifts received	35,159,144
Proceeds from sale of capital assets	2,375,900
Purchases of capital assets	(109,764,068)
Insurance proceeds	2,956,503
Principal paid on capital debt and lease	(18,255,594)
Deposits with capital debt payment trustees	(28,075,000)
Interest paid on capital debt and lease	(12,539,577)
Net cash used by capital and related financing activities	<u>\$ (39,892,605)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	\$ 92,748,905
Interest on investments	7,075,958
Purchase of investments	(119,168,512)
Net cash provided by investing activities	<u>\$ (19,343,649)</u>
Net increase (decrease) in cash	\$ 3,330,559
CASH - BEGINNING OF YEAR, as restated	184,416,561
CASH - END OF YEAR	<u><u>\$ 187,747,120</u></u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (483,453,712)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	
Depreciation expense	69,778,358
Other nonoperating revenues (expenses)	747,677
Change in assets, deferred outflows, liabilities and deferred inflows	
Accounts receivable adjusted for interest receivable	2,330,978
Grant & contract receivables	1,493,606
Inventories	758,049
Notes receivable	1,205,497
Other assets	(1,004,495)
Accounts payable and accrued liabilities adjusted for interest payable	(3,941,804)
Pension liability	25,398,085
Net change in deferred outflows	(18,291,144)
Net change in deferred inflows	2,019,211
Accrued payroll	1,866,873
Compensated absences	(638,813)
Unearned revenue	(2,606,818)
Deposits	368,435
Net cash provided (used) by operating activities	<u><u>\$ (403,970,017)</u></u>
SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS	
Assets acquired through capital lease	\$ 9,287,341
Expenses paid by capital lease/special assessments	1,222,821
Gifts of capital assets	669,865
Net increase (decrease) in value of investments	1,775,063
Total non-cash transactions	<u><u>\$ 12,955,090</u></u>

NORTH DAKOTA UNIVERSITY SYSTEM

Financial Statements

JUNE 30, 2017

STATEMENT OF FINANCIAL POSITION- MAJOR COMPONENT UNITS

FASB BASIS	BSC Foundation June 30, 2017	NDSU Foundation and Alumni Association December 31, 2016	NDSU Research & Technology Park June 30, 2017	UND Aerospace Foundation June 30, 2017	UND Alumni Association & UND Foundation June 30, 2017
Assets					
Current assets					
Cash and cash equivalents	\$ 782,469	\$ 5,361,167	\$ 2,303,122	\$ 11,471,034	\$ 10,941,168
Investments	-	12,532,572	-	-	-
Accounts receivable, net	93,569	813,375	201,298	5,095,013	-
Receivable from Primary Institution	140,479	-	-	-	-
Unconditional promises to give, net of allowance	447,824	8,282,969	2,500	-	5,313,307
Inventories	-	-	-	280,871	-
Current portion of net investment in direct financing leases	-	-	1,067,911	-	-
Other assets	19,548	152,420	9,639	323,361	3,287,197
Total current assets	\$ 1,483,889	\$ 27,142,503	\$ 3,584,470	\$ 17,170,279	\$ 19,541,672
Noncurrent assets					
Restricted cash and cash equivalents	\$ -	\$ 3,280,233	\$ -	\$ -	\$ -
Contributions receivable	746,639	-	-	-	-
Investments:					
Investments, net of current portion	12,730,998	173,923,747	-	-	241,519,537
Investments, restricted	-	-	-	-	-
Investments held in trust	6,545,381	-	-	-	26,855,223
Beneficial interest in trust	1,577,116	-	-	-	15,009,638
Charitable gift annuity investments	-	-	-	-	6,350,911
Charitable remainder trust account investments	-	-	-	-	18,516,368
Real estate and equipment held for investment, net of accumulated depreciation	193,787	35,525,131	-	-	-
Other long-term investments	71,564	-	-	-	7,428,093
Total investments	\$ 21,118,846	\$ 209,448,878	\$ -	\$ -	\$ 315,679,770
Contracts for deed and notes receivable, net of current portions	\$ -	\$ 900,289	\$ -	\$ -	\$ -
Long term pledges					
receivable/unconditional promises to give	598,125	23,411,613	2,000	-	19,602,376
Other receivables	-	-	-	-	4,231,870
Receivable from Primary Institution	1,216,182	-	-	-	-
Notes receivable, net	-	-	6,490,000	-	-
Net investment in direct financing leases, net of current portion	-	-	14,830,206	-	-
Other noncurrent assets	213,673	527,661	241,904	286,529	-
Capital assets, net	22,266,508	3,411,163	6,322,020	54,491,514	11,990,792
Total noncurrent assets	\$ 46,159,973	\$ 240,979,837	\$ 27,886,130	\$ 54,778,043	\$ 351,504,808
Total assets	\$ 47,643,862	\$ 268,122,340	\$ 31,470,600	\$ 71,948,322	\$ 371,046,480
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	\$ 478,733	\$ 462,890	\$ 208,562	\$ 515,712	\$ 198,993
Payable to Primary University	-	-	-	2,329,454	-
Accrued payroll	-	-	24,236	558,916	353,738
Current portion of gift annuities and life income agreements	350,474	971,677	-	-	1,684,410
Deferred revenue	-	8,394	-	3,587,026	-
Other current liabilities	75,000	277,690	-	-	-
Long-term liabilities-current portion	531,621	3,130,974	1,332,311	626,172	5,064,191
Total current liabilities	\$ 1,435,828	\$ 4,851,625	\$ 1,565,109	\$ 7,617,280	\$ 7,301,332
Noncurrent liabilities					
Deposits	\$ -	\$ -	\$ -	\$ -	\$ 3,222,062
Investments Held on Behalf of Institutions	-	-	-	-	23,633,161
Gift annuities and life income agreements, net of current portion	3,650,014	-	-	-	16,551,781
Obligations under split-interest agreement	-	6,455,668	-	-	-
Other noncurrent liabilities	294,409	-	-	-	-
Long-term liabilities	10,372,898	27,836,073	22,978,590	3,087,896	6,520,261
Total noncurrent liabilities	\$ 14,317,321	\$ 34,291,741	\$ 22,978,590	\$ 3,087,896	\$ 49,927,265
Total liabilities	\$ 15,753,149	\$ 39,143,366	\$ 24,543,699	\$ 10,705,176	\$ 57,228,597
NET ASSETS					
Temporarily restricted	\$ 1,194,989	\$ 30,343,273	\$ 4,500	\$ 100,000	\$ 46,665,532
Permanently restricted:	21,680,149	166,417,960	-	-	225,146,155
Net investment in property and equipment	-	-	-	-	-
Unrestricted	9,015,575	32,217,741	6,922,401	61,143,146	42,006,196
Total net assets	31,890,713	228,978,974	6,926,901	61,243,146	313,817,883
Total liabilities and net assets	\$ 47,643,862	\$ 268,122,340	\$ 31,470,600	\$ 71,948,322	\$ 371,046,480

NORTH DAKOTA UNIVERSITY SYSTEM

Financial Statements

JUNE 30, 2017

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, 2017					Total Major Component Units		Non-major Component Units		Reclassifications		Total Component Units	
ASSETS													
Current assets													
Cash and cash equivalents	\$	5,020,820	\$	35,879,780	\$	10,149,462	\$	-	\$	-	\$	46,029,242	
Investments		4,251,777		16,784,349		14,614,653		-		-		31,399,002	
Accounts receivable, net		479,725		6,682,980		390,403		(432,998)		-		6,640,385	
Receivable from Primary Institution		54,649		195,128		107,144		5,220,605		-		5,522,877	
Unconditional promises to give, net of allowance		-		14,046,600		1,429,395		-		-		15,475,995	
Inventories		814,526		1,095,397		-		-		-		1,095,397	
Current portion of net investment in direct financing leases		-		1,067,911		-		(1,067,911)		-		-	
Other assets		184,935		3,977,100		189,222		(2,720,921)		-		1,445,401	
Total current assets	\$	10,806,432	\$	79,729,245	\$	26,880,279	\$	998,775	\$	-	\$	107,608,299	
Noncurrent assets													
Restricted cash and cash equivalents	\$	340,052	\$	3,620,285	\$	-	\$	-	\$	-	\$	3,620,285	
Contributions receivable		-		746,639		-		-		-		746,639	
Investments:													
Investments, net of current portion		-		428,174,282		32,316,544		-		-		460,490,826	
Investments, restricted		5,047,319		5,047,319		-		-		-		5,047,319	
Investments held in trust		-		33,400,604		3,184,035		-		-		36,584,639	
Beneficial interest in trust		-		16,586,754		115,067		-		-		16,701,821	
Charitable gift annuity investments		-		6,350,911		-		-		-		6,350,911	
Charitable remainder trust account investments		-		18,516,368		-		-		-		18,516,368	
Real estate and equipment held for investment, net of accumulated depreciation		-		35,718,918		-		(14,955,543)		-		20,763,375	
Other long-term investments		-		7,499,657		1,359,120		-		-		8,858,777	
Total investments	\$	5,047,319	\$	551,294,813	\$	36,974,766	\$	(14,955,543)	\$	-	\$	573,314,036	
Contracts for deed and notes receivable, net of current portions													
	\$	-	\$	900,289	\$	-	\$	-	\$	-	\$	900,289	
Long term pledges													
receivable/unconditional promises to give		-		43,614,114		2,743,947		-		-		46,358,061	
Other receivables		-		4,231,870		-		(4,180,000)		-		51,870	
Receivable from Primary Institution		-		1,216,182		344,009		34,330,412		-		35,890,603	
Notes receivable, net		-		6,490,000		-		-		-		6,490,000	
Net investment in direct financing leases, net of current portion		-		14,830,206		-		(14,830,206)		-		-	
Other noncurrent assets		-		1,269,767		339,264		-		-		1,609,031	
Capital assets, net		62,994,811		161,476,808		17,178,282		(1,363,438)		-		177,291,652	
Total noncurrent assets	\$	68,382,182	\$	789,690,973	\$	57,580,268	\$	(998,775)	\$	-	\$	846,272,466	
Total assets	\$	79,188,614	\$	869,420,218	\$	84,460,547	\$	-	\$	-	\$	953,880,765	
LIABILITIES													
Current liabilities													
Accounts payable and accrued liabilities	\$	2,351,394	\$	4,216,284	\$	111,211	\$	(550,891)	\$	-	\$	3,776,604	
Payable to Primary University		812,535		3,141,989		491,052		494,584		-		4,127,625	
Accrued payroll		-		936,890		2,854		-		-		939,744	
Current portion of gift annuities and life income agreements													
		-		3,006,561		42,853		-		-		3,049,414	
Deferred revenue		4,991,403		8,586,823		312,253		56,307		-		8,955,383	
Other current liabilities		245,691		598,381		35,860		-		-		634,241	
Long-term liabilities--current portion		561,312		11,246,581		345,140		-		-		11,591,721	
Total current liabilities	\$	8,962,335	\$	31,733,509	\$	1,341,223	\$	-	\$	-	\$	33,074,732	
Noncurrent liabilities													
Deposits	\$	-	\$	3,222,062	\$	-	\$	-	\$	-	\$	3,222,062	
Investments Held on Behalf of Institutions		-		23,633,161		3,184,035		-		-		26,817,196	
Gift annuities and life income agreements, net of current portion													
		-		20,201,795		508,647		-		-		20,710,442	
Obligations under split-interest agreement		-		6,455,668		-		-		-		6,455,668	
Other noncurrent liabilities		-		294,409		-		-		-		294,409	
Long-term liabilities		867,159		71,662,877		9,923,906		-		-		81,586,783	
Total noncurrent liabilities	\$	867,159	\$	125,469,972	\$	13,616,588	\$	-	\$	-	\$	139,086,560	
Total liabilities	\$	9,829,494	\$	157,203,481	\$	14,957,811	\$	-	\$	-	\$	172,161,292	
NET ASSETS													
Temporarily restricted	\$	-	\$	78,308,294	\$	19,379,519	\$	-	\$	-	\$	97,687,813	
Permanently restricted		-		413,244,264		42,618,723		-		-		455,862,987	
Net investment in property and equipment		62,994,811		62,994,811		-		-		-		62,994,811	
Unrestricted		6,364,309		157,669,368		7,504,494		-		-		165,173,862	
Total net assets	\$	69,359,120	\$	712,216,737	\$	69,502,736	\$	-	\$	-	\$	781,719,473	
Total liabilities and net assets	\$	79,188,614	\$	869,420,218	\$	84,460,547	\$	-	\$	-	\$	953,880,765	

NORTH DAKOTA UNIVERSITY SYSTEM

FINANCIAL STATEMENTS

JUNE 30, 2017

STATEMENT OF ACTIVITIES, Major Component Units

FASB BASIS

	BSC Foundation June 30, 2017	NDSU Foundation and Alumni Association December 31, 2016	NDSU Research & Technology Park June 30, 2017	UND Aerospace Foundation June 30, 2017	UND Alumni Association & UND Foundation June 30, 2017
Support and revenue					
Gifts and contributions	\$ 2,374,641	\$ 28,199,843	\$ 265,049	\$ 120,932	\$ 33,349,714
Investment income	639,793	5,105,426	720,323	71,568	26,253,147
Net realized and unrealized gains (losses) on investment securities	1,378,458	7,869,989	-	-	-
Program and event income	33,629	-	72,250	36,156,567	7,548,347
Other income	1,185,012	979,636	928,801	922,110	-
Total support and revenue	<u>\$ 5,611,533</u>	<u>\$ 42,154,894</u>	<u>\$ 1,986,423</u>	<u>\$ 37,271,177</u>	<u>\$ 67,151,208</u>
Expenses					
Program Services	\$ 1,483,307	\$ 20,198,071	\$ 1,071,078	\$ -	\$ 20,001,226
Supporting services	1,250,995	8,606,620	1,620,034	34,117,346	2,498,200
Fundraising expense	77,641	-	-	156,831	2,621,597
Total expenses	<u>\$ 2,811,943</u>	<u>\$ 28,804,691</u>	<u>\$ 2,691,112</u>	<u>\$ 34,274,177</u>	<u>\$ 25,121,023</u>
Change in Net Assets	<u>\$ 2,799,590</u>	<u>\$ 13,350,203</u>	<u>\$ (704,689)</u>	<u>\$ 2,997,000</u>	<u>\$ 42,030,185</u>
Net Assets, Beginning of Year, as Restated	<u>\$ 29,091,123</u>	<u>\$ 215,628,771</u>	<u>\$ 7,631,590</u>	<u>\$ 58,246,146</u>	<u>\$ 271,787,698</u>
Net Assets, End of Year	<u><u>\$ 31,890,713</u></u>	<u><u>\$ 228,978,974</u></u>	<u><u>\$ 6,926,901</u></u>	<u><u>\$ 61,243,146</u></u>	<u><u>\$ 313,817,883</u></u>

NORTH DAKOTA UNIVERSITY SYSTEM

FINANCIAL STATEMENTS

JUNE 30, 2017

STATEMENT OF ACTIVITIES, Major Component Units - Continued

FASB BASIS	RE Arena, Inc UND Arena Services, Inc. UND Sports Facilities, Inc. Arena Holdings Charitable LLC & Affiliates May 31, 2017				Total Major Component Units		Non-Major Component Units		Total Component Units	
Support and revenue										
Gifts and contributions	\$	-	\$	64,310,179	\$	5,188,232	\$	69,498,411		
Investment income		-		32,790,257		2,022,085		34,812,342		
Net realized and unrealized gains (losses) on investment securities		-		9,248,447		1,947,714		11,196,161		
Program and event income		8,886,520		52,697,313		4,138,732		56,836,045		
Other income		1,609,664		5,625,223		5,370,582		10,995,805		
Total support and revenue	\$	10,496,184	\$	164,671,419	\$	18,667,345	\$	183,338,764		
Expenses										
Program Services	\$	1,397,616	\$	44,151,298	\$	4,077,124	\$	48,228,422		
Supporting services		10,924,624		59,017,819		8,459,730		67,477,549		
Fundraising expense		-		2,856,069		-		2,856,069		
Total expenses	\$	12,322,240	\$	106,025,186	\$	12,536,854	\$	118,562,040		
Change in Net Assets	\$	(1,826,056)	\$	58,646,233	\$	6,130,491	\$	64,776,724		
Net Assets, Beginning of Year, as Restated	\$	71,185,176	\$	653,570,504	\$	63,372,245	\$	716,942,749		
Net Assets, End of Year	\$	69,359,120	\$	712,216,737	\$	69,502,736	\$	781,719,473		

June 30, 2017

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 (NDUS) 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

Dickinson Research Extension Center

Central Grasslands Research Extension Center

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NOTES TO THE FINANCIAL STATEMENTS

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 statement of financial position 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 fundraising 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 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.

