

# ANNUAL FINANCIAL REPORT

June 30, 2016



ACCESS. INNOVATION. EXCELLENCE.





# **NORTH DAKOTA UNIVERSITY SYSTEM**

## **ANNUAL FINANCIAL REPORT**

**Fiscal Year Ended  
JUNE 30, 2016**

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



(This page intentionally left blank)

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**TABLE OF CONTENTS**

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	5
<b>BASIC FINANCIAL STATEMENTS:</b>	
Statement of Net Position	17
Statement of Financial Position – Component Units	18
Statement of Revenues, Expenses and Changes in Net Position	19
Statement of Activities – Component Units	20
Statement of Cash Flows	21
Combining Statement of Financial Position – Component Units	22
Combining Statement of Activities – Component Units	24
Notes to Financial Statements	26
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Proportionate Share of Net Pension Liability	75
Schedule of Employer Contributions	75
<b>SUPPLEMENTARY INFORMATION:</b>	
Combining Statement of Net Position	78
Combining Statement of Revenues, Expenses, and Changes in Net Position	80
Combining Statement of Cash Flows	82
Statement of Financial Position – Non-Major Component Units	86
Statement of Activities – Non-Major Component Units	87
Schedule of Bonds Payable – Primary Institution	88
Deficit Net Position Balances > \$100,000 (Unaudited)	90
Financial Information for Revenue Producing Buildings (Unaudited)	92

(This page intentionally left blank)



STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
FARGO BRANCH OFFICE  
1655 43<sup>rd</sup> STREET SOUTH, SUITE 203  
FARGO, NORTH DAKOTA 58103

## **INDEPENDENT AUDITOR'S REPORT**

Honorable Jack Dalrymple, Governor

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, 2016, 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, 2016, 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, 2016, the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matters***

As described in Note 1, *New Accounting Pronouncements*, in fiscal year 2016 the North Dakota University System adopted the provisions of GASB No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

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

As described in Note 1, the North Dakota University System's financial statements are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only those portions of the business-type activities, and aggregate discretely presented component units of the North Dakota University System that are attributable to the transactions of the North Dakota University System. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of June 30, 2016, 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 Deficit Net Position Balances > \$100,000 and 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 December 7, 2016 on our consideration of the North Dakota University System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the North Dakota University System's internal control over financial reporting and compliance.



Robert R. Peterson  
State Auditor

Fargo, North Dakota

December 7, 2016

**NORTH DAKOTA UNIVERSITY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

---

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, 2016. It is designed to focus on the current year's activities, resulting changes and currently known facts to assist readers in understanding the accompanying financial statements.

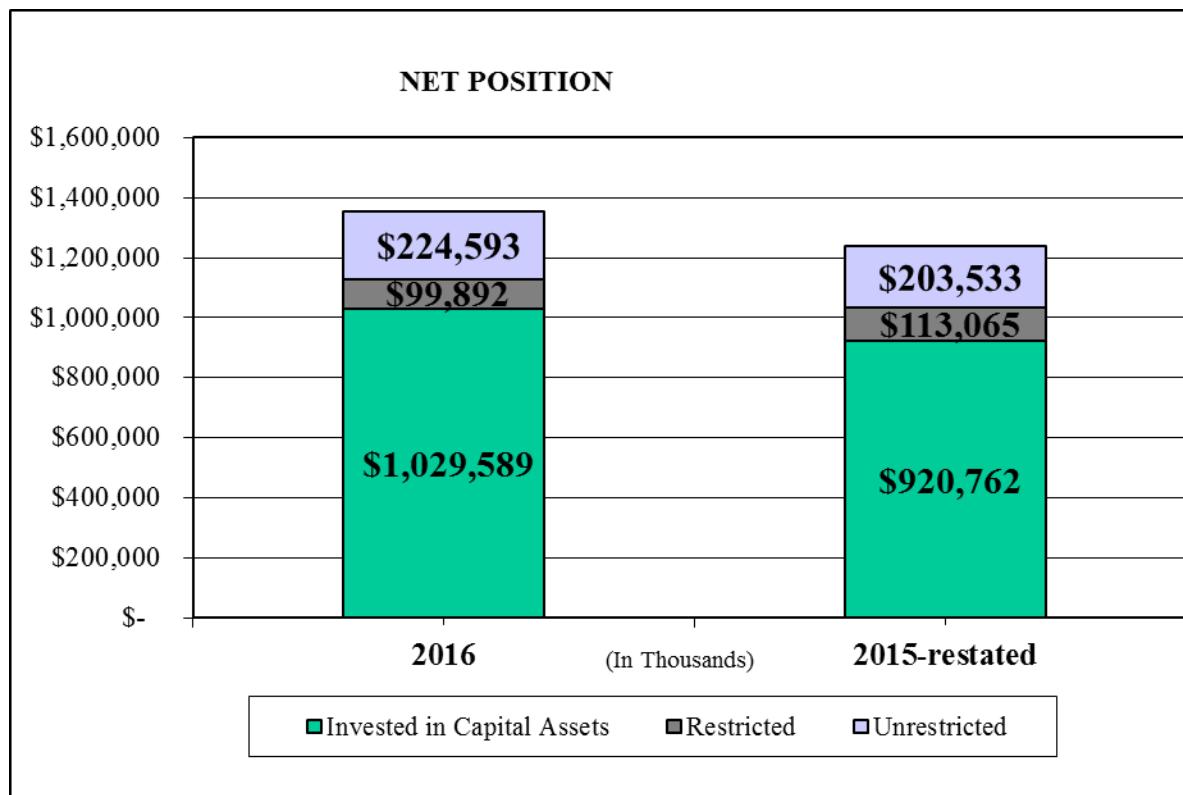
This discussion provides an overview of the financial position of the System for the year ended June 30, 2016 and should be read in conjunction with the accompanying financial statements and notes to the financial statements. The financial statements, notes, and this discussion and analysis are the responsibility of management.

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

**FINANCIAL HIGHLIGHTS**

The System's overall financial standing continues to be sound with total assets and deferred outflows of resources of \$1.882 billion and total liabilities and deferred inflows of \$528 million, resulting in a net position total of \$1.354 billion (an increase of \$116.7 million over the previous fiscal year).

The following graph illustrates the net position breakdown for fiscal years ending June 30, 2016 and 2015:



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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **JUNE 30, 2016**

---

#### **USING THIS ANNUAL REPORT**

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

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

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

#### **STATEMENT OF NET POSITION**

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

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

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

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

The following table shows the Condensed Statement of Net Position at June 30, 2016 and 2015:

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**

	<b>June 30 (in Thousands)</b>		<b>Dollar Change</b>	<b>Percent Change</b>
	<b>2016</b>	<b>2015-Restated</b>		
Current assets	\$ 392,412	\$ 362,802	\$ 29,610	8%
Capital assets, net	1,323,697	1,218,499	105,198	9%
Other noncurrent assets	148,613	191,079	(42,466)	-22%
<b>Total assets</b>	<b>\$ 1,864,722</b>	<b>\$ 1,772,380</b>	<b>\$ 92,342</b>	<b>5%</b>
Deferred Outflows of Resources	\$ 17,151	\$ 15,834	\$ 1,317	8%
Current liabilities	\$ 125,960	\$ 131,212	\$ (5,252)	-4%
Noncurrent liabilities	391,912	405,642	(13,730)	-3%
<b>Total liabilities</b>	<b>\$ 517,872</b>	<b>\$ 536,854</b>	<b>\$ (18,982)</b>	<b>-4%</b>
Deferred Inflows of Resources	\$ 9,926	\$ 14,000	\$ (4,074)	-29%
Invested in capital assets	\$ 1,029,589	\$ 920,762	\$ 108,827	12%
Restricted	99,892	113,065	(13,173)	-12%
Unrestricted	224,593	203,533	21,060	10%
<b>Total Net Position</b>	<b>\$ 1,354,074</b>	<b>\$ 1,237,360</b>	<b>\$ 116,714</b>	<b>9%</b>
<b>Current Ratio</b> (current assets to current liabilities)	<b>3.1</b>	<b>2.8</b>		
<b>Primary Reserve Ratio</b> (expendable net position to operating expenses)	<b>0.26</b>	<b>0.26</b>		

The increase in total assets of \$92.3 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 to the following:

- UND: an increase in current investments of \$11.1 million and an increase in cash at June 30, 2016 for expenses related to the new School of Medicine and Health Sciences building that will be paid in fiscal year 2017.
- NDSU: proceeds from sales and maturities of investments of \$23.1 million, partially offset by purchases of investments of \$14.8 million.
- The remaining increase is due to an increase in cash balances at June 30, 2016. Cash balances can fluctuate during the year depending on operational needs and the accounts payable payments cycle.

Noncurrent assets decreased as a result of a decrease in long-term investments of \$25.9 million. UND account for most of the decrease in long-term investments with \$18.3 million, of which \$11.1 million was converted to current investments. Noncurrent cash decreased throughout the NDUS by \$13.6 million.

Total liabilities decreased \$19.0 million during fiscal year 2016 to a total of \$517.9 million. The decrease in long-term liabilities is discussed in a later section of this MD&A.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### JUNE 30, 2016

---

The increase in the deferred inflow of resources is related to a change in the actuarially determined amount for pensions.

The current ratio, calculated by dividing current assets by current liabilities, measures the System's ability to meet current obligations. The System's current ratio at June 30, 2016 was 3.1 to 1, which indicates the System's current assets are three times that of its current liabilities. A ratio of less than 1 to 1 would be cause for concern.

The primary reserve ratio (calculated by dividing expendable and unrestricted net position by operating expenses), measures the ability of the System to continue operating at current levels, within current restrictions, without future revenues. Proof of an adequate reserve ratio is often required to secure long-term financing. The System's primary reserve ratio at June 30, 2016 is 0.26 to 1. A ratio of less than .05 would cause concern.

#### **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, 2016 and 2015:

	<b>June 30 (in Thousands)</b>		<b>Dollar Change</b>	<b>Percent Change</b>
	<b>2016</b>	<b>2015-restated</b>		
Operating revenues	\$ 695,648	\$ 676,781	\$ 18,867	3%
Operating expenses	1,191,144	1,151,533	39,611	3%
Operating loss	(495,496)	(474,752)	(20,745)	4%
Nonoperating revenues, net of expenses	483,156	472,902	10,254	2%
Income before capital grants, gifts, and transfers	(12,340)	(1,850)	(10,490)	567%
Capital appropriations, grants and gifts	129,055	165,192	(36,137)	-22%
Increase in net position	\$ 116,715	\$ 163,342	\$ (46,627)	-29%
 <b>Tuition and Fees Funding Ratio</b>				
(tuition and fees to operating expenses)			27%	26%
 <b>Net Income Margin</b> (increase in net position to total revenue)				
			8.7%	12.2%

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### JUNE 30, 2016

---

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

Net income margin, calculated by dividing increase in net position by total revenue, is a measure of current year financial status. The System's net income margin for fiscal year 2016 is 8.7 percent. A positive margin signifies the System is not spending more than it is taking in.

#### Revenues

The following table shows revenues by source for the fiscal years ended June 30, 2016 and 2015:

	June 30 (in Thousands)		Dollar Change	Percent Change
	2016	2015 - restated		
<b>Operating revenues</b>				
Student tuition and fees	\$ 316,120	\$ 303,556	\$ 12,564	4%
Grants and contracts	162,678	163,301	(623)	0%
Sales and services of education departments	105,290	102,262	3,028	3%
Auxiliary enterprises	109,650	105,362	4,288	4%
Other	1,910	2,300	(390)	-17%
<b>Total operating revenues</b>	<b>\$ 695,648</b>	<b>\$ 676,781</b>	<b>\$ 18,867</b>	<b>3%</b>
<b>Nonoperating revenues, capital gifts and grants</b>				
State appropriations	\$ 423,223	\$ 412,100	\$ 11,123	3%
Federal appropriations	6,488	6,702	(214)	-3%
Federal grants and contracts	36,260	36,703	(443)	-1%
Local Appropriations	1,012	2,309	(1,297)	-56%
Gifts	31,669	30,378	1,291	4%
Endowment and investment income	4,739	5,047	(308)	-6%
Insurance proceeds	495	52	443	853%
Tax revenues	4,675	3,884	791	20%
Gain on sale of capital assets	1,187	1,681	(494)	-29%
Other nonoperating, net	6,456	3,181	3,275	103%
State appropriations-capital assets	99,446	128,269	(28,823)	-22%
Capital grants & gifts	29,609	36,923	(7,314)	-20%
<b>Total nonoperating revenues, capital gifts and grants</b>	<b>\$ 645,258</b>	<b>\$ 667,229</b>	<b>\$ (21,970)</b>	<b>-3%</b>
<b>Total Revenues</b>	<b>\$ 1,340,907</b>	<b>\$ 1,344,011</b>	<b>\$ (3,103)</b>	<b>0%</b>

Tuition and fee revenues increased 4 percent from fiscal year 2015. The increase is attributed to an increase in tuition rates while enrollment remained relatively stable from fiscal year 2015.

State appropriations, excluding capital assets, are determined by the North Dakota State Legislature and increased 3 percent over fiscal year 2015.

State appropriations-capital assets are also determined by the North Dakota State Legislature and decreased 22 percent from fiscal year 2015.

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

- In fiscal year 2015, BSC received capital appropriations of \$10.4 million for the Communications and Creative Arts Center. In fiscal year 2016, the amount was \$2.6 million, as the project was completed during fiscal year 2016.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

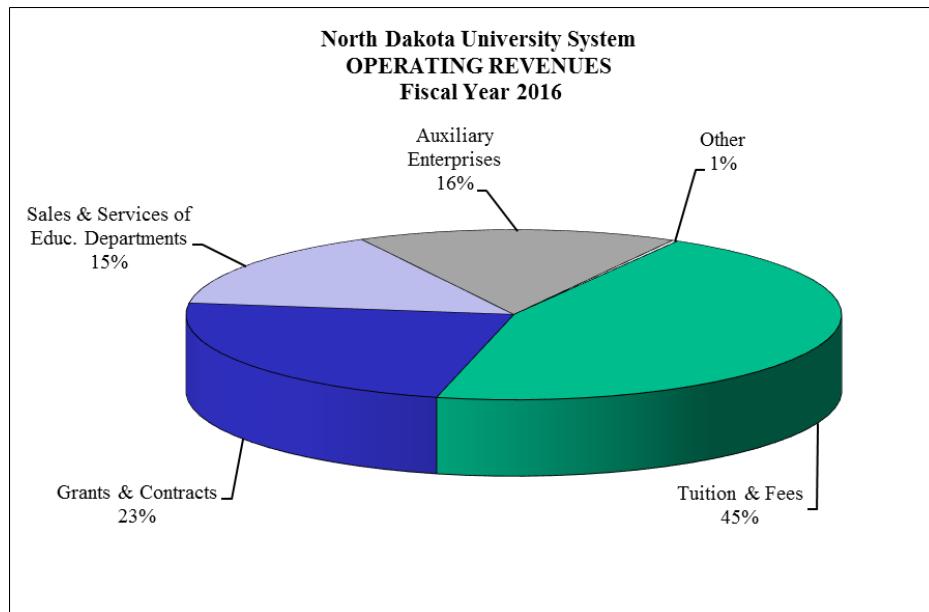
### JUNE 30, 2016

---

- 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. These projects were completed during fiscal year 2016, resulting in a decrease of \$16.8 million.
- NDSU capital grants and gifts decreased \$7.7 million due to a larger amount of capital gift revenue for the construction of the Sanford Health Athletic Complex (formerly known as Bison Sports Arena) received in fiscal year 2015.

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

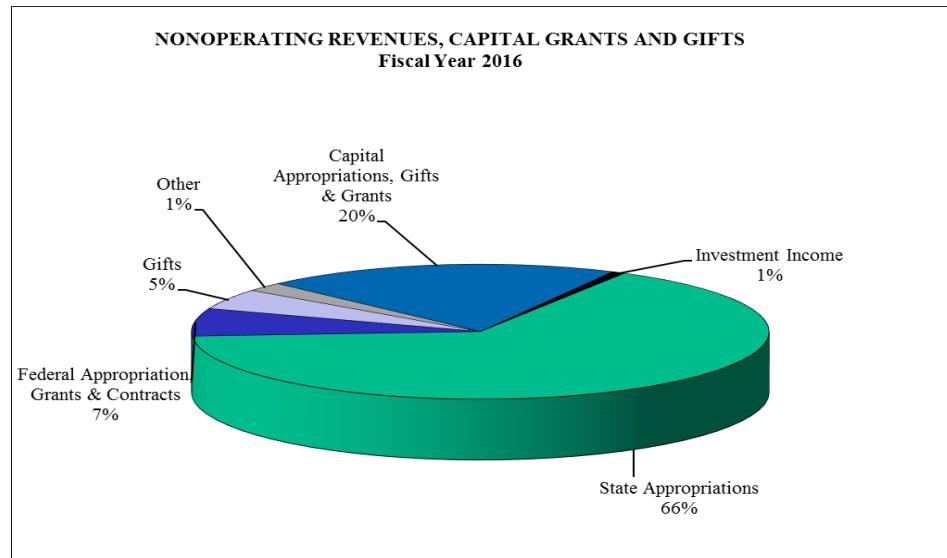
The following graph depicts sources of operating revenues for fiscal year 2016:



There were no significant fluctuations compared to fiscal year 2015.

The following chart depicts sources of nonoperating revenues, capital grants and gifts for fiscal year 2016:

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**



Capital appropriations, gifts and grants decreased to 20 percent compared to 26 percent in fiscal year 2015. The decrease was addressed in the Revenue section of the MD&A.

### Expenses

The following table shows expenses by natural classification for the fiscal years ended June 30, 2016 and 2015:

	<b>June 30 (in Thousands)</b>		<b>Dollar Change</b>	<b>Percent Change</b>
	<b>2016</b>	<b>2015 - restated</b>		
<b>Operating expenses</b>				
Salaries and wages	\$ 785,253	\$ 754,027	\$ 31,226	4%
Operating expenses	258,515	260,954	(2,439)	-1%
Data processing	19,502	19,662	(160)	-1%
Depreciation expense	68,661	60,928	7,733	13%
Scholarships and fellowships	33,561	33,266	295	1%
Cost of sales and services	25,653	22,696	2,957	13%
Total operating expenses	\$ 1,191,144	\$ 1,151,533	\$ 39,611	3%
<b>Nonoperating expenses</b>				
Interest on capital asset related debt	\$ 11,971	\$ 13,476	\$ (1,505)	-11%
General and special grant expenditures	16,391	10,570	5,821	55%
Transfers to Industrial Commission	4,686	5,090	(404)	-8%
Total nonoperating expenses	\$ 33,048	\$ 29,136	\$ 3,912	13%
<b>Total expenses</b>	<b>\$ 1,224,192</b>	<b>\$ 1,180,669</b>	<b>\$ 43,523</b>	<b>4%</b>

Salaries and wages expense for the System increased 4 percent from fiscal year 2015 as a result of wage increases and increases in health insurance expense.

The increase in depreciation expense is consistent with the increase in capital assets.  
The increase in cost of sales and services is due to the following:

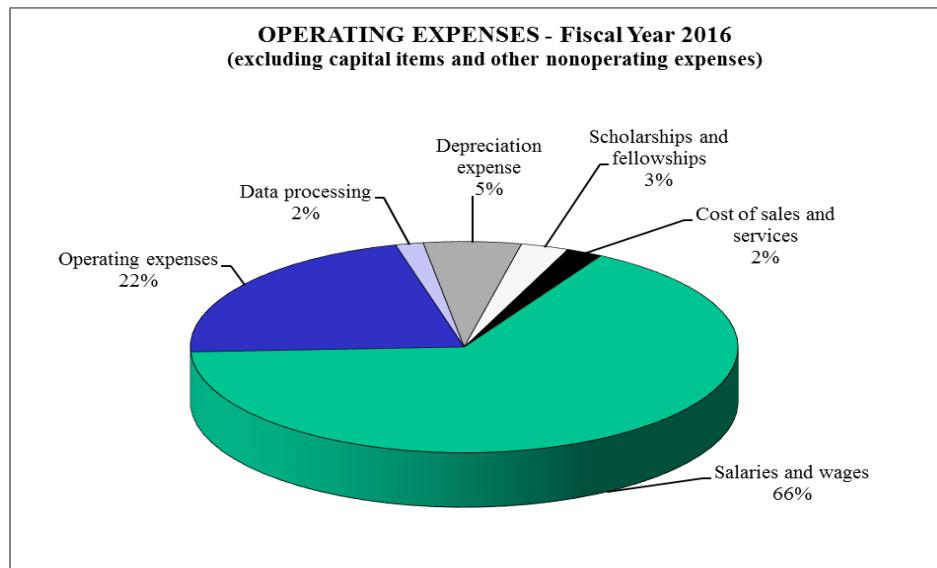
## MANAGEMENT'S DISCUSSION AND ANALYSIS

### JUNE 30, 2016

---

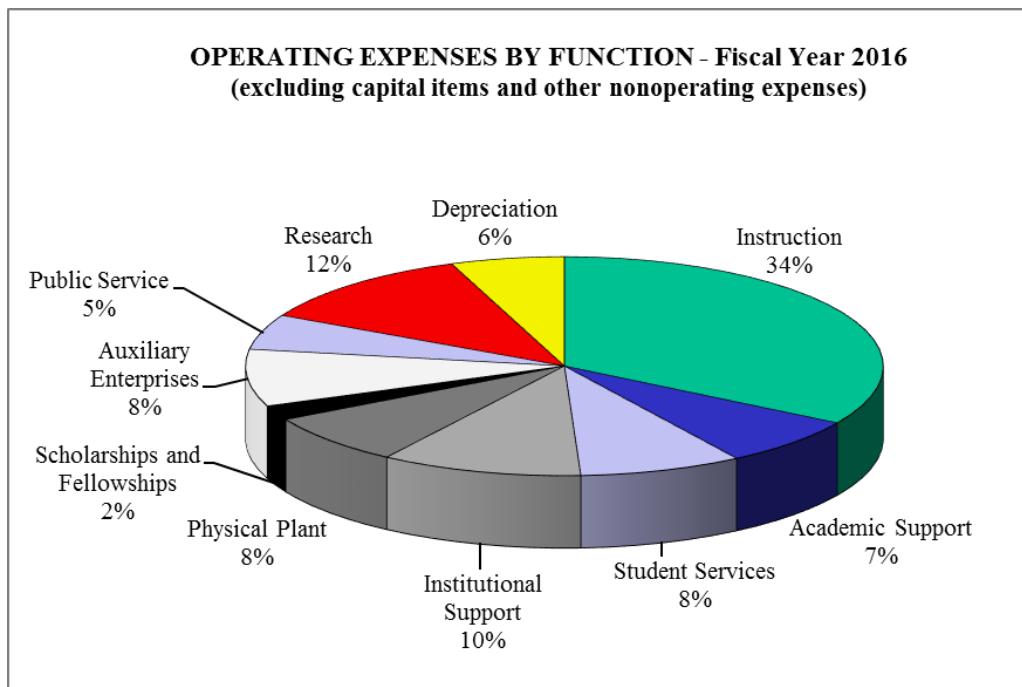
- In fiscal year 2016, NDSCS took over the bookstore operations from a third party. As a result, cost of sales and services increased \$2.2 million
- Increased cost of sales and services of \$1.0 million at UND aerospace department is related to sales of goods and services to UND Aerospace Foundation.

The following chart depicts the uses of operating funds according to natural classification for fiscal year 2016:



The allocation of operating expenses among the natural classification categories has not changed significantly from fiscal year 2015.

The following chart illustrates operating expenses by function for fiscal year 2016:



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### JUNE 30, 2016

---

The allocation of expenses to functional areas has not changed significantly from prior year. Instructional expenses, at 34 percent, continue to represent the largest expenditure category. The instructional function includes all expenses related to instruction (e.g. classroom, distance 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 (SRECP) because of the inclusion of noncash items, such as depreciation expense, on the SRECP. Also, the SRECP 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.