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NOTES TO THE FINANCIAL STATEMENTS

NDSU Foundation and Alumni Association 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. The NDSU Foundation and Alumni Association builds enduring relationships that maximize advocacy and philanthropy to support North Dakota State University. The foundation raises, manages, and disburses contributions for the benefit of NDSU. The foundation engages in development and outreach activities on behalf of North Dakota State University. The foundation is governed by an Executive Governing Board comprised of 11 voting members as well as two ex-officio members – the president of NDSU and the President/CEO of the foundation.

Effective January 1, 2016, the foundation changed its name from NDSU Development Foundation to NDSU Foundation and Alumni Association. The Foundation's fiscal year-end is December 31st. Foundation financial statements and footnote disclosures are presented as of December 31, 2016. Complete financial statements for NDSU Foundation and Alumni Association 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, however, two of the three University Directors must approve an outside Director. 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 three to nine 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 4275 University Ave Box 9023, Grand Forks, ND 58202-9023.

The UND Alumni Association and Foundation is a nonprofit 50C(3) organization organized exclusively for the benefit of the University of North Dakota and their mission is to advance the University of North Dakota as an exceptional national public research and teaching university. The University of North Dakota Alumni Association merged with the UND Foundation September 15, 2014 to integrate the operations, leadership and strategic growth of the two organizations as they support UND.

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

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NOTES TO THE FINANCIAL STATEMENTS

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 of whom are alumni of UND, and an additional eight ex officio members. The eight ex officio members consist of two UNDAAF officers and six UND officers. The financial statement for the University of North Dakota Alumni Association and Foundation may be obtained at the entity's administrative office at 3501 University Ave Stop 8157, Grand Forks, ND 58202-8157.

RE Arena Inc. (REA), UND Arena Services Inc. (UAS), UND Sports Facilities Inc. (UNDSF) 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 (AHC), a disregarded entity. AHC does not have any board members. 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 AHC. AHC is the lessee of the land from UND and is the titleholder of the complex. At the conclusion of the original 30-year lease (2030), the complex shall vest with UND. UAS has 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 General Manager. The remaining four board members are also board members of UAS 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 REA, UAS and UNDSF 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 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

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NOTES TO THE FINANCIAL STATEMENTS

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 721 East Highland Drive, Suite E, Williston, ND 58801.

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, Minnesota State Community and Technical College – Moorhead, NDSCS 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 five member institutions. 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 the participating institutions. 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, 2017, Tri-College University had net position of approximately \$682,000 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 110, 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 percent each in total assets compared to total NDUS assets and less than 10 percent 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, 2017 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 Dickinson State University Heritage Foundation 290 Campus Drive Box 19 Dickinson, ND 58601
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

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NOTES TO THE FINANCIAL STATEMENTS

	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 15 North 23 rd Street, Stop 9018 Grand Forks, ND 58202-9018
	NDSU 4H Foundation FLC 323, Dept. 7280 PO Box 6050 Fargo, ND 58108-6050		The Fellows of the University of North Dakota 264 Centennial Drive Twamley Hall Grand Forks, ND 58502
	NDSU Research Foundation 1735 NDSU Research Park Drive Suite 124 Fargo, ND 58102		UND Center for Innovation Foundation 4200 James Ray Drive, Stop 8372 Grand Forks, ND 58203
	NDSU Team Makers Club Dept. 1200 PO Box 6050 Fargo, ND 58108-6050	VCSU:	VCSU Foundation 101 College Street SW Valley City, ND 58072
		WSC	Teton Booster Club PO Box 760 Williston, ND 58802

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 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

June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

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 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.

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NOTES TO THE FINANCIAL STATEMENTS

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 and investments in real estate. 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.

Investments are measured at fair value using the hierarchy established by general accepted accounting principles. These levels are:

- Level 1 – Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 – Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Fair values are based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

RECEIVABLES

Accounts receivables include tuition, fees, food service, room and board charges and apartment rent;

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NOTES TO THE FINANCIAL STATEMENTS

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 institutions, except UND and NDSU, use the half-year convention.

Land Improvements	10 – 35 years
Infrastructure	20 – 60 years
Buildings	10 – 120 years
Equipment	3 – 20 years
Internally developed software	2 – 10 years

June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

RESTATEMENT OF BEGINNING NET POSITION

Net Position, beginning of the year, as previously reported	\$ 1,354,074,449
<u>Prior period adjustments:</u>	
Change in accounting method	-
Correction of error	(728,854)
Net Position, beginning of the year, as restated	<u>\$ 1,353,345,595</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

Accounting Standards Implemented

In March 2016, the GASB issued Statement No. 82, "Pension Issues an amendment of GASB Statement No. 67, No. 68, and No. 73. The statement addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes and the classification of payments made by employers to satisfy employee (plan member contribution requirements. The statement is effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

Accounting Standards Issued but Not Yet Implemented

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 March 2016, the GASB issued Statement No. 81, "Irrevocable Split-Interest Agreements." This statement is effective for reporting periods beginning after December 15, 2016.

In November 2016, the GASB issued Statement No. 83, "Certain Asset Retirement Obligations." The statement is effective for reporting periods beginning after June 15, 2018.

In January 2017, the GASB issued Statement No. 84, "Fiduciary Activities." The statement is effective for reporting periods beginning after December 15, 2018.

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NOTES TO THE FINANCIAL STATEMENTS

In March 2017, the GASB issued Statement No. 85, "Omnibus 2017." The statement is effective for reporting periods beginning after June 15, 2017.

In May 2017, the GASB issued Statement No. 86, "Certain Debt Extinguishment Issues." The statement is effective for reporting periods beginning after June 15, 2017.

In June 2017, the GASB issued Statement No. 87, "Leases." The statement is effective for reporting periods beginning after December 15, 2019.

The effect, if any, these statements will have on future financial statements has not yet been determined.

NOTE 2 – DEPOSITS AND INVESTMENTS

LIMITATIONS

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 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 as follows:

June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

	Carrying Amount	Bank Balance
Cash Deposits at the Bank of North Dakota	\$ 175,199,149	\$ 188,392,808
Cash Deposits at institutions other than the Bank of North Dakota	12,338,086	14,820,562
Certificates of Deposit at the Bank of North Dakota	211,116,527	211,116,527
Certificates of Deposit at institutions other than the Bank of North Dakota	163,178	163,178
Total Bank Deposits	<u>\$ 398,816,939</u>	<u>\$ 414,493,074</u>
 Cash on Hand/Petty Cash	 \$ 209,885	
 Amounts credit risked as deposits but reported as investments	 (211,279,704)	
Total Cash and Cash Equivalents	<u>\$ 187,747,120</u>	

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, 2017, \$411.7 million of the System's bank balance of \$414.5 million was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$400.6 million
Uninsured and collateral held by pledging bank not in system's name	\$ 11.1 million

Investments

Investments are reported at fair value (market). The balances at June 30, 2017 are:

Investment Type	Market Value	Maturities Less than 1 year
Mutual Bond Funds	\$ 231,518	\$ 231,518
Money Market Mutual funds	371,299	371,299
Debt Securities Subtotal	<u>\$ 602,817</u>	<u>\$ 602,817</u>
 Stocks	 \$ 835,082	
Equity Mutual Funds	-	
Certificates of Deposit - BND	211,116,527	
Certificates of Deposit - non-BND	163,178	
Investment in Real Estate	9,422,599	
Alternate Investments	52,982	
Equity Securities Subtotal	<u>\$ 221,590,368</u>	
 Total Investments	 <u>\$ 222,193,185</u>	

June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

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. Institutions choose terms based on maximizing their return within the limits of their cash flow needs. Institutions 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, 2017, the system's debt portfolio (excluding US Treasuries and US Agencies) included Standard & Poor's quality ratings as follows:

	Market	Credit Quality Rating			Total
	Value	AAA	AA	Not Rated	
Mutual Bond Funds	\$ 231,518	\$ -	\$ -	\$ 231,518	\$ 231,518
Money market mutual funds	371,299	6,761	364,538	-	371,299
Total	\$ 602,817	\$ 6,761	\$ 364,538	\$ 231,518	\$ 602,817

The NDUS categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Fair Value Hierarchy

In accordance with GASB Statement No. 72, assets are grouped at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 – Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 – Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Fair values are based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The balances of assets measured at fair value on a recurring basis at June 30, 2017 are:

June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

	Level 1	Level 2	Level 3	Total Fair Value
Equity securities	\$ 835,083	\$ -	\$ -	\$ 835,083
Mutual bond funds	231,518	-	-	231,518
Real estate	-	-	9,422,599	9,422,599
Total	\$ 1,066,601	\$ -	\$ 9,422,599	\$ 10,489,200

Investments categorized as Level 1 are valued using prices quoted in active markets for those securities. Real estate categorized as Level 3 represents land leases for commercial and residential development and are primarily valued using discounted cash flow techniques.

NOTE 3 – RECEIVABLES

Receivables consist of the following amounts:

	Current	Non-Current	Total
Student & General	\$ 27,992,680		\$ 27,992,680
Interest Receivable	223,479		223,479
Allowance for doubtful Accts	(6,801,030)		(6,801,030)
Accounts Receivable, net	\$ 21,415,129		\$ 21,415,129
Grants & Contracts Receivable	\$ 28,285,219		\$ 28,285,219
Due from Other State Agencies	6,922,272		6,922,272
Grants & Contracts Receivable, net	\$ 35,207,491		\$ 35,207,492
Student	\$ 8,428,653	\$ 30,367,524	\$ 38,796,176
Allowance for Doubtful Notes	(1,072,732)	(3,939,218)	(5,011,950)
Notes Receivable, net	\$ 7,355,920	\$ 26,428,306	\$ 33,784,226

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, institutions 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 preceding twelve quarter average. All endowments in existence at December 31 for one year will receive a distribution spending allocation. The

June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

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 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, 2017:

		Reflected in net position as:
Mayville State University	\$ 1,650	Expendable scholarships and fellowships
North Dakota State University	173,829	Expendable scholarships and fellowships
University of North Dakota	955,608	Non-expendable scholarships and fellowships
Williston State College	2,913	Non-expendable scholarships and fellowships
Total NDUS	<u>\$ 1,134,000</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, 2017 are approximately \$161.7 million and \$4.2 million, respectively.

NOTE 5 – CAPITAL AND INTANGIBLE ASSETS

Capital asset activity for the year ended June 30, 2017 are as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	\$ 19,247,927	\$ 427,638	\$ -	\$ -	\$ 19,675,565
Construction in progress	100,815,346	50,693,572	1,148,763	(89,844,804)	60,515,350
Total non-depreciable capital assets	<u>\$ 120,063,274</u>	<u>\$ 51,121,210</u>	<u>\$ 1,148,763</u>	<u>\$ (89,844,804)</u>	<u>\$ 80,190,916</u>
Land improvements/infrastructure	\$ 207,106,508	\$ 1,606,882	\$ -	\$ 3,061,426	\$ 211,774,816
Buildings	1,473,624,728	46,076,903	7,617,254	85,674,091	1,597,758,467
Furniture, fixtures, and equipment	323,246,855	21,927,407	11,631,997	1,109,287	334,651,553
Intangibles:					
Computer Software	24,721,602	221,622	100,500	-	24,842,724
Websites	829,376	-	-	-	829,376
Other	1,306,428	-	-	-	1,306,428
Library materials	100,880,831	1,012,031	11,965,291	-	89,927,571
Total depreciable capital assets	<u>\$ 2,131,716,328</u>	<u>\$ 70,844,845</u>	<u>\$ 31,315,042</u>	<u>\$ 89,844,804</u>	<u>\$ 2,261,090,934</u>
Less accumulated depreciation and amortization					
Land improvements/infrastructure	\$ 96,022,909	\$ 5,618,747	\$ -	\$ -	\$ 101,641,656
Buildings	526,707,647	36,679,989	3,273,323	-	560,114,313
Furniture, fixtures, and equipment	203,631,458	21,955,915	9,508,717	-	216,078,656
Intangibles					
Computer Software	19,109,064	1,580,739	100,500	-	20,589,303
Websites	534,255	31,362	-	-	565,617
Other	493,541	15,550	-	-	509,092
Library materials	81,559,082	3,896,055	11,965,295	-	73,489,842
Total accumulated depreciation and amortization	<u>\$ 928,057,956</u>	<u>\$ 69,778,358</u>	<u>\$ 24,847,835</u>	<u>\$ -</u>	<u>\$ 972,988,479</u>
Total depreciable capital assets, net	<u>\$ 1,203,658,373</u>	<u>\$ 1,066,486</u>	<u>\$ 6,467,207</u>	<u>\$ 89,844,804</u>	<u>\$ 1,288,102,456</u>
Capital assets, net	<u>\$ 1,323,721,645</u>	<u>\$ 52,187,696</u>	<u>\$ 7,615,970</u>	<u>\$ -</u>	<u>\$ 1,368,293,372</u>

June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

(Gain) loss on capital assets on the Statement of Revenue, Expenses and Changes in Net Position includes a \$2,471,037 impairment loss on the Beaver Lodge buildings at MiSU due to buildings determined to be unusable as a result of mold issues, structural damages, accessibility and fire safety concerns.

Construction in progress for the year ended June 30, 2017 was as follows:

	Total Amount Authorized	Expended (CIP Asset)	Expended (Non capitalized)	Remaining Authorized Balance
Bismarck State College	\$ -	\$ -	\$ -	\$ -
Dakota College of Bottineau	1,054,288	1,029,500	-	24,788
Dickinson State University	3,000,000	104,964	-	2,895,036
Lake Region State College	1,863,474	995,752	11	867,711
Mayville State University	867,000	37,187	25,172	804,641
Minot State University	3,733,603	2,103,856	133,121	1,496,626
North Dakota State College of Science	14,988,598	13,069,421	324,037	1,595,140
North Dakota State University	82,255,000	26,185,437	-	56,069,563
University of North Dakota	10,045,000	4,316,509	984,790	4,743,701
Valley City State University	14,047,416	12,672,731	23,354	1,351,331
Williston State College	-	-	-	-
Total NDUS	\$ 131,854,379	\$ 60,515,356	\$ 1,490,485	\$ 69,848,537

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30, 2017:

Accounts Payable	\$ 27,771,732
Due to other state agencies	706,128
Due to Other Funds	69,191
Sales Tax Payable	17,407
Accrued Interest	2,028,918
Contractor Payable/Retainage	2,851,944
Other liabilities	21,410
Total Payables & Accrued Liabilities	\$ 33,466,730

NOTE 7 – LONG-TERM LIABILITIES

The changes in long-term liabilities during fiscal year 2017 are as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Noncurrent Portion
Bonds Payable	\$ 216,343,920	\$ 10,715,288	\$ 19,028,005	\$ 208,031,203	\$ 9,033,021	\$ 198,998,179
Bonds Payable to Component Units	22,865,000	18,790,000	19,725,000	21,930,000	1,705,000	20,225,000
Notes Payable	19,927,105	-	947,965	18,979,140	952,540	18,026,598
Notes Payable to Component Units	317,155	-	50,446	266,709	52,389	214,318
Capital Leases	16,893,533	9,389,035	5,083,566	21,199,002	2,311,116	18,887,896
Capital Leases with Component Units	21,639,062	-	1,413,225	20,225,837	3,559,759	16,666,078
Special Assessments	4,409,231	1,222,821	423,221	5,208,831	434,465	4,774,371
Compensated Absences	31,994,704	185,662	824,474	31,355,893	2,276,176	29,079,710
Total	\$ 334,389,710	\$ 40,302,806	\$ 47,495,902	\$ 327,196,616	\$ 20,324,466	\$ 306,872,150

June 30, 2017

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 institutions, as of June 30, 2017 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	\$ 10,184,334	2.0 - 4.0%	\$ 8,727,877
Lake Region State College	1,050,000	3.0 - 5.125%	100,000
Mayville State University	5,489,249	1.55 - 6.63%	4,012,684
Minot State University	13,433,825	2.0 - 6.60%	12,343,060
North Dakota State College of Science	9,000,000	3.76%	7,910,000
North Dakota State University	103,332,659	1.50 - 5.0%	91,229,645
University of North Dakota	103,119,689	0.75 - 4.25%	92,022,937
Valley City State University	5,995,000	2.8 - 7.05%	5,500,000
Williston State College	9,375,000	6.9%	8,115,000
Total Bonds Payable	\$ 260,979,756		\$ 229,961,203

Industrial Commission Bonds

For the 2015-2017 biennium, the North Dakota University System Office received an appropriation of \$8.4 million to act as the fiscal agent for the institutions on bond payments to the Industrial Commission. The appropriation was reduced by \$1.5 million to \$6.9 million in FY2016 due to the state-wide budget reductions. During fiscal year 2017, the North Dakota University System Office paid \$2.4 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 of 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 that 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.

North Dakota State University

North Dakota State University issued \$10.4 million of Housing and Auxiliary Facilities bonds with an interest rate of 2.00 – 4.0 percent. The bonds were used to recall \$10.2 million of outstanding Series 2007 Housing and Auxiliary bonds. The bonds were refunded to reduce total debt service payments over

June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

the next twenty years by \$2.4 million. The economic gain realized as a result of the refunding was \$1.9 million.

Scheduled Maturities of Bonds Payable

Fiscal Year	Principal	Interest	Total
2018	\$ 10,738,021	\$ 8,787,380	\$ 19,525,401
2019	10,956,107	8,471,759	19,427,866
2020	11,252,164	8,160,757	19,412,921
2021	11,608,995	7,806,954	19,415,949
2022	11,718,677	7,415,684	19,134,361
2023 - 2027	57,160,897	30,415,124	87,576,021
2028 - 2032	57,024,536	19,989,821	77,014,357
2033 - 2037	40,519,888	9,424,751	49,944,639
2038 - 2042	16,055,070	2,704,801	18,759,871
2043 - 2047	2,926,848	173,600	3,100,448
	<u>\$ 229,961,203</u>	<u>\$ 103,350,631</u>	<u>\$ 333,311,834</u>

NOTE 9 – NOTES PAYABLE

Mayville State University has a 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 for a wind turbine. 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 \$2,272,182 with the Bank of North Dakota for construction of the Petroleum Safety and Technology Center and a note payable of \$266,708 to the Williston State College Foundation for construction of a dormitory geothermal system.

Details of the notes are as follows:

Institution	Original Balance	Maturity Date	Interest Rate	Outstanding Balance June 30, 2017
Lake Region State College	\$ 4,881,045	June 2027	3.27%-5.15%	\$ 3,547,580
Mayville State University	7,280,185	August 2012 - December 2024	4.97%-5.25%	4,161,153
University of North Dakota	9,800,000	October 2023	5.38%	8,998,226
Williston State College	3,000,000	January 2022 & May 2030	1.75% - 3%	2,538,890
Total Notes Payable	\$ 24,961,230			\$ 19,245,849

June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

Scheduled Maturities of Notes Payable

		Principal	Interest	Total
2018		\$ 1,004,929	\$ 943,833	\$ 1,948,762
2019		1,083,633	888,808	1,972,440
2020		1,186,809	839,280	2,026,089
2021		1,296,068	784,586	2,080,654
2022		1,369,593	582,528	1,952,120
2023 - 2027		11,995,869	980,734	12,976,602
2028 - 2032		682,495	136,657	819,152
2033 - 2037		626,454	33,335	659,789
		<u>\$ 19,245,849</u>	<u>\$ 5,189,759</u>	<u>\$ 24,435,609</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 2052.

Carrying Value of Assets Held Under Capital Leases		
	Carrying Value	Accumulated Depreciation
Land improvements/infrastructure	\$ 60,015	\$ 14,403
Buildings	60,154,406	14,797,566
Intangibles - Easement	89,414	66,089
Furniture, fixtures, and equipment	16,021,135	5,489,583
Total	<u>\$ 76,324,970</u>	<u>\$ 20,367,641</u>

Scheduled Maturities of Capital Leases

Fiscal Year	Principal	Interest	Total
2018	\$ 5,870,875	\$ 1,718,002	\$ 7,588,877
2019	3,538,781	1,464,088	5,002,870
2020	3,563,225	1,302,619	4,865,844
2021	3,054,047	1,142,776	4,196,823
2022	2,946,619	1,013,328	3,959,947
2023 - 2027	11,431,916	3,265,296	14,697,212
2028 - 2032	4,281,132	1,813,433	6,094,565
2033 - 2037	3,249,825	1,121,770	4,371,595
2038 - 2042	801,786	703,757	1,505,543
2043 - 2047	1,255,580	489,758	1,745,338
2048 - 2052	1,431,053	163,337	1,594,390
	<u>\$ 41,424,839</u>	<u>\$ 14,198,164</u>	<u>\$ 55,623,003</u>

June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

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 institution property.

Scheduled Maturities of Special Assessments

Fiscal Year	Principal	Interest	Total
2018	\$ 434,465	\$ 233,422	\$ 667,887
2019	412,648	214,491	627,139
2020	418,355	197,152	615,507
2021	398,577	187,477	586,054
2022	297,856	170,662	468,518
2023 - 2027	1,259,015	634,167	1,893,183
2028 - 2032	956,094	381,976	1,338,070
2033 - 2037	727,527	154,427	881,954
2038 - 2042	304,294	31,701	335,995
	<u>\$ 5,208,831</u>	<u>\$ 2,205,476</u>	<u>\$ 7,414,307</u>

Compensated Absences

The compensated absences liability of the institutions at June 30, 2017 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, 2017 totaled \$31.4 million. 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	\$ 32,922,981
Deferred outflows from debt refunding	3,177,629
	<u>\$ 36,100,610</u>
Deferred Inflows	
Pension	\$ 11,885,835
Grant amounts received prior to meeting time requirements	55,680
Deferred inflows from debt refunding	3,373
	<u>\$ 11,944,888</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

June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

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. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions 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). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly 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-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

June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

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.

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 7.0 percent and employer contribution rates are 7.12 percent of covered compensation.

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

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

The net pension liability was measured as of June 30, 2016, 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.

Pension liability recorded as of June 30, 2017	\$	100,749,199
Proportionate share of net pension liability		10.34%
Change from its proportion measured as of June 30, 2016		-0.74%
Total pension expense recognized as of June 30, 2017	\$	12,237,892

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NOTES TO THE FINANCIAL STATEMENTS

At June 30, 2017, the NDUS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expended and actual experience	\$ 1,513,466	\$ 932,856
Changes of assumptions	9,287,790	5,061,304
Net difference between projected and actual earnings on pension plan investments	14,055,962	109,311
Changes in proportion and differences between employer contributions and proportionate share of contributions	519,484	5,782,364
Employer contributions subsequent to the measurement date	7,546,277	-
Total	<u>\$ 32,922,979</u>	<u>\$ 11,885,835</u>

Employer contributions made subsequent to the measurement date of \$7.5 million are reported as deferred outflows of resources and a reduction of pension expense at June 30, 2018.

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:

June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

Year ended June 30:		
2018	\$	2,266,465
2019		2,266,465
2020		5,276,647
2021		3,013,089
2022		668,213
Thereafter		-

Actuarial assumptions. The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	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 set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2016, funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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%	1.52%
International Fixed Income	5%	0.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

Discount rate

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2016. 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, 2016, 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, 2016. 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, 2016.

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%)
Employer's proportionate share of the net pension liability	\$ 142,910,794	\$ 100,749,199	\$ 65,225,869

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 <https://ndpers.nd.gov/employers/employer-resources/governmental-accounting-standards-board-gasb/>

TIAA 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 or amending plan provision and establishing or amending contribution requirements. Further information can be obtained by writing to TIAA; 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

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NOTES TO THE FINANCIAL STATEMENTS

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)	less than 3	0.0%	0.0%
	3 to less than 6	0.0%	4.0%
	6 yrs and over	0.0%	8.0%

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 \$44.2 million to TIAA-CREF during the fiscal years ending June 30, 2017.

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 897 retired University System employees receiving these benefits and 3,078 active employees with retiree health credit. The actuarially determined required employer contribution of \$1,213,697 for the year ended June 30, 2017 is 1.14 percent of the covered payroll. The University System's actual and required contributions for the fiscal years ending June 30, 2017, 2016 and 2015 were \$1,213,697, \$1,176,853, and \$1,183,344, respectively.

As of June 30, 2017, there was \$117.6 million in net position available for benefits under the state retiree health insurance credit plan. The actuarially accrued liability was \$196.7 million and the underfunded actuarially accrued liability was \$82.1 million at June 30, 2017.

TERMINATION BENEFITS

Termination benefits are benefits provided to employees who are involuntarily or voluntarily terminated, as a result of budget reductions. Termination benefits agreements may include contract buyouts, retirement incentives, severance lump-sum payouts and continuing healthcare coverage for a designated period of time or a combination of these benefits. The agreement terms vary by institution. The

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NOTES TO THE FINANCIAL STATEMENTS

outstanding liability is measured at the discounted present value and projected increases in health insurance rates.

NDUS entered into voluntary termination agreements with 181 employees for a cost of \$6.3 million in fiscal year 2017. The time-period for payment of benefits range from one month to two years. NDUS recorded a liability at June 30, 2017 of \$5.6 million for future payments.

During the same time-period, the NDUS entered into involuntary separation agreements with 27 employees for a cost of \$175,000. The time-period for payment of benefits range from one to two months. NDUS recorded a liability at June 30, 2017 of \$77,000 for future payments.

In fiscal year 2017, NDUS incurred \$932,000 in expenses related to voluntary termination agreements entered into in prior fiscal years for 29 employees. The terms for these agreements range from one month to thirty-eight months. At June 30, 2017, the liability for future payments was \$183,000.

There were no costs incurred in fiscal year 2017 for involuntary termination agreements entered into in prior fiscal years.

NOTE 15 – Construction Commitments and Financing

The institutions have contracted for various construction projects as of June 30, 2017. Estimated costs to complete the various projects and the sources of anticipated funding are as follows:

Campus	Contracts Awarded	Expended Through 6/30/2017	Total Cost To Complete	Funding for Remaining Costs			
				Federal Sources	State Sources	Institutional Funds	Other Sources
BSC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DCB	1,048,564	1,029,500	19,064	-	19,064	-	-
DSU	-	-	-	-	-	-	-
LRSC	1,367,595	997,919	369,676	-	359,440	10,236	-
MaSU	657,816	49,297	608,519	-	-	-	608,519
MiSU	1,129,360	234,373	894,987	-	-	-	894,987
NDSCS	14,315,395	13,591,979	723,416	-	167,771	555,645	-
NDSU	69,961,298	66,245,400	3,715,898	94,223	86,319	172,639	3,362,717
UND	30,844,781	24,097,409	6,747,372	-	4,107,104	2,634,030	6,238
VCSU	13,483,861	11,216,783	2,267,078	-	2,222,223	-	44,855
WSC	-	-	-	-	-	-	-
Total	\$ 132,808,670	\$ 117,462,660	\$ 15,346,010	\$ 94,223	\$ 6,961,921	\$ 3,372,550	\$ 4,917,316

June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16 – COMPONENT UNITS

Major Component Units Investments

Investments are reported at fair value (market) as follows:

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	\$ 767,406	\$ 271,936	\$ 270,509	\$ 224,961	\$ -
US Agencies	-	-	-	-	-
Corporate Bonds	6,451,494	1,675,188	4,292,981	483,325	-
Mutual Bond Funds	126,814,936	19,990,970	18,771,398	31,571,118	56,481,450
Money Market Mutual Funds	921,552	921,552	-	-	-
Other	1,332,856	212,850	77,177	-	1,042,829
Subtotal	<u>\$ 136,288,244</u>	<u>\$ 23,072,496</u>	<u>\$ 23,412,065</u>	<u>\$ 32,279,404</u>	<u>\$ 57,524,279</u>
Equity Mutual Funds	240,252,951				
Trust Funds	-				
Investment in Real Estate	46,499,455				
Commodity Hedge and Limited Partnerships	42,262,604				
Stocks	16,616,318				
Certificate of Deposits	9,712,729				
Investments held with Foundation	465,990				
Other	75,980,871				
Total Investments	<u>\$ 568,079,162</u>				

Interest Rate Risk

NDSU Foundation and Alumni Association'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

REA Arena, Inc.'s cash balances may exceed FDIC limits at various times during the year at one institution. In fiscal year 2017, REA Arena, Inc., obtained a \$9.0 million letter of credit to insure cash balances in excess of FDIC insurance limits at this institution.