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, 2016 and 2015 is shown below:

	June 30 (in Thousands)	
	2016	2015
Cash flows from operating activities	\$ (409,599)	\$ (403,996)
Cash flows from noncapital financing activities	482,431	477,089
Cash flows from capital and related financing activities	(70,795)	(82,130)
Cash flows from investing activities	20,528	(16,420)
Increase in cash and cash equivalents during the year	<u>\$ 22,565</u>	<u>\$ (25,457)</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 2016 was \$423.6 million. If this amount is added to the cash flows from operating activities, the result is a positive cash flow of \$14.0 million.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### JUNE 30, 2016

---

#### CAPITAL ASSET AND LONG-TERM LIABILITIES HIGHLIGHTS

##### CAPITAL ASSETS

On June 30, 2016, the System had \$1.3 billion invested in net capital assets which represents a net increase of \$105.2 million or 9 percent during the fiscal year.

	June 30 (in thousands)	
	2016	2015-Restated
Land	\$ 19,248	\$ 16,316
Land improvements/infrastructure	207,107	203,041
Buildings	1,473,625	1,219,263
Furniture, fixtures, and equipment	323,222	306,842
Library materials	100,881	107,768
Construction in progress	100,815	215,892
Capitalized software	24,722	24,343
Other intangibles	2,136	2,253
Total	<u>\$ 2,251,754</u>	<u>\$ 2,095,718</u>
Total accumulated depreciation and amortization	<u>(928,058)</u>	<u>(877,219)</u>
Capital assets, net	<u>\$ 1,323,696</u>	<u>\$ 1,218,499</u>

Total additions to depreciable capital assets in fiscal year 2016 were \$108.6 million. Construction in progress for other projects underway totaled \$100.8 million at June 30, 2016. Some of the major projects, and their estimated project costs, include:

##### MaSU

- HPER Facilities Improvement - \$5.8 million

##### NDSCS

- Water and Sewer Replacement - \$13.3 million

##### NDSU

- Sanford Health Athletic Complex (formerly known as Bison Sports Arena) - \$41.0 million
- Aquatic Center - \$11.0 million
- Churchill Hall - \$11.0 million
- Veterinary Diagnostic Lab - \$18.0 million

##### UND

- Collaborative Energy Complex - \$15.5 million
- COPBA Building - \$20.5 million
- O'Kelly Hall Renovation - \$7.0 million

##### VCSU

- Heating Plant - \$13.9 million
- Vangstad Hall renovation - \$3.6 million

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**

---

Outstanding commitments for these and other capital projects as of June 30, 2016 totaled \$69.0 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**

	<b>June 30 (in thousands)</b>	
	<b>2016</b>	<b>2015</b>
Bonds Payable	\$ 239,209	\$ 252,037
Notes Payable	20,244	21,218
Capital Leases	38,533	41,223
Special Assessments	4,409	4,342
Compensated Absences	31,995	31,862
<b>Total Debt</b>	<b>\$ 334,391</b>	<b>\$ 350,682</b>
 <b>Viability Ratio</b> (expendable net position to L-T debt)	 0.92	 0.86

Long-term liabilities added in fiscal year 2016 totaled approximately \$46.1 million, including: revenue bonds totaling \$40.5 million for new construction and renovation projects, \$4.4 million in new capital leases for purchase of capital assets, \$448,000 in new special assessments for campus improvements and \$700,000 in compensated absences liability. Total debt retired in fiscal year 2016 was \$62.3 million, consisting primarily of bond payments of \$53.3 million, notes payable of \$974,000, capital lease payments of \$7.1 million and compensated absences of \$561,000. At June 30, 2016, \$17.2 million of revenue is pledged as security for outstanding revenue bonds. A decrease in long-term liabilities at MiSU, NDSU and UND contributed to most of the decrease. MiSU's bonds payable decreased \$4.0 million. NDSU decreased bonds payable and capital lease payable by \$6.4 million. UND's bond payable decrease of \$43.4 million was partially offset by an increase in bonds payable of \$40.5 million.

The viability ratio, calculated by dividing expendable net position by long-term debt, measures the System's ability to retire long-term debt using available current resources. The System's viability ratio at June 30, 2016 is 0.92 to 1. A ratio of 1 to 1 or greater is preferred. More detailed information about the System's long-term liabilities is presented in Notes 7 through 11 to the financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

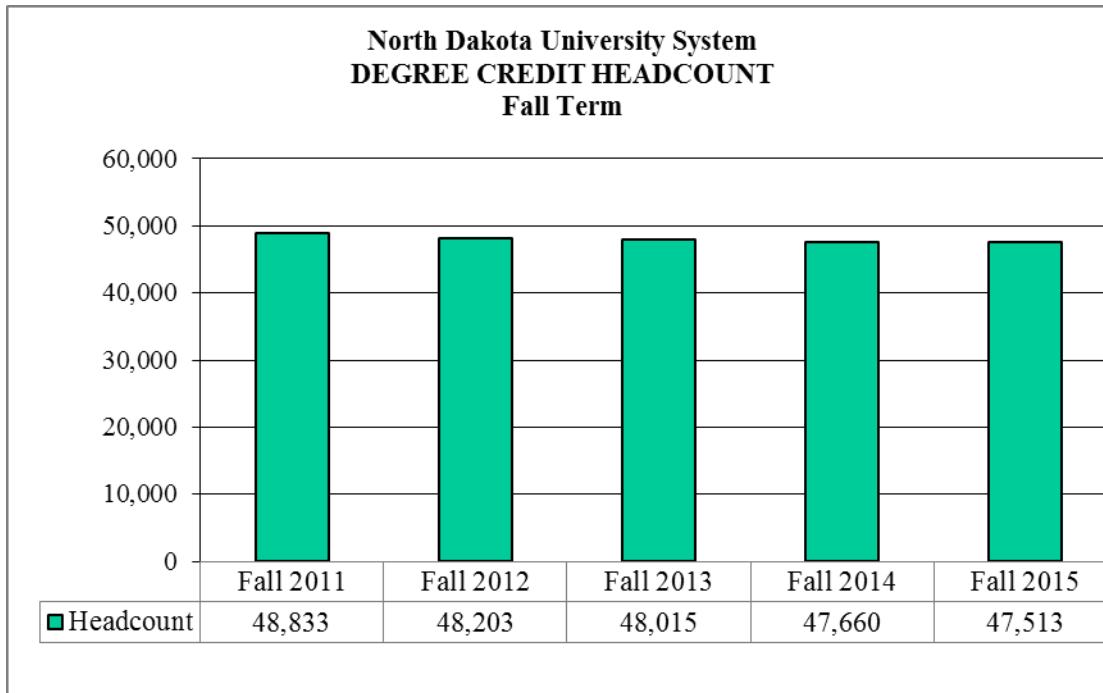
JUNE 30, 2016

---

### OTHER HIGHLIGHTS

#### STUDENT ENROLLMENTS

As illustrated in the chart below, Annual Degree Credit Headcount enrollment for fall 2015 remained stable compared to fall 2014.



Source: 2015 Fall Enrollment Report: Table 6-Degree Credit Headcount Enrollment by Instructional Mode

Additional detailed enrollment data is contained in the 2015 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](mailto:robin.putnam@ndus.edu) or State Capitol - 10<sup>th</sup> Floor, 600 E. Boulevard, Bismarck, ND 58505-0230.

# NORTH DAKOTA UNIVERSITY SYSTEM

## FINANCIAL STATEMENTS

JUNE 30, 2016

### STATEMENT OF NET POSITION

	<b>Primary Institutions</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 181,530,444
Investments	101,589,580
Accounts receivable, net	18,840,963
Due from component units - investments held on behalf of Institutions	216,394
Due from component units	9,974,789
Due from State general fund	26,449,727
Grants and contracts receivable, net	35,371,982
Inventories	8,830,400
Notes receivable, net	7,840,719
Other assets	1,767,122
Total current assets	<u>\$ 392,412,120</u>
Noncurrent assets	
Restricted cash and cash equivalents	\$ 3,165,209
Restricted investments	9,164,814
Endowment investments	529,181
Notes receivable, net	24,586,752
Other long-term investments	84,460,628
Due from component units - investments held on behalf of institutions	26,126,602
Other noncurrent assets	579,548
Capital assets, net	<u>1,323,696,894</u>
Total noncurrent assets	<u>\$ 1,472,309,628</u>
Total assets	<u>\$ 1,864,721,748</u>
Deferred outflows of resources	\$ 17,150,703
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable and accrued liabilities	\$ 38,292,338
Due to component units	289,231
Accrued payroll	42,754,051
Unearned revenue	21,396,279
Deposits	5,166,737
Long-term liabilities - current portion	
Due to component units	2,924,927
Due to others	<u>15,136,732</u>
Total current liabilities	<u>\$ 125,960,295</u>
Noncurrent liabilities	
Pension liability	\$ 75,351,114
Other noncurrent liabilities	232,685
Long-term liabilities	
Due to component units	41,896,289
Due to others	<u>274,431,763</u>
Total noncurrent liabilities	<u>\$ 391,911,851</u>
Total liabilities	<u>\$ 517,872,146</u>
Deferred inflows of resources	\$ 9,925,856
<b>NET POSITION</b>	
Invested in capital assets	\$ 1,029,589,236
Restricted for:	
Nonexpendable:	
Scholarships and fellowships	17,376,625
Expendable:	
Scholarships and fellowships	4,413,893
Research	8,889,555
Institutional	16,359,739
Loans	44,693,805
Capital projects	(210,471)
Debt service	7,942,193
Other	427,188
Unrestricted	<u>224,592,686</u>
Total net position	<u>\$ 1,354,074,449</u>

# NORTH DAKOTA UNIVERSITY SYSTEM

## FINANCIAL STATEMENTS

JUNE 30, 2016

### STATEMENT OF FINANCIAL POSITION

FASB Basis	Component Units
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 58,895,261
Investments	24,308,709
Accounts receivable, net	7,720,030
Receivable from Primary Institution	3,576,069
Unconditional promises to give, net of allowance	14,843,237
Inventories	994,137
Other assets	3,011,046
Total current assets	<u>\$ 113,348,489</u>
Noncurrent assets	
Restricted cash and cash equivalents	\$ 6,264,462
Contributions receivable	629,725
Investments	
Investments, net of current portion	381,124,475
Investments, restricted	5,287,020
Investments held in trust	34,368,442
Beneficial interest in trust	15,148,293
Charitable gift annuity investments	6,067,499
Charitable remainder trust account investments	18,978,441
Real estate and equipment held for investment, net of accumulated depreciation	28,012,513
Other long-term investments	8,741,126
Total investments	<u>\$ 497,727,809</u>
Contracts for deed and notes receivable, net of current portions	\$ 962,250
Long term pledges receivable/ unconditional promises to give	44,429,295
Other receivables	116,709
Due from Primary Institution-Capital Leases	41,711,783
Notes receivable, net	7,289,952
Other noncurrent assets	1,954,626
Capital assets, net	<u>171,273,032</u>
Total noncurrent assets	<u>\$ 772,359,643</u>
Total assets	<u>\$ 885,708,132</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable and accrued liabilities	\$ 4,318,134
Investments held on behalf of Institutions	50,511
Payable to Institutions	10,378,588
Accrued payroll	839,081
Current portion of gift annuities and life income agreements	3,010,435
Deferred revenue	9,366,500
Other current liabilities	397,355
Long-term liabilities-current portion	6,098,880
Total current liabilities	<u>\$ 34,459,484</u>
Noncurrent liabilities	
Deposits	\$ 2,998,997
Investments held on behalf of Institutions	25,220,850
Gift annuities and life income agreements, net of current portion	21,714,115
Obligations under split-interest agreement	5,520,953
Other noncurrent liabilities	196,237
Long-term liabilities	80,660,480
Total noncurrent liabilities	<u>\$ 136,311,632</u>
Total liabilities	<u>\$ 170,771,116</u>
<b>NET ASSETS</b>	
Temporarily restricted	\$ 93,139,489
Permanently restricted	398,922,453
Net investment in property and equipment	65,210,194
Unrestricted	157,664,880
Total net assets	<u>\$ 714,937,016</u>
Total liabilities and net assets	<u>\$ 885,708,132</u>

# NORTH DAKOTA UNIVERSITY SYSTEM

## FINANCIAL STATEMENTS

JUNE 30, 2016

### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Primary Institution
<b>OPERATING REVENUES</b>	
Student tuition and fees (net of scholarship allowances of \$68.0 million and bad debt allowance of \$121,000)	\$ 316,119,973
Federal grants and contracts (net of bad debt allowance of \$18,000)	116,735,437
State grants and contracts	18,595,132
Nongovernmental grants and contracts	27,347,578
Sales and services of educational departments (net of bad debt allowance recapture of \$775,000)	105,289,840
Auxiliary enterprises (net of scholarship allowances of \$302,000 and bad debt allowance of \$322,000)	109,650,297
Other (net of bad debt allowance of \$113,000)	1,909,634
Total operating revenues	<u>\$ 695,647,891</u>
<b>OPERATING EXPENSES</b>	
Salaries and wages	\$ 785,252,714
Operating expenses	258,514,917
Data processing	19,501,720
Depreciation expense	68,660,916
Scholarships and fellowships	33,560,729
Cost of sales and services	25,653,492
Total operating expenses	<u>\$ 1,191,144,488</u>
Operating income (loss)	<u>\$ (495,496,597)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
State appropriations	\$ 423,222,930
Federal appropriations	6,488,330
Federal grants and contracts (net of bad debt allowance recapture of \$13,000)	36,259,853
Local appropriations	1,012,109
Gifts (net of bad debt allowance of \$176)	31,669,056
Endowment investment income	4,738,651
Interest on capital asset-related debt	(11,971,167)
Gain (loss) on disposal of capital assets	1,186,618
Insurance proceeds	495,388
Tax revenues	4,675,309
General and special grant expenditures	(16,390,991)
Transfers to North Dakota Industrial Commission	(4,685,556)
Other nonoperating revenues (expenses) (net of bad debt allowance recapture of \$141,406)	<u>6,455,851</u>
Net nonoperating revenues (expenses)	<u>\$ 483,156,381</u>
Income before capital grants, gifts, and transfers	<u>\$ (12,340,216)</u>
State appropriations-capital assets	\$ 99,445,635
Capital grants and gifts	29,609,083
Increase (decrease) in net position	<u>\$ 116,714,502</u>
<b>NET POSITION</b>	
Net position--beginning of year, as restated	<u>\$1,237,359,947</u>
Net position--end of year	<u>\$1,354,074,449</u>

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**STATEMENT OF ACTIVITIES**

<b>FASB BASIS</b>	<b>Component Units</b>
<b>Support and Revenue</b>	
Gift and contributions	\$ 59,457,522
Investment income	1,405,843
Net realized and unrealized gains (losses) on investment securities	(5,366,359)
Program and event income	52,266,737
Other income	12,147,081
Total support and revenue	<u>\$ 119,910,824</u>
<b>Expenses</b>	
Program services	\$ 54,261,869
Supporting services	61,381,940
Impairment loss on property	-
Fundraising expense	2,774,002
Total operating expenses	<u>\$ 118,417,811</u>
Change in Net Assets	\$ 1,493,013
Net Assets, Beginning of Year, as restated	<u>\$ 713,444,003</u>
Net Assets, End of Year	<u>\$ 714,937,016</u>

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**STATEMENT OF CASH FLOWS**

	<b>Primary Institution</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student tuition and fees	\$ 318,399,573
Grants and contracts	160,546,966
Payments to suppliers	(315,410,974)
Payments to employees	(780,047,303)
Payments for scholarships and fellowships	(33,560,730)
Loans issued to students	(6,123,383)
Collection of loans to students	7,236,731
Auxiliary enterprise charges	109,472,899
Sales and service of educational departments	107,309,327
Cash received/(paid) on deposits	(800,140)
Other receipts (payments)	23,377,710
Net cash used by operating activities	<u><u>\$ (409,599,324)</u></u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State appropriations	\$ 423,629,136
Federal appropriations	6,488,330
Local appropriations	1,012,109
Grants and gifts received for other than capital purposes	67,648,950
Grants given for other than capital purposes	(16,410,491)
Direct lending receipts	189,560,945
Direct lending disbursements	(188,255,304)
Agency fund cash increase/(decrease)	(1,195,660)
Transfers to Industrial Commission	(4,685,555)
Tax revenues	4,638,826
Net cash flows provided by noncapital financing activities	<u><u>\$ 482,431,286</u></u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from issuance of debt	\$ 39,227,767
Capital appropriations	110,629,833
Capital grants and gifts received	27,466,071
Proceeds from sale of capital assets	2,244,462
Purchases of capital assets	(178,104,645)
Insurance proceeds	505,032
Principal paid on capital debt and lease	(18,555,257)
Deposits with capital debt payment trustees	(41,880,000)
Interest paid on capital debt and lease	(12,328,344)
Net cash used by capital and related financing activities	<u><u>\$ (70,795,081)</u></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sales and maturities of investments	\$ 164,310,163
Interest on investments	6,938,197
Purchase of investments	(150,719,918)
Net cash provided by investing activities	<u><u>\$ 20,528,442</u></u>
Net increase (decrease) in cash	\$ 22,565,323
CASH - BEGINNING OF YEAR	<u><u>162,130,330</u></u>
CASH - END OF YEAR	<u><u>\$ 184,695,653</u></u>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ (495,496,597)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	
Depreciation expense	68,660,916
Other nonoperating revenues (expenses)	10,503,066
Change in assets, deferred outflows, liabilities and deferred inflows	
Accounts receivable adjusted for interest receivable	7,487,245
Grant & contract receivables	(1,906,764)
Inventories	(729,949)
Notes receivable	1,363,975
Other assets	10,765,454
Accounts payable and accrued liabilities adjusted for interest payable	(13,573,869)
Pension liability	4,040,068
Net change in deferred outflows	(798,717)
Net change in deferred inflows	(4,074,157)
Accrued payroll	5,880,379
Compensated absences	132,976
Unearned revenue	(1,053,213)
Deposits	(800,142)
Net cash provided (used) by operating activities	<u><u>\$ (409,599,329)</u></u>
<b>SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS</b>	
Assets acquired through capital lease	\$ 3,601,065
Assets acquired through special assessment	207,663
Expenses paid by capital lease/special assessments	832,160
Gifts of capital assets	1,549,545
Net increase (decrease) in value of investments	(2,146,395)
Total non-cash transactions	<u><u>\$ 4,044,038</u></u>

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**Financial Statements**  
**JUNE 30, 2016**

**STATEMENT OF FINANCIAL POSITION- MAJOR COMPONENT UNITS**

FASB BASIS	BSC		NDSU		UND		UND Alumni	
	Foundation	June 30, 2016	Foundation and Alumni Association	December 31, 2015	Research & Technology Park	June 30, 2016	Aerospace Foundation	Association & UND Foundation
<b>Assets</b>								
Current assets								
Cash and cash equivalents	\$ 718,308		\$ 16,915,264	\$ 2,548,102	\$ 16,392,178	\$ 4,934,899		
Investments	-		10,084,803	-	-	-		
Accounts receivable, net	116,396		3,626,853	62,875	2,885,005	-		
Receivable from Primary Institution	133,756		-	-	-	-		
Unconditional promises to give, net of allowance	249,406		8,414,881	2,500	-	-	5,422,104	
Inventories	-		-	-	334,253	-		
Other assets	58,392		136,871	26,916	359,736	2,924,991		
<b>Total current assets</b>	<b>\$ 1,276,258</b>		<b>\$ 39,178,672</b>	<b>\$ 2,640,393</b>	<b>\$ 19,971,172</b>	<b>\$ 13,281,994</b>		
Noncurrent assets								
Restricted cash and cash equivalents	\$ -		\$ 5,376,399	\$ -	\$ -	\$ -		
Contributions receivable	629,725		-	-	-	-		
Investments:								
Investments, net of current portion	10,743,169		138,002,139	-	-	-	205,355,422	
Investments, restricted	-		-	-	-	-		
Investments held in trust	6,148,595		-	-	-	-	25,105,315	
Beneficial interest in trust	1,495,599		-	-	-	-	13,652,694	
Charitable gift annuity investments	-		-	-	-	-	6,067,499	
Charitable remainder trust account investments	-		-	-	-	-	18,978,441	
Real estate and equipment held for investment, net of accumulated depreciation	193,662		38,024,360	-	-	-	-	
Other long-term investments	74,295		-	-	-	-	7,315,516	
<b>Total investments</b>	<b>\$ 18,655,320</b>		<b>\$ 176,026,499</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 276,474,887</b>	
Contracts for deed and notes receivable, net of current portions								
Long term pledges receivable/ unconditional promises to give	\$ 573,674		20,641,713	4,000	-	-	20,681,984	
Other receivables	-		-	-	-	-	6,997,444	
Receivable from Primary Institution	1,356,661		-	-	-	-	-	
Notes receivable, net	-		-	6,490,000	-	-	-	
Other noncurrent assets	282,381		537,544	396,090	217,270	-	-	
Capital assets, net	22,690,233		3,386,638	23,174,582	50,964,597	12,499,534		
<b>Total noncurrent assets</b>	<b>\$ 44,187,994</b>		<b>\$ 206,931,043</b>	<b>\$ 30,064,672</b>	<b>\$ 51,181,867</b>	<b>\$ 316,653,849</b>		
<b>Total assets</b>	<b>\$ 45,464,252</b>		<b>\$ 246,109,715</b>	<b>\$ 32,705,065</b>	<b>\$ 71,153,039</b>	<b>\$ 329,935,843</b>		
<b>LIABILITIES</b>								
Current liabilities								
Accounts payable and accrued liabilities	\$ 511,800		\$ 440,185	\$ 195,877	\$ 924,170	\$ 3,256,707		
Investments Held on Behalf of Institutions	-		50,511	-	-	-		
Payable to Primary University	22,237		-	-	1,752,341	-		
Accrued payroll	-		-	26,897	468,393	326,757		
Current portion of gift annuities and life income agreements	351,837		896,159	-	-	-	1,721,821	
Deferred revenue	-		16,137	-	5,420,881	-		
Other current liabilities	142,458		251,979	-	-	-	-	
Long-term liabilities-current portion	566,589		1,260,652	1,290,931	627,145	1,369,302		
<b>Total current liabilities</b>	<b>\$ 1,594,921</b>		<b>\$ 2,915,623</b>	<b>\$ 1,513,705</b>	<b>\$ 9,192,930</b>	<b>\$ 6,674,587</b>		
Noncurrent liabilities								
Deposits	\$ -		\$ -	\$ -	\$ -	\$ 2,998,997		
Investments held on behalf of institutions	-		-	-	-	22,106,318		
Gift annuities and life income agreements, net of current portion	-		-	-	-	-	17,783,285	
Obligations under split-interest agreement	3,642,657		-	-	-	-	-	
Other noncurrent liabilities	-		5,520,953	-	-	-	-	
Long-term liabilities	196,237		-	-	-	-	-	
<b>Total noncurrent liabilities</b>	<b>\$ 10,939,314</b>		<b>\$ 22,044,368</b>	<b>\$ 23,559,770</b>	<b>\$ 3,713,963</b>	<b>\$ 8,584,958</b>		
<b>Total liabilities</b>	<b>\$ 14,778,208</b>		<b>\$ 27,565,321</b>	<b>\$ 23,559,770</b>	<b>\$ 3,713,963</b>	<b>\$ 51,473,558</b>		
<b>Total liabilities and net assets</b>	<b>\$ 16,373,129</b>		<b>\$ 30,480,944</b>	<b>\$ 25,073,475</b>	<b>\$ 12,906,893</b>	<b>\$ 58,148,145</b>		
<b>NET ASSETS</b>								
Temporarily restricted	\$ 750,968		\$ 37,574,402	\$ 6,500	\$ 873,520	\$ 38,060,478		
Permanently restricted:	19,907,928		146,379,179	-	-	193,596,647		
Net investment in property and equipment	-		-	-	-	-		
Unrestricted	8,432,227		31,675,190	7,625,090	57,372,626	40,130,573		
<b>Total net assets</b>	<b>\$ 29,091,123</b>		<b>\$ 215,628,771</b>	<b>\$ 7,631,590</b>	<b>\$ 58,246,146</b>	<b>\$ 271,787,698</b>		
<b>Total liabilities and net assets</b>	<b>\$ 45,464,252</b>		<b>\$ 246,109,715</b>	<b>\$ 32,705,065</b>	<b>\$ 71,153,039</b>	<b>\$ 329,935,843</b>		

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**Financial Statements**  
**JUNE 30, 2016**