The major component units investments are 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, 2017 was as follows:

	Beginning Balance-Restated	Additions	Retirements	Transfers	Ending Balance
Land	\$ 3,299,931	\$ 2,886,755	\$ -	\$ -	\$ 6,186,686
Construction in progress	18,126,187	1,838,052	-	(19,964,239)	-
Total non-depreciable capital assets	<u>\$ 21,426,118</u>	<u>\$ 4,724,807</u>	<u>\$ -</u>	<u>\$ (19,964,239)</u>	<u>\$ 6,186,686</u>
Land improvements/infrastructure	\$ 1,608,644	\$ 233,053	\$ 585,136	\$ -	\$ 1,256,561
Buildings	196,496,431	1,091,391	22,312,968	19,964,239	195,239,093
Furniture, fixtures, and equipment	49,571,801	6,101,281	9,974,140	-	45,698,942
Total depreciable capital assets	<u>\$ 247,676,876</u>	<u>\$ 7,425,725</u>	<u>\$ 32,872,244</u>	<u>\$ 19,964,239</u>	<u>\$ 242,194,596</u>
Less accumulated depreciation					
Land improvements/infrastructure	\$ 709,157	\$ 56,667	\$ 230,820	\$ -	\$ 535,004
Buildings	66,984,351	5,203,107	5,742,862	-	66,444,596
Furniture, fixtures, and equipment	23,483,708	3,626,564	7,185,397	-	19,924,875
Total accumulated depreciation	<u>\$ 91,177,216</u>	<u>\$ 8,886,338</u>	<u>\$ 13,159,079</u>	<u>\$ -</u>	<u>\$ 86,904,475</u>
Total depreciable capital assets, net	<u>\$ 156,499,660</u>	<u>\$ (1,460,613)</u>	<u>\$ 19,713,165</u>	<u>\$ 19,964,239</u>	<u>\$ 155,290,121</u>
Capital assets, net	<u>\$ 177,925,778</u>	<u>\$ 3,264,194</u>	<u>\$ 19,713,165</u>	<u>\$ -</u>	<u>\$ 161,476,807</u>

June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

MAJOR COMPONENT UNITS LONG-TERM LIABILITIES SUMMARY

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Noncurrent Portion
Bonds Payable	\$ 50,197,347	\$ 18,790,000	\$ 22,002,221	\$ 46,985,126	\$ 6,146,549	\$ 40,838,577
Notes Payable	17,394,528	13,793,989	3,742,850	27,445,667	5,013,796	22,431,871
Special Assessments	353,750	256,337	59,506	550,581	26,940	523,641
Capital Leases	1,494,682	-	56,599	1,438,083	59,296	1,378,787
Other	6,490,000	-	-	6,490,000	-	6,490,000
Total	<u>\$ 75,930,307</u>	<u>\$ 32,840,326</u>	<u>\$ 25,861,176</u>	<u>\$ 82,909,457</u>	<u>\$ 11,246,581</u>	<u>\$ 71,662,876</u>

MAJOR COMPONENT UNITS BONDS PAYABLE

Bonds payable for the major component units at June 30, 2017 was as follows:

Component Unit	Maturity Date	Interest Rate	Balance Outstanding
BSC Foundation	2022-2040	1.75% - 5.25%	\$ 6,259,155
NDSU Foundation and Alumni Association	2020-2036	2.0% - 4.89%	15,243,024
NDSU Research & Technology Park, Inc.	2032	4.0% - 4.75%	17,355,000
UND Alumni Foundation	2018-2027	1.01% - 3.541%	8,127,947
Total Component Unit Bonds Payable			<u>\$ 46,985,126</u>

Scheduled Maturities of Major Component Bonds Payable

Fiscal Year	Principal	Interest	Total
2017	\$ 987,002	\$ 540,815	\$ 1,527,817
2018	6,180,260	1,414,178	7,594,438
2019	3,545,169	1,220,410	4,765,579
2020	3,198,573	1,131,940	4,330,513
2021	2,958,956	1,052,694	4,011,650
2022	2,874,492	974,132	3,848,624
2023 - 2027	12,421,451	3,703,463	16,124,914
2028 - 2032	10,753,097	1,678,834	12,431,931
2033 - 2037	3,509,353	342,805	3,852,158
2038 - 2042	556,773	13,266	570,039
	<u>\$ 46,985,126</u>	<u>\$ 12,072,537</u>	<u>\$ 59,057,663</u>

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NOTES TO THE FINANCIAL STATEMENTS

MAJOR COMPONENT UNITS NOTES PAYABLE

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

Component Unit	Interest Rate	Maturity Date	Balance Outstanding
BSC Foundation	1.25% - 2.99%	2017 - 2020	\$ 4,645,364
NDSU Foundation and Alumni Association	0% - 1.25%	2017 - 2024	15,639,343
UND Alumni Association & UND Foundation	2.48% - 4.35%	2021 - 2036	3,456,505
UND Aerospace Foundation	2.96% - 3.69%	2019 - 2021	2,275,984
RE, Arena, Inc	3.0%	2020	1,428,471
Total Component Unit Notes Payable			<u>\$ 27,445,667</u>

Scheduled Maturities of Major Component Units Notes Payable

Fiscal Year	Principal	Interest	Total
2017	\$ 2,139,343	\$ -	\$ 2,139,343
2018	3,874,453	340,306	4,214,759
2019	3,789,411	249,859	4,039,270
2020	6,665,055	81,278	6,746,333
2021	1,088,450	17,683	1,106,133
2022	1,018,801	16,548	1,035,349
2023 - 2027	8,607,288	69,457	8,676,745
2028 - 2032	133,303	43,442	176,745
2033 - 2037	129,563	11,834	141,397
	<u>\$ 27,445,667</u>	<u>\$ 830,407</u>	<u>\$ 28,276,074</u>

Scheduled Maturities of Major Component Units Capital Leases

Fiscal Year	Principal	Interest	Total
2017	\$ -	\$ -	\$ -
2018	59,296	67,044	126,340
2019	62,122	64,218	126,340
2020	65,082	61,258	126,340
2021	68,183	58,156	126,339
2022	71,433	54,907	126,340
2023 - 2027	411,586	220,110	631,696
2028 - 2032	519,459	112,237	631,696
2033 - 2037	180,922	8,588	189,510
	<u>\$ 1,438,083</u>	<u>\$ 646,518</u>	<u>\$ 2,084,601</u>

June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

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 Institutions is as follows:

Primary University Receivable from Component Units - Current	\$ 4,104,097	Primary University Payable to Component Units - Current	\$ 3,508,764
Primary University Receivable Component Units - Non-Current	-	Primary University Long Term Liability to Component Unit - Current Portion	5,317,148
Total Due from Component Units	\$ 4,104,097		
Reconciling Differences:		Primary University Long Term Liability to Component Unit - Non-Current Portion	37,105,396
Transactions with Component Units having fiscal year ends other than June 30th	(261,419)	Total Due to Component Units	\$ 45,931,308
Transactions in transit at June 30, 2017	844,007	Reconciling Differences:	
Receivables from insignificant component units	(520,247)	Transactions with Component Units having fiscal year ends other than June 30th	(14,695)
		Differences between requirements of and GASB and FASB standards reporting standards	(1,456,883)
		Transaction with DSU Foundation which is not discretely presented because of pending dissolution	(3,100,000)
		Transactions in transit at June 30, 2017	33,011
Other differences	(38,813)	Other	20,739
Component Unit Payable to Primary University	\$ 4,127,625	Total Receivable from Primary University	\$ 41,413,480
		Component Unit Current Receivable from Primary University - Current	\$ 5,522,877
		Component Unit Non-Current Receivable from Primary University	35,890,603
		Total Component Unit Receivable from Primary Institution	\$ 41,413,480

June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

BEGINNING COMPONENT UNIT NET ASSET RESTATEMENTS

Net assets, beginning of the year, as previously reported	\$ 714,937,017
Prior period adjustments:	
Change in accounting method	(256,825)
Correction of errors	2,262,557
Change in reporting entity	-
Net assets, beginning of the year, as restated	<u>\$ 716,942,749</u>

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.

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	\$ 9,548,989	\$ 10,846,116
Accumulated Depreciation	(1,818,024)	(2,363,808)
Net Value of NECE Building	<u>\$ 7,730,965</u>	<u>\$ 8,482,308</u>

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.

June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

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.

On August 13, 2015, BSC and Student Housing, LLC entered into a 5-year lease agreement to operate student housing services in the two newly constructed housing units (Ritchie Hall and Gate City Bank Hall). Under the agreement, BSC is responsible for payment of all rent, maintenance, and daily repair/maintenance of the facility, and restrictions of use of the facility as set forth in the lease. Student Housing, LLC is responsible for major repairs/maintenance and property and liability insurance on the facilities. The lease is classified as an operating lease on BSC financial statements and Student Housing, LLC financial statements includes the capitalized asset.

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 was 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 were 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 had an equity interest of about 6 percent in Dickinson Investments, the arbitrator ruled that it was jointly and severally liable for the entire award, except the \$133,600 loan for which Dickinson Investments is responsible.

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;

June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

- 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 September 2016. In the seventh interim report, dated August 31, 2015, the receiver recommended that DSUF be dissolved. This recommendation was 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 indicated that the foundation had total net restricted assets in an amount less than total permanently and temporarily restricted donations.

The Office of Attorney General requested the commencement of dissolution for DSUF. On August 30, 2017, Stark County District Court Judge William Herauf issued an Order that, in part, approved a settlement reached between the Attorney General and the DSUF's major creditors. The Order also resolved all claims against the DSUF, allowing for the distribution of assets and final closure of the issues surrounding the DSUF. At this time, it is anticipated the dissolution of the DSUF will be completed sometime in late 2017.

On June 20, 2017, a settlement agreement was signed by the SBHE, DSU and five financial institutions whereby an amount of \$3.1 million will be paid to the financial institutions to repay the outstanding debt related to the Biesiot Activities Center. The 2017 North Dakota Legislative Assembly provided an appropriation to Dickinson State University for the settlement amount. The settlement was paid in July 2017 consistent with the terms of the settlement agreement.

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 assets. In fiscal year 2014, the DSUF's independent auditors were 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 years 2015, 2016 and 2017. Therefore, the consolidated Statement of Financial Position, as of June 30, 2016, 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.

Dickinson State University Foundation, Inc.
Balance Sheet
As of June 30, 2016
Unaudited

Assets	
Cash and cash equivalents	\$ 80,642
Accounts receivable	689,487
Total Current Assets	<u>\$ 770,129</u>
Investments	\$ 7,584,420
Fixed assets	2,147,741
Other assets	1,058,530
Total Non-Current Assets	<u>\$ 10,790,691</u>
Total Assets	<u><u>\$ 11,560,820</u></u>
Liabilities	
Accounts payable	\$ 7,103,948
Payroll liabilities	46,718
Total Current Liabilities	<u>\$ 7,150,666</u>
Long-term liabilities	<u>\$ 4,872,920</u>
Total Liabilities	<u>\$ 12,023,586</u>
Net Assets	
Unrestricted	\$ (12,885,205)
Temporarily restricted - Obligated and Unobligated	(575,387)
Permanently restricted (Endowed)	12,937,079
Planned gifts	60,747
Total Net Assets	<u>\$ (462,766)</u>
Total Liabilities and Net Assets	<u><u>\$ 11,560,820</u></u>

June 30, 2017

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.

On July 27, 2017, the RTP issued \$18.790 million of Series 2016 Taxable Lease Revenue Refunding Bonds. These bonds are used to advance refund the callable maturities of the Series 2007A and Series 2007B bonds and pay the related costs of issuance. During the year end June 30, 2017, both the Series 2007A and 2007B bonds were repaid in full from the funds held in escrow from the Series 2016 bond refinancing. The audited financial statements of RTP for fiscal year 2017 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 year 2017, NDSU and the RTP entered into renewed agreements, whereby NDSU leases the Research Buildings #1 and #2 through June 30, 2022. During fiscal year 2017, total annual rent of \$312,000 was paid by NDSU for these two buildings, in addition to the \$1,806,231 of principal and interest paid by NDSU directly to the bond trustee. NDSU reimbursed the RTP \$41,882 for property insurance on the two buildings and 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 year 2017 NDSU made other payments unrelated to the building leases totaling \$29,540 for a subaward on an EPSCoR grant.

NDSU Foundation and Alumni Association

Fargodome Lease and Improvements

In fiscal year 2006, the NDSUFAA financed the construction and equipping of office space, locker rooms,

June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

meetings rooms, and related facilities in the Fargodome for use by NDSU through the sale of revenue bonds issued by Cass County. The NDSUFAA 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 NDSUFAA 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 NDSUFAA incident to the lease, less any contributions received by the NDSUFAA for the project. Under this agreement in fiscal year 2017, the NDSUFAA paid the debt service and other fees on behalf of NDSU in the amount of \$331,996.

The facility is included in long-term investments and the debt is included in long-term liabilities on the financial reports of the NDSUFAA. NDSU has also recorded a capital asset and a capital lease payable, reflected as "Due to Component Units" by NDSU, of \$1.025 million as of June 30, 2017. Since the NDSUFAA 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 NDSUFAA by NDSU alum in December of 2001. During fiscal year 2003 and 2004, the NDSUFAA renovated the building with the intent to lease the facility to NDSU beginning fall 2004. The NDSUFAA 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 NDSUFAA, 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 NDSUFAA incident to ownership of the property. Ownership of the property will transfer to NDSU when the bonds are repaid in full. NDSU paid the NDSUFAA \$414,360 in fiscal year 2017 for debt service under this agreement. As of June 30, 2017 the outstanding balance on the bonds, reflected as "Due to Component Units" by NDSU, is \$4.330 million.

Barry Hall Business Building and Klai Hall Architecture Building

Effective November 28, 2007, NDSU and the NDSUFAA entered into lease agreements for two buildings in downtown Fargo, formerly known as the "Pioneer Mutual Building" and "Lincoln Mutual building". The NDSUFAA 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 issue by the City of Fargo, North Dakota. The City has loaned the bond proceeds to the NDSUFAA 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 NDSUFAA is responsible for the real estate taxes,

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NOTES TO THE FINANCIAL STATEMENTS

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 NDSUFAA. 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 NDSUFAA incident to ownership of the property.

In May 2012, the NDSUFAA 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 2017, NDSU paid \$625,185 to the bond trustee on-behalf of the NDSUFAA under the new leases for debt service on Barry Hall & Klai Hall. During fiscal year 2017, the NDSUFAA paid \$236,448 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, 2017 the outstanding balance on the bonds, reflected as "Due to Component Units" by NDSU, is \$9.600 million and the portion payable by the NDSUFAA to NDSU for the collection of pledges is recognized by NDSU as a current & non-current "Due from Component Units" for \$62,637.

Other Transactions

NDSU also has agreements in place with the NDSUFAA 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, 2017 totaled \$646,766.

NDSU pays the NDSUFAA rent under operating lease agreements for two buildings (Criminal Justice and Graduate Center), as well as pasture rent paid from NDSU's Agricultural Experiment Station. Those operating lease payments totaled \$139,108 during fiscal year 2017.

In addition to the debt service payments on the Fargodome, Renaissance, Barry and Klai Halls, NDSU reimburses the NDSUFAA for other operating expenses related to those buildings, such as property insurance, flood insurance, boiler inspection fees, real estate taxes and bond administrative fees. Those costs totaled \$94,957 during fiscal year 2017.

NDSUFAA 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 \$15.3 million in fiscal year 2017. 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 \$4.3 million in fiscal year 2017, which is included in training and support services revenue in the consolidated statements of activities.

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NOTES TO THE FINANCIAL STATEMENTS

As of June 30, 2017, the Foundation had recorded accounts payable to UND of \$2.3 million for reimbursable costs and services. As of June 30, 2017, the Foundation had recorded accounts receivable from UND of \$616,251, 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. 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 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.

In fiscal year 2017, gross tickets sales were \$4.6 million of which RE Arena, Inc. recognized revenue of \$2.4 million with a net due to UND \$2.2 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 \$2.7 million.

RE Arena, Inc. recognized net sponsorship (advertising) revenue of \$769,000 and the net due UND in sponsorship (advertising) income of \$432,000.

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 \$247,000.

In addition, RE Arena, Inc. allocated \$750,000 of net income to the UND Athletic Department for the year ended May 31, 2017.

RE Arena, Inc. expensed \$1.1 million to UND for utilities, maintenance staff, phone service and other expenses.

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NOTES TO THE FINANCIAL STATEMENTS

At the end of the fiscal year RE Arena, Inc. owes UND \$813,000 for the annual operating agreement and monthly services. UND owes RE Arena, Inc. \$55,000 for box office income for the same period.

Amounts are reported on the accrual basis of accounting, which may or may not be the same as that used by UND. RE Arena Inc.'s fiscal year end is May 31st, UND's fiscal year end is June 30th, if numbers differ between entity financial statement; it may be because of timing differences due to different year ends.

UND Alumni Association and UND 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 and ended in fiscal year 2017. UND is also leasing space in the Gorecki Alumni Center in the amount of \$75,000. Additional 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, 2017, UND provided approximately \$1.1 million of institutional support for event and database support, annual giving campaign and shared positions. The UND Alumni Association and Foundation (the Organization) manages UND's endowment investments and charged them \$400,000 in investment management fees during the year ended June 30, 2017. These fees and support are reported as operations, fees and miscellaneous revenue on the statement of activities.

The Organization has other receivables with UND related to the construction of the EERC and Minot Center for Family Practice.

The Organization is leasing 45,000 square feet of land for the Gorecki Alumni Center from UND. Starting in 2016, the rate is \$0.10 per square foot, per year. The cost in FY2017 was \$4,500.

On July 24, 2002, the Foundation issued \$8,595,000 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, 2017 was \$4.6 million. The terms for the repayment are the same as the payment terms of the related bonds. Total payment of principal and interest subsequent to June 30, 2017 are: 2018 - \$562,000; 2019 - \$562,000; 2020 - \$561,000; 2021 - \$562,000; 2022 - \$558,000, thereafter - \$2.8 million. During fiscal year ended June 30, 2017, the Organization recorded payment of principal and interest of \$385,000 and \$175,209, respectively. The interest is included in operations, fees and miscellaneous income on the statement of activities.

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, 2017 is \$2.3 million. The terms for the repayment are the same as the payment terms of the related bonds. Total payment of principal and interest due are: 2018 - \$2.4 million. During fiscal year ended June 30, 2017, the Organization received payment of principal and interest of \$170,000 and \$102,000, respectively. The interest income is included in operations, fees and miscellaneous income on the statement of activities.

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NOTES TO THE FINANCIAL STATEMENTS

NON-MAJOR COMPONENT UNITS

North Dakota State College of Science Foundation

For the year ended June 30, 2017, NDSCS paid the Foundation \$174,000 for the rental of the Skills & Technology Training Center building and \$10,953 for parking lots.

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 \$7,677. In addition, The North Dakota State College of Science pays 25% of salary and benefits for the Foundation's employees annually. The approximate fair market value is \$106,802. No amounts for these services have been recognized in the statements of activity.

Williston State College Foundation

Effective September 1, 2011, the Williston State College Foundation (WSCF) loaned WSC \$500,000 for the purchase of a geothermal system for the residence hall. Semiannual principal and interest payments of \$30,000 are due January 1 and July 1, with a final payment of \$20,036 due July 1, 2022. The loan bears an interest rate of 5%. As of June 30, 2017, the loan balance of \$266,707 of which \$52,389 is a current asset. The loan bears an interest rate of 3%.

On November 1, 2013, WSCF entered into a lease agreement with WSC. WSCF is leasing a passenger motor coach 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. The lease expires on October 31, 2020. Total payments on the lease as of June 2017 was \$60,000. At June 30, 2017, the lease had a balance of \$184,446 of which \$54,775 is a current asset.

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. WSCF records these amounts as expenses. The amount reimbursed for the years ending June 30, 2017 was \$878,869.

NOTE 17 – PLEDGED REVENUES

Pledged Revenue Required for Future Principal and Interest on Existing Bonds	\$ 301,193,075		
Term of Commitment ranging from	2017-2044		
Percentage of Revenue Pledged	6%		
			Percentage of Pledged Revenue to Recognized Revenue
Current Year Pledged Revenue, by source:	Pledged Revenue	Recognized Revenue	
Net revenues from auxiliaries	\$ 12,514,221	\$ 109,079,031	11%
Tuition and Student Fees	4,076,971	327,657,586	1%
Other	335,296	-	0%
Total	\$ 16,926,488	\$ 436,736,617	4%
Current Year Principal and Interest Paid	\$ 16,926,489		

June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

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, 2017, using the functional classification are as follows:

Operating Expense	
Instruction	\$ 390,222,534
Academic Support	82,710,513
Student Services	100,550,596
Institutional Support	117,476,699
Physical Plant	91,484,690
Scholarships and Fellowships	38,295,884
Auxiliary Enterprises	100,526,450
Public Service	61,339,474
Research	134,051,908
Depreciation	69,778,358
Total	<u>\$ 1,186,437,106</u>

NOTE 19 – OPERATING LEASES

The institutions 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, 2017, amounted to \$7.1 million.

Future minimum lease payments at June 30, 2017:

Fiscal Year	Future Minimum Lease Payments
2018	\$ 4,120,608
2019	2,678,184
2020	1,590,049
2021	814,062
2022	723,340
2023 - 2027	1,283,524
2028 - 2032	620,042
2033 - 2037	1,267,885
	<u>\$ 13,097,695</u>

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.

June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

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,

June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

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 institutions. The expenditures for NDSU and UND at June 30, 2017 were \$324,319 and \$766,935, respectively.

NOTE 23 – SUBSEQUENT EVENTS

DICKINSON STATE UNIVERSITY FOUNDATION

As discussed in footnote 16, a payment of \$3.1 million was paid to four financial institutions to settle the debt of the DSUF on July 14, 2017.

As discussed in footnote 16, Stark County District Court Judge Herauf issued an order to resolve the dissolution of the Dickinson State University Foundation.

North Dakota State University

On July 26, 2017, NDSU issued two refunding bond issues, as follows:

- Housing and Auxiliary Facilities Revenue Bonds in the amount of \$48.8 million were issued to finance construction of a new residence hall for \$39.5 million and a renovation project for phase I of the University Village Renovation project for \$10.0 million.
- Housing and Auxiliary Facilities Revenue Bonds in the amount of \$22.8 million were issued to advance refund NDSU Housing and Auxiliary Facilities Revenue Bonds, Series 2009, with an outstanding principal balance of \$22.5 million.

Mayville State University

In July 2017, MaSU issued Series 2017A Bonds for \$2.8 million for the purpose of refunding Series 2010 Bonds pursuant to authorization by the SBHE.

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North Dakota University System
Required Supplementary Information (RSI)
June 30, 2017

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

	NDUS' Proportion of the Net Pension Liability	NDUS' Proportionate Share of the Net Pension Liability	NDUS Covered Employee Payroll	Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	10.34%	\$ 100,749,199	\$ 104,177,803	96.71%	70.46%
2016	11.08%	75,351,113	98,721,150	76.33%	77.15%
2015	11.23%	71,311,045	94,566,414	75.41%	77.70%

**This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.
Complete data for this schedule is not available prior to 2015.*

Schedule of NDUS Contributions - Last 10 Fiscal Years*

	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Excess (Deficiency)	NDUS Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2017	\$ 7,582,353	\$ 7,546,708	(35,645)	\$ 106,493,727	7.09%
2016	7,542,306	7,564,204	21,898	104,177,803	7.26%
2015	7,498,663	7,348,742	(149,921)	98,721,150	7.44%

**This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.
Complete data for this schedule is not available prior to 2015.*

Changes of assumptions

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2016 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale and percent married assumptions.

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NORTH DAKOTA UNIVERSITY SYSTEM

Supplementary Information

June 30, 2017

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	\$ 16,793,710	\$ 7,536,035	\$ 2,377,991	\$ 3,876,841	\$ 5,441,776	\$ 4,806,560	\$ 22,336,784
Investments	-	3,561,000	-	9,655,000	-	417,001	647,400
Accounts receivable, net	133	1,042,803	411,795	367,941	687,723	651,576	728,485
Due from component units - investments held on behalf of the institutions	-	-	-	207,904	-	-	-
Due from component units	-	51,124	9,072	391,344	21,830	54,596	111,711
Due from other NDUS institutions	106,720	29,900	(35,598)	-	61,168	27,035	120,652
Due from State general fund	1,802,349	554,313	105,797	22,056	214,767	78,421	34,123
Grants and contracts receivables, net	1	2,012,880	483,734	189,167	477,892	347,283	858,107
Inventories	-	677,846	132,670	420,544	283,185	259,622	-
Notes receivable, net	-	50,497	43,900	234,892	84,337	147,136	644,967
Other assets	36,730	441,343	(33,136)	(18,008)	9,077	20,728	65,669
Total current assets	\$ 18,739,643	\$ 15,957,741	\$ 3,496,225	\$ 15,347,681	\$ 7,281,755	\$ 6,809,958	\$ 25,547,898
Noncurrent assets							
Restricted cash and cash equivalents	\$ -	\$ 102,361	\$ -	\$ -	\$ 58,760	\$ 197,287	\$ -
Restricted investments	-	-	-	-	105,000	-	752,260
Endowment investments	-	-	-	-	-	-	-
Notes receivable, net	-	182,206	158,405	847,690	296,504	472,679	2,327,229
Other long-term investments	-	-	-	-	-	-	-
Due from component units - investments held on behalf of the institutions	-	-	-	-	-	-	3,184,035
Other noncurrent assets	-	-	-	-	-	-	-
Capital assets, net	3,870,796	56,692,990	7,852,026	29,120,299	15,133,281	29,277,964	78,416,079
Total noncurrent assets	\$ 3,870,796	\$ 56,977,557	\$ 8,010,431	\$ 29,967,989	\$ 15,593,545	\$ 29,947,930	\$ 84,679,603
Total assets	\$ 22,610,439	\$ 72,935,298	\$ 11,506,656	\$ 45,315,670	\$ 22,875,300	\$ 36,757,888	\$ 110,227,501
Deferred outflows of resources	\$ 919,779	\$ 1,625,646	\$ 263,631	\$ 875,979	\$ 581,178	\$ 1,103,801	\$ 1,572,039
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities	\$ 2,511,053	\$ 1,728,009	\$ 348,745	\$ 409,493	\$ 527,391	\$ 80,578	\$ 1,403,568
Due to other NDUS institutions	121,983	(2,223)	40,398	28,428	122,458	39,211	42,499
Due to component units	-	20,165	-	3,100,000	-	-	-
Accrued payroll	748,009	1,739,594	248,136	1,125,852	478,773	954,137	2,225,363
Unearned revenue	-	711,379	61,844	-	1,216,119	468,845	915,821
Deposits	65,657	273,921	117,397	108,085	198,864	(35,676)	738,150
Long-term liabilities - current portion							
Due to component units	-	140,479	-	-	-	-	-
Due to others	164,314	778,845	26,060	58,747	441,113	934,053	503,761
Total current liabilities	\$ 3,611,016	\$ 5,390,169	\$ 842,580	\$ 4,830,605	\$ 2,984,718	\$ 2,441,148	\$ 5,829,162
Noncurrent liabilities							
Pension liability	\$ 2,492,377	\$ 4,478,255	\$ 760,030	\$ 2,572,295	\$ 1,830,050	\$ 2,900,100	\$ 4,987,961
Other noncurrent liabilities	23,212	7,596	-	452,558	-	2,479	3,605
Long - term liabilities							
Due to component units	-	1,216,181	-	-	-	-	-
Due to others	1,492,797	10,002,402	201,001	589,763	3,777,541	8,167,436	13,278,793
Total noncurrent liabilities	\$ 4,008,386	\$ 15,704,434	\$ 961,031	\$ 3,614,616	\$ 5,607,591	\$ 11,070,015	\$ 18,270,359
Total liabilities	\$ 7,619,402	\$ 21,094,603	\$ 1,803,611	\$ 8,445,221	\$ 8,592,309	\$ 13,511,163	\$ 24,099,521
Deferred inflows of resources	\$ 166,470	\$ 364,680	\$ 71,399	\$ 260,919	\$ 249,263	\$ 170,930	\$ 469,517
NET POSITION							
Net investment in capital assets	\$ 3,198,143	\$ 45,696,155	\$ 7,807,275	\$ 29,041,984	\$ 11,340,077	\$ 20,711,045	\$ 65,858,642
Restricted for:							
Nonexpendable:							
Scholarships and fellowships	-	-	-	207,904	-	17,524	3,184,035
Expendable:							
Scholarships and fellowships	-	99,634	13,223	8,055	-	137,192	1,024,963
Research	-	-	-	-	-	48,876	-
Institutional	13,908	9,741	(8,638)	654	(11,507)	296,055	510,898
Loans	-	255,576	256,705	1,222,055	386,046	654,875	3,360,665
Capital projects	-	-	-	-	-	16,122	-
Debt service	-	41,045	10,348	-	283,617	880,523	473,688
Other	73,456	-	-	-	-	-	-
Unrestricted	12,458,839	6,999,510	1,816,364	7,004,857	2,616,673	1,417,384	12,817,611
Total net position	\$ 15,744,346	\$ 53,101,661	\$ 9,895,277	\$ 37,485,509	\$ 14,614,906	\$ 24,179,596	\$ 87,230,502

NORTH DAKOTA UNIVERSITY SYSTEM

Supplementary Information

June 30, 2017

Combining Statement of 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
Assets							
Current assets							
Cash and cash equivalents	\$ 24,169,271	\$ 50,990,461	\$ 36,585,908	\$ 6,177,573	\$ 3,905,701	\$ -	\$ 184,998,611
Investments	672,109	14,000,016	109,442,916	993,560	-	-	139,389,002
Accounts receivable, net	1,564,398	4,874,139	10,070,028	788,338	612,553	(384,783)	21,415,129
Due from component units - investments held on behalf of the institutions	-	-	-	140,611	-	-	348,515
Due from component units	346,818	380,363	2,559,976	38,531	138,732	-	4,104,097
Due from other NDUS institutions	3,708	66,735	435,977	13,543	115,340	(945,180)	-
Due from State general fund	1,029,248	14,458,009	1,683,740	-	282,151	-	20,264,974
Grants and contracts receivables, net	1,357,129	15,010,182	13,706,822	363,396	400,899	-	35,207,492
Inventories	624,903	1,801,816	3,579,403	182,824	109,539	-	8,072,352
Notes receivable, net	296,098	1,570,962	4,097,355	155,877	29,899	-	7,355,920
Other assets	-	787,613	1,490,507	47,651	4,061	-	2,852,235
Total current assets	\$ 30,063,682	\$ 103,940,296	\$ 183,652,632	\$ 8,901,904	\$ 5,598,875	\$ (1,329,963)	\$ 424,008,327
Noncurrent assets							
Restricted cash and cash equivalents	\$ -	\$ 1,841,841	\$ 259,483	\$ 17,562	\$ 271,215	\$ -	\$ 2,748,509
Restricted investments	-	6,744	3,807,084	364,538	526,958	-	5,562,584
Endowment investments	-	499,770	-	47,217	52,200	-	599,187
Notes receivable, net	1,068,509	5,622,826	14,784,467	562,450	105,341	-	26,428,306
Other long-term investments	-	72,107,313	3,539,737	600,000	395,362	-	76,642,412
Due from component units - investments held on behalf of the institutions	-	-	23,633,160	867,636	-	-	27,684,831
Other noncurrent assets	-	485,343	-	-	-	-	485,343
Capital assets, net	55,991,793	466,766,399	536,028,929	38,771,342	50,371,474	-	1,368,293,372
Total noncurrent assets	\$ 57,060,302	\$ 547,330,236	\$ 582,052,860	\$ 41,230,745	\$ 51,722,550	\$ -	\$ 1,508,444,544
Total assets	\$ 87,123,984	\$ 651,270,532	\$ 765,705,492	\$ 50,132,649	\$ 57,321,425	\$ (1,329,963)	\$ 1,932,452,871
Deferred outflows of resources	\$ 1,808,180	\$ 12,132,571	\$ 14,169,374	\$ 671,976	\$ 376,456	\$ -	\$ 36,100,610
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities	\$ 2,268,118	\$ 13,256,960	\$ 9,079,877	\$ 1,632,894	\$ 376,563	\$ (156,519)	\$ 33,466,730
Due to other NDUS institutions	48,253	124,044	374,528	1,955	18,318	(959,852)	-
Due to component units	-	14,595	373,004	-	1,000	-	3,508,764
Accrued payroll	2,193,003	14,585,857	18,471,881	1,186,254	639,372	(185)	44,596,046
Unearned revenue	540,325	9,481,661	6,668,640	464,848	85,853	-	20,615,335
Deposits	649,505	1,524,645	2,366,549	221,432	(86,465)	(213,407)	5,928,657
Long-term liabilities - current portion							
Due to component units	-	2,308,775	2,760,750	-	107,144	-	5,317,148
Due to others	410,234	5,662,528	5,583,927	158,537	285,199	-	15,007,318
Total current liabilities	\$ 6,109,438	\$ 46,959,065	\$ 45,679,156	\$ 3,665,920	\$ 1,426,984	\$ (1,329,963)	\$ 128,439,998
Noncurrent liabilities							
Pension liability	\$ 5,655,784	\$ 32,875,560	\$ 39,065,532	\$ 1,970,568	\$ 1,160,687	\$ -	\$ 100,749,199
Other noncurrent liabilities	9,033	226,014	-	-	7,802	-	732,299
Long - term liabilities							
Due to component units	-	30,001,768	5,543,438	-	344,009	-	37,105,396
Due to others	8,950,348	91,762,654	110,773,564	10,264,697	10,505,758	-	269,766,754
Total noncurrent liabilities	\$ 14,615,165	\$ 154,865,996	\$ 155,382,534	\$ 12,235,265	\$ 12,018,256	\$ -	\$ 408,353,648
Total liabilities	\$ 20,724,603	\$ 201,825,061	\$ 201,061,690	\$ 15,901,185	\$ 13,445,240	\$ (1,329,963)	\$ 536,793,646
Deferred inflows of resources	\$ 748,289	\$ 3,308,327	\$ 5,907,854	\$ 119,716	\$ 107,524	\$ -	\$ 11,944,888
NET POSITION							
Net investment in capital assets	\$ 47,872,046	\$ 355,980,725	\$ 422,960,679	\$ 29,014,081	\$ 39,757,044	\$ -	\$ 1,079,237,896
Restricted for:							
Nonexpendable:							
Scholarships and fellowships	3,142	512,215	13,973,917	456,349	53,670	-	18,408,756
Expendable:							
Scholarships and fellowships	-	1,480,215	1,797,924	141,649	83,843	-	4,786,698
Research	-	5,650,863	527,159	-	-	-	6,226,898
Institutional	616,426	1,405,619	12,893,278	556,334	(262,946)	-	16,019,822
Loans	4,152,870	7,543,672	28,332,160	722,012	177,451	-	47,064,087
Capital projects	-	534,284	-	-	-	-	550,406
Debt service	(231,240)	1,885,544	3,795,494	364,489	843,591	-	8,347,099
Other	-	-	-	454,251	-	-	527,707
Unrestricted	15,046,028	83,276,578	88,624,711	3,074,559	3,492,464	-	238,645,577
Total net position	\$ 67,459,272	\$ 458,269,715	\$ 572,905,322	\$ 34,783,724	\$ 44,145,117	\$ -	\$ 1,419,814,946