**STATEMENT OF FINANCIAL POSITION - MAJOR COMPONENT UNITS - Continued**

<b>FASB BASIS</b>	<b>RE Arena, Inc</b>				
	<b>UND Arena Services, Inc.</b>	<b>UND Sports</b>	<b>Facilities, Inc.</b>	<b>Arena Holdings Charitable LLC &amp; Affiliates</b>	<b>Total Component Units</b>
			<b>May 31, 2016</b>		
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ 8,246,767	\$ 49,755,518	\$ 9,139,743	\$ -	\$ 58,895,261
Investments	988,849	11,073,652	13,235,057	-	24,308,709
Accounts receivable, net	1,213,460	7,904,589	397,204	(581,763)	7,720,030
Receivable from Primary Institution	-	133,756	50,852	3,391,461	3,576,069
Unconditional promises to give, net of allowance	-	14,088,891	754,346	-	14,843,237
Inventories	659,884	994,137	-	-	994,137
Other assets	161,788	3,668,694	54,422	(712,070)	3,011,046
Total current assets	<u>\$ 11,270,748</u>	<u>\$ 87,619,237</u>	<u>\$ 23,631,624</u>	<u>\$ 2,097,628</u>	<u>\$ 113,348,489</u>
Noncurrent assets					
Restricted cash and cash equivalents	\$ 721,463	\$ 6,097,862	\$ 166,600	\$ -	\$ 6,264,462
Contributions receivable	-	629,725	-	-	629,725
Investments:					
Investments, net of current portion	-	354,100,730	27,023,745	-	381,124,475
Investments, restricted	5,287,020	5,287,020	-	-	5,287,020
Investments held in trust	-	31,253,910	3,114,532	-	34,368,442
Beneficial interest in trust	-	15,148,293	-	-	15,148,293
Charitable gift annuity investments	-	6,067,499	-	-	6,067,499
Charitable remainder trust account investments	-	18,978,441	-	-	18,978,441
Real estate and equipment held for investment, net of accumulated depreciation	-	38,218,022	5,749,595	(15,955,104)	28,012,513
Other long-term investments	-	7,389,811	1,351,315	-	8,741,126
Total investments	<u>\$ 5,287,020</u>	<u>\$ 476,443,726</u>	<u>\$ 37,239,187</u>	<u>\$ (15,955,104)</u>	<u>\$ 497,727,809</u>
Contracts for deed and notes receivable, net of current portions	\$ -	\$ 962,250	\$ -	\$ -	\$ 962,250
Long term pledges receivable/ unconditional promises to give	-	41,901,371	2,527,924	-	44,429,295
Other receivables	-	6,997,444	-	(6,880,735)	116,709
Receivable from Primary Institution	-	1,356,661	266,242	40,088,880	41,711,783
Notes receivable, net	-	6,490,000	799,952	-	7,289,952
Other noncurrent assets	-	1,433,285	521,341	-	1,954,626
Capital assets, net	<u>65,210,194</u>	<u>177,925,778</u>	<u>12,675,686</u>	<u>(19,328,432)</u>	<u>171,273,032</u>
Total noncurrent assets	<u>\$ 71,218,677</u>	<u>\$ 720,238,102</u>	<u>\$ 54,196,932</u>	<u>\$ (2,075,391)</u>	<u>\$ 772,359,643</u>
Total assets	<u>\$ 82,489,425</u>	<u>\$ 807,857,339</u>	<u>\$ 77,828,556</u>	<u>\$ 22,237</u>	<u>\$ 885,708,132</u>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable and accrued liabilities	\$ 2,643,689	\$ 7,972,428	\$ 220,444	\$ (3,874,738)	\$ 4,318,134
Investments Held on Behalf of Institutions	-	50,511	-	-	50,511
Payable to Primary University	2,128,065	3,902,643	1,198,425	5,277,520	10,378,588
Accrued payroll	-	822,047	17,034	-	839,081
Current portion of gift annuities and life income agreements	-	2,969,817	40,618	-	3,010,435
Deferred revenue	4,559,180	9,996,198	750,847	(1,380,545)	9,366,500
Other current liabilities	-	394,437	2,918	-	397,355
Long-term liabilities-current portion	544,844	5,659,463	439,417	-	6,098,880
Total current liabilities	<u>\$ 9,875,778</u>	<u>\$ 31,767,544</u>	<u>\$ 2,669,703</u>	<u>\$ 22,237</u>	<u>\$ 34,459,484</u>
Noncurrent liabilities					
Deposits	\$ -	\$ 2,998,997	\$ -	\$ -	\$ 2,998,997
Investments held on behalf of institutions	-	22,106,318	3,114,532	-	25,220,850
Gift annuities and life income agreements, net of current portion	-	21,425,942	288,173	-	21,714,115
Obligations under split-interest agreement	-	5,520,953	-	-	5,520,953
Other noncurrent liabilities	-	196,237	-	-	196,237
Long-term liabilities	1,428,471	70,270,844	10,389,636	-	80,660,480
Total noncurrent liabilities	<u>\$ 1,428,471</u>	<u>\$ 122,519,291</u>	<u>\$ 13,792,341</u>	<u>\$ -</u>	<u>\$ 136,311,632</u>
Total liabilities	<u>\$ 11,304,249</u>	<u>\$ 154,286,835</u>	<u>\$ 16,462,044</u>	<u>\$ 22,237</u>	<u>\$ 170,771,116</u>
<b>NET ASSETS</b>					
Temporarily restricted	\$ -	\$ 77,265,868	\$ 15,873,621	\$ -	\$ 93,139,489
Permanently restricted:	-	359,883,754	39,038,699	-	398,922,453
Net investment in property and equipment	65,210,194	65,210,194	-	-	65,210,194
Unrestricted	5,974,982	151,210,688	6,454,192	-	157,664,880
Total net assets	<u>\$ 71,185,176</u>	<u>\$ 653,570,504</u>	<u>\$ 61,366,512</u>	<u>\$ -</u>	<u>\$ 714,937,016</u>
Total liabilities and net assets	<u>\$ 82,489,425</u>	<u>\$ 807,857,339</u>	<u>\$ 77,828,556</u>	<u>\$ 22,237</u>	<u>\$ 885,708,132</u>

# NORTH DAKOTA UNIVERSITY SYSTEM

## FINANCIAL STATEMENTS

JUNE 30, 2016

### STATEMENT OF ACTIVITIES, Major Component Units

#### FASB BASIS

	BSC Foundation June 30, 2016	NDSU Foundation and Alumni Association December 31, 2015	NDSU Research & Technology Park June 30, 2016	UND Aerospace Foundation June 30, 2016
<b>Support and revenue</b>				
Gifts and contributions	\$ 2,966,049	\$ 21,628,083	\$ 285,807	\$ 3,381,792
Investment income	293,925	4,711,113	17,457	145,161
Net realized and unrealized gains (losses) on investment securities	(516,062)	(4,446,107)	-	-
Program and event income	47,538	-	134,250	30,263,692
Other income	1,050,447	1,111,067	2,731,135	389,889
<b>Total support and revenue</b>	<b>\$ 3,841,897</b>	<b>\$ 23,004,156</b>	<b>\$ 3,168,649</b>	<b>\$ 34,180,534</b>
<b>Expenses</b>				
Program Services	\$ 1,222,514	\$ 19,031,684	\$ 1,117,315	\$ 860,937
Supporting services	1,420,805	7,996,255	1,528,952	28,473,854
Fundraising expense	105,053	-	-	-
<b>Total expenses</b>	<b>\$ 2,748,372</b>	<b>\$ 27,027,939</b>	<b>\$ 2,646,267</b>	<b>\$ 29,334,791</b>
<b>Change in Net Assets</b>	<b>\$ 1,093,525</b>	<b>\$ (4,023,783)</b>	<b>\$ 522,382</b>	<b>\$ 4,845,743</b>
<b>Net Assets, Beginning of Year, as Restated</b>	<b>\$ 27,997,598</b>	<b>\$ 219,652,554</b>	<b>\$ 7,109,208</b>	<b>\$ 53,400,403</b>
<b>Net Assets, End of Year</b>	<b>\$ 29,091,123</b>	<b>\$ 215,628,771</b>	<b>\$ 7,631,590</b>	<b>\$ 58,246,146</b>

# NORTH DAKOTA UNIVERSITY SYSTEM

## FINANCIAL STATEMENTS

JUNE 30, 2016

### STATEMENT OF ACTIVITIES, Major Component Units - Continued

	RE Arena, Inc	UND Arena	Services, Inc.	UND Sports				
	UND Alumni	Facilities, Inc.	Arena Holdings	Total	Major	Non-Major	Total	
	UND	Charitable LLC	Charitable LLC	Component	Component	Component	Component	
	Foundation	& Affiliates	June 30, 2016	May 31, 2016	Units	Units	Units	
<b>Support and revenue</b>								
Gifts and contributions	\$ 21,924,547	\$ -	\$ 50,186,278	\$ 9,271,244	\$ 59,457,522			
Investment income	(5,078,563)	-	89,093	1,316,750	1,405,843			
Net realized and unrealized gains (losses) on investment securities	-	-	(4,962,169)	(404,190)	(5,366,359)			
Program and event income	7,630,316	9,051,633	47,127,429	5,139,308	52,266,737			
Other income	-	1,456,816	6,739,354	5,407,727	12,147,081			
<b>Total support and revenue</b>	<b>\$ 24,476,300</b>	<b>\$ 10,508,449</b>	<b>\$ 99,179,985</b>	<b>\$ 20,730,839</b>	<b>\$ 119,910,824</b>			
<b>Expenses</b>								
Program Services	\$ 26,326,091	\$ 1,104,818	\$ 49,663,359	\$ 4,598,510	\$ 54,261,869			
Supporting services	2,431,495	10,581,800	52,433,161	8,948,779	61,381,940			
Fundraising expense	2,668,949	-	2,774,002	-	2,774,002			
<b>Total expenses</b>	<b>\$ 31,426,535</b>	<b>\$ 11,686,618</b>	<b>\$ 104,870,522</b>	<b>\$ 13,547,289</b>	<b>\$ 118,417,811</b>			
<b>Change in Net Assets</b>	<b>\$ (6,950,235)</b>	<b>\$ (1,178,169)</b>	<b>\$ (5,690,537)</b>	<b>\$ 7,183,550</b>	<b>\$ 1,493,013</b>			
<b>Net Assets, Beginning of Year, as Restated</b>	<b>\$ 278,737,933</b>	<b>\$ 72,363,345</b>	<b>\$ 659,261,041</b>	<b>\$ 54,182,962</b>	<b>\$ 713,444,003</b>			
<b>Net Assets, End of Year</b>	<b>\$ 271,787,698</b>	<b>\$ 71,185,176</b>	<b>\$ 653,570,504</b>	<b>\$ 61,366,512</b>	<b>\$ 714,937,016</b>			

**June 30, 2016**

## **NOTES TO THE FINANCIAL STATEMENTS**

---

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **REPORTING ENTITY**

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

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

#### **North Dakota University System Entities (Primary Institution)**

North Dakota University System Office (NDUSO)

Bismarck State College (BSC)

Dakota College of Bottineau (DCB)

Dickinson State University (DSU)

Lake Region State College (LRSC)

Mayville State University (MaSU)

Minot State University (MiSU)

North Dakota State College of Science (NDSCS)

North Dakota State University (NDSU)

Agricultural Experiment Stations:

North Dakota State University Main Research Center

Dickinson Research Extension Center

Central Grasslands Research Extension Center

## 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 net asset statement to reflect material inter-entity balances between the primary institutions and the component units. Certain other amounts have been reclassified for consistent presentation. Detailed component unit

financial statements may be obtained at the respective addresses listed below.

**Blended Component Units**

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

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

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

**Discretely Presented Component Units**

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

**Major Component Units**

The **Bismarck State College Foundation** is a legally separate, tax-exempt organization providing support and recognition to BSC through a variety of programs. The foundation acts primarily as a 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.

**June 30, 2016**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**Dickinson State University Foundation, Inc.**, was organized in 1952 as a non-profit corporation to provide an avenue through which alumni and friends of the University may contribute financially to the University. Gifts, grants, and bequests to the foundation benefit present and future students by providing scholarship assistance and the funding of special projects. The foundation is managed by a 26-member board of directors comprised of leading citizens, both alumni and friends of DSU as well as one ex-officio member that is an officer/employee of DSU. In FY2015, the foundation was placed in receivership by the North Dakota State District Court. As of June 30, 2016, audited financial statements are not available for the foundation for FY 2016, 2015 and 2014.

**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. Its purpose is to raise, manage, and disburse contributions for the benefit of NDSU. The foundation is managed by a board of trustees comprised of 60 elected alumni and friends of the university as well as four ex-officio members – the president of NDSU, the president and vice president of the foundation and the executive director of the foundation. Effective January 1, 2016, the foundation changed its name from NDSU Development Foundation to NDSU Foundation and Alumni Association. In fiscal year 2012, the foundation changed their fiscal year end from June 30 to December 31. Foundation financial statements and footnote disclosures are presented as of December 31, 2015. 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. Officers of NDSU fill the remaining three positions. The President of NDSU serves as president of the board of directors and has control over final building plans for any new building at the Park. Complete financial statements for NDSU Research & Technology Park, Inc. may be obtained at the entity's administrative office at 1854 NDSU Research Circle North, Fargo, ND 58102.

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

**The UND Alumni Association and Foundation** is a nonprofit organization organized exclusively for the benefit of the University of North Dakota. The University of North Dakota Alumni Association merged with the UND Foundation effective September 15, 2014. The process of formally merging the two 501 (3) (c) organizations (the Alumni Association and the Foundation) was the final step in integrating the

**June 30, 2016**

## **NOTES TO THE FINANCIAL STATEMENTS**

---

operations, leadership and strategic growth of the two organizations as they support UND. The UND Foundation was built, in large part, on the foundation of an engaged and generous alumni base thanks to the UND Alumni Association.

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

The UND Alumni Association & Foundation's Board of Directors consists of 22 voting members, 21 of whom are alumni of UND, and an additional 8 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. and Arena Holdings Charitable LLC (AHC)** are related organizations with commonality among their boards of directors and management organized for the benefit of the University. These organizations operate and maintain a multipurpose sports and entertainment arena in Grand Forks, N.D. known as the Ralph Engelstad Arena Sports Complex (including the Ralph Engelstad Arena, the Olympic Arena, and the Betty Engelstad Sioux Center.) The complex is used primarily for UND athletics and activities. UND Sports Facilities, Inc. (UNDSF) is the sole member of Arena Holdings Charitable LLC. RE Arena, Inc. conducts day-to-day operations of the arena through a contract with UND Arena Services, Inc. UND Arena Services, Inc. is the legal manager of Arena Holdings Charitable LLC. Arena Holdings Charitable, LLC is the lessee of the land from UND and is the title holder of the complex. At the conclusion of the original 30-year lease (2030), the complex shall vest with UND. UAS and AHC have a seven-member board with one member being the UND Vice President for Finance and Operations (VPFO). REA has a five-member board with the President being the REA Manager. The remaining four board members are also board members of UAS and AHC, with no UND employee represented on the board. UNDSF has three board members, who also serve on the other boards, with one of the board members being the UND VPFO. All board members from all four entities have voting rights. A complete combined financial statement for these organizations may be obtained at Ralph Engelstad Arena, One Ralph Engelstad Arena Drive, Grand Forks ND 58203.

### **Non-major Component Units**

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

**June 30, 2016**

## **NOTES TO THE FINANCIAL STATEMENTS**

---

North Dakota State College of Science Foundation may be obtained at the entity's administrative office at 800 Sixth Street North, Wahpeton, ND 58076-0002.

**Williston State College Foundation** was established to act primarily as a fund-raising organization to supplement the resources that are available to WSC. The foundation is managed by an 11-member board of directors comprised of leading citizens, both alumni and friends of the college. Complete financial statements for Williston State College Foundation may be obtained at the entity's administrative office at 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 three universities. The corporation also serves as a means for promoting and strengthening existing and potential educational programs and courses. An eight-member board of directors, including the presidents of the three universities, handles the affairs of the corporation. All property, funds and income of this corporation are held for the exclusive use and benefit of 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, 2016, Tri-College University had net position of approximately \$648,541 and is not considered a financial burden to NDSU. The financial activity of this organization is not reflected in the accompanying financial statements. Complete audited financial statements for Tri-College University may be obtained at the entity's administrative office at North Dakota State University, Renaissance Hall, 650 NP Avenue 100, Fargo, ND 58102.

### **INSIGNIFICANT COMPONENT UNITS**

The following organizations are component units of the University System but have been deemed insignificant due to small total assets and revenues balances. Entities in this category had less than 1.0 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, 2016 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
DCB:	DCB Foundation 105 Simrall Boulevard Bottineau, ND 58318	LRSC:	Dickinson State University Heritage Foundation 290 Campus Drive Box 19 Dickinson, ND 58601
			Lake Region Community College Foundation 1801 College Drive North Devils Lake, ND 58301-1598

**June 30, 2016**

**NOTES TO THE FINANCIAL STATEMENTS**

---

MaSU:	Mayville Mutual Aid Corporation 330 3 <sup>rd</sup> Street NE Mayville, ND 58257	MiSU:	Alumni Association, Inc. Minot State University 500 University Ave W. Minot, ND 58707
	Mayville State University Foundation 330 3 <sup>rd</sup> 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 <sup>rd</sup> 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 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.

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.

**June 30, 2016**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**RECEIVABLES**

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

**INVENTORIES**

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

**CAPITAL AND INTANGIBLE ASSETS**

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

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

The composite method is used for library book depreciation. All books purchased during a year are consolidated together and depreciated as a group of assets rather than individually. Expenses for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized, net of interest income earned on resources set aside for the construction or remodeling costs.

Certain reserves have been established by bond indenture for the repayment of revenue bond indebtedness. Such reserves are recorded in the appropriate restricted assets category (cash/investments) and as "net position restricted for debt service" on the Statement of Net Position.

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

Land Improvements	10 – 35 years
Infrastructure	20 – 60 years
Buildings	10 – 50 years

Equipment	3 – 20 years
Internally developed software	2 – 10 years
Purchased software	3 – 5 years
Other Intangibles	3 – 20 years
Library Books	10 years

**DEPOSITS**

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

**COMPENSATED ABSENCES**

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

**PENSIONS**

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

**SCHOLARSHIP ALLOWANCES**

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

**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, 2016**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**RESTATEMENT OF BEGINNING NET POSITION**

<b>Net Position, beginning of the year, as previously reported</b>	\$ 1,224,693,392
<u>Prior period adjustments:</u>	
Change in accounting method	9,411,127
Correction of error	3,255,428
<b>Net Position, beginning of the year, as restated</b>	<b>\$ 1,237,359,947</b>

**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**

Implementation of New Accounting Standards:

In February 2015, the GASB issued Statement No.72, "Fair Value Measurement and Application." This statement is effective for periods beginning after June 15, 2015. The statement defines fair value and provides guidance for determining a fair value measurement. The statement provides guidance for applying fair value to certain investments as well as guidance for disclosures related to fair value measurements. As part of the implementation in fiscal year 2016, an adjustment of \$9.4 million was made to increase beginning net position.

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

Accounting Standards Issued but Not Yet Implemented

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

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

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

**June 30, 2016**

**NOTES TO THE FINANCIAL STATEMENTS**

---

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

In December 2015, the GASB issued Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans." This statement is effective for reporting periods beginning after December 15, 2015.

In December 2015, the GASB issued Statement No. 79, "Certain External Investment Pools and Pool Participants." This statement is effective for reporting periods beginning after December 15, 2015.

In January, 2016, the GASB issued Statement No. 80, "Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14." This statement is effective for reporting periods beginning after June 15, 2016.

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 March 2016, the GASB issued Statement No. 82, "Pension Issues-an amendment of GASB Statement No. 67, No. 68, and No. 73." This statement is effective for reporting periods beginning after June 15, 2017.

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.

**June 30, 2016**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**DEPOSITS**

Cash and Cash Equivalents are as follows:

	Carrying Amount	Bank Balance
Cash Deposits at the Bank of North Dakota	\$ 169,276,014	\$ 187,350,478
Cash Deposits at institutions other than the Bank of North Dakota	15,198,653	15,909,553
Certificates of Deposit at the Bank of North Dakota	180,899,351	180,899,351
Certificates of Deposit at institutions other than the Bank of North Dakota	163,178	163,178
Total Bank Deposits	<u>\$ 365,537,196</u>	<u>\$ 384,322,559</u>
 Cash on Hand/Petty Cash	 \$ 220,985	
Amounts credit risked as deposits but reported as investments	(181,062,528)	
 Total Cash and Cash Equivalents	 <u>\$ 184,695,653</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, 2016, \$382.2 million of the System's bank balance of \$384.3 million was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$368,266,503
Uninsured and collateral held by pledging bank not in system's name	\$ 13,974,272

**Investments**

Investments are reported at fair value (market). The balances at June 30, 2016 are:

Investment Type	Market Value	Maturities				
		Less than 1 year	1 year to 5 years	6 years to 10 years	More than 10 years	
US Strips	\$ 50,612	\$ -	\$ 50,612	\$ -	\$ -	\$ -
Corporate Bonds	-	-	-	-	-	-
Mutual Bond Funds	-	-	-	-	-	-
GICs	-	-	-	-	-	-
Money Market Mutual funds	3,974,282	3,974,282	-	-	-	-
Other	-	-	-	-	-	-
<b>Debt Securities Subtotal</b>	<b>\$ 4,024,894</b>	<b>\$ 3,974,282</b>	<b>\$ 50,612</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
 Stocks	 \$ 1,163,613					
Equity Mutual Funds	70,567					
Certificates of Deposit - BND	180,337,193					
Certificates of Deposit - non-BND	725,336					
Investment in Real Estate	9,422,599					
<b>Equity Securities Subtotal</b>	<b>\$ 191,719,308</b>					
 <b>Total Investments</b>	 <b>\$ 195,744,202</b>					

**June 30, 2016**

**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, 2016, the system's debt portfolio (excluding US Treasuries and US Agencies) included Standard & Poor's quality ratings as follows:

	Market Value	Credit Quality Rating			Total
		AAA	AA	Not Rated	
Mutual Bond Funds	\$ 766	\$ 766	\$ -	\$ -	\$ 766
Money market mutual funds	3,973,516	3,615,541	357,975	-	3,973,516
Other	50,612	-	-	50,613	50,613
<b>Total</b>	<b>\$ 4,024,894</b>	<b>\$ 3,616,307</b>	<b>\$ 357,975</b>	<b>\$ 50,613</b>	<b>\$ 4,024,895</b>

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, 2016 are:

June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS

---

					Total
	Level 1	Level 2	Level 3		Fair Value
Equity securities	\$ 1,163,614	\$ -	\$ -		\$ 1,163,614
Fixed income securities	50,612	-	-		50,612
Mutual funds	70,567	-	-		70,567
Real estate	-	-	9,422,599		9,422,599
<b>Total</b>	<b><u>\$ 1,284,793</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 9,422,599</u></b>		<b><u>\$ 10,707,392</u></b>

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	NonCurrent	Total
Student and General Accounts Receivable	\$ 24,866,555		\$ 24,866,555
Interest Receivable	215,010		215,010
Allowance for Doubtful Accounts	(6,240,602)		(6,240,602)
Accounts Receivable, net	<u>\$ 18,840,963</u>		<u>\$ 18,840,963</u>
Grants and Contracts Receivable	\$ 29,007,138		\$ 29,007,138
Appropriation Receivable - Other	-		-
Due from Other State Agencies	6,364,844		6,364,844
Allowance for Doubtful - Grants and Contracts Receivable	-		-
Grants and Contracts Receivable, net	<u>\$ 35,371,982</u>		<u>\$ 35,371,982</u>
Student Note Receivable	\$ 9,479,444	\$ 30,620,663	\$ 40,100,107
Other Notes Receivable	-		-
Allowance for Doubtful Notes	(1,638,725)	(6,033,911)	(7,672,635)
Notes Receivable, net	<u>\$ 7,840,719</u>	<u>\$ 24,586,752</u>	<u>\$ 32,427,471</u>

**NOTE 4 – ENDOWMENT FUNDS**

The endowment funds reported herein are institutional funds under the terms of the gift instrument and are not wholly expendable by the institution. NDCC Section 59-21 the Uniform Prudent Management of Institutional Funds Act (UPMIFA) applies to the investment of endowments governed by a gift instrument. NDUS SBHE policy 810 stipulates endowment funds shall be invested according to the intent of the donor provided such intent is consistent with applicable laws. Absent terms expressing donor intent in a gift instrument, NDUS institution officers initially shall deposit the funds in institution accounts at the Bank of North Dakota. Thereafter, the funds may be invested according to NDCC 59-21. Subject to the intent of the donor, NDUS institution officers are delegated authority to manage and invest these institutional funds as provided by UPMIFA. NDCC Section 59-21-02.5a(7) applies to standard of conduct in the administration of powers to make and retain investments. It states that in managing and investing an institutional fund, the needs of the institution and the fund to make distributions and to preserve capital must be considered. Given the flexibility in NDCC 59-21-02, 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

**June 30, 2016**

**NOTES TO THE FINANCIAL STATEMENTS**

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 available amount will be forecast to UND for planning purposes by February 1, and these distribution amounts will be available for spending in the upcoming fiscal year. MaSU, NDSU, VCSU and WSC give departments authority to spend all investment income earned on the endowment funds. Net appreciation on investments is available for expenditure and consists of the following at June 30, 2016:

		<u>Reflected in net position as:</u>
Mayville State University	\$ 3,142	Expendable scholarships & fellowships
North Dakota State University	145,027	Expendable scholarships & fellowships
University of North Dakota	965,037	Non-expendable scholarships & fellowships
Williston State College	2,965	Non-expendable scholarships & fellowships
<b>Total NDUS</b>	<b><u>\$ 1,116,172</u></b>	

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, 2016 are approximately \$144.1 million and \$4.2 million, respectively.