NORTH DAKOTA UNIVERSITY SYSTEM

Supplementary Information

JUNE 30, 2017

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 allowance expense of \$59.4 million and bad debt allowance expense of \$950,000)	\$ 4,816,722	\$ 13,447,816	\$ 1,650,895	\$ 6,713,859	\$ 4,061,474	\$ 4,617,925	\$ 15,689,160
Federal grants and contracts	265,311	4,767,381	465,769	683,976	737,599	3,367,594	4,153,463
State grants and contracts	-	730,335	265,888	95,977	641,268	89,018	1,620,330
Nongovernmental grants and contracts	20,000	168,986	117,306	-	14,980	39,500	444,286
Sales and services of educational departments (net of bad debt allowance expense of \$738,000)	1,888,250	3,678,711	193,693	563,915	763,516	1,441,282	1,886,115
Auxiliary enterprises (net of scholarship allowance expense of \$1.0 million and bad debt allowance expense of \$281,000)	5,000	4,137,687	1,440,486	2,511,110	1,672,250	2,311,970	3,579,800
Other (net of bad debt allowance expense of \$4,600)	-	6,701	8,793	79,165	7,159	11,654	92,629
Total operating revenues	\$ 6,995,283	\$ 26,937,617	\$ 4,142,830	\$ 10,648,002	\$ 7,898,246	\$ 11,878,943	\$ 27,465,783
OPERATING EXPENSES							
Salaries and wages	\$ 16,667,638	\$ 29,258,673	\$ 5,705,299	\$ 19,143,315	\$ 11,042,979	\$ 14,739,770	\$ 38,486,510
Operating expenses	10,951,127	13,268,172	2,518,408	6,824,210	2,916,497	3,574,590	11,164,909
Data processing	4,291,067	530,846	150,376	271,782	253,423	96,807	515,396
Depreciation expense	1,509,955	2,964,776	393,486	1,443,359	1,245,145	1,575,473	4,358,202
Scholarships and fellowships	22,542,451	1,544,704	423,694	761,606	597,318	702,682	1,727,286
Cost of sales and services	-	1,879,410	255,424	537,933	699,853	721,189	263
Total operating expenses	\$ 55,962,238	\$ 49,446,581	\$ 9,446,687	\$ 28,982,205	\$ 16,755,215	\$ 21,410,511	\$ 56,252,566
Operating income (loss)	\$ (48,966,955)	\$ (22,508,964)	\$ (5,303,857)	\$ (18,334,203)	\$ (8,856,969)	\$ (9,531,568)	\$ (28,786,783)
NONOPERATING REVENUES (EXPENSES)							
State appropriations	\$ 60,719,355	\$ 16,879,039	\$ 3,787,787	\$ 13,213,713	\$ 7,002,338	\$ 7,616,456	\$ 21,402,828
Federal appropriations	-	-	-	-	-	-	-
Federal grants and contracts (net of bad debt allowance expense of \$29,500)	-	2,533,181	922,420	1,294,229	1,130,382	1,475,876	2,959,773
Local appropriations	-	-	-	-	-	(2,560)	986,400
Gifts	18,720	1,811,245	355,576	979,404	862,852	768,418	2,195,853
Endowment and investment income	28	12,457	40,372	59,530	3,508	195,675	216,755
Interest on capital asset - related debt	(285)	(381,838)	(7,466)	(947)	(156,059)	(486,356)	(700,101)
Gain (loss) on disposal of capital assets	-	16,148	(3,695)	(4,968)	-	-	(2,460,488)
Insurance proceeds	-	41,927	-	7,190	-	-	-
Tax revenues	-	-	-	-	-	193,365	-
General and special grant expenditures	(11,655,190)	-	-	-	-	-	-
Transfers to North Dakota Industrial	(2,406,216)	-	-	-	-	-	-
Other nonoperating revenues (expenses) (net of bad debt allowance recapture of \$2.7 million)	4,041,174	60,960	64,311	(2,118,173)	51,976	77,144	304,076
Net nonoperating revenues (expenses)	\$ 50,717,586	\$ 20,973,119	\$ 5,159,305	\$ 13,429,978	\$ 8,894,997	\$ 9,838,018	\$ 24,905,096
Income (loss) before capital grants, gifts, and transfers	\$ 1,750,631	\$ (1,535,845)	\$ (144,552)	\$ (4,904,225)	\$ 38,028	\$ 306,450	\$ (3,881,687)
State appropriations - capital assets	-	1,299,605	1,449,437	604,113	963,520	733,018	280,275
Capital grants and gifts	-	479,035	85,520	447	73,785	-	402,122
Total other revenue	-	1,778,640	1,534,957	604,560	1,037,305	733,018	682,397
Increase (decrease) in net position	\$ 1,750,631	\$ 242,795	\$ 1,390,405	\$ (4,299,665)	\$ 1,075,333	\$ 1,039,468	\$ (3,199,290)
NET POSITION							
Net position - beginning of year, as restated	\$ 13,993,715	\$ 52,858,866	\$ 8,504,872	\$ 41,785,174	\$ 13,539,573	\$ 23,140,128	\$ 90,429,792
Net position - end of year	\$ 15,744,346	\$ 53,101,661	\$ 9,895,277	\$ 37,485,509	\$ 14,614,906	\$ 24,179,596	\$ 87,230,502

NORTH DAKOTA UNIVERSITY SYSTEM

Supplementary Information

JUNE 30, 2017

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 allowance expense of \$59.4 million and bad debt allowance expense of \$950,000)	\$ 8,487,741	\$ 120,304,338	\$ 139,642,046	\$ 6,882,998	\$ 1,363,091	\$ (20,479)	\$ 327,657,586
Federal grants and contracts	1,129,852	40,910,368	58,569,313	867,662	1,448,198	(5,517,728)	111,848,758
State grants and contracts	764,578	7,280,406	13,217,391	56,882	604,361	(2,738,130)	22,628,304
Nongovernmental grants and contracts	52,250	11,920,273	14,048,251	73,000	1,114	-	26,899,946
Sales and services of educational departments (net of bad debt allowance expense of \$738,000)	3,519,861	33,495,287	54,781,023	874,538	2,366,907	(2,443,050)	103,010,048
Auxiliary enterprises (net of scholarship allowance expense of \$1.0 million and bad debt allowance expense of \$281,000)	9,139,311	43,999,768	35,688,943	2,968,744	1,854,235	(230,273)	109,079,031
Other (net of bad debt allowance expense of \$4,600)	228,662	788,636	616,295	18,679	15,348	(14,000)	1,859,721
Total operating revenues	\$ 23,322,255	\$ 258,699,076	\$ 316,563,262	\$ 11,742,503	\$ 7,653,254	\$ (10,963,660)	\$ 702,983,394
OPERATING EXPENSES							
Salaries and wages	\$ 29,792,459	\$ 284,840,699	\$ 309,832,677	\$ 16,318,171	\$ 10,261,813	\$ (134,657)	\$ 785,955,346
Operating expenses	8,981,954	87,103,803	92,249,813	5,190,233	3,139,344	(9,099,785)	238,783,275
Data processing	563,197	4,614,515	6,012,566	475,666	289,230	(23,331)	18,041,540
Depreciation expense	3,366,969	24,514,315	24,621,475	1,489,996	2,295,207	-	69,778,358
Scholarships and fellowships	1,126,561	6,632,512	9,449,010	585,006	950,691	(287,750)	46,755,771
Cost of sales and services	3,283,478	8,745,804	9,915,997	466,100	617,365	-	27,122,816
Total operating expenses	\$ 47,114,618	\$ 416,451,648	\$ 452,081,538	\$ 24,525,172	\$ 17,553,650	\$ (9,545,523)	\$ 1,186,437,106
Operating income (loss)	\$ (23,792,363)	\$ (157,752,572)	\$ (135,518,276)	\$ (12,782,669)	\$ (9,900,396)	\$ (1,418,137)	\$ (483,453,712)
NONOPERATING REVENUES (EXPENSES)							
State appropriations	\$ 19,204,298	\$ 124,986,789	\$ 105,159,665	\$ 11,205,665	\$ 5,682,151	\$ -	\$ 396,860,084
Federal appropriations	-	7,301,633	-	-	-	-	7,301,633
Federal grants and contracts (net of bad debt allowance expense of \$29,500)	3,381,766	10,124,007	9,719,157	1,400,281	859,811	-	35,800,883
Local appropriations	-	-	-	-	-	-	983,840
Gifts	544,984	13,685,854	12,370,102	482,848	3,142,221	(191,625)	37,026,452
Endowment and investment income	544,930	2,932,732	4,419,281	432,066	2,808	-	8,860,142
Interest on capital asset - related debt	(323,455)	(4,090,426)	(4,395,080)	(486,144)	(340,561)	-	(11,368,718)
Gain (loss) on disposal of capital assets	5,907	(668,029)	451,710	(583,326)	-	-	(3,246,741)
Insurance proceeds	1,202,825	749,234	766,281	-	-	-	2,767,457
Tax revenues	-	500,000	4,437,502	-	-	-	5,130,867
General and special grant expenditures	-	-	-	-	-	3,684,448	(7,970,742)
Transfers to North Dakota Industrial	-	-	-	-	-	-	(2,406,216)
Other nonoperating revenues (expenses) (net of bad debt allowance recapture of \$2.7 million)	273,716	(1,148,220)	1,780,010	72,949	51,191	(1,926,053)	1,585,061
Net nonoperating revenues (expenses)	\$ 24,834,971	\$ 154,373,574	\$ 134,708,628	\$ 12,524,339	\$ 9,397,621	\$ 1,566,770	\$ 471,324,002
Income (loss) before capital grants, gifts, and transfers	\$ 1,042,608	\$ (3,378,998)	\$ (809,648)	\$ (258,330)	\$ (502,775)	\$ 148,633	\$ (12,129,710)
State appropriations - capital assets	8,493,329	5,982,158	16,431,229	10,706,384	(370,000)	-	46,573,068
Capital grants and gifts	616,339	26,169,822	4,275,558	59,865	12,133	(148,633)	32,025,993
Total other revenue	9,109,668	32,151,980	20,706,787	10,766,249	(357,867)	(148,633)	\$ 78,599,061
Increase (decrease) in net position	\$ 10,152,276	\$ 28,772,982	\$ 19,897,139	\$ 10,507,919	\$ (860,642)	\$ -	\$ 66,469,351
NET POSITION							
Net position - beginning of year, as restated	\$ 57,306,996	\$ 429,496,733	\$ 553,008,183	\$ 24,275,805	\$ 45,005,759	\$ -	\$ 1,353,345,595
Net position - end of year	\$ 67,459,272	\$ 458,269,715	\$ 572,905,322	\$ 34,783,724	\$ 44,145,117	\$ -	\$ 1,419,814,946

NORTH DAKOTA UNIVERSITY SYSTEM

Supplementary Information

June 30, 2017

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							
Student tuition and fees	\$ 5,856,555	\$ 13,529,239	\$ 1,669,021	\$ 6,758,457	\$ 4,018,512	\$ 4,481,186	\$ 15,559,828
Grants and contracts	285,310	5,908,610	686,487	863,062	1,636,056	3,787,795	6,127,133
Payments to suppliers	(14,055,554)	(15,343,794)	(2,800,399)	(4,319,782)	(3,470,176)	(4,491,712)	(11,363,829)
Payments to employees	(16,704,499)	(29,149,184)	(5,649,269)	(18,744,837)	(10,980,292)	(14,425,542)	(38,098,496)
Payments for scholarships and fellowships	(22,542,451)	(1,544,704)	(423,694)	(761,606)	(597,318)	(702,682)	(1,727,289)
Loans issued to students	-	-	(33,287)	(256,358)	(77,795)	(120,143)	(529,751)
Collection of loans to students	-	59,439	35,752	133,504	48,501	79,339	458,216
Auxiliary enterprise charges	5,000	4,123,203	1,444,979	2,523,733	1,666,765	2,274,478	3,566,584
Sales and service of educational departments	2,067,847	3,558,038	302,689	172,059	760,888	1,448,892	2,631,052
Cash received/(paid) on deposits	4,528	(9,321)	(27,839)	(160)	(2,640)	23,462	11,013
Other receipts (payments)	4,033,300	(107,165)	36,369	(1,662,486)	28,745	36,667	305,882
Net cash provided (used) by operating activities	\$ (41,049,964)	\$ (18,975,639)	\$ (4,759,191)	\$ (15,294,414)	\$ (6,968,754)	\$ (7,608,260)	\$ (23,059,657)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
State appropriations	\$ 60,791,339	\$ 16,658,979	\$ 3,787,787	\$ 13,213,713	\$ 6,997,338	\$ 7,616,456	\$ 21,393,910
Federal appropriations	-	-	-	-	-	-	-
Local appropriations	-	-	-	-	-	(2,560)	986,400
Grants and gifts received for other than capital purposes	18,720	4,314,324	1,277,996	2,273,633	1,993,234	2,244,294	5,155,626
Grants given for other than capital purposes	(11,655,190)	-	-	-	-	-	-
Direct Lending Receipts	-	7,671,525	1,755,388	4,303,068	2,194,270	3,695,014	8,731,922
Direct Lending Disbursements	-	(7,661,103)	(1,741,281)	(4,303,068)	(2,194,270)	(3,948,827)	(8,742,692)
Agency fund cash increase/(decrease)	12,332	16,602	(32,909)	(68,603)	(215,303)	440,114	(25,823)
Transfers to Industrial Commission	(2,406,216)	-	-	-	-	-	-
Tax revenues	-	-	-	-	-	193,365	-
Net cash flows provided (used) by noncapital financing activities	\$ 46,760,985	\$ 21,000,327	\$ 5,046,981	\$ 15,418,743	\$ 8,775,269	\$ 10,237,856	\$ 27,499,343
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from issuance of debt	\$ -	\$ -	\$ -	\$ -	\$ 26,692	\$ -	\$ -
Capital appropriations	(1,655,246)	1,068,277	1,343,640	596,644	807,695	863,079	293,078
Capital grants and gifts received	-	479,035	85,520	447	73,785	-	402,122
Proceeds from sale of capital assets	-	-	-	5,000	-	-	-
Purchases of capital assets	(501,177)	(2,279,437)	(837,622)	(516,788)	(1,374,663)	(682,839)	(2,605,635)
Insurance proceeds	-	41,927	-	7,190	-	-	-
Principal paid on capital debt and lease	(61,366)	(812,608)	(13,265)	(12,482)	(392,089)	(872,991)	(404,994)
Deposits with capital debt payment trustees	-	-	-	-	-	-	-
Interest paid on capital debt and lease	(286)	(381,299)	(7,466)	(947)	(156,056)	(487,592)	(712,574)
Net cash provided (used) by capital and related financing activities	\$ (2,218,075)	\$ (1,884,105)	\$ 570,807	\$ 79,064	\$ (1,014,636)	\$ (1,180,343)	\$ (3,028,003)
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sales and maturities of investments	\$ -	\$ 3,561,000	\$ -	\$ -	\$ -	\$ -	\$ (642,391)
Interest on investments	28	12,407	40,372	59,530	3,508	195,676	167,945
Purchase of investments	-	(3,561,000)	-	(47,904)	-	(16,235)	566,323
Net cash provided (used) by investing activities	\$ 28	\$ 12,407	\$ 40,372	\$ 11,626	\$ 3,508	\$ 179,441	\$ 91,877
Net increase (decrease) in cash	\$ 3,492,974	\$ 152,990	\$ 898,969	\$ 215,019	\$ 795,387	\$ 1,628,694	\$ 1,503,560
CASH - BEGINNING OF YEAR, as restated	\$ 13,300,736	\$ 7,485,406	1,479,022	3,661,822	\$ 4,705,149	\$ 3,375,153	20,833,224
CASH - END OF YEAR	\$ 16,793,710	\$ 7,638,396	\$ 2,377,991	\$ 3,876,841	\$ 5,500,536	\$ 5,003,847	\$ 22,336,784

NORTH DAKOTA UNIVERSITY SYSTEM

Supplementary Information

June 30, 2017

	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)	\$ (48,966,955)	\$ (22,508,964)	\$ (5,303,857)	\$ (18,334,203)	\$ (8,856,969)	\$ (9,531,568)	\$ (28,786,783)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities							
Depreciation expense	1,509,955	2,964,776	393,486	1,443,359	1,245,145	1,575,473	4,358,202
Other nonoperating revenues (expenses)	4,048,127	(41,767)	19,685	(1,825,728)	(4,664)	(21,442)	13,888
Change in assets, deferred outflows, liabilities and deferred inflows							
Accounts receivable adjusted for interest receivable	1,219,430	4,075	82,345	(347,969)	(37,363)	(145,728)	666,572
Grant & contract receivables	(1)	241,908	(162,475)	83,108	242,209	291,683	(90,946)
Inventories	-	(16,154)	-	(21,275)	(9,084)	13,522	-
Notes receivable	-	67,359	9,652	(38,510)	(13,442)	(25,175)	18,471
Other assets	(14,827)	(73,201)	8,135	67,191	21,586	38,996	181,081
Accounts payable and accrued liabilities adjusted for interest payable	1,186,640	343,858	103,803	3,281,295	391,297	(131,915)	243,727
Pension liability	829,363	1,463,598	211,363	653,267	409,783	894,069	1,380,062
Net change in deferred outflows	(537,562)	(885,942)	(136,046)	(439,188)	(319,074)	(503,223)	(892,850)
Net change in deferred inflows	(47,964)	(33,191)	(993)	44,858	71,545	(57,650)	(6,516)
Accrued payroll	(337,573)	(377,356)	(15,491)	104,832	(33,151)	(64,558)	(11,709)
Compensated absences	56,875	(57,620)	(2,803)	34,709	(66,416)	45,590	(80,973)
Unearned revenue	-	(57,697)	61,844	-	(7,516)	(9,796)	(62,896)
Deposits	4,528	(9,321)	(27,839)	(160)	(2,640)	23,462	11,013
Net cash provided (used) by operating activities	<u>\$ (41,049,964)</u>	<u>\$ (18,975,639)</u>	<u>(4,759,191)</u>	<u>\$ (15,294,414)</u>	<u>\$ (6,968,754)</u>	<u>\$ (7,608,260)</u>	<u>\$ (23,059,657)</u>
SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS							
Assets acquired through capital lease	\$ -	\$ -	\$ 23,030	\$ -	\$ -	\$ 14,056	\$ 85,867
Expenses paid by capital lease/special assessments	-	-	-	-	-	-	-
Gifts of capital assets	-	-	-	-	-	-	-
Net increases (decrease) in value of investments	-	-	-	-	-	-	49,224
Total non-cash transactions	<u>\$ -</u>	<u>\$ -</u>	<u>23,030</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,056</u>	<u>\$ 135,091</u>

NORTH DAKOTA UNIVERSITY SYSTEM
Supplementary Information
June 30, 2017

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							
Student tuition and fees	\$ 8,653,784	\$ 120,836,597	\$ 137,823,989	\$ 6,926,582	\$ 1,060,511	\$ (20,479)	\$ 327,153,782
Grants and contracts	1,502,430	61,169,933	86,283,548	874,505	1,997,248	(8,394,727)	162,727,390
Payments to suppliers	(13,586,305)	(106,352,768)	(108,720,723)	(6,158,793)	(3,630,202)	9,123,116	(285,170,921)
Payments to employees	(29,295,133)	(279,849,318)	(306,639,324)	(16,039,861)	(10,159,532)	134,657	(775,600,630)
Payments for scholarships and fellowships	(1,126,561)	(6,632,511)	(9,449,009)	(585,006)	(950,691)	287,750	(46,755,772)
Loans issued to students	(218,645)	(1,469,671)	(2,914,783)	(146,271)	-	-	(5,766,704)
Collection of loans to students	265,444	1,207,949	4,073,052	126,372	38,078	-	6,525,646
Auxiliary enterprise charges	9,041,513	43,805,204	35,517,366	2,964,445	1,806,712	(230,273)	108,509,709
Sales and service of educational departments	3,655,389	33,264,723	53,902,389	673,087	2,038,006	(2,443,050)	102,032,009
Cash received/(paid) on deposits	50,983	(44,432)	552,868	16,459	6,921	-	581,842
Other receipts (payments)	240,384	623,302	(7,127)	41,967	24,978	(1,801,184)	1,793,632
Net cash provided (used) by operating activities	\$ (20,816,717)	\$ (133,440,992)	\$ (109,577,754)	\$ (11,306,514)	\$ (7,767,971)	\$ (3,344,190)	\$ (403,970,017)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
State appropriations	\$ 19,190,379	\$ 119,923,474	\$ 105,156,958	\$ 11,205,665	\$ 5,030,000	\$ -	\$ 390,965,998
Federal appropriations	-	7,301,633	-	-	-	-	7,301,633
Local appropriations	-	-	-	-	-	-	983,840
Grants and gifts received for other than capital purposes	3,931,659	23,722,390	22,027,327	1,883,129	4,002,032	(191,625)	72,652,739
Grants given for other than capital purposes	-	-	-	-	-	3,684,448	(7,970,742)
Direct Lending Receipts	8,351,267	56,662,324	93,212,599	4,461,956	1,582,705	-	192,622,038
Direct Lending Disbursements	(8,351,267)	(56,658,944)	(93,158,923)	(4,461,956)	(1,582,705)	-	(192,805,036)
Agency fund cash increase/(decrease)	93,795	139,237	(42,302)	(232,969)	(22,462)	-	61,709
Transfers to Industrial Commission	-	-	-	-	-	-	(2,406,216)
Tax revenues	-	500,000	4,437,502	-	-	-	5,130,867
Net cash flows provided (used) by noncapital financing activities	\$ 23,215,833	\$ 151,590,114	\$ 131,633,161	\$ 12,855,825	\$ 9,009,570	\$ 3,492,823	\$ 466,536,830
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from issuance of debt	\$ -	\$ 29,505,288	\$ -	\$ 75,271	\$ -	\$ -	\$ 29,607,251
Capital appropriations	11,025,782	6,431,543	25,628,130	11,864,214	376,000	-	58,642,836
Capital grants and gifts received	616,339	26,829,527	6,808,869	-	12,133	(148,633)	35,159,144
Proceeds from sale of capital assets	-	-	2,370,900	-	-	-	2,375,900
Purchases of capital assets	(9,160,620)	(50,825,082)	(29,565,389)	(10,941,427)	(473,389)	-	(109,764,068)
Insurance proceeds	1,202,825	842,506	862,055	-	-	-	2,956,503
Principal paid on capital debt and lease	(327,370)	(8,254,573)	(6,525,601)	(166,403)	(411,852)	-	(18,255,594)
Deposits with capital debt payment trustees	-	(28,075,000)	-	-	-	-	(28,075,000)
Interest paid on capital debt and lease	(325,030)	(4,951,059)	(4,413,858)	(486,144)	(617,266)	-	(12,539,577)
Net cash provided (used) by capital and related financing activities	\$ 3,031,926	\$ (28,496,850)	\$ (4,834,894)	\$ 345,511	\$ (1,114,374)	\$ (148,633)	\$ (39,892,605)
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sales and maturities of investments	\$ -	\$ 16,084,297	\$ 73,249,899	\$ 496,100	\$ -	\$ -	\$ 92,748,905
Interest on investments	544,723	2,727,580	2,889,586	432,066	2,537	-	7,075,958
Purchase of investments	(200,000)	(12,060,422)	(103,250,000)	(599,274)	-	-	(119,168,512)
Net cash provided (used) by investing activities	\$ 344,723	\$ 6,751,455	\$ (27,110,515)	\$ 328,892	\$ 2,537	\$ -	\$ (19,343,649)
Net increase (decrease) in cash	\$ 5,775,765	\$ (3,596,273)	\$ (9,890,002)	\$ 2,223,714	\$ 129,762	\$ -	\$ 3,330,559
CASH - BEGINNING OF YEAR, as restated	18,393,506	56,428,575	46,735,393	3,971,421	4,047,154	-	184,416,561
CASH - END OF YEAR	\$ 24,169,271	\$ 52,832,302	\$ 36,845,391	\$ 6,195,135	\$ 4,176,916	\$ -	\$ 187,747,120

NORTH DAKOTA UNIVERSITY SYSTEM

Supplementary Information

June 30, 2017

	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)	\$ (23,792,363)	\$ (157,752,572)	\$ (135,518,276)	\$ (12,782,669)	\$ (9,900,396)	\$ (1,418,137)	\$ (483,453,712)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities							
Depreciation expense	3,366,969	24,514,315	24,621,475	1,489,996	2,295,207	-	69,778,358
Other nonoperating revenues (expenses)	11,720	(67,985)	529,088	(2,838)	15,646	(1,926,053)	747,677
Change in assets, deferred outflows, liabilities and deferred inflows							
Accounts receivable adjusted for interest receivable	(47,262)	454,590	(155,357)	(208,566)	(483,752)	1,329,963	2,330,978
Grant & contract receivables	(444,250)	1,059,207	448,594	(119,006)	(56,425)	-	1,493,606
Inventories	(53,948)	29,175	791,297	(1,314)	25,830	-	758,049
Notes receivable	57,719	(198,045)	1,298,009	(9,011)	38,470	-	1,205,497
Other assets	-	(101,481)	(1,152,511)	22,094	(1,558)	-	(1,004,495)
Accounts payable and accrued liabilities adjusted for interest payable	(741,540)	(6,312,250)	(1,446,180)	(44,282)	300,114	(1,116,371)	(3,941,804)
Pension liability	1,423,230	8,817,486	8,413,675	597,560	304,629	-	25,398,085
Net change in deferred outflows	(1,006,242)	(6,078,147)	(6,939,658)	(348,070)	(205,142)	-	(18,291,144)
Net change in deferred inflows	81,294	292,174	1,699,699	(34,603)	10,558	-	2,019,211
Accrued payroll	61,467	2,109,075	403,957	20,287	7,278	(185)	1,866,873
Compensated absences	(62,423)	(149,528)	(384,319)	43,136	(15,041)	-	(638,813)
Unearned revenue	277,929	(12,574)	(2,740,115)	54,313	(110,310)	-	(2,606,818)
Deposits	50,983	(44,432)	552,868	16,459	6,921	(213,407)	368,435
Net cash provided (used) by operating activities	<u>\$ (20,816,717)</u>	<u>\$ (133,440,992)</u>	<u>\$ (109,577,754)</u>	<u>\$ (11,306,514)</u>	<u>\$ (7,767,971)</u>	<u>\$ (3,344,190)</u>	<u>\$ (403,970,017)</u>
SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS							
Assets acquired through capital lease	\$ -	\$ 1,150,444	\$ 3,959,961	\$ 4,053,983	\$ -	\$ -	\$ 9,287,341
Expenses paid by capital lease/special assessments	-	1,222,821	-	-	-	-	1,222,821
Gifts of capital assets	-	10,000	600,000	59,865	-	-	669,865
Net increases (decrease) in value of investments	176	198,921	1,526,742	-	-	-	1,775,063
Total non-cash transactions	<u>\$ 176</u>	<u>\$ 2,582,186</u>	<u>\$ 6,086,703</u>	<u>\$ 4,113,848</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,955,090</u>