**NOTE 5 – CAPITAL AND INTANGIBLE ASSETS**

Capital asset activity for the year ended June 30, 2016 are as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	\$ 16,316,205	\$ 2,952,000	\$ 20,278	\$ -	\$ 19,247,927
Construction in progress	215,892,051	64,065,803	12,113	(179,130,394)	100,815,346
<b>Total non-depreciable capital assets</b>	<b><u>\$ 232,208,256</u></b>	<b><u>\$ 67,017,803</u></b>	<b><u>\$ 32,391</u></b>	<b><u>\$ (179,130,394)</u></b>	<b><u>\$ 120,063,274</u></b>
Land improvements/infrastructure	\$ 203,041,422	\$ 3,387,514	\$ -	\$ 677,572	\$ 207,106,508
Buildings	1,219,263,623	80,382,582	1,755,791	175,734,314	1,473,624,728
Furniture, fixtures, and equipment	306,842,362	23,570,473	9,852,983	2,662,257	323,222,109
Intangibles:					
Computer Software	24,343,307	206,254	-	172,041	24,721,602
Websites	945,167	-	-	(115,791)	829,376
Other	1,306,428	-	-	-	1,306,428
Library materials	107,767,540	1,095,400	7,982,115	-	100,880,825
<b>Total depreciable capital assets</b>	<b><u>\$ 1,863,509,849</u></b>	<b><u>\$ 108,642,222</u></b>	<b><u>\$ 19,590,889</u></b>	<b><u>\$ 179,130,393</u></b>	<b><u>\$ 2,131,691,575</u></b>
Less accumulated depreciation and amortization					
Land improvements/infrastructure	\$ 89,140,002	\$ 6,882,907	\$ -	\$ -	\$ 96,022,909
Buildings	494,661,476	33,641,487	1,595,316	-	526,707,647
Furniture, fixtures, and equipment	189,898,759	21,977,381	8,244,682	-	203,631,458
Intangibles					
Computer Software	17,367,764	1,625,691	-	115,609	19,109,064
Websites	504,798	145,066	-	(115,609)	534,255
Other	362,862	130,679	-	-	493,541
Library materials	85,283,487	4,257,705	7,982,110	-	81,559,082
Total accumulated depreciation and amortization	\$ 877,219,147	\$ 68,660,916	\$ 17,822,108	\$ -	\$ 928,057,956
<b>Total depreciable capital assets, net</b>	<b><u>\$ 986,290,702</u></b>	<b><u>\$ 39,981,306</u></b>	<b><u>\$ 1,768,781</u></b>	<b><u>\$ 179,130,393</u></b>	<b><u>\$ 1,203,633,621</u></b>
Capital assets, net	<u>\$ 1,218,498,957</u>	<u>\$ 106,999,109</u>	<u>\$ 1,801,172</u>	<u>\$ -</u>	<u>\$ 1,323,696,894</u>

**June 30, 2016**

**NOTES TO THE FINANCIAL STATEMENTS**

Construction in progress for the year ended June 30, 2016 was as follows:

	Total Amount Authorized	Expended (CIP Asset)	Expended (Non capitalized)	Remaining Authorized Balance
Bismarck State College	\$ 2,205,000	\$ 823,529	\$ -	\$ 1,381,471
Dakota College of Bottineau	1,054,288	105,624	-	948,664
Dickinson State University	447,678	383,603	-	64,075
Lake Region State College	1,496,661	210,661	-	1,286,000
Mayville State University	6,384,232	6,071,067	-	313,165
Minot State University	4,454,624	2,434,213	38,056	1,982,355
North Dakota State College of Science	15,097,500	5,948,753	455	9,148,292
North Dakota State University	86,760,243	47,695,519	387,186	38,677,538
University of North Dakota	81,390,508	24,588,462	9,897,042	46,905,004
Valley City State University	18,137,918	5,156,643	90,403	12,890,872
Williston State College	7,500,000	7,397,272	-	102,728
<b>Total NDUS</b>	<b>\$ 224,928,652</b>	<b>\$ 100,815,346</b>	<b>\$ 10,413,142</b>	<b>\$ 113,700,164</b>

**NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities consisted of the following at June 30, 2016:

Accounts Payable	\$ 26,590,654
Due to other state agencies	407,341
Due to Other Funds	244,534
Sales Tax Payable	27,032
Accrued Interest	2,519,301
Contractor Payable/Retainage	8,474,589
Other liabilities	28,887
<b>Total Payables and Accrued Liabilities</b>	<b>\$ 38,292,338</b>

**NOTE 7 – LONG-TERM LIABILITIES**

The changes in long-term liabilities during fiscal year 2016 are as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Noncurrent Portion
Bonds Payable	\$ 227,741,610	\$ 40,474,517	\$ 51,872,207	\$ 216,343,920	\$ 8,656,801	\$ 207,687,119
Bonds Payable to Component Units	24,295,000	-	1,430,000	22,865,000	1,490,000	21,375,000
Notes Payable	20,855,025	-	927,920	19,927,105	959,025	18,968,079
Notes Payable to Component Units	363,014	-	45,859	317,155	50,852	266,303
Capital Leases	18,225,028	4,192,483	5,523,977	16,893,533	2,834,038	14,059,497
Capital Leases with Component Units	22,998,571	242,767	1,602,276	21,639,062	1,384,075	20,254,986
Special Assessments	4,341,997	448,405	381,171	4,409,231	356,403	4,052,828
Compensated Absences	31,861,725	693,873	560,893	31,994,704	2,330,466	29,664,240
<b>Total</b>	<b>\$ 350,681,969</b>	<b>\$ 46,052,044</b>	<b>\$ 62,344,304</b>	<b>\$ 334,389,711</b>	<b>\$ 18,061,659</b>	<b>\$ 316,328,052</b>

**NOTE 8 – BONDS PAYABLE**

Revenue bonds are limited obligations of the University System. The principal and interest on the bonds

**June 30, 2016**

**NOTES TO THE FINANCIAL STATEMENTS**

---

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, 2016 is presented below and the detail is presented in the Supplementary Information section following these notes.

	<b>Original Balances</b>	<b>Interest Rates</b>	<b>Balances Outstanding</b>
Bismarck State College	\$ 10,005,000	2.0 - 4.0%	\$ 9,187,551
Lake Region State College	1,050,000	3.0 - 5.125%	195,000
Mayville State University	5,515,000	1.55 - 6.63%	4,338,145
Minot State University	18,425,237	2.0 - 6.60%	12,706,648
North Dakota State College of Science	9,000,000	3.76%	8,190,000
North Dakota State University	105,700,000	1.50 - 6.5%	95,014,800
University of North Dakota	99,680,000	0.75 - 4.25%	95,596,776
Valley City State University	5,995,000	2.8 - 7.05%	5,645,000
Williston State College	9,375,000	6.9%	8,335,000
<b>Total Bonds Payable</b>	<b>\$ 264,745,237</b>		<b>\$ 239,208,920</b>

**Industrial Commission Bonds**

For the 2015-2017 biennium, the North Dakota University System Office received an appropriation of \$8.3 million to act as the fiscal agent for the institutions on bond payments to the Industrial Commission. The appropriation was reduced by \$1.4 million to \$6.9 million in FY2016 due to the state-wide budget reductions. During fiscal year 2016, the North Dakota University System Office paid \$4.5 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 which provides that all proceeds from the trust will be used to fund the principal and interest payments of the previously issued bonded debt being refunded. The trust deposits have been computed so that the securities in the trust, along with future cash flow generated by the securities, will be sufficient to service the previously issued bonds. As a result, trust account assets and liabilities for the defeased bonds are not included in the University System's financial statements. The following is a description of the University System's defeased bonds and the balance of the bonds outstanding in the trust.

**Minot State University**

Minot State University issued \$3.425 million of Housing & Auxiliary Facilities bonds with an interest rate of 2.00 – 4.0 percent. The bonds were used to recall \$3.860 million of outstanding Series 2006 Housing bonds. The bonds were refunded to reduce total debt service payments over the next fourteen years by \$836,977. The economic gain realized as a result of the refunding was \$687,360.

**June 30, 2016**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**University of North Dakota**

University of North Dakota issued \$40.475 million Housing & Auxiliary Facilities bonds with an interest rate ranging from 3.0 percent to 4.0 percent. The bonds were used to recall \$38.190 million outstanding Series 2006, Housing & Auxiliary Facilities bonds, respectively. The bonds were refunded to reduce total debt service payments over the next nineteen years by \$5.7 million. The economic gain realized as a result of the refunding was \$4.3 million.

**Scheduled Maturities of Bonds Payable**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 10,146,801	\$ 9,547,932	\$ 19,694,732
2018	10,482,199	9,215,387	19,697,586
2019	10,733,327	8,859,986	19,593,313
2020	11,064,387	8,519,153	19,583,540
2021	11,451,218	8,133,696	19,584,914
2022 - 2026	56,756,390	33,878,313	90,634,703
2027 - 2031	57,009,579	22,817,368	79,826,947
2032 - 2036	47,353,147	11,612,955	58,966,102
2037 - 2041	19,901,830	3,695,745	23,597,575
2042 - 2046	4,310,042	342,800	4,652,842
	<b>\$ 239,208,920</b>	<b>\$ 116,623,334</b>	<b>\$ 355,832,254</b>

**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 \$2,355,546 with the Bank of North Dakota for construction of the Petroleum Safety and Technology Center and a note payable of \$317,155 to the Williston State College Foundation for construction of a dormitory geothermal system.

Details of the notes are as follows:

<b>Institution</b>	<b>Original Balance</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Outstanding Balance June 30, 2016</b>
Lake Region State College	\$ 4,881,045	June 2027	3.27%-5.15%	\$ 3,834,477
Mayville State University	7,280,185	August 2012 - December 2024	4.97% - 5.25%	4,518,335
University of North Dakota	9,800,000	October 2023	5.38%	9,218,747
Williston State College	3,000,000	January, 2022 and May, 2030	1.75% - 3%	2,672,701
<b>Total Notes Payable</b>	<b>\$ 21,961,230</b>			<b>\$ 20,244,260</b>

June 30, 2016

**NOTES TO THE FINANCIAL STATEMENTS**

---

**Scheduled Maturities of Notes Payable**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 1,009,877	\$ 989,988	\$ 1,999,865
2018	1,076,438	908,127	1,984,566
2019	1,147,076	862,473	2,009,549
2020	1,221,907	814,109	2,036,016
2021	1,301,481	761,692	2,063,173
2022 - 2026	12,851,852	1,787,355	14,639,207
2027 - 2031	1,075,006	103,539	1,178,546
2032 - 2036	560,622	22,056	582,678
	<b>\$ 20,244,260</b>	<b>\$ 6,249,338</b>	<b>\$ 26,493,598</b>

**NOTE 10 – CAPITAL LEASES**

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

	<b>Carrying Value of Assets Held Under Capital Leases</b>	
	<b>Carrying Value</b>	<b>Accumulated Depreciation</b>
Land improvements/infrastructure	\$ 558,431	\$ 175,188
Buildings	54,874,707	12,290,853
Intangibles - Easement	104,965	50,539
Furniture, fixtures, and equipment	14,695,708	5,251,504
<b>Total</b>	<b>\$ 70,233,811</b>	<b>\$ 17,768,084</b>

**Scheduled Maturities of Capital Leases**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 4,218,113	\$ 1,520,113	\$ 5,738,226
2018	6,112,590	1,357,339	7,469,929
2019	3,679,876	1,097,143	4,777,019
2020	3,428,295	940,474	4,368,768
2021	2,675,761	785,157	3,460,918
2022 - 2026	10,720,938	2,471,358	13,192,296
2027 - 2031	4,336,466	1,062,236	5,398,702
2032 - 2036	2,755,557	399,344	3,154,901
2037 - 2041	605,000	12,100	617,100
	<b>\$ 38,532,595</b>	<b>\$ 9,645,264</b>	<b>\$ 48,177,859</b>

**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.

**June 30, 2016**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**Scheduled Maturities of Special Assessments**

<b>Fiscal Year</b>	<b>PRIMARY INSTITUTION</b>			<b>Total</b>
	<b>Principal</b>	<b>Interest</b>		
2017	\$ 356,403	\$ 231,105		\$ 587,508
2018	342,539	214,477		557,016
2019	370,506	167,831		538,337
2020	373,991	152,001		525,992
2021	354,524	141,742		496,266
2022 - 2026	1,093,831	531,397		1,625,228
2027 - 2031	731,397	299,099		1,030,496
2032 - 2036	718,827	114,965		833,792
2037 - 2041	67,213	7,846		75,059
	<b>\$ 4,409,231</b>	<b>\$ 1,860,463</b>		<b>\$ 6,269,694</b>

**Compensated Absences**

The compensated absences liability of the institutions at June 30, 2016 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, 2016 totaled \$32.0 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:

<b>Deferred Outflows</b>	
Pension	\$ 14,631,835
Deferred outflows from debt refunding	2,518,868
	<b><u>\$ 17,150,703</u></b>
<b>Deferred Inflows</b>	
Pension	\$ 9,866,303
Grant amounts received prior to meeting time requirements	56,000
Deferred inflows from debt refunding	3,553
	<b><u>\$ 9,925,856</u></b>

**NOTE 13 – RETIREMENT BENEFITS**

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

**NORTH DAKOTA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (NDPERS)**

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information. NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor;

one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees. 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 provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members 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 annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

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

### **Death and Disability Benefits**

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

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

### **Refunds of Member Account Balance**

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

### **Member and Employer Contributions**

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

**June 30, 2016**

**NOTES TO THE FINANCIAL STATEMENTS**

---

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**

At June 30, 2016, the NDUS reported a liability of \$75.4 million for its proportionate share of the net pension liability. The pension liability for each institution was, as follows:

BSC	\$ 3,014,657
DSU	1,919,027
LRSC	1,420,267
MaSU	2,006,031
MiSU and DCB	4,156,566
NDSCS	4,232,554
NDSU	24,058,075
UND	30,651,856
VCSU	1,373,008
WSC	856,058
CTS	1,224,962
NDUSO	438,052
<b>Total</b>	<b>\$ 75,351,113</b>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The NDUS proportion of the net pension liability was based on the NDUS share of covered payroll in the Main System pension plan relative to the covered payroll of all participating NDPERS employers.

At June 30, 2015, the proportion for each institution was:

BSC	0.443343%	MiSU and DCB	0.611275%	VCSU	0.201918%
DSU	0.282217%	NDSCS	0.622450%	WSC	0.125894%
LRSC	0.208868%	NDSU	3.538041%	CTS	0.180146%
MaSU	0.295012%	UND	4.507739%	NDUSO	0.064421%

The percentage change from its proportion measured as of June 30, 2014 was:

BSC	0.016681%	MiSU and DCB	-0.014331%	VCSU	0.010142%
DSU	0.012225%	NDSCS	-0.031308%	WSC	-0.000427%
LRSC	-0.003449%	NDSU	-0.041076%	CTS	0.010245%
MaSU	0.029582%	UND	-0.129315%	NDUSO	-0.003756%

**June 30, 2016**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended June 30, 2016, the total recognized pension expense for each institution was:

BSC	\$ 305,539	MiSU and DCB	\$ 378,085	VCSU	\$ 142,796
DSU	197,101	NDSCS	363,201	WSC	82,161
LRSC	131,444	NDSU	2,232,014	CTS	127,792
MaSU	226,229	UND	2,755,206	NDUSO	37,557
				Total	<u>\$ 6,979,125</u>

At June 30, 2016, the NDUS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Deferred Outflow of Resources:**

	Differences between expected and actual experience	Changes of assumptions	Net difference between projected and actual earnings on pension plan investments	Changes in proportion and differences between employer contributions and proportionate share of	Employer contributions subsequent to the measurement date	Total
BSC	\$ 87,459	\$ -	\$ -	\$ 102,526	\$ 510,823	\$ 700,808
DSU	55,673	-	-	75,138	305,980	436,791
LRSC	41,204	-	-	1,557	219,343	262,104
MaSU	58,198	-	-	181,818	347,897	587,913
MiSU/DCB	120,587	-	-	-	681,548	802,135
NDSCS	122,792	-	-	-	679,146	801,938
NDSU	697,956	-	-	-	3,774,648	4,472,604
UND	889,250	-	-	-	4,800,856	5,690,106
VCSU	39,833	-	-	62,336	221,737	323,906
WSC	24,835	-	-	5,398	141,081	171,314
CTS	35,538	-	-	62,336	203,568	301,442
NDUSO	12,708	-	-	2,159	65,909	80,776
Total	<u>\$ 2,186,033</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 493,268</u>	<u>\$ 11,952,536</u>	<u>\$ 14,631,837</u>

Employer contributions made subsequent to the measurement date of \$11.9 million are reported as deferred outflows of resources and a reduction of pension expense at June 30, 2016. These contributions will be reported as a reduction of net pension liability in the year ended June 30, 2017.

**June 30, 2016**

**NOTES TO THE FINANCIAL STATEMENTS**

**Deferred Inflow of Resources:**

	Differences between expected and actual experience	Changes of assumptions	Net difference between projected and actual earnings on pension plan investments	Changes in proportion and differences between employer contributions and proportionate share of contributions		Employer contributions subsequent to the measurement date	Total
BSC	\$ -	\$ 268,592	\$ 63,639	\$ 65,640	\$ -	\$ 397,871	
DSU	-	170,976	40,511	4,574	-	216,061	
LRSC	-	126,539	29,982	21,197	-	177,718	
MaSU	-	178,728	42,347	7,505	-	228,580	
MiSU/DCB	-	370,330	87,744	90,351	-	548,425	
NDSCS	-	377,101	89,349	200,545	-	666,995	
NDSU	-	2,143,461	507,862	305,457	-	2,956,780	
UND	-	2,730,936	647,056	830,163	-	4,208,155	
VCSU	-	122,329	28,984	3,005	-	154,318	
WSC	-	76,271	18,071	2,624	-	96,966	
CTS	-	109,138	25,859	8,077	-	143,074	
NDUSO	-	39,028	9,247	23,085	-	71,360	
<b>Total</b>	<b>\$ -</b>	<b>\$ 6,713,429</b>	<b>\$ 1,590,651</b>	<b>\$ 1,562,223</b>	<b>\$ -</b>	<b>\$ 9,866,303</b>	

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:

<b>Year ended June 30:</b>	
2017	\$ (2,252,878)
2018	(2,252,878)
2019	(2,252,878)
2020	1,034,013
2021	(1,453,450)
Thereafter	(8,928)

**Actuarial assumptions.** The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50% per annum
Salary increases	4.50% per annum
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None
Mortality	Healthy: RP-2000 Combined Healthy Mortality Table, set back 2 years for males and 3 years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014

**June 30, 2016**

**NOTES TO THE FINANCIAL STATEMENTS**

---

Disabled: RP-2000 Disabled Mortality Table, set back 1 year for males (no setback for females) multiplied by 125%

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 assumptions.

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 pension plan'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%

**Discount rate**

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2015. 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, 2015, 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 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 of current plan members, as of June 30, 2015. 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, 2015.

**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:

June 30, 2016

## NOTES TO THE FINANCIAL STATEMENTS

---

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
BSC	\$ 4,622,825	\$ 3,071,176	\$ 1,698,884
DSU	2,942,733	1,919,027	1,081,452
LRSC	2,177,908	1,420,267	800,379
MaSU	3,076,149	2,006,031	1,130,482
MiSU/DCB	6,373,885	4,156,566	2,342,397
NDSCS	6,490,409	4,232,554	2,385,220
NDSU	36,891,854	24,058,075	13,557,724
UND	47,003,087	30,651,856	17,273,593
VCSU	2,105,439	1,373,008	773,747
WSC	1,312,722	856,058	482,424
CTS	1,878,418	1,224,962	690,317
NDUSO	671,731	438,052	246,860
<b>Total</b>	<b>\$ 115,547,158</b>	<b>\$ 75,407,630</b>	<b>\$ 42,463,479</b>

**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 [www.nd.gov/ndpers/employers/gasb-info.html](http://www.nd.gov/ndpers/employers/gasb-info.html)

### TIAA-CREF RETIREMENT PLAN

#### Description of Plan

This is a privately administered defined contribution retirement plan which provides individual retirement fund contracts for eligible employees as defined by the SBHE in its approved TIAA-CREF retirement resolution. All benefits vest immediately to the participant. The SBHE has the authority for establishing or amending plan provision and establishing or amending contribution requirements. Further information can be obtained by writing to TIAA-CREF; Denver Regional Office; 1700 Broadway, Suite 770; Denver, Colorado 80290 or by calling 800-842-2009.

#### Funding Policy

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

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

**June 30, 2016**

**NOTES TO THE FINANCIAL STATEMENTS**

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

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

Plan contributions are made on a tax-deferred basis in accordance with Section 414(h)(2) of the Internal Revenue Code. All contributions are applied as premiums to retirement annuity contracts owned by the participant. The North Dakota University System has no further liability once annual contributions are made. The University System contributed \$44.7 million to TIAA-CREF during the fiscal years ending June 30, 2016.

**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 874 retired NDUS employees receiving these benefits and 3,305 active employees with retiree health credit. The actuarially determined required employer contributions of \$1.177 million for the year ended June 30, 2016 is 1.14 percent of the covered payroll. The actual and required contributions for the fiscal years ending June 30, 2016, 2015 and 2014 were \$1.177 million, \$1.183 million, and \$1.130 million, respectively.

As of June 30, 2016 there was \$102.9 million in net position available for benefits under the state retiree health insurance credit plan. The actuarially accrued liability was \$176.6 million and the underfunded actuarially accrued liability was \$78.8 million at June 30, 2016.

**TERMINATION BENEFITS**

**Early Retirement Agreements**

When early retirement is deemed to be in the mutual benefit of an employee and the University System, the SBHE has adopted Policy 703.1 on Early Retirement. This policy applies to tenured faculty, the chancellor, vice chancellors, other system office professional staff, presidents, executive deans, vice president, provosts, deans, and other officers responsible for a major unit of an institution who report directly to a president, vice president, provost, or executive dean who are members of TIAA-CREF, TFFR, or TIRF. During the fiscal year ended June 30, 2016, thirty-seven employees elected early retirement.

Under the Tenured (Contract) Purchase Option, the employee is eligible for payment of up to 100 percent of the employee's final contract salary if the sum of the employee's age and total years of employment equals 70 or greater. Payments will be pursuant to the approved agreement, but cannot be made until at least 90 days after the date of Early Retirement Agreement. During the fiscal year ended June 30, 2016, forty-three employees elected to participate in this option. Policy 703.1 also allows the early retirement agreements to retain the retiree on the applicable group health and life insurance plan. Payment by the institution of premiums is negotiable. Total cost to the institutions for these termination benefits will be \$1.155 million over the term of the contracts. Amounts payable to employees at June 30, 2016 for outstanding contract buyouts and future health and life premiums, adjusted for projected health insurance premium increases and discounted to the present were \$773,029, assuming health insurance premium

**June 30, 2016**

**NOTES TO THE FINANCIAL STATEMENTS**

---

increases of 20 percent and a discount rate of 0.05 percent.