NORTH DAKOTA UNIVERSITY SYSTEM

Supplementary Information

June 30, 2017

Statement of Financial Position -- Non-major Component Units

	MISU Development Foundation June 30, 2017	NDSCS Foundation June 30, 2017	WSC Foundation June 30, 2017	Total Non-major Component
Assets				
Current assets				
Cash and cash equivalents	\$ 161,033	\$ 1,178,359	\$ 8,810,070	\$ 10,149,462
Investments	-	14,508,946	105,707	14,614,653
Accounts receivable, net	3,661	55,000	331,742	390,403
Receivable from Primary Institution	-	-	107,144	107,144
Unconditional promises to give, net of allowance	870,596	239,500	319,299	1,429,395
Other assets	20,617	-	168,605	189,222
Total current assets	\$ 1,055,907	\$ 15,981,805	\$ 9,842,567	\$ 26,880,279
Noncurrent assets				
Investments:				
Investments, net of current portion	\$ 19,870,937	\$ -	\$ 12,445,607	\$ 32,316,544
Investments held in trust	3,184,035	-	-	3,184,035
Beneficial interest in trust	115,067	-	-	115,067
Other long-term investments	-	-	1,359,120	1,359,120
Total investments	\$ 23,170,039	\$ -	\$ 13,804,727	\$ 36,974,766
Long term pledges				
receivable/unconditional promises to give	\$ 1,212,040	\$ 473,872	\$ 1,058,035	\$ 2,743,947
Receivable from Primary Institution	-	-	344,009	344,009
Other noncurrent assets	-	255,000	84,264	339,264
Capital assets, net	5,532,406	1,726,243	9,919,633	17,178,282
Total noncurrent assets	\$ 29,914,485	\$ 2,455,115	\$ 25,210,668	\$ 57,580,268
Total assets	\$ 30,970,392	\$ 18,436,920	\$ 35,053,235	\$ 84,460,547
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	\$ 1,090	\$ 11,579	\$ 98,542	\$ 111,211
Payable to university	98,432	346,818	45,802	491,052
Accrued payroll	-	-	2,854	2,854
and life income agreements	42,853	-	-	42,853
Deferred revenue	-	310,000	2,253	312,253
Other current liabilities	2,334	-	33,526	35,860
Long-term liabilities--current portion	137,155	62,037	145,948	345,140
Total current liabilities	\$ 281,864	\$ 730,434	\$ 328,925	\$ 1,341,223
Noncurrent liabilities				
Gift annuities and life income				
agreements, net of current portion	\$ 286,659	\$ 221,988	\$ -	\$ 508,647
Investments Held on Behalf of Institutions	3,184,035	-	-	3,184,035
Long-term liabilities	2,172,500	1,598,858	6,152,548	9,923,906
Total noncurrent liabilities	\$ 5,643,194	\$ 1,820,846	\$ 6,152,548	\$ 13,616,588
Total liabilities	\$ 5,925,058	\$ 2,551,280	\$ 6,481,473	\$ 14,957,811
Net Assets				
Temporarily restricted	\$ 1,772,353	\$ 1,379,973	\$ 16,227,193	\$ 19,379,519
Permanently restricted	20,564,171	14,220,184	7,834,368	42,618,723
Unrestricted	2,708,810	285,483	4,510,201	7,504,494
Total net assets	\$ 25,045,334	\$ 15,885,640	\$ 28,571,762	\$ 69,502,736
Total liabilities and net assets	\$ 30,970,392	\$ 18,436,920	\$ 35,053,235	\$ 84,460,547

NORTH DAKOTA UNIVERSITY SYSTEM

Supplementary Information

June 30, 2017

Statement of Activities - Non-Major Component Units

	MiSU Development Foundation June 30, 2017	NDSCS Foundation June 30, 2017	WSC Foundation June 30, 2017	Total
Support and revenue				
Contributions, grants and donations	\$ 1,891,612	\$ 1,005,096	\$ 1,498,120	\$ 4,394,828
Government grants and contracts	620,257	-	-	620,257
In-Kind contributions	173,147	-	-	173,147
Gifts and contributions	\$ 2,685,016	\$ 1,005,096	\$ 1,498,120	\$ 5,188,232
Investment income				
Dividends and interest	\$ 433,267	\$ -	\$ 348,038	\$ 781,305
Investment income	-	1,043,900	177,654	1,221,554
Change in split interest agreements	(15,611)	34,837	-	19,226
Investment income	\$ 417,656	\$ 1,078,737	\$ 525,692	\$ 2,022,085
Net realized and unrealized gains (losses) on investment securities	\$ 1,310,658	\$ -	\$ 637,056	\$ 1,947,714
Program and event income	\$ -	\$ -	\$ 4,138,732	\$ 4,138,732
Other income	\$ 523,907	\$ 916,078	\$ 3,930,597	\$ 5,370,582
Total support and revenue	\$ 4,937,237	\$ 2,999,911	\$ 10,730,197	\$ 18,667,345
EXPENSES				
Program Services	\$ -	\$ 1,240,592	\$ 2,836,532	\$ 4,077,124
Supporting services	1,993,796	362,791	6,103,143	8,459,730
Total expenses	\$ 1,993,796	\$ 1,603,383	\$ 8,939,675	\$ 12,536,854
Change in Net Assets	\$ 2,943,441	\$ 1,396,528	\$ 1,790,522	\$ 6,130,491
Net Assets, Beginning of Year, as restated	\$ 22,101,893	\$ 14,489,112	\$ 26,781,240	\$ 63,372,245
Net Assets, End of Year	\$ 25,045,334	\$ 15,885,640	\$ 28,571,762	\$ 69,502,736

North Dakota University System

Supplementary Information

June 30, 2017

SCHEDULE OF BONDS PAYABLE - Primary Institutions

Issue	Original Balance	Original Discount (Premium)	Original Balance, Net of Discount (Premium)	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	\$ 59,569	\$ 3,064,569	2.0 - 3.0%	\$160,000 to \$275,000	\$ 2,726,627
2012 Housing & Auxiliary Facilities, due through 2033, collateralized by net revenues of housing & auxiliary system and College Fee, interest rate fixed.	7,000,000	119,765	7,119,765	2.0 - 4.0%	\$265,000 to \$475,000	6,001,250
Total BSC	<u>\$ 10,005,000</u>	<u>\$ 179,334</u>	<u>\$ 10,184,334</u>			<u>\$ 8,727,877</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.	\$ 1,050,000	\$ -	\$ 1,050,000	3.0 - 5.125%	\$55,000 to \$100,000	\$ 100,000
Total LRSC	<u>\$ 1,050,000</u>	<u>\$ -</u>	<u>\$ 1,050,000</u>			<u>\$ 100,000</u>
Mayville State University						
2013 Facilities Revenue Bonds, due through the year 2024, collateralized by student fees, sales tax and earnings, interest rate fixed.	\$ 1,850,000	\$ 35,057	\$ 1,885,057	2.0-3.25%	\$181,516 to \$213,413	\$ 1,376,033
2010 Facilities Revenue Bonds, due through year 2030, collateralized by Housing and Facilities revenue, student fees, federal interest subsidy related to the bond interest payments and earnings on funds created under the indenture	3,665,000	(60,808)	3,604,192	1.55-6.63%	\$173,923 to \$265,602	2,636,651
Total MaSU	<u>\$ 5,515,000</u>	<u>\$ (25,751)</u>	<u>\$ 5,489,249</u>			<u>\$ 4,012,684</u>
Minot State University						
2015 Student Services Facilities Revenue Bonds refunding due through 2030, collateralized by net revenues from auxiliary housing.	\$ 3,305,000	\$ 128,825	\$ 3,433,825	2.0-4.0%	\$195,000 to \$290,000	\$ 3,213,060
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		10,000,000	2.0-6.6%	\$135,000 to \$1,415,000	9,130,000
Total MiSU	<u>\$ 13,305,000</u>	<u>\$ 128,825</u>	<u>\$ 13,433,825</u>			<u>\$ 12,343,060</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.	\$ 9,000,000	\$ -	\$ 9,000,000	3.76%	\$265,000 to \$545,000	\$ 7,910,000
Total NDSCS	<u>\$ 9,000,000</u>	<u>\$ -</u>	<u>\$ 9,000,000</u>			<u>\$ 7,910,000</u>
North Dakota State University						
2009 Housing & Auxiliaries Facilities Revenue Bonds, Maturity April 1, 2039, collateralized by auxiliary revenue.	\$ 26,245,000	\$ 238,607	\$ 26,483,607	1.5-4.8%	\$1,715,000	\$ 22,714,934
2012A Housing & Auxiliaries Facilities Revenue Bonds, Maturity April 1, 2027, collateralized by auxiliary revenue	5,730,000	62,552	5,792,552	2.0-3.0%	\$455,956 to \$465,450	4,070,434
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	108,914	8,448,914	2.0-4.0%	\$575,237 to \$581,250	7,485,686
2015A Housing & Auxiliary Facilities Refunding Bonds Maturity April 1, 2036 collateralized by net revenues of housing and auxiliary services, interest rate fixed	21,195,000	2,185,340	23,380,340	3.0 - 5.0%	\$2,351,200	20,134,215
2015B Housing & Auxiliary Facilities Bonds, Maturity April 1, 2035, collateralized by net revenues of housing and auxiliary services, interest rate fixed	9,355,000	366,958	9,721,958	2.0 - 5.0%	\$524,659 to \$683,806	9,109,797

North Dakota University System

Supplementary Information

June 30, 2017

SCHEDULE OF BONDS PAYABLE - Primary Institutions - Continued

Issue	Original Balance	Original Discount (Premium)	Original Balance, Net of Discount (Premium)	Interest Rate	Installments	Balance Outstanding
2016 Housing & Auxiliary Facilities Refunding Bonds, Maturity April 1, 2036, collateralized by net revenues of housing and auxiliary services, interest rate fixed	\$ 10,405,000	\$ 310,288	\$ 10,715,288	2.0 - 4.0%	\$534,469 to \$671,575	\$ 10,359,578
2016 Research & Tech Park Taxable Lease Refunding Bonds, Maturity May 1, 2032, collateralized by lease revenues, interest rate fixed	18,790,000	-	18,790,000	1.1 - 3.9%	\$1,254,452 to	17,355,000
Total NDSU	<u>\$ 100,060,000</u>	<u>\$ 3,272,659</u>	<u>\$ 103,332,659</u>			<u>\$ 91,229,644</u>
University of North Dakota						
2015 Housing & Auxiliary Facilities Revenue Bonds due through 2035, collateralized by net housing and auxiliary facilities system, debt service grants, and bond indenture earnings, fixed rate.	\$ 38,985,000	\$ 1,489,517	\$ 40,474,517	3.0-4.0%	\$2,719,125 to \$2,835,607	\$ 37,050,962
2009 Aerospace Hanger Revenue Bonds due through 2029, collateralized by revenue from flight operations and proceeds from any casualty insurance payments.	1,500,000	-	1,500,000	4.25%	\$73,016 to \$133,054	743,884
2012 Housing & Auxiliaries Facilities Revenue Bonds, Maturity April 1, 2027, collateralized by housing and auxiliary revenue.	17,360,000	1,561,940	18,921,940	2-5%	\$220,000 to \$1,115,000	16,384,076
2012 EERC Revenue Bonds, maturity June 1, 2027, variable interest rate	6,405,000	-	6,405,000	0.75-4.2%	\$325,000 to \$540,000	4,575,000
2013 Housing & Auxiliaries Facilities Revenue Bonds Maturity April 1, 2034 collateralized by net housing and auxiliary facilities system revenue	8,130,000	81,122	8,211,122	2.0%-4.1%	\$300,000 to \$560,000	7,284,105
2014 Housing & Auxiliaries Facilities Revenue Bonds Maturity April 1, 2044 collateralized by net housing and auxiliary facilities system revenue	27,305,000	302,110	27,607,110	3.0%-4.0%	\$475,000 to \$1,465,000	25,984,911
Total UND	<u>\$ 99,685,000</u>	<u>\$ 3,434,689</u>	<u>\$ 103,119,689</u>			<u>\$ 92,022,938</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	\$ -	\$ 3,430,000	2.8% - 7.05%	\$25,000 to \$380,000	\$ 3,225,000
2013 Housing & Auxiliary Facilities Revenue Bonds due through 2033, collateralized by net housing and auxiliary facilities system, interest rate fixed.	2,565,000	\$ -	2,565,000	3% - 4%	\$40,000 to \$185,000	2,275,000
Total VCSU	<u>\$ 5,995,000</u>	<u>\$ -</u>	<u>\$ 5,995,000</u>			<u>\$ 5,500,000</u>
Williston State College						
2010 Housing and Auxiliary Services, matures 2041	\$ 9,375,000	\$ -	\$ 9,375,000	6.9%	\$200,000 to \$505,000	\$ 8,115,000
Total WSC	<u>\$ 9,375,000</u>	<u>\$ -</u>	<u>\$ 9,375,000</u>			<u>\$ 8,115,000</u>
Total Bonds Payable	<u>\$ 253,990,000</u>	<u>\$ 6,989,756</u>	<u>\$ 260,979,756</u>			<u>\$ 229,961,203</u>

NORTH DAKOTA UNIVERSITY SYSTEM

Supplementary Information

June 30, 2017

Financial Information for Revenue Producing Buildings (Unaudited)

(as Required by ND Century Code 15-55-20)

	Bismarck	DCB	Dickinson	Lake Region	Mayville	Minot
	State	Dakota	State	State	State	State
	College	College	University	College	University	University
Operating Revenues	\$ 4,510,705	\$ -	\$ -	\$ 1,663,229	\$ 2,201,125	\$ 637,930
Operating Expenses	4,761,140	-	-	1,424,532	1,813,063	551,278
Net Operating Revenues	<u>\$ (250,435)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 238,697</u>	<u>\$ 388,062</u>	<u>\$ 86,652</u>
Pledged Fees	\$ 479,288	\$ -	\$ -	\$ 77,574	\$ 85,429	\$ 1,032,330
Non Operating Revenue	525,400	-	-	229,320	126,761	99,638
Investment Income	17	-	-	1,488		1,276
Debt Service Grants	-	-	-	-	122,024	189,551
Net Revenue Available for Debt Retirement	<u><u>\$ 754,270</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 547,080</u></u>	<u><u>\$ 722,276</u></u>	<u><u>\$ 1,409,447</u></u>
Current year Debt Service						
Principal	\$ 450,000	\$ -	\$ -	\$ 95,000	\$ 155,000	\$ 355,000
Interest	<u>266,236</u>	<u>-</u>	<u>-</u>	<u>7,548</u>	<u>165,157</u>	<u>677,330</u>
Total Debt Service	<u><u>\$ 716,236</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 102,548</u></u>	<u><u>\$ 320,157</u></u>	<u><u>\$ 1,032,330</u></u>

NORTH DAKOTA UNIVERSITY SYSTEM

Supplementary Information

June 30, 2017

Financial Information for Revenue Producing Buildings (Unaudited) - Continued

(as Required by ND Century Code 15-55-20)

	North Dakota State College of Science	North Dakota State University	University of North Dakota	Valley City State University	Williston State College	Total
Operating Revenues	\$ 9,329,915	\$ 43,880,728	\$ 36,448,539	\$ 3,119,413	\$ 715,065	\$ 102,506,649
Operating Expenses	8,178,908	37,036,200	29,783,996	2,856,794	371,834	86,777,745
Net Operating Revenues	<u>\$ 1,151,007</u>	<u>\$ 6,844,528</u>	<u>\$ 6,664,543</u>	<u>\$ 262,619</u>	<u>\$ 343,231</u>	<u>\$ 15,728,904</u>
Pledged Fees	\$ 312,492	\$ 6,282,097	\$ 3,589,354	\$ 122,372	\$ 90,000	\$ 12,070,936
Non Operating Revenue	60,455	3,682,216	-	565,300	25,830	5,314,920
Investment Income	1,625	260	48,525	72	689	53,952
Debt Service Grants	-	-	-	91,377	229,882	632,834
Net Revenue Available for Debt Retirement	<u><u>\$ 1,525,579</u></u>	<u><u>\$ 16,809,101</u></u>	<u><u>\$ 10,302,422</u></u>	<u><u>\$ 1,041,740</u></u>	<u><u>\$ 689,632</u></u>	<u><u>\$ 33,801,547</u></u>
Current year Debt Service Principal	\$ 280,000	\$ 3,480,000	\$ 3,095,000	\$ 145,000	\$ 220,000	\$ 8,275,000
Interest	<u>297,231</u>	<u>2,894,441</u>	<u>3,150,119</u>	<u>299,190</u>	<u>553,408</u>	<u>8,310,660</u>
Total Debt Service	<u><u>\$ 577,231</u></u>	<u><u>\$ 6,374,441</u></u>	<u><u>\$ 6,245,119</u></u>	<u><u>\$ 444,190</u></u>	<u><u>\$ 773,408</u></u>	<u><u>\$ 16,585,660</u></u>