Under the Phased Retirement Option, retirement is over a period of time. The percentage of workload each year is negotiated. The institution may pay all or any part of the retirement contributions on the current salary or any part of the individual's salary until the individual terminates all employment. During the fiscal year ended June 30, 2016, thirteen employees participated in this option. Total cost to the institutions for these termination benefits will be \$327,000 over the term of the contracts. Amounts payable to employees at June 30, 2016 for outstanding contract buyouts and future health and life premiums adjusted for projected health insurance premium increases and discounted to the present were \$185,442, assuming health insurance premium increases of 20 percent and a discount rate of 0.05 percent.

There were six other early retirement agreements that were not tenured contract or phased retirement. Total cost to the institutions for these termination benefits will be \$171,000 over the term of the contracts.

Amounts payable to employees at June 30, 2015 for outstanding contract buyouts and future health and life premiums adjusted for projected health insurance premium increases and discounted to the present were \$73,000, assuming health insurance premium increases ranging from 7.5 percent to 10 percent and a discount rate of 0.05 percent.

**Severance Agreements**

In fiscal year 2016, institutions paid \$4.8 million to eighty-eight employees under separate employment separation agreements.

**NOTE 15 – Construction Commitments and Financing**

The institutions have contracted for various construction projects as of June 30, 2016. Estimated costs to complete the various projects and the sources of anticipated funding are as follows:

Campus	Contracts Awarded	Expended			Funding for Remaining Costs				
		Through 6/30/2016	Total Cost To Complete	Federal Sources	State Sources	Institutional Funds	Other Sources		
BSC	\$ 1,749,282	\$ 762,975	\$ 986,307	\$ -	\$ 985,519	\$ 788	\$ -		
DCB	1,014,064	105,624	908,440	-	908,440	-	-		
DSU	447,678	351,109	96,570	-	-	96,570	-		
LRSC	162,000	72,240	89,760	-	89,760	-	-		
MaSU	6,075,999	5,915,069	160,930	-	160,930	-	-		
MiSU	2,720,678	2,314,515	406,163	-	22,163	-	384,000		
NDSCS	13,727,047	5,794,352	7,932,695	-	7,759,163	-	173,532		
NDSU	110,624,163	80,206,321	30,417,842	2,589,653	14,017,789	1,093,701	12,716,700		
UND	186,067,313	170,184,894	15,882,419	-	11,741,822	1,054,881	3,085,716		
VCSU	16,784,123	4,635,713	12,148,410	-	12,128,660	19,750	-		
WSC	6,781,671	6,781,671	-	-	-	-	-		
Total	\$ 346,154,018	\$ 277,124,483	\$ 69,029,536	\$ 2,589,653	\$ 47,814,246	\$ 2,265,690	\$ 16,359,948		

June 30, 2016

**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	\$ 1,179,175	\$ 206,157	\$ 431,630	\$ 424,077	\$ 117,311
US Agencies	596,581	-	-	-	596,581
Corporate Bonds	1,458,450	25,793	747,517	685,140	-
Mutual Bond Funds	80,436,714	25,107,059	16,496,451	28,293,401	10,539,803
Money Market Mutual Funds	401,719	401,536	91	92	-
Other	1,182,419	-	73,516	62,926	1,045,977
<b>Subtotal</b>	<b>\$ 85,255,058</b>	<b>\$ 25,740,545</b>	<b>\$ 17,749,205</b>	<b>\$ 29,465,636</b>	<b>\$ 12,299,672</b>
Equity Mutual Funds	213,025,256				
Trust Funds	-				
Investment in Real Estate	47,115,389				
Commodity Hedge and Limited Partnerships	47,940,581				
Stocks	15,900,693				
Certificate of Deposits	8,633,086				
Investments held with Foundation	801,150				
Other	68,846,165				
<b>Total Investments</b>	<b>\$ 487,517,378</b>				

**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**

As of June 30, 2016, REA Arena, Inc., had approximately \$7.0 million in pledged collateral, in lieu of FDIC insurance. The major component units had no investments that were not registered in the name of the component unit.

**Major Component Units Capital Assets**

Capital asset activity for the major component units for the year ended June 30, 2016 was as follows:

	Beginning Balance-Restated	Additions	Retirements	Transfers	Ending Balance
Land	\$ 3,285,667	\$ 14,264	\$ -	\$ -	\$ 3,299,931
Construction in progress	6,659,755	16,971,680	-	(5,505,248)	18,126,187
<b>Total non-depreciable capital assets</b>	<b>\$ 9,945,422</b>	<b>\$ 16,985,944</b>	<b>\$ -</b>	<b>\$ (5,505,248)</b>	<b>\$ 21,426,118</b>
Land improvements/infrastructure	\$ 1,234,310	\$ 49,052	\$ -	\$ 325,282	\$ 1,608,644
Buildings	188,102,628	3,291,115	11,811	5,114,499	196,496,431
Furniture, fixtures, and equipment	47,577,861	2,607,005	613,065	-	49,571,801
<b>Total depreciable capital assets</b>	<b>\$ 236,914,799</b>	<b>\$ 5,947,172</b>	<b>\$ 624,876</b>	<b>\$ 5,439,781</b>	<b>\$ 247,676,876</b>
<b>LESS: Accumulated Depreciation</b>					
Land improvements/infrastructure	\$ 652,112	\$ 57,045	\$ -	\$ -	\$ 709,157
Buildings	62,325,330	4,724,766	278	(65,467)	66,984,351
Furniture, fixtures, and equipment	20,231,999	3,765,009	513,300	-	23,483,708
<b>Total accumulated depreciation</b>	<b>\$ 83,209,441</b>	<b>\$ 8,546,820</b>	<b>\$ 513,578</b>	<b>\$ (65,467)</b>	<b>\$ 91,177,216</b>
<b>Total depreciable capital assets, net</b>	<b>\$ 153,705,358</b>	<b>\$ (2,599,648)</b>	<b>\$ 111,299</b>	<b>\$ 5,505,248</b>	<b>\$ 156,499,660</b>
<b>Capital assets, net</b>	<b>\$ 163,650,780</b>	<b>\$ 14,386,296</b>	<b>\$ 111,299</b>	<b>\$ -</b>	<b>\$ 177,925,778</b>

**June 30, 2016**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**MAJOR COMPONENT UNITS BONDS PAYABLE**

Bonds payable for the major component units at June 30, 2016 was as follows:

<b>Component Unit</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Balance Outstanding</b>
BSC Foundation	2021-2040	1.75% - 5.25%	\$ 6,607,763
NDSU Development Foundation	2020-2038	2.0% - 4.89%	16,201,961
NDSU Research & Technology Park, Inc.	2022-2032	4.0% - 4.75%	17,905,000
UND Alumni Foundation	2018-2027	0.75% - 4.2%	9,482,623
<b>Total Component Unit Bonds Payable</b>			<b><u>\$ 50,197,347</u></b>

**Scheduled Maturities of Major Component Bonds Payable**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 958,938	\$ 572,433	\$ 1,531,371
2017	3,759,549	1,781,631	5,541,180
2018	6,015,240	1,655,399	7,670,639
2019	3,405,695	1,431,759	4,837,454
2020	3,088,572	1,317,511	4,406,083
2021	2,873,956	1,213,626	4,087,582
2022 - 2026	13,496,108	4,614,504	18,110,612
2027 - 2031	10,407,718	2,318,081	12,725,799
2032 - 2036	5,343,893	537,815	5,881,708
2037 - 2041	847,678	26,545	874,223
	<b><u>\$ 50,197,347</u></b>	<b><u>\$ 15,469,303</u></b>	<b><u>\$ 65,666,650</u></b>

**MAJOR COMPONENT UNITS NOTES PAYABLE**

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

<b>Component Unit</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Balance Outstanding</b>
BSC Foundation	1.25% - 2.99%	2017 - 2020	\$ 4,898,140
NDSU Development Foundation	0% - 1%	2017 - 2024	7,037,743
NDSU Research & Tech Park, Inc.	3.0%	2017	167,267
UND Alumni Association & UND Foundation	4.35%	2036	471,637
UND Aerospace Foundation	2.37% - 3.69%	2019 - 2021	2,846,426
RE, Arena, Inc	3.0%	2020	1,973,315
<b>Total Component Unit Notes Payable</b>			<b><u>\$ 17,394,528</u></b>

**June 30, 2016**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**Scheduled Maturities of Major Component Units Notes Payable**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 299,085	\$ -	\$ 299,085
2017	1,551,001	317,579	1,868,580
2018	1,351,088	269,065	1,620,153
2019	2,037,063	210,230	2,247,293
2020	4,942,223	65,558	5,007,781
2021	86,455	17,660	104,115
2022 - 2026	6,841,387	74,016	6,915,403
2027 - 2031	127,639	49,107	176,746
2032 - 2036	158,588	18,158	176,746
	<b><u>\$ 17,394,529</u></b>	<b><u>\$ 1,021,373</u></b>	<b><u>\$ 18,415,902</u></b>

**Scheduled Maturities of Major Component Units Capital Leases**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 56,599	\$ 69,741	\$ 126,340
2018	59,296	67,044	126,340
2019	62,121	64,218	126,339
2020	65,082	61,257	126,339
2021	68,183	58,156	126,339
2022 - 2026	392,865	283,832	676,697
2027 - 2031	495,831	135,866	631,697
2032 - 2036	294,705	21,144	315,849
	<b><u>\$ 1,494,682</u></b>	<b><u>\$ 761,258</u></b>	<b><u>\$ 2,255,940</u></b>

**June 30, 2016**

**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	\$ 9,974,789	Primary University Payable to Component Units - Current	\$ 289,231
Primary University Receivable Component Units - Non-Current	-	Primary University Long Term Liability to Component Unit - Current Portion	2,924,927
Total Due from Component Units	\$ 9,974,789	Primary University Long Term Liability to Component Unit - Non-Current Portion	<u>41,896,289</u>
Timing Differences:		Total Due to Component Units	\$ 45,110,447
Transactions with Component Units having fiscal year ends other than June 30th	(529,496)	Timing Differences:	
Transactions in transit at June 30, 2015	1,024,168	Transactions with Component Units having fiscal year ends other than June 30th	99,964
Other differences	(90,872)	Transactions in transit at June 30, 2015	15,363
Component Unit Payable to Primary University	<u>\$ 10,378,588</u>	Other	<u>62,077</u>
		Total Receivable from Primary University	<u>\$ 45,287,851</u>
		Component Unit Current Receivable from Primary University - Current	\$ 3,576,069
		Component Unit Non-Current Receivable from Primary University	<u>41,711,783</u>
		Total Component Unit Receivable from Primary Institution	<u>\$ 45,287,852</u>

**June 30, 2016**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**BEGINNING COMPONENT UNIT NET ASSET RESTATEMENTS**

Net assets, beginning of the year, as previously reported	\$ 716,803,014
Prior period adjustments:	
Correction of error	(3,359,011)
Net assets, beginning of the year, as restated	<u>\$ 713,444,003</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. Under this addendum, the additional amount of rent through September 30, 2015 is tied to the debt service retirement of \$228,000.

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

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

	<b>BSC</b>	
	<b>BSC</b>	<b>Foundation</b>
NECE Building	\$ 9,338,149	\$ 10,846,116
Accumulated Depreciation	(1,508,285)	(2,085,702)
Net Value of NECE Building	<u>\$ 7,829,864</u>	<u>\$ 8,760,414</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.

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

**June 30, 2016**

**NOTES TO THE FINANCIAL STATEMENTS**

---

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 is involved in a dispute with another member of Dickinson Investments, Granville Brinkman and other Brinkman entities (Respondent). An arbitration claim was filed on December 26, 2013. On September 30, 2014, the arbitrator awarded the Respondent a buy-out of their equity interest in the amount of \$1.260 million. The Respondent was also awarded repayment of a note, prejudgment interest and attorneys' fees and costs. DSUF and Dickinson Investments are jointly and severally liable for the buyout amount.

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

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

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

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

**Receivership:**

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

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

**June 30, 2016**

**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 is based on an inability to negotiate a mutually acceptable settlement of the outstanding Brinkman judgment against DSUF. The report indicates that dissolution should foremost prioritize DSUF obligations to honor restrictions placed on DSUF assets by donors, then address claims made by creditors, employees, and other interested parties. However, DSUF accounting reports indicate that the foundation has total net restricted assets in an amount less than total permanently and temporarily restricted donations.

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

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

**Financial Audit:**

In fiscal year 2013, The DSUF's independent auditors issued a qualified opinion on the DSUF financial statements because they were unable to form an opinion regarding the proper amount and classification of unrestricted and temporarily restricted net assets. In fiscal year 2014, the DSUF's independent auditors are unable to issue an audit opinion on the DSUF financial statements as a result of the aforementioned arbitration and the overall condition of the DSUF financial records. An audit was not performed for fiscal year 2015 and fiscal year 2016. 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.

**June 30, 2016**

**NOTES TO THE FINANCIAL STATEMENTS**

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

**Assets**

Cash and cash equivalents	\$ 80,642
Accounts receivable	689,487
<u>Total Current Assets</u>	<u>\$ 770,129</u>
Investments	\$ 7,584,420
Fixed assets	2,147,741
Other assets	1,058,530
<u>Total Non-Current Assets</u>	<u>\$ 10,790,691</u>
<b>Total Assets</b>	<b><u>\$ 11,560,820</u></b>

**Liabilities**

Accounts payable	\$ 7,103,948
Payroll liabilities	46,718
<u>Total Current Liabilities</u>	<u>\$ 7,150,666</u>
Long-term liabilities	\$ 4,872,920
<b>Total Liabilities</b>	<b><u>\$ 12,023,586</u></b>

**Net Assets**

Unrestricted	\$ (12,885,205)
Temporarily restricted - Obligated and Unobligated	(575,387)
Permanently restricted (Endowed)	12,937,079
Planned gifts	60,747
<u>Total Net Assets</u>	<u>\$ (462,766)</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 11,560,820</u></b>

**June 30, 2016**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**NDSU Research and Technology Park, Inc.**

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

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

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

The audited financial statements of RTP for fiscal year 2016 report these transactions as an operating lease and report the related capital assets and related debt as assets and debt of RTP.

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

During fiscal 2013, NDSU and the RTP entered into renewed agreements, whereby NDSU leases the Research Buildings #1 and #2 through June 30, 2022. During fiscal year 2016, total annual rent of \$2,154,906 was paid by NDSU for these two buildings. NDSU directly pays the utility costs under these agreements. The annual rent will be re-adjusted by mutual agreement every two years. These agreements are subject to funding and legislative appropriations.

**Other Transactions**

During fiscal 2016 NDSU made other payments to the RTP that were unrelated to the building leases for Research #1 & #2. These payments consist of the following: 1) \$16,726 for a subaward on an EPSCOR grant; 2) \$75,000 for sponsorship of an RTP event called "Innovation Challenge '16".

**NDSU Foundation and Alumni Association**

**Fargodome Lease and Improvements**

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

**June 30, 2016**

**NOTES TO THE FINANCIAL STATEMENTS**

---

incident to the lease, less any contributions received by the NDSUDF for the project. Under this agreement in fiscal year 2016, the NDSUDF paid the debt service and other fees on behalf of NDSU in the amount of \$336,312.

The facility is included in long-term investments and the debt is included in long-term liabilities on the financial reports of the NDSUDF. NDSU has also recorded a capital asset and a capital lease payable, reflected as "Due to Component Units" by NDSU, of \$1.325 million as of June 30, 2016. Since the NDSUDF is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for the Fargodome improvements, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution.

**Renaissance Hall**

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

Under this refinanced debt issuance and lease agreement, as approved by the SBHE on December 16, 2010, the property is leased to NDSU for rent equal to the semi-annual principal and interest on the bonds, plus all costs incurred by the NDSUDF incident to ownership of the property. Ownership of the property will transfer to NDSU when the bonds are repaid in full. NDSU paid the NDSUDF \$418,528 in fiscal year 2016 for debt service under this agreement. As of June 30, 2016 the outstanding balance on the bonds, reflected as "Due to Component Units" by NDSU, is \$4.565 million.

**Barry Hall Business Building and Klai Hall Architecture Building**

Effective November 28, 2007, NDSU and the NDSUDF entered into lease agreements for two buildings in downtown Fargo, formerly known as the "Pioneer Mutual Building" and "Lincoln Mutual building". The NDSUDF financed the construction of the Barry Hall business building and Klai Hall architecture building projects through the sale of \$18.52 million of 20-year University Facilities Revenue Bonds issue by the City of Fargo, North Dakota. The City has loaned the bond proceeds to the NDSUDF for payments equal to the sum of the semi-annual interest payments and installments of varying principal amounts on the variable rate bonds and the semi-annual principal and interest payments on the fixed-rate bonds. The principal payments on the variable rate bonds will be funded from payments on donor pledges restricted for the project. Under the terms of the loan, the NDSUDF is responsible for the real estate taxes, insurance, repairs and maintenance, and other costs incident to ownership of the property. The property is included with property in the financial statements and the bonds have been recorded as a direct obligation of the NDSUDF. Ownership of the property will transfer to NDSU when the bonds are repaid in full. The bonds are guaranteed by the Foundation. This property is leased to NDSU for rental equal to the sum of the semi-annual interest only payments on the variable term bonds plus the semi-annual

**June 30, 2016**  
**NOTES TO THE FINANCIAL STATEMENTS**

---

principal and interest payments on the fixed-rate bonds for the term of the bonds, plus all the costs incurred by the NDSUDF incident to ownership of the property.

In May 2012, the NDSUDF refinanced the original bonds issued in November 2007. As a result, new leases were executed. Under the terms of the new leases, NDSU pays and recognizes a liability for entire amount of the previously issued bonds, including the portion originally planned to be paid from the collections of pledges. During fiscal year 2016, NDSU paid \$774,893 to the bond trustee on-behalf of the NDSUDF under the new leases for debt service on Barry Hall & Klai Hall. During fiscal year 2016, the NDSUDF paid \$332,150 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, 2016 the outstanding balance on the bonds, reflected as "Due to Component Units" by NDSU, is \$10.065 million and the portion payable by the NDSUDF to NDSU for the collection of pledges is recognized by NDSU as a current & non-current "Due from Component Units" for \$299,085.

**Other Transactions**

NDSU also has agreements in place with the NDSUDF for maintenance of the University's alumni records, for use and insurance on certain land and building. Amounts paid by NDSU under these agreements as of June 30, 2016 totaled \$645,575.

NDSU pays the NDSUDF 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 \$138,938 during fiscal year 2016.

In addition to the debt service payments on the Fargodome, Renaissance, Barry and Klai Halls, NDSU reimburses the NDSUDF 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 \$89,112 during fiscal year 2016.

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

**UND Aerospace Foundation**

The UND Aerospace Foundation (Aerospace) recorded expenses reimbursed to UND for salaries, building rent, aircraft rental, and goods and services under an operating agreement aggregating \$14.9 million in fiscal year 2016. 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 \$4,234,373 in fiscal year 2016, which is included in training and support services revenue in the consolidated statements of activities.

As of June 30, 2016, the Foundation had recorded accounts payable to UND of \$1,752,341 for reimbursable costs and services. As of June 30, 2016, the Foundation had recorded accounts receivable from UND of \$566,400, which are included in accounts receivable in the consolidated statements of financial position.

**June 30, 2016**

**NOTES TO THE FINANCIAL STATEMENTS**

---

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.

Gross tickets sales were \$4.396 million of which RE Arena, Inc. recognized revenue of \$2.286 million with a net due to UND \$2.110 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 \$2.412 million.

RE Arena, Inc. recognized net sponsorship (advertising) revenue of \$779,086 and the net due UND in sponsorship (advertising) income of \$438,236.

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 \$186,492.

In addition, RE Arena, Inc. allocated \$500,000 of net income to the UND Athletic Department for the year ended May 31, 2016.

RE Arena, Inc. expensed \$1.031 million to UND for utilities, maintenance staff, phone service and other expenses.

At the end of the fiscal year RE Arena, Inc. owes UND \$2,128,065 for the annual operating agreement and monthly services.

**June 30, 2016**

**NOTES TO THE FINANCIAL STATEMENTS**

---

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 31<sup>st</sup>, UND's fiscal year end is June 30<sup>th</sup>, 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. 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, 2016, UND provided approximately \$1.121 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 \$404,446 in investment management fees during the year ended June 30, 2016. 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.

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, 2016 was \$4.960 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, 2016 are: 2017 - \$560,209; 2018 - \$562,028; 2019 - \$562,153; 2020 - \$560,509; 2021 - \$562,436, thereafter - \$3,365,368. During fiscal year ended June 30, 2016, the Organization recorded payment of principal and interest of \$375,000 and \$181,959, 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, 2016 is \$2.475 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, 2016 are: 2017 - \$272,000; 2018 - \$2,400,413. During fiscal year ended June 30, 2016, the Organization received payment of principal and interest of \$162,423 and \$109,577, respectively. The interest income is included in operations, fees and miscellaneous income on the statement of activities.

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

**June 30, 2016**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**NON-MAJOR COMPONENT UNITS**

**North Dakota State College of Science Foundation**

For the year ended June 30, 2016, 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 \$5,668 and for accounting services is \$7,454.

**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, 2016 and 2015, the loan balance of \$317,094 and \$363,014 of which \$50,852 and \$46,052, respectively is a current asset. Effective July 1, 2015, the interest rate on the loan changed to 3%.

On November 1, 2013, WSCF entered into a lease agreement with WSC. WSCF is leasing a bus, it had purchased, to WSC. The value of the bus was \$375,000. Quarterly lease payments of \$15,000 are being made by WSC for a seven-year lease term. The lease expires on October 31, 2020. Total payments on the lease as of June 2016 and 2015 were \$60,000.

Individuals working on behalf of the WSCF and the North Dakota Department of Motor Vehicles (DMV) are employees of and paid by WSC. WSCF reimburses WSC for the time WSC employees spend on Foundation and DMV matters. Funds are reimbursed to WSC and are recorded as expenses by the Foundation. The amount reimbursed for the years ending June 30, 2016 and 2015 were \$760,527 and \$709,720 respectively. As of June 30, 2016 and 2015, the outstanding amount owed to WSC was \$0 and \$33,223 respectfully.

**NOTE 17 – PLEDGED REVENUES**

Pledged Revenue Required for Future Principal and Interest on Existing Bonds	\$ 321,132,877	
Term of Commitment ranging from	2017-2044	
Percentage of Revenue Pledged	5%	Percentage of Pledged Revenue to Recognized Revenue
Current Year Pledged Revenue, by source:		
Net revenues from auxiliaries	\$ 10,769,121	10%
Student Fees	6,103,001	2%
Other	319,537	-
Total	\$ 17,191,659	4%
Current Year Principal and Interest Paid	\$ 17,191,659	

**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, 2016, using the functional classification are as follows:

**June 30, 2016**

**NOTES TO THE FINANCIAL STATEMENTS**

---

<b>Operating Expense</b>	
Instruction	\$ 401,348,871
Academic Support	86,296,133
Student Services	98,165,320
Institutional Support	121,534,330
Physical Plant	89,118,113
Scholarships and Fellowships	26,025,300
Auxiliary Enterprises	100,066,191
Public Service	62,043,779
Research	137,885,535
Depreciation	68,660,916
 Total	 <u>\$ 1,191,144,488</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, 2016, amounted to \$6.9 million.

Future minimum lease payments at June 30, 2016:

<b>Fiscal Year</b>	<b>Future Minimum Lease Payments</b>
2017	\$ 4,390,246
2018	2,702,574
2019	1,629,555
2020	1,101,124
2021	451,703
2022 - 2026	788,483
2027 - 2031	472,678
2032 - 2036	330,874
	 <u>\$ 11,867,236</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.

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.

**June 30, 2016**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**Dickinson State University**

DSU is not a guarantor on the DSUF debt referenced in footnote 16. However, it is reasonably possible that DSU may be liable for a portion of the DSUF debt. An estimate of the range of liability is \$0 to \$3.8 million.

**Minard Hall**

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

Minard Hall experienced a partial collapse of the north wall in the early morning hours of December 27, 2009. The partial collapse of Minard Hall's North wall, during the construction of the legislatively approved addition, resulted in a delay in the completion of the project, increased costs for construction and legal expenses, as well as numerous other issues, such as relocation of faculty, staff, and classroom space.

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

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

During the 64<sup>th</sup> Regular Legislative Assembly, NDSU sought and received an additional \$600,000 in project authorization due to the filing of a lawsuit by a contractor against NDSU. Authorization was increased from \$22,874,300 to \$23,474,300 for related costs.

In July 2015, all three litigations relating to the Minard Hall project were settled by NDSU pursuant to authority granted by the SBHE. As a result of the settlements, NDSU paid one contractor the sum of \$220,000 and NDSU received from various other entities the sum of \$3,020,000. All settlement payments have been made, and the litigations have been dismissed.

The settlement proceeds to NDSU are less than the total expenditures on the project and on December 10, 2015 the SBHE approved NDSU's request to seek a deficiency appropriation during the 2017 (65th) Legislative Assembly for the unreimbursed costs of \$1,634,853.52 due to the Minard Hall collapse.

NDSU provided a status update on the project to the Legislative Budget Section on December 16, 2015 as required per HB1003-Section 27 and has also provided information to the system office in August 2016 for a deficiency appropriation request with OMB. If approved, the deficiency appropriation would take place before June 30, 2017.

**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

**June 30, 2016**

## **NOTES TO THE FINANCIAL STATEMENTS**

---

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, 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, 2016 were \$324,319 and \$765,361 respectively.

**June 30, 2016**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 23 – FLOOD DAMAGES**

Minot State University experienced significant flooding in fiscal year 2011. As a result, Minot State University received a deficiency appropriation from the Emergency Commission in June 2013 for \$1,839,710 under the provisions of NDCC 54-16-13. Total expenses incurred in fiscal year 2016 and cumulatively since fiscal year 2011 are \$8,989 and \$2,489,838, respectively. FEMA reimbursement received in fiscal year 2016 and cumulatively since fiscal year 2011 are \$8,989 and \$461,193, respectively. A remaining deficiency of \$184,873 existed at June 30, 2016.

**NOTE 24 – SUBSEQUENT EVENTS**

**DICKINSON STATE UNIVERSITY FOUNDATION**

As discussed in footnote 16, the Office of Attorney General has requested the commencement of dissolution for DSUF. At this time, it is anticipated the dissolution of the DSUF will be completed by the end of 2016.

**NORTH DAKOTA STATE UNIVERSITY**

On July 27, 2016, the NDSU Research & Technology Park issued Taxable Lease Revenue Refunding Bonds (North Dakota State University Lease Obligation), Series 2016, of \$18,790,000. The bonds were issued to advance refund NDSU Research & Technology Park Lease Revenue Bonds, Series 2007A and 2007B, with outstanding principal balances of \$2,705,000 and \$15,150,000, respectively.

On August 2, 2016, NDSU issued North Dakota State University Housing and Auxiliary Facilities Revenue Refunding Bonds, Series 2016, of \$10,405,000. The bonds were issued to advance refund North Dakota State University Housing and Auxiliary Facilities Revenue Bonds, Series 2007A, with an outstanding principle balance of \$10,170,000.

*(This page intentionally left blank)*

# NORTH DAKOTA UNIVERSITY SYSTEM

Required Supplementary Information (RSI)

JUNE 30, 2016

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

NDUS' Proportion of the Net Pension Liability (%) (a)	Year ended June 30, 2016	Year ended June 30, 2015	NDUS' Proportionate Share of the Net Pension Liability (\$)(b)	Year ended June 30, 2016	Year ended June 30, 2015	NDUS Covered Employee Payroll (c)	Year ended June 30, 2016	Year ended June 30, 2015
BSC	0.443%	0.427%	BSC	\$ 3,014,657	\$ 2,764,634	BSC	\$ 3,949,651	\$ 3,594,112
DSU	0.282%	0.270%	DSU	1,919,027	1,713,697	DSU	2,514,213	2,274,356
LRSC	0.209%	0.212%	LRSC	1,420,267	1,347,621	LRSC	1,860,763	1,788,518
MASU	0.295%	0.265%	MASU	2,006,031	1,684,741	MASU	2,628,196	2,235,933
MISU/DCB	0.611%	0.626%	MISU/DCB	4,156,566	3,970,855	MISU/DCB	5,445,718	5,269,970
NDSCS	0.622%	0.654%	NDSCS	4,232,554	4,149,542	NDSCS	5,545,270	5,507,115
NDSU	3.538%	3.579%	NDSU	24,058,075	22,717,421	NDSU	31,519,654	30,149,739
UND	4.508%	4.637%	UND	30,651,856	29,432,373	UND	40,158,483	39,061,573
VCSU	0.202%	0.192%	VCSU	1,373,008	1,217,243	VCSU	1,798,841	1,615,477
WSC	0.126%	0.126%	WSC	856,058	801,786	WSC	1,121,559	1,064,107
CTS	0.180%	0.170%	CTS	1,224,962	1,078,398	CTS	1,604,885	1,431,201
NDUSO	0.064%	0.068%	NDUSO	438,052	432,734	NDUSO	573,917	574,313
				\$ 75,351,113	\$ 71,311,045		\$ 98,721,150	\$ 94,566,414
<hr/>								
Share of the Net Pension Liability as a Percentage of its Covered Payroll (d) = (b) / (c)	Year ended June 30, 2016	Year ended June 30, 2015	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	Year ended June 30, 2016	Year ended June 30, 2015			
BSC	76%	77%	All Institutions	77.15%	77.70%			
DSU	76%	75%						
LRSC	76%	75%						
MASU	76%	75%						
MISU/DCB	75%	75%						
NDSCS	76%	75%						
NDSU	76%	75%						
UND	76%	75%						
VCSU	76%	75%						
WSC	76%	75%						
CTS	76%	75%						
NDUSO	76%	75%						

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

# NORTH DAKOTA UNIVERSITY SYSTEM

Required Supplementary Information (RSI)

JUNE 30, 2016

## Schedule of NDUS Contributions - Last 10 Years\*

Contractually Required Contributions (a)	Year ended		Contributions in Relation to the Contractually Required Contributions (b)	Year ended		2016 Contribution (Deficiency) Excess (c) = b - a	2015 Contribution (Deficiency) Excess (c) = b - a
	June 30, 2016	June 30, 2015		June 30, 2016	June 30, 2015		
BSC	\$ 300,007	\$ 255,901	BSC	\$ 285,523	\$ 255,901	\$ (14,484)	\$ -
DSU	190,974	161,934	DSU	185,481	161,934	(5,493)	-
LRSC	141,340	127,342	LRSC	143,210	127,342	1,870	-
MASU	199,633	159,198	MASU	190,621	159,198	(9,012)	-
MISU/DCB	413,646	375,222	MISU/DCB	410,922	375,222	(2,724)	-
NDSCS	421,208	392,107	NDSCS	411,459	392,107	(9,749)	-
NDSU	2,394,170	2,146,661	NDSU	2,330,536	2,146,661	(63,634)	-
UND	3,050,359	2,781,184	UND	3,007,897	2,781,184	(42,462)	-
VCSU	136,637	115,022	VCSU	133,028	115,022	(3,609)	-
WSC	85,192	75,764	WSC	91,674	75,764	6,482	-
CTS	121,904	101,902	CTS	112,205	101,902	(9,699)	-
NDUSO	43,593	40,891	NDUSO	46,186	40,891	2,593	-
	<u>\$ 7,498,663</u>	<u>\$ 6,733,128</u>		<u>\$ 7,348,742</u>	<u>\$ 6,733,128</u>	<u>\$ (149,921)</u>	<u>\$ -</u>

NDUS Covered Employee Payroll (d)	Year ended	
	June 30, 2016	June 30, 2015
BSC	\$ 3,949,651	\$ 3,594,112
DSU	2,514,213	2,274,356
LRSC	1,860,763	1,788,518
MASU	2,628,196	2,235,933
MISU/DCB	5,445,718	5,269,970
NDSCS	5,545,270	5,507,115
NDSU	31,519,654	30,149,739
UND	40,158,483	39,061,573
VCSU	1,798,841	1,615,477
WSC	1,121,559	1,064,107
CTS	1,604,885	1,431,201
NDUSO	573,917	574,313
	<u>\$ 98,721,150</u>	<u>\$ 94,566,414</u>

Contributions as a Percentage of Covered-Employee Payroll (e) = b / d	Year ended	
	June 30, 2016	June 30, 2015
BSC	7.23%	7.12%
DSU	7.38%	7.12%
LRSC	7.70%	7.12%
MASU	7.25%	7.12%
MISU/DCB	7.55%	7.12%
NDSCS	7.42%	7.12%
NDSU	7.39%	7.12%
UND	7.49%	7.12%
VCSU	7.40%	7.12%
WSC	8.17%	7.12%
CTS	6.99%	7.12%
NDUSO	8.05%	7.12%
	<u>7.44%</u>	<u>7.12%</u>

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

*(This page intentionally left blank)*

# NORTH DAKOTA UNIVERSITY SYSTEM

Supplementary Information  
June 30, 2016

## 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
<b>ASSETS</b>							
Current assets							
Cash and cash equivalents	\$ 13,300,736	\$ 7,383,420	\$ 1,477,892	\$ 3,661,822	\$ 4,648,901	\$ 3,162,131	\$ 20,833,224
Investments	-	3,561,000	-	9,655,000	-	417,766	647,400
Accounts receivable, net	6,117	990,068	340,219	295,008	474,997	489,451	651,440
Due from component units - investments held on behalf of institutions				160,000	-	-	-
Due from component units		46,871	-	2,850	6,866	28,385	728,849
Due from other NDUS institutions	1,320,165	-	3,493	500	63,905	-	248,614
Due from State general fund	219,088	102,925	9,071	14,587	53,942	208,482	38,006
Grants and contracts receivable, net	-	2,286,901	435,340	272,275	776,531	631,839	832,497
Inventories	-	661,692	132,670	399,268	274,101	273,144	-
Notes receivable, net	-	51,646	38,226	241,247	794,150	140,697	590,156
Other assets	21,903	368,142	(10,489)	49,183	30,663	59,724	246,750
Total current assets	<u>\$ 14,868,009</u>	<u>\$ 15,452,665</u>	<u>\$ 2,426,422</u>	<u>\$ 14,751,740</u>	<u>\$ 7,124,056</u>	<u>\$ 5,411,619</u>	<u>\$ 24,816,936</u>
Noncurrent assets							
Restricted cash and cash equivalents	\$ -	\$ 101,986	\$ -	\$ -	\$ 56,248	\$ 213,022	\$ -
Restricted investments	-	-	-	-	105,000	-	752,260
Endowment investments	-	-	-	-	-	(17,000)	-
Notes receivable, net	-	186,356	129,097	690,077	(483,392)	371,708	2,126,304
Other long-term investments	-	-	-	-	-	-	-
Due from component units - investments held by component unit on behalf of the institutions							3,114,531
Other noncurrent assets							-
Capital assets, net	4,879,576	57,779,892	7,170,612	30,089,312	15,159,149	30,393,401	82,428,423
Total noncurrent assets	<u>\$ 4,879,576</u>	<u>\$ 58,068,234</u>	<u>\$ 7,299,709</u>	<u>\$ 30,779,389</u>	<u>\$ 14,837,005</u>	<u>\$ 30,961,131</u>	<u>\$ 88,421,518</u>
Total assets	<u>\$ 19,747,585</u>	<u>\$ 73,520,899</u>	<u>\$ 9,726,131</u>	<u>\$ 45,531,129</u>	<u>\$ 21,961,061</u>	<u>\$ 36,372,750</u>	<u>\$ 113,238,454</u>
<b>Deferred outflows of resources</b>	<b>\$ 382,217</b>	<b>\$ 742,696</b>	<b>\$ 127,585</b>	<b>\$ 436,791</b>	<b>\$ 262,104</b>	<b>\$ 603,110</b>	<b>\$ 679,546</b>
<b>LIABILITIES</b>							
Current liabilities							
Accounts payable and accrued liabilities	\$ 1,446,396	\$ 1,818,463	\$ 89,272	\$ 262,294	\$ 401,622	\$ 490,722	\$ 1,061,766
Due to other NDUS institutions	-	(14,669)	(48,673)	23,359	11,534	30,339	11,885
Due to component units	-	21,454	-	-	-	-	-
Accrued payroll	1,098,638	2,116,949	280,606	1,017,864	511,921	1,020,424	2,239,915
Unearned revenue	-	801,189	178,378	-	743,648	471,514	1,044,052
Deposits	35,743	182,740	137,330	70,492	229,999	(346,000)	770,052
Long-term liabilities-current portion							
Due to component units	-	133,756	-	-	-	-	-
Due to others	167,683	765,391	21,749	55,266	424,633	905,030	490,994
Total current liabilities	<u>\$ 2,748,460</u>	<u>\$ 5,825,273</u>	<u>\$ 658,662</u>	<u>\$ 1,429,275</u>	<u>\$ 2,323,357</u>	<u>\$ 2,572,029</u>	<u>\$ 5,618,664</u>
Noncurrent liabilities							
Pension liability	\$ 1,663,014	\$ 3,014,657	\$ 548,667	\$ 1,919,028	\$ 1,420,267	\$ 2,006,031	\$ 3,607,899
Other noncurrent liabilities	16,258	48,267	-	47,364	-	18,828	19,576
Long-term liabilities							
Due to Component Units	-	1,356,660	-	-	-	-	-
Due to Others	1,493,919	10,762,003	198,351	571,017	4,225,834	9,010,263	13,700,249
Total noncurrent liabilities	<u>\$ 3,173,191</u>	<u>\$ 15,181,587</u>	<u>\$ 747,018</u>	<u>\$ 2,537,409</u>	<u>\$ 5,646,101</u>	<u>\$ 11,035,122</u>	<u>\$ 17,327,724</u>
Total liabilities	<u>\$ 5,921,651</u>	<u>\$ 21,006,860</u>	<u>\$ 1,405,680</u>	<u>\$ 3,966,684</u>	<u>\$ 7,969,458</u>	<u>\$ 13,607,151</u>	<u>\$ 22,946,388</u>
<b>Deferred inflows of resources</b>	<b>\$ 214,434</b>	<b>\$ 397,871</b>	<b>\$ 72,392</b>	<b>\$ 216,061</b>	<b>\$ 177,718</b>	<b>\$ 228,580</b>	<b>\$ 476,033</b>
<b>NET POSITION</b>							
Investment in capital assets	\$ 4,502,742	\$ 45,919,002	\$ 7,140,799	\$ 30,050,734	\$ 11,000,548	\$ 20,969,620	\$ 69,543,628
Restricted for:							
Nonexpendable:							
Scholarships and fellowships	-	-	-	160,000	-	17,524	3,100,369
Expendable:							
Scholarships and fellowships	-	137,597	(67,666)	61,317	-	154,750	952,045
Research	-	-	-	-	-	-	-
Institutional	13,908	5,046	52,155	(1,358)	537,000	363,496	471,206
Loans	-	406,303	205,783	1,149,515	338,080	577,778	3,126,961
Capital Projects	-	-	-	-	-	(253,746)	-
Debt service	-	39,723	5,251	-	135,843	443,342	469,637
Other	(12,519)	-	-	-	-	-	-
Unrestricted	9,489,586	6,351,193	1,039,322	10,364,967	2,064,518	867,365	12,831,733
Total net position	<u>\$ 13,993,717</u>	<u>\$ 52,858,864</u>	<u>\$ 8,375,644</u>	<u>\$ 41,785,175</u>	<u>\$ 14,075,989</u>	<u>\$ 23,140,129</u>	<u>\$ 90,495,579</u>

# NORTH DAKOTA UNIVERSITY SYSTEM

Supplementary Information  
June 30, 2016

## 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
<b>ASSETS</b>							
Current assets							
Cash and cash equivalents	\$ 18,393,506	\$ 54,679,641	\$ 46,266,362	\$ 3,952,360	\$ 3,770,449	\$ -	\$ 181,530,444
Investments	471,933	12,000,004	74,442,916	393,561	-	-	101,589,580
Accounts receivable, net	1,459,562	5,541,879	8,338,579	374,160	120,688	(241,205)	18,840,963
Due from component units - investments held on behalf of institutions	-	-	-	56,394	-	-	216,394
Due from component units	473,818	895,037	7,690,452	34,646	67,015	-	9,974,789
Due from other NDUS institutions	12,191	87,547	44,382	13,543	166,810	(1,961,150)	-
Due from State general fund	3,547,782	9,844,079	10,877,935	1,157,830	376,000	-	26,449,727
Grants and contracts receivable, net	912,879	14,298,631	14,311,386	244,390	369,313	-	35,371,982
Inventories	570,955	1,830,992	4,370,700	181,510	135,368	-	8,830,400
Notes receivable, net	250,875	1,456,982	4,115,145	136,693	24,902	-	7,840,719
Other assets	-	591,003	337,996	69,744	2,503	-	1,767,122
Total current assets	<u>\$ 26,093,501</u>	<u>\$ 101,225,795</u>	<u>\$ 170,795,853</u>	<u>\$ 6,614,831</u>	<u>\$ 5,033,048</u>	<u>\$ (2,202,355)</u>	<u>\$ 392,412,120</u>
Noncurrent assets							
Restricted cash and cash equivalents	\$ -	\$ 1,748,933	\$ 469,031	\$ 19,061	\$ 556,928	\$ -	\$ 3,165,209
Restricted investments	-	3,615,537	3,807,084	357,975	526,958	-	9,164,814
Endowment investments	-	446,764	-	47,217	52,200	-	529,181
Notes receivable, net	905,330	5,244,752	14,813,766	496,836	105,918	-	24,586,752
Other long-term investments	-	74,325,529	8,539,737	1,200,000	395,362	-	84,460,628
Due from component units - investments held by component unit on behalf of the institutions	-	50,511	22,106,318	855,242	-	-	26,126,602
Other noncurrent assets	-	579,548	-	-	-	-	579,548
Capital assets, net	49,611,391	437,961,985	531,081,529	24,577,732	52,588,638	(24,746)	1,323,696,894
Total noncurrent assets	<u>\$ 50,516,721</u>	<u>\$ 523,973,559</u>	<u>\$ 580,817,465</u>	<u>\$ 27,554,063</u>	<u>\$ 54,226,004</u>	<u>\$ (24,746)</u>	<u>\$ 1,472,309,628</u>
Total assets	<u>\$ 76,610,222</u>	<u>\$ 625,199,354</u>	<u>\$ 751,613,318</u>	<u>\$ 34,168,894</u>	<u>\$ 59,259,052</u>	<u>\$ (2,227,101)</u>	<u>\$ 1,864,721,748</u>
<b>Deferred outflows of resources</b>	\$ 801,938	\$ 5,370,010	\$ 7,249,486	\$ 323,906	\$ 171,314	\$ -	\$ 17,150,703
<b>LIABILITIES</b>							
Current liabilities							
Accounts payable and accrued liabilities	\$ 2,414,253	\$ 17,453,434	\$ 13,624,089	\$ 469,170	\$ 757,298	\$ (1,996,441)	\$ 38,292,338
Due to other NDUS institutions	55,485	94,993	36,424	791	4,446	(205,914)	-
Due to component units	-	217	267,560	-	-	-	289,231
Accrued payroll	2,125,616	12,476,550	18,075,984	1,165,967	623,617	-	42,754,051
Unearned revenue	262,396	7,720,096	9,564,725	410,535	199,746	-	21,396,279
Deposits	597,491	1,541,626	1,791,857	225,960	(70,553)	-	5,166,737
Long-term liabilities-current portion							
Due to component units	-	2,075,391	611,889	-	103,891	-	2,924,927
Due to others	424,151	5,660,224	5,664,510	206,266	350,835	-	15,136,732
Total current liabilities	<u>\$ 5,879,392</u>	<u>\$ 47,022,531</u>	<u>\$ 49,637,038</u>	<u>\$ 2,478,689</u>	<u>\$ 1,969,280</u>	<u>\$ (2,202,355)</u>	<u>\$ 125,960,295</u>
Noncurrent liabilities							
Pension liability	\$ 4,232,554	\$ 24,058,074	\$ 30,651,857	\$ 1,373,008	\$ 856,058	\$ -	\$ 75,351,114
Other noncurrent liabilities	-	74,593	-	-	7,799	-	232,685
Long-term liabilities							
Due to Component Units	-	31,784,713	8,304,167	-	450,749	-	41,896,289
Due to Others	9,326,225	95,116,388	113,053,408	6,210,982	10,763,124	-	274,431,763
Total noncurrent liabilities	<u>\$ 13,558,779</u>	<u>\$ 151,033,768</u>	<u>\$ 152,009,432</u>	<u>\$ 7,583,990</u>	<u>\$ 12,077,730</u>	<u>\$ -</u>	<u>\$ 391,911,851</u>
Total liabilities	<u>\$ 19,438,171</u>	<u>\$ 198,056,299</u>	<u>\$ 201,646,470</u>	<u>\$ 10,062,679</u>	<u>\$ 14,047,010</u>	<u>\$ (2,202,355)</u>	<u>\$ 517,872,146</u>
<b>Deferred inflows of resources</b>	\$ 666,995	\$ 3,016,333	\$ 4,208,155	\$ 154,318	\$ 96,966	\$ -	\$ 9,925,856
<b>NET POSITION</b>							
Investment in capital assets	\$ 41,175,437	\$ 323,338,473	\$ 415,663,265	\$ 18,708,051	\$ 41,576,937	\$ -	\$ 1,029,589,236
Restricted for:							
Nonexpendable:							
Scholarships and fellowships	1,950	509,719	13,071,982	458,498	56,583	-	17,376,625
Expendable:							
Scholarships and fellowships	-	1,386,826	1,669,958	49,851	69,215	-	4,413,893
Research	-	6,846,949	2,042,606	-	-	-	8,889,555
Institutional	790,409	1,060,565	12,562,704	599,388	(94,780)	-	16,359,739
Loans	3,903,616	7,210,910	26,926,902	649,017	198,940	-	44,693,805
Capital Projects	-	43,275	-	-	-	-	(210,471)
Debt service	(222,039)	2,091,574	3,768,611	357,926	852,325	-	7,942,193
Other	-	-	-	439,707	-	-	427,188
Unrestricted	<u>11,657,621</u>	<u>87,008,441</u>	<u>77,302,151</u>	<u>3,013,365</u>	<u>2,627,170</u>	<u>(24,746)</u>	<u>224,592,686</u>
Total net position	<u>\$ 57,306,994</u>	<u>\$ 429,496,732</u>	<u>\$ 553,008,179</u>	<u>\$ 24,275,803</u>	<u>\$ 45,286,390</u>	<u>\$ (24,746)</u>	<u>\$ 1,354,074,449</u>

# NORTH DAKOTA UNIVERSITY SYSTEM

## Supplementary Information

JUNE 30, 2016

### 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
<b>OPERATING REVENUES</b>							
Student tuition and fees (net of scholarship allowances of \$68.0 million and bad debt allowance of \$121,000)	\$ 5,754,671	\$ 13,049,663	\$ 1,230,841	\$ 6,089,240	\$ 3,869,776	\$ 4,455,828	\$ 14,715,452
Federal grants and contracts (net of bad debt allowance of \$18,000)	774,664	6,360,403	596,669	923,386	1,370,113	3,914,257	4,374,818
State grants and contracts	-	2,036,311	266,451	166,861	1,148,866	(128,526)	1,477,826
Nongovernmental grants and contracts	122,500	307,224	73,429	46,389	34,354	21,000	381,477
Sales and services of educational departments (net of bad debt allowance allowance of \$775,000)	4,964,297	3,964,442	204,418	754,305	760,287	1,053,093	2,053,603
Auxiliary enterprises (net of scholarship allowances of \$302,000 and bad debt allowance of \$322,000)	-	3,941,505	1,418,977	2,618,817	1,809,630	2,547,964	4,095,952
Other (net of bad debt allowance of \$113,000)	-	13,509	7,944	79,095	8,741	16,724	135,834
Total operating revenues	\$ 11,616,132	\$ 29,673,057	\$ 3,798,729	\$ 10,678,093	\$ 9,001,767	\$ 11,880,340	\$ 27,234,962
<b>OPERATING EXPENSES</b>							
Salaries and wages	\$ 17,287,098	\$ 30,669,394	\$ 5,986,319	\$ 19,315,404	11,718,991	\$ 15,402,718	39,633,361
Operating expenses	12,593,466	15,524,815	2,362,501	6,979,917	3,405,315	4,106,401	11,910,156
Data processing	5,650,037	696,765	97,348	403,098	347,833	165,376	431,470
Depreciation	1,681,075	2,484,310	407,687	1,482,202	981,094	1,488,384	4,328,504
Scholarships and fellowships	22,227,151	1,997,926	243,685	348,037	656,811	460,578	936,486
Costs of sales and services	-	1,888,758	211,927	496,223	705,539	841,369	3,085
Total operating expenses	\$ 59,438,827	\$ 53,261,968	\$ 9,309,467	\$ 29,024,881	\$ 17,815,583	\$ 22,464,826	\$ 57,243,062
Operating income (loss)	\$ (47,822,695)	\$ (23,588,911)	\$ (5,510,738)	\$ (18,346,788)	\$ (8,813,816)	\$ (10,584,486)	\$ (30,008,100)
<b>NONOPERATING REVENUES (EXPENSES)</b>							
State appropriations	\$ 70,645,283	\$ 17,797,303	\$ 4,230,132	\$ 12,795,364	\$ 7,145,526	\$ 7,946,275	\$ 23,659,813
Federal appropriations	-	-	-	-	-	-	-
Federal grants and contracts (net of bad debt allowance recapture of \$13,000)	-	2,511,253	1,011,052	1,333,735	1,238,246	1,558,929	3,054,866
Local appropriations	-	-	-	-	-	(1,506)	1,013,615
Gifts (net of bad debt allowance of \$176)	13,400	1,675,592	240,916	312,615	1,200,557	600,796	1,361,573
Endowment investment Income	-	10,682	1,028	56,691	2,721	205,237	(42,325)
Interest on capital asset-related debt	-	(413,783)	(5,990)	(1,301)	(170,044)	(514,204)	(958,770)
Gain (loss) on capital assets	-	(160,916)	(942)	(6,067)	(2,134)	-	(24,092)
Insurance proceeds	-	4,000	-	-	523	7,256	1,236
Tax revenues	-	-	-	-	-	216,025	-
General and special grant expenditures	(19,051,143)	-	-	-	-	-	-
Transfers to North Dakota Industrial Commission	(4,481,399)	-	-	-	-	-	-
Other nonoperating revenues (expenses) (net of bad debt allowance recapture of \$141,000)	3,565,425	338,599	889	1,119,419	-	(386,596)	187
Net nonoperating revenues (expenses)	\$ 50,691,566	\$ 21,762,730	\$ 5,477,085	\$ 15,610,456	\$ 9,415,395	\$ 9,632,212	\$ 28,066,103
Income (loss) before capital grants, gifts and transfers	\$ 2,868,871	\$ (1,826,181)	\$ (33,653)	\$ (2,736,332)	\$ 601,579	\$ (952,274)	\$ (1,941,997)
State appropriations - capital assets	\$ -	\$ 2,474,016	\$ 128,189	\$ 168,000	\$ 250,268	\$ 3,979,163	\$ 1,059,218
Inter-institutional transfers	8,497	(20,386)	17,507	21,303	10,343	16,924	-
Capital grants and gifts	-	927,080	-	564	406,414	69,273	108,661
Total other revenue	\$ 8,497	\$ 3,380,710	\$ 145,696	\$ 189,867	\$ 667,025	\$ 4,065,360	\$ 1,167,879
Increase (decrease) in net position	\$ 2,877,368	\$ 1,554,529	\$ 112,043	\$ (2,546,465)	\$ 1,268,604	\$ 3,113,086	\$ (774,118)
<b>NET POSITION</b>							
Net position-beginning of year, as restated	\$ 11,116,349	\$ 51,304,335	\$ 8,263,601	\$ 44,331,640	\$ 12,807,385	\$ 20,027,043	\$ 91,269,697
Net position-end of year	\$ 13,993,717	\$ 52,858,864	\$ 8,375,644	\$ 41,785,175	\$ 14,075,989	\$ 23,140,129	\$ 90,495,579

# NORTH DAKOTA UNIVERSITY SYSTEM

## Supplementary Information

JUNE 30, 2016

### 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
<b>OPERATING REVENUES</b>							
Student tuition and fees (net of scholarship allowances of \$68.0 million and bad debt allowance of \$121,000)	\$ 7,719,406	\$ 114,588,546	\$ 137,960,927	\$ 6,062,145	\$ 652,333	\$ (28,855)	\$ 316,119,973
Federal grants and contracts (net of bad debt allowance of \$18,000)	1,084,605	40,133,889	58,962,498	679,530	1,641,987	(4,081,382)	116,735,437
State grants and contracts	808,464	8,797,216	8,369,653	108,731	811,701	(5,268,422)	18,595,132
Nongovernmental grants and contracts	10,000	11,485,461	14,859,146	2,500	4,098	-	27,347,578
Sales and services of educational departments (net of bad debt allowance allowance of \$775,000)	3,497,479	33,882,633	55,026,630	836,138	2,883,860	(4,591,345)	105,289,840
Auxiliary enterprises (net of scholarship allowances of \$302,000 and bad debt allowance of \$322,000)	8,501,355	44,101,630	35,584,777	2,981,379	2,243,623	(195,312)	109,650,297
Other (net of bad debt allowance of \$113,000)	222,160	846,749	672,473	15,023	10,082	(118,700)	1,909,634
Total operating revenues	<u>\$ 21,843,469</u>	<u>\$ 253,836,124</u>	<u>\$ 311,436,104</u>	<u>\$ 10,685,446</u>	<u>\$ 8,247,684</u>	<u>\$ (14,284,016)</u>	<u>\$ 695,647,891</u>
<b>OPERATING EXPENSES</b>							
Salaries and wages	\$ 29,532,904	\$ 278,899,097	\$ 309,566,206	\$ 16,179,657	\$ 10,934,343	\$ 127,222	\$ 785,252,714
Operating expenses	9,405,815	91,310,659	101,889,716	5,249,945	3,811,961	(10,035,750)	258,514,917
Data processing	634,462	4,278,001	5,729,892	618,027	357,391	92,020	19,501,720
Depreciation	3,274,800	23,141,528	24,345,572	2,744,708	2,301,052	-	68,660,916
Scholarships and fellowships	389,852	1,659,601	6,272,203	54,288	835,458	(2,521,347)	33,560,729
Costs of sales and services	3,115,116	9,798,711	7,593,616	444,956	568,295	(14,103)	25,653,492
Total operating expenses	<u>\$ 46,352,949</u>	<u>\$ 409,087,597</u>	<u>\$ 455,397,205</u>	<u>\$ 25,291,581</u>	<u>\$ 18,808,500</u>	<u>\$ (12,351,958)</u>	<u>\$ 1,191,144,488</u>
Operating income (loss)	<u>\$ (24,509,480)</u>	<u>\$ (155,251,473)</u>	<u>\$ (143,961,101)</u>	<u>\$ (14,606,135)</u>	<u>\$ (10,560,816)</u>	<u>\$ (1,932,058)</u>	<u>\$ (495,496,597)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
State appropriations	\$ 19,793,425	\$ 128,742,010	\$ 113,103,164	\$ 11,355,635	\$ 6,009,000	\$ -	\$ 423,222,930
Federal appropriations	-	6,488,330	-	-	-	-	6,488,330
Federal grants and contracts (net of bad debt allowance recapture of \$13,000)	3,322,012	10,068,079	9,964,180	1,369,202	828,299	-	36,259,853
Local appropriations	-	-	-	-	-	-	1,012,109
Gifts (net of bad debt allowance of \$176)	649,253	11,932,176	10,562,889	269,787	3,173,002	(323,500)	31,669,056
Endowment investment Income	544,363	2,909,945	785,280	262,080	2,949	-	4,738,651
Interest on capital asset-related debt	(327,199)	(4,970,901)	(3,964,797)	(314,519)	(329,659)	-	(11,971,167)
Gain (loss) on capital assets	(53,006)	426,549	924,580	12,647	69,999	-	1,186,618
Insurance proceeds	3,749	18,641	459,983	-	-	-	495,388
Tax revenues	-	511,634	3,947,650	-	-	-	4,675,309
General and special grant expenditures	-	-	-	-	-	2,660,152	(16,390,991)
Transfers to North Dakota Industrial Commission	-	(204,157)	-	-	-	-	(4,685,556)
Other nonoperating revenues (expenses) (net of bad debt allowance recapture of \$141,000)	2,601	1,619,353	474,207	1	52,495	(330,729)	6,455,851
Net nonoperating revenues (expenses)	<u>\$ 23,935,198</u>	<u>\$ 157,541,659</u>	<u>\$ 136,257,136</u>	<u>\$ 12,954,833</u>	<u>\$ 9,806,085</u>	<u>\$ 2,005,923</u>	<u>\$ 483,156,381</u>
Income (loss) before capital grants, gifts and transfers	\$ (574,282)	\$ 2,290,186	\$ (7,703,965)	\$ (1,651,302)	\$ (754,731)	\$ 73,865	\$ (12,340,216)
State appropriations - capital assets	\$ 6,915,848	\$ 27,691,136	\$ 51,640,509	\$ 3,854,366	\$ 1,284,922	\$ -	\$ 99,445,635
Inter-institutional transfers	(51,555)	54,459	(90,338)	27,418	5,828	-	-
Capital grants and gifts	530,368	14,234,418	13,430,916	-	-	(98,611)	29,609,083
Total other revenue	<u>\$ 7,394,661</u>	<u>\$ 41,980,013</u>	<u>\$ 64,981,087</u>	<u>\$ 3,881,784</u>	<u>\$ 1,290,750</u>	<u>\$ (98,611)</u>	<u>\$ 129,054,718</u>
Increase (decrease) in net position	<u>\$ 6,820,379</u>	<u>\$ 44,270,199</u>	<u>\$ 57,277,122</u>	<u>\$ 2,230,482</u>	<u>\$ 536,019</u>	<u>\$ (24,746)</u>	<u>\$ 116,714,502</u>
<b>NET POSITION</b>							
Net position-beginning of year, as restated	\$ 50,486,615	\$ 385,226,533	\$ 495,731,057	\$ 22,045,321	\$ 44,750,371	\$ -	\$ 1,237,359,947
Net position-end of year	<u>\$ 57,306,994</u>	<u>\$ 429,496,732</u>	<u>\$ 553,008,179</u>	<u>\$ 24,275,803</u>	<u>\$ 45,286,390</u>	<u>\$ (24,746)</u>	<u>\$ 1,354,074,449</u>

# NORTH DAKOTA UNIVERSITY SYSTEM

Supplementary Information  
June 30, 2016

## 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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Student tuition and fees	\$ 4,998,500	\$ 13,264,200	\$ 1,198,800	\$ 6,178,688	\$ 3,740,325	\$ 4,525,088	\$ 14,728,561
Grants and contracts	897,352	9,154,755	1,214,020	1,186,914	2,574,381	3,565,849	6,389,615
Payments to suppliers	(20,886,543)	(19,248,846)	(2,428,889)	(8,233,147)	(4,322,023)	(5,877,294)	(12,361,563)
Payments to employees	(17,279,810)	(30,209,847)	(6,018,862)	(19,365,940)	(11,685,292)	(15,320,554)	(39,639,014)
Payments for scholarships and fellowships	(22,227,151)	(1,997,926)	(243,685)	(348,037)	(656,811)	(460,578)	(936,486)
Loans issued to students	-	-	(47,486)	(184,443)	(71,560)	(110,131)	(641,276)
Collection of loans to students	-	110,798	46,224	197,495	55,949	106,245	517,161
Auxiliary enterprise charges	-	3,950,036	1,414,918	2,674,423	1,805,693	2,565,150	4,128,345
Sales and service of educational departments	4,855,795	4,002,775	259,805	1,307,135	845,771	1,096,659	1,717,580
Cash received/(paid) on deposits	893	(62,841)	(207,386)	4,813	(8,184)	10,187	(36,002)
Other receipts (payments)	3,701,051	159,914	51,342	1,303,981	(3,224)	141,010	74,257
Net cash provided (used) by operating activities	\$ (45,939,913)	\$ (20,876,982)	\$ (4,761,199)	\$ (15,278,118)	\$ (7,724,975)	\$ (9,758,369)	\$ (26,058,822)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
State appropriations	\$ 70,921,101	\$ 17,806,051	\$ 4,230,132	\$ 12,795,364	\$ 7,145,526	\$ 7,946,275	\$ 23,656,436
Federal appropriations	-	-	-	-	-	-	-
Local appropriations	-	-	-	-	-	(1,506)	1,013,615
Grants and gifts received for other than capital purposes	13,400	3,888,730	1,252,796	1,646,349	2,438,803	2,159,726	4,416,439
Grants given for other than capital purposes	(19,051,143)	-	-	-	-	-	-
Direct Lending Receipts	-	7,146,691	1,924,049	3,938,991	2,143,327	4,523,827	8,180,550
Direct Lending Disbursements	-	(7,138,572)	(1,924,049)	(3,937,446)	(2,149,961)	(4,261,930)	(8,144,645)
Agency fund cash increase/(decrease)	11,374	(607,083)	68,839	(2,305)	384,925	(558,189)	63,902
Transfers to Industrial Commission	(4,481,398)	-	-	-	-	-	-
Tax revenues	-	-	-	-	-	215,460	-
Net cash flows provided (used) by noncapital financing activities	\$ 47,413,334	\$ 21,095,817	\$ 5,551,767	\$ 14,440,953	\$ 9,962,620	\$ 10,023,663	\$ 29,186,297
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Proceeds from issuance of debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital appropriations	1,649,219	4,203,377	144,181	153,413	196,326	5,037,764	1,168,854
Capital grants and gifts received	-	927,080	-	564	406,414	69,273	103,161
Proceeds from sale of capital assets	-	-	-	-	-	-	-
Purchases of capital assets	(91,745)	(5,285,595)	(226,095)	(559,019)	(820,063)	(4,389,622)	(1,257,549)
Insurance proceeds	-	4,000	-	-	523	7,256	1,236
Principal paid on capital debt and lease	-	(815,804)	(14,342)	(16,099)	(373,194)	(1,052,582)	(403,675)
Deposits with capital debt payment trustees	-	-	-	-	-	-	(3,690,000)
Interest paid on capital debt and lease	-	(426,963)	(5,990)	(1,301)	(170,044)	(514,291)	(770,725)
Net cash provided (used) by capital and related financing activities	\$ 1,557,474	\$ (1,393,905)	\$ (102,246)	\$ (422,442)	\$ (760,038)	\$ (842,202)	\$ (4,848,698)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Proceeds from sales and maturities of investments	\$ -	\$ 3,741,000	\$ -	\$ -	\$ -	\$ -	\$ (285,821)
Interest on investments	-	10,683	1,027	56,450	2,721	205,237	(161,057)
Purchase of investments	-	(3,741,000)	-	(160,000)	-	24,700	649,788
Net cash provided (used) by investing activities	\$ -	\$ 10,683	\$ 1,027	\$ (103,550)	\$ 2,721	\$ 229,937	\$ 202,910
Net increase (decrease) in cash	\$ 3,030,895	\$ (1,164,387)	\$ 689,349	\$ (1,363,157)	\$ 1,480,328	\$ (346,971)	\$ (1,518,313)
<b>CASH - BEGINNING OF YEAR</b>	<b>\$ 10,269,841</b>	<b>\$ 8,649,793</b>	<b>\$ 788,543</b>	<b>\$ 5,024,979</b>	<b>\$ 3,224,821</b>	<b>\$ 3,722,124</b>	<b>\$ 22,351,537</b>
<b>CASH - END OF YEAR</b>	<b>\$ 13,300,736</b>	<b>\$ 7,485,406</b>	<b>\$ 1,477,892</b>	<b>\$ 3,661,822</b>	<b>\$ 4,705,149</b>	<b>\$ 3,375,153</b>	<b>\$ 20,833,224</b>

# NORTH DAKOTA UNIVERSITY SYSTEM

Supplementary Information  
June 30, 2016

## 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
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>							
Operating income (loss)	\$ (47,822,695)	\$ (23,588,911)	\$ (5,510,738)	\$ (18,346,788)	\$ (8,813,816)	\$ (10,584,486)	\$ (30,008,100)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities							
Depreciation expense	1,681,075	2,484,310	407,687	1,482,202	981,094	1,488,384	4,328,504
Other nonoperating revenues (expenses)	3,710,384	363,803	18,396	1,186,228	10,343	43,470	142,301
Change in assets, deferred outflows, liabilities and deferred inflows							
Accounts receivable adjusted for interest receivable	(864,673)	211,320	(15,449)	666,737	57,348	90,158	(199,926)
Grant & contract receivables	188	450,817	277,472	50,277	21,048	(240,882)	155,494
Inventories	-	(42,219)	28,934	18,987	6,182	(15,351)	-
Notes receivable	-	100,091	8,302	14,441	(6,473)	(14,088)	(84,574)
Other assets	(9,333)	(217,398)	25,000	38,660	(22,308)	80,816	(203,877)
Accounts payable and accrued liabilities adjusted for interest payable	(2,643,038)	(1,047,029)	213,888	(343,140)	112,484	(750,354)	(60,266)
Pension liability	151,882	250,023	24,514	205,330	72,646	321,290	161,197
Net change in deferred outflows	(85,849)	(162,487)	(8,714)	(91,546)	5,364	(232,722)	(17,419)
Net change in deferred inflows	(80,545)	(137,185)	(29,925)	(118,460)	(85,343)	(100,288)	(196,777)
Accrued payroll	298,231	492,746	(2,228)	(27,939)	9,953	91,331	(4,788)
Compensated absences	(276,433)	16,450	(16,190)	(17,920)	31,079	2,553	52,136
Unearned revenue	-	11,530	25,238	-	(96,392)	51,613	(86,725)
Deposits	893	(62,843)	(207,386)	4,813	(8,184)	10,187	(36,002)
Net cash provided (used) by operating activities	<u>\$ (45,939,913)</u>	<u>\$ (20,876,982)</u>	<u>\$ (4,761,199)</u>	<u>\$ (15,278,118)</u>	<u>\$ (7,724,975)</u>	<u>\$ (9,758,369)</u>	<u>\$ (26,058,822)</u>
<b>SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS</b>							
Assets acquired through capital lease	\$ 71,400	\$ -	\$ 34,768	\$ -	\$ -	\$ -	\$ 175,775
Assets acquired through special assessment	-	-	-	-	-	-	-
Expenses paid by capital lease/special assessment	161,021	-	-	-	-	394,313	-
Gifts of capital assets	-	-	-	-	-	-	5,500
Net increases (decrease) in value of investments	-	-	-	-	-	-	119,487
Total non-cash transactions	<u>\$ 232,421</u>	<u>\$ -</u>	<u>\$ 34,768</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 394,313</u>	<u>\$ 300,762</u>

# NORTH DAKOTA UNIVERSITY SYSTEM

Supplementary Information  
June 30, 2016

## 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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Student tuition and fees							
\$ 7,564,013	\$ 116,537,069	\$ 138,921,860	\$ 6,099,207	\$ 672,117	\$ (28,855)	\$ 318,399,573	
Grants and contracts	2,290,750	61,319,570	78,251,454	706,187	2,545,475	(9,549,356)	160,546,966
Payments to suppliers	(13,585,076)	(102,683,573)	(124,373,459)	(6,321,883)	(5,046,511)	9,957,833	(315,410,974)
Payments to employees	(29,500,563)	(278,164,257)	(305,726,113)	(16,131,784)	(10,878,045)	(127,222)	(780,047,303)
Payments for scholarships and fellowships	(389,852)	(1,659,601)	(6,272,204)	(54,288)	(835,458)	2,521,347	(33,560,730)
Loans issued to students	(227,533)	(1,518,825)	(3,171,923)	(139,706)	(10,500)	-	(6,123,383)
Collection of loans to students	321,025	1,293,935	4,405,969	147,189	34,741	-	7,236,731
Auxiliary enterprise charges	8,405,585	44,027,200	35,453,878	2,985,574	2,257,409	(195,312)	109,472,899
Sales and service of educational departments	3,588,122	34,011,752	55,800,428	825,853	3,588,997	(4,591,345)	107,309,327
Cash received/(paid) on deposits	357,710	154,116	(589,882)	80,864	(504,428)	-	(800,140)
Other receipts (payments)	193,205	6,426,376	11,433,950	52,575	68,404	(225,131)	23,377,710
Net cash provided (used) by operating activities	<u>\$ (20,982,614)</u>	<u>\$ (120,256,238)</u>	<u>\$ (115,866,042)</u>	<u>\$ (11,750,212)</u>	<u>\$ (8,107,799)</u>	<u>\$ (2,238,041)</u>	<u>\$ (409,599,324)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
State appropriations	\$ 19,793,425	\$ 128,867,027	\$ 113,103,164	\$ 11,355,635	\$ 6,009,000	\$ -	\$ 423,629,136
Federal appropriations	-	6,488,330	-	-	-	-	6,488,330
Local appropriations	-	-	-	-	-	-	1,012,109
Grants and gifts received for other than capital purposes	3,971,265	22,010,987	20,524,932	1,638,989	3,990,534	(304,000)	67,648,950
Grants given for other than capital purposes	-	-	-	-	-	2,640,652	(16,410,491)
Direct Lending Receipts	8,116,720	53,644,907	94,607,325	4,080,086	1,254,472	-	189,560,945
Direct Lending Disbursements	(8,116,720)	(52,567,857)	(94,679,566)	(4,080,086)	(1,254,472)	-	(188,255,304)
Agency fund cash increase/(decrease)	(128,777)	(96,502)	(380,434)	-	48,590	-	(1,195,660)
Transfers to Industrial Commission	-	(204,157)	-	-	-	-	(4,685,555)
Tax revenues	-	511,634	3,947,650	(35,918)	-	-	4,638,826
Net cash flows provided (used) by noncapital financing activities	<u>\$ 23,635,913</u>	<u>\$ 158,654,369</u>	<u>\$ 137,123,071</u>	<u>\$ 12,958,706</u>	<u>\$ 10,048,124</u>	<u>\$ 2,336,652</u>	<u>\$ 482,431,286</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Proceeds from issuance of debt	\$ -	\$ -	\$ 38,985,000	\$ -	\$ 242,767	\$ -	\$ 39,227,767
Capital appropriations	\$ 4,927,758	\$ 31,521,012	\$ 57,605,886	\$ 3,059,533	\$ 962,510	\$ -	\$ 110,629,833
Capital grants and gifts received	530,369	15,030,582	10,497,239	-	-	(98,611)	27,466,071
Proceeds from sale of capital assets	-	640,000	1,591,815	12,647	-	-	2,244,462
Purchases of capital assets	(7,122,873)	(71,393,534)	(80,988,136)	(4,016,132)	(1,954,282)	-	(178,104,645)
Insurance proceeds	3,749	18,641	469,627	-	-	-	505,032
Principal paid on capital debt and lease	(320,699)	(6,347,299)	(8,361,901)	(166,403)	(683,259)	-	(18,555,257)
Deposits with capital debt payment trustees	-	-	(38,190,000)	-	-	-	(41,880,000)
Interest paid on capital debt and lease	(328,574)	(5,025,542)	(4,425,804)	(314,519)	(344,591)	-	(12,328,344)
Net cash provided (used) by capital and related financing activities	<u>\$ (2,310,270)</u>	<u>\$ (35,556,140)</u>	<u>\$ (22,816,274)</u>	<u>\$ (1,424,874)</u>	<u>\$ (1,776,855)</u>	<u>\$ (98,611)</u>	<u>\$ (70,795,081)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Proceeds from sales and maturities of investments	\$ -	\$ 23,062,369	\$ 137,260,025	\$ 532,590	\$ -	\$ -	\$ 164,310,163
Interest on investments	544,243	2,967,341	3,047,062	262,080	2,410	-	6,938,197
Purchase of investments	-	(14,811,592)	(132,255,014)	(426,800)	-	-	(150,719,918)
Net cash provided (used) by investing activities	<u>\$ 544,243</u>	<u>\$ 11,218,118</u>	<u>\$ 8,052,073</u>	<u>\$ 367,870</u>	<u>\$ 2,410</u>	<u>\$ -</u>	<u>\$ 20,528,442</u>
Net increase (decrease) in cash	<u>\$ 887,272</u>	<u>\$ 14,060,109</u>	<u>\$ 6,492,828</u>	<u>\$ 151,490</u>	<u>\$ 165,880</u>	<u>\$ -</u>	<u>\$ 22,565,323</u>
<b>CASH - BEGINNING OF YEAR</b>	<u>\$ 17,506,234</u>	<u>\$ 42,368,465</u>	<u>\$ 40,242,565</u>	<u>\$ 3,819,931</u>	<u>\$ 4,161,497</u>	<u>\$ -</u>	<u>\$ 162,130,330</u>
<b>CASH - END OF YEAR</b>	<u>\$ 18,393,506</u>	<u>\$ 56,428,574</u>	<u>\$ 46,735,393</u>	<u>\$ 3,971,421</u>	<u>\$ 4,327,377</u>	<u>\$ -</u>	<u>\$ 184,695,653</u>

# NORTH DAKOTA UNIVERSITY SYSTEM

Supplementary Information  
June 30, 2016

## 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
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>							
Operating income (loss)	\$ (24,509,480)	\$ (155,251,473)	\$ (143,961,101)	\$ (14,606,135)	\$ (10,560,816)	\$ (1,932,058)	\$ (495,496,597)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities							
Depreciation expense	3,274,800	23,141,528	24,345,572	2,744,708	2,301,052	-	68,660,916
Other nonoperating revenues (expenses)	(48,954)	4,796,935	493,305	34,521	58,322	(305,983)	10,503,071
Change in assets, deferred outflows, liabilities and deferred inflows							
Accounts receivable adjusted for interest receivable	(92,733)	1,921,355	2,803,115	53,901	653,574	2,202,518	7,487,245
Grant & contract receivables	387,681	927,870	(3,939,844)	(84,575)	87,690	-	(1,906,764)
Inventories	(97,634)	(198,701)	(326,896)	(2,386)	(100,865)	-	(729,949)
Notes receivable	98,743	(186,853)	1,393,078	13,391	27,917	-	1,363,975
Other assets	20,000	782,692	10,268,171	3,031	-	-	10,765,454
Accounts payable and accrued liabilities adjusted for interest payable	(384,443)	2,815,795	(9,087,570)	(53,547)	(144,131)	(2,202,518)	(13,573,869)
Pension liability	83,012	1,340,654	1,219,483	155,765	54,272	-	4,040,068
Net change in deferred outflows	(19,206)	(76,359)	(31,197)	(76,678)	(1,904)	-	(798,717)
Net change in deferred inflows	(143,012)	(1,502,619)	(1,537,164)	(83,293)	(59,546)	-	(4,074,157)
Accrued payroll	152,941	399,728	4,359,316	8,997	102,091	-	5,880,379
Compensated absences	(41,393)	548,573	(170,346)	43,082	(38,615)	-	132,976
Unearned revenue	(20,646)	130,521	(1,104,082)	18,144	17,586	-	(1,053,213)
Deposits	357,710	154,116	(589,882)	80,862	(504,426)	-	(800,142)
Net cash provided (used) by operating activities	<u>\$ (20,982,614)</u>	<u>\$ (120,256,238)</u>	<u>\$ (115,866,042)</u>	<u>\$ (11,750,212)</u>	<u>\$ (8,107,799)</u>	<u>\$ (2,238,041)</u>	<u>\$ (409,599,324)</u>
<b>SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS</b>							
Assets acquired through capital lease	\$ 34,270	\$ 315,475	\$ 2,969,377	\$ -	\$ -	\$ -	\$ 3,601,065
Assets acquired through special assessment	162,799	-	-	-	44,864	-	207,663
Expenses paid by capital lease/special assessment	-	167,390	109,436	-	-	-	832,160
Gifts of capital assets	-	70,393	1,473,652	-	-	-	1,549,545
Net increases (decrease) in value of investments	141	6,870	(2,272,893)	-	-	-	(2,146,395)
Total non-cash transactions	<u>\$ 197,210</u>	<u>\$ 560,128</u>	<u>\$ 2,279,572</u>	<u>\$ -</u>	<u>\$ 44,864</u>	<u>\$ -</u>	<u>\$ 4,044,038</u>

# NORTH DAKOTA UNIVERSITY SYSTEM

## Supplementary Information

June 30, 2016

### Statement of Financial Position -- Non-major Component Units

	MiSU Development Foundation June 30, 2016	NDSCS Foundation June 30, 2016	WSC Foundation June 30, 2016	Total Non-major Component
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 887,178	\$ 1,174,660	\$ 7,077,905	\$ 9,139,743
Investments	-	13,129,241	105,816	13,235,057
Accounts receivable, net	3,223	50,000	343,981	397,204
Receivable from Primary Institution	-	-	50,852	50,852
Unconditional promises to give, net of allowance	247,512	274,500	232,334	754,346
Other assets	25,102	-	29,320	54,422
Total current assets	\$ 1,163,015	\$ 14,628,401	\$ 7,840,208	\$ 23,631,624
Noncurrent assets				
Restricted cash and cash equivalents	\$ -	\$ -	\$ 166,600	\$ 166,600
Investments:				
Investments, net of current portion	16,119,244	-	10,904,501	27,023,745
Investments held in trust	3,114,532	-	-	3,114,532
net of accumulated depreciation	5,749,595	-	-	5,749,595
Other long-term investments	-	-	1,351,315	1,351,315
Total investments	\$ 24,983,371	\$ -	\$ 12,255,816	\$ 37,239,187
Long term pledges receivable/ unconditional promises to give	\$ 1,705,668	\$ 602,256	\$ 220,000	\$ 2,527,924
Notes receivable, net	799,952	-	-	799,952
Receivable from Primary Institution	-	-	266,242	266,242
Other noncurrent assets	131,690	300,000	89,651	521,341
Capital assets, net	-	1,779,649	10,896,037	12,675,686
Total noncurrent assets	\$ 27,620,681	\$ 2,681,905	\$ 23,894,346	\$ 54,196,932
Total assets	\$ 28,783,696	\$ 17,310,306	\$ 31,734,554	\$ 77,828,556
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and accrued liabilities	\$ 56,592	\$ 19,882	\$ 143,970	\$ 220,444
Payable to university	657,592	473,818	67,015	1,198,425
Accrued payroll	-	-	17,034	17,034
Current portion of gift annuities and life income agreements	40,618	-	-	40,618
Deferred revenue	-	350,000	400,847	750,847
Other current liabilities	2,441	-	477	2,918
Long-term liabilities--current portion	166,552	59,775	213,090	439,417
Total current liabilities	\$ 923,795	\$ 903,475	\$ 842,433	\$ 2,669,703
Noncurrent liabilities				
Gift annuities and life income agreements, net of current portion	\$ 288,173	\$ -	\$ -	\$ 288,173
Investments held on behalf of institutions	3,114,532	-	-	3,114,532
Long-term liabilities	2,355,303	1,660,895	6,373,438	10,389,636
Total noncurrent liabilities	\$ 5,758,008	\$ 1,660,895	\$ 6,373,438	\$ 13,792,341
Total liabilities	\$ 6,681,803	\$ 2,564,370	\$ 7,215,871	\$ 16,462,044
<b>NET ASSETS</b>				
Temporarily restricted	\$ 1,276,777	\$ 1,060,255	\$ 13,536,589	\$ 15,873,621
Permanently restricted	18,272,111	13,496,438	7,270,150	39,038,699
Unrestricted	2,553,005	189,243	3,711,944	6,454,192
Total net assets	\$ 22,101,893	\$ 14,745,936	\$ 24,518,683	\$ 61,366,512
Total liabilities and net assets	\$ 28,783,696	\$ 17,310,306	\$ 31,734,554	\$ 77,828,556

# NORTH DAKOTA UNIVERSITY SYSTEM

Supplementary Information

June 30, 2016

## Statement Of Activities - Non-Major Component Units

	MiSU Development Foundation June 30, 2016	NDSCS Foundation June 30, 2016	WSC Foundation June 30, 2016		Total
Support and revenue					
Gifts and contributions					
Contributions, grants and donations	\$ 3,803,683	\$ 1,671,976	\$ 2,324,906	\$ 7,800,565	
Government grants and contracts	961,430	-	-	961,430	
In-Kind contributions	509,249	-	-	509,249	
Gifts and contributions	\$ 5,274,362	\$ 1,671,976	\$ 2,324,906	\$ 9,271,244	
Investment income					
Dividends and interest	\$ 339,925	\$ 316,510	\$ 467,092	\$ 1,123,527	
Investment income	-	-	157,382	157,382	
Change in split interest agreements	35,841	-	-	35,841	
Investment income	\$ 375,766	\$ 316,510	\$ 624,474	\$ 1,316,750	
Net realized and unrealized gains (losses) on investment securities	\$ (670,592)	\$ 212,467	\$ 53,935	\$ (404,190)	
Program and event income	\$ -	\$ 147,456	\$ 4,991,852	\$ 5,139,308	
Other income	\$ 608,317	\$ 1,091,100	\$ 3,708,310	\$ 5,407,727	
Total support and revenue	\$ 5,587,853	\$ 3,439,509	\$ 11,703,477	\$ 20,730,839	
Expenses					
Program Services	\$ -	\$ 1,517,602	\$ 3,080,908	\$ 4,598,510	
Supporting services	1,670,187	418,093	6,860,499	8,948,779	
Total expenses	\$ 1,670,187	\$ 1,935,695	\$ 9,941,407	\$ 13,547,289	
Change in Net Assets	\$ 3,917,666	\$ 1,503,814	\$ 1,762,070	\$ 7,183,550	
Net Assets, Beginning of Year, as restated	\$ 18,184,227	\$ 13,242,122	\$ 22,756,613	\$ 54,182,962	
Net Assets, End of Year	\$ 22,101,893	\$ 14,745,936	\$ 24,518,683	\$ 61,366,512	

# NORTH DAKOTA UNIVERSITY SYSTEM

## Supplementary Information

June 30, 2016

### SCHEDULE OF BONDS PAYABLE - Primary Institution

Issue	Original Balance	Original (Discount) Premium	Original Balance, Net of Discount (Premium)	Interest Rate	Installments	Balance Outstanding
<b>Bismarck State College</b>						
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	\$ 2,900,598
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	6,286,953
Total BSC	<u>\$ 10,005,000</u>	<u>\$ 179,334</u>	<u>\$ 10,184,334</u>			<u>\$ 9,187,551</u>
<b>Lake Region State College</b>						
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	\$ 195,000
Total LRSC	<u>\$ 1,050,000</u>	<u>\$ -</u>	<u>\$ 1,050,000</u>			<u>\$ 195,000</u>
<b>Mayville State University</b>						
2013 Facilities Revenue Bonds, due through the year 2024, collateralized by the 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	\$ 1,549,539
2010 Facilities Revenue Bonds, due through the year 2030, collateralized by the Housing and Facilities revenue, student fees, federal interest subsidy related to the bond interest payments and earnings on funds created under the indenture.	3,665,000	(60,808)	3,604,192	1.55-6.63%	\$173,923 to \$265,602	2,788,609
Total MaSU	<u>\$ 5,515,000</u>	<u>\$ (25,751)</u>	<u>\$ 5,489,249</u>			<u>\$ 4,338,148</u>
<b>Minot State University</b>						
2015 Student Services Facilities Revenue Bonds refunding due though 2030, collateralized by net revenues from auxillary housing.	\$ 3,305,000	\$ 128,825	\$ 3,433,825	2.0-4.0%	\$195,000 to \$290,000	\$ 3,416,648
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	9,290,000
Total MiSU	<u>\$ 13,305,000</u>	<u>\$ 128,825</u>	<u>\$ 13,433,825</u>			<u>\$ 12,706,648</u>
<b>North Dakota State College of Science</b>						
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%	\$545,000 to \$805,000	\$ 8,190,000
Total NDSCS	<u>\$ 9,000,000</u>	<u>\$ -</u>	<u>\$ 9,000,000</u>			<u>\$ 8,190,000</u>
<b>North Dakota State University</b>						
2007B Research & Tech Park Refunding callable Revenue Bonds Maturity May 1, 2032, collateralized by lease revenue, fixed rate.	\$ 18,100,000	\$ -	\$ 18,100,000	4.0-6.5%	\$1,330,000 to \$1,330,000	\$ 15,190,000
2007A Research & Tech Park Refunding callable Revenue Bonds Maturity May 1, 2022, collateralized by lease revenue, fixed rate.	4,735,000	16,397	4,751,397	4.0 - 4.125%	\$220,000 to \$510,000	2,721,206
2007 Housing & Auxiliaries Facilities Revenue Bonds, fixed rate Maturity April 1, 2037, collateralized by auxiliary revenue.	12,000,000	203,474	12,203,474	4.5-5.0%	\$735,237 to \$791,897	10,312,217
2009 Housing & Auxiliaries Facilities Revenue Bonds, Maturity April 1, 2039, collateralized by auxiliary revenue.	26,245,000	238,820	26,483,820	1.5-4.8%	\$1,715,000 to \$1,715,000	23,302,977
2012A Housing & Auxiliaries Facilities Revenue Bonds, Maturity April 1, 2027, collateralized by auxiliary revenue	5,730,000	62,593	5,792,593	2.0-3.0%	\$455,956 to \$465,450	4,364,790

# NORTH DAKOTA UNIVERSITY SYSTEM

## Supplementary Information

June 30, 2016

### SCHEDULE OF BONDS PAYABLE - Primary Institution (continued)

Issue	Original Balance	Original (Discount) Premium	Original Balance, Net of Discount (Premium)	Interest Rate	Installments	Balance Outstanding
2014A Housing & Auxiliary Facilities Revenue Refunding Bonds Maturity April 1, 2034, collateralized by net revenues of housing and auxiliary services, interest rate fixed.	\$ 8,340,000	\$ 109,909	\$ 8,449,909	2.0-4.0%	\$575,237 to \$581,250	\$ 7,821,155
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	2,183,690	23,378,690	3.0 - 5.0%	\$2,351,200 \$2,351,200	21,844,077
2015B Housing & Auxiliary Facilities Bonds, Maturity April 1, 2035, collateralized by net revenues of housing and auxiliary services, interest rate fixed	9,355,000	367,581	9,722,581	2.0 - 5.0%	\$524,659 to \$683,806	9,458,378
<b>Total NDSU</b>	<b>\$ 105,700,000</b>	<b>\$3,182,464</b>	<b>\$108,882,464</b>			<b>\$ 95,014,800</b>
<b>University of North Dakota</b>						
2015 Housing & Auxiliary Facilities Revenue Bonds due through 2035, collateralized by net housing and auxiliary facilities system, debt service grants, & bond indenture earnings, fixed rate.	\$ 38,950,000	\$1,489,517	\$ 40,439,517	3.0-4.0%	\$2,835,607	\$ 38,479,431
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	801,129
2012 Housing & Auxiliaries Facilities Revenue Bonds, Maturity April 1, 2027, collateralized by housing and auxiliary revenue.	17,360,000	1,561,910	18,921,910	2-5%	\$220,000 to \$1,115,000	17,185,133
2012 EERC Revenue Bonds, maturity June 1, 2027, variable interest rate	6,405,000	-	6,405,000		\$540,000	4,960,000
2013 Housing & Auxiliaries Facilities Revenue Bonds Maturity April 1, 2034 collateralized by net housing and auxiliary facility system revenue	8,130,000	81,122	8,211,122	2.0%-4.1%	\$300,000 to \$560,000	7,600,044
2014 Housing & Auxiliaries Facilities Revenue Bonds Maturity April 1, 2044 collateralized by net housing and auxiliary facility system revenue	27,305,000	302,110	27,607,110	3.0%-4.0%	\$475,000 to \$1,465,000	26,571,036
<b>Total UND</b>	<b>\$ 99,650,000</b>	<b>\$3,434,659</b>	<b>\$103,084,659</b>			<b>\$ 95,596,773</b>
<b>Valley City State University</b>						
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	\$ 3,270,000
2013 Housing & Auxiliary Facilities Revenue Bonds due through 2033, collateralized by net housing auxiliary facilities system, interest rate fixed.	2,565,000	-	2,565,000	3% - 4%	\$40,000 to \$185,000	2,375,000
<b>Total VCSU</b>	<b>\$ 5,995,000</b>	<b>\$ -</b>	<b>\$ 5,995,000</b>			<b>\$ 5,645,000</b>
<b>Williston State College</b>						
2010 Housing and Auxiliary Services, matures 2041						
<b>Total WSC</b>	<b>\$ 9,375,000</b>	<b>\$ -</b>	<b>\$ 9,375,000</b>	6.9%	\$200,000 to \$505,000	<b>\$ 8,335,000</b>
<b>Total Bonds Payable</b>	<b>\$ 259,595,000</b>	<b>\$6,899,531</b>	<b>\$266,494,531</b>			<b>\$ 239,208,920</b>

# NORTH DAKOTA UNIVERSITY SYSTEM

## Supplementary Information

June 30, 2016

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

As of June 30, 2016, the institutions listed below had the following reportable net position balance deficits greater than \$100,000.

<u>Institution</u>	<u>Fund</u>	<u>Description</u>	<u>Deficit Balance</u>
Mayville State University	10000	Food Services	\$ 117,436
			<u>\$ 117,436</u>
Minot State University	10232	University Heights Housing	\$ 566,462
	22243	Herb Parker Stadium Scoreboard Advertising-Stadium	465,772
	22245	Herb Parker Stadium Scoreboard Dome	471,729
	24513	Geothermal Remedication	<u>437,139</u>
		Total MiSU	\$ 1,941,102
North Dakota State College of Science	18010-18040	Workforce Training	\$ 204,815
			<u>\$ 204,815</u>
North Dakota State University	28100	Minard Building Collapse	\$ 1,634,854
		Total NDSU	<u>\$ 1,634,854</u>
University of North Dakota	17000	Athletics	\$ 1,402,825
	22364	EERC Cost of Litigation	904,340
	21546	EERC Fiscal Year End Carryover	2,158,503
	22414	Aerospace - Maintenance/Parts	347,586
	22422	Aerospace - Line Services	<u>157,270</u>
		Total UND	\$ 4,970,524
Williston State College	17210	Athletics	\$ 313,007
	25004	TrainND	<u>1,140,070</u>
		Total WSC	\$ 1,453,077
Total NDUS			<u>\$ 10,321,808</u>

### MAYVILLE STATE UNIVERSITY

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

### MINOT STATE UNIVERSITY

Fund 10232 - The deficit in the University Heights Housing fund represents the recording of a payable to a local fund for the payment of debt. The payable is offset by a corresponding receivable in the local fund. As revenue is collected, the cash will be transferred to the local fund to repay the debt. The repayment schedule is contingent upon how much revenue is collected each year. Housing funds are reviewed on a quarterly basis.

## **NORTH DAKOTA UNIVERSITY SYSTEM**

### **Supplementary Information**

**June 30, 2016**

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

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

### **NORTH DAKOTA STATE COLLEGE OF SCIENCE**

A reorganization plan has been implemented to increase revenue and reduce costs. The deficit is expected to be eliminated within three years.

### **NORTH DAKOTA STATE UNIVERSITY**

Minard Hall Collapse related costs include related change orders, department relocation, forensic and legal costs. All three litigations relating to the Minard Hall project were settled by NDSU pursuant to authority granted by the SBHE on May 14, 2015. All settlement payments have been made, and the litigations have been dismissed. The settlement proceeds to NDSU are less than its total expenditures on the project and on December 10, 2015 the SBHE approved NDSU's request to seek a deficiency appropriation during the 2017 (65th) Legislative Assembly for the unreimbursed costs of \$1,634,853.52 due to the Minard Hall collapse. If approved, the deficiency appropriation would take place before June 30, 2017.

### **UNIVERSITY OF NORTH DAKOTA**

Fund 17000 - A committee has been established to review the deficit and will make recommendations by December 31, 2016 to eliminate the deficit. The current deficit will be covered using existing institutional funds.

Fund 22364 - EERC Legal Costs had an original balance of \$1.846 million at June 30, 2008. This balance represented the aggregate of costs incurred relative to ongoing litigation. The deficit will be retired through the comprehensive plan outlined for the EERC and is expected to be eliminated no later than fiscal year 2023.

Fund 21546 - A three-year financial plan to increase revenues and reduce expenses was approved by the SBHE Finance Committee in October 2014. In fiscal year 2016, EERC entered into sponsored agreements totaling \$46.5 million, more than doubling the \$20.8 million of new sponsored agreements in fiscal year 2015.

Fund 22414 and 22422 – These funds are recharge centers and the deficits will be recovered through annual rate development.

### **WILLISTON STATE COLLEGE**

Fund 17210 – The expectation is that Athletics will operate at a break-even and reduce the deficit with additional fundraising over the next few years.

Fund 25004 - With the recent decline in oil prices and subsequent spending reductions by oil companies the amount of training revenue has declined significantly. A plan has been implemented to eliminate the deficit within four years.

# NORTH DAKOTA UNIVERSITY SYSTEM

## Supplementary Information

June 30, 2016

### Financial Information for Revenue Producing Buildings (Unaudited)

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

	DCB					
	Bismarck	Dakota	Dickinson	Lake Region	Mayville	Minot
	State	State	State	State	State	State
	College	College	University	College	University	University
Operating Revenues	\$ 4,474,284	\$ -	\$ -	\$ 1,808,089	\$ 2,444,696	\$ 585,757
Operating Expenses	4,641,456	-	-	1,718,871	2,068,470	339,034
Net Operating Revenues	<u>\$ (167,172)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,218</u>	<u>\$ 376,226</u>	<u>\$ 246,723</u>
Pledged Fees	\$ 534,745	\$ -	\$ -	\$ 89,754	\$ 87,599	\$ 1,272,581
Non Operating Revenue	474,300	-	-	235,702	131,124	96,327
Investment Income	22	-	-	1,101	-	941
Debt Service Grants	-	-	-	-	118,946	191,097
Capitalized Interest	-	-	-	-	-	-
Net Revenue Available for Debt Retirement	<u>\$ 841,895</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 415,776</u>	<u>\$ 713,895</u>	<u>\$ 1,807,669</u>
Current year Debt Service						
Principal	\$ 435,000	\$ -	\$ -	\$ 90,000	\$ 150,000	\$ 320,000
Interest	<u>283,247</u>	<u>-</u>	<u>-</u>	<u>12,220</u>	<u>178,938</u>	<u>952,581</u>
Total Debt Service	<u>\$ 718,247</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,220</u>	<u>\$ 328,938</u>	<u>\$ 1,272,581</u>

# NORTH DAKOTA UNIVERSITY SYSTEM

## Supplementary Information

June 30, 2016

### 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	\$ 8,855,966	\$ 44,103,552	\$ 36,430,500	\$ 3,046,675	\$ 938,859	\$ 102,688,378
Operating Expenses	7,270,044	36,655,942	33,794,971	2,994,000	382,015	89,864,803
Net Operating Revenues	<u>\$ 1,585,922</u>	<u>\$ 7,447,610</u>	<u>\$ 2,635,529</u>	<u>\$ 52,675</u>	<u>\$ 556,844</u>	<u>\$ 12,823,575</u>
Pledged Fees	\$ 296,197	\$ 7,526,445	\$ 3,727,974	\$ 123,776	\$ 90,000	\$ 13,749,071
Non Operating Revenue	49,496	3,766,630	3,382,594	598,026	22,240	8,756,439
Investment Income	1,700	7,789	72,333	5	554	84,445
Debt Service Grants				92,306	235,706	638,055
Capitalized Interest						-
Net Revenue Available for Debt Retirement	<u>\$ 1,933,315</u>	<u>\$ 18,748,474</u>	<u>\$ 9,818,430</u>	<u>\$ 866,788</u>	<u>\$ 905,344</u>	<u>\$ 36,051,586</u>
Current year Debt Service						
Principal	\$ 275,000	\$ 3,150,000	\$ 3,610,000	\$ 145,000	\$ 215,000	\$ 8,390,000
Interest	<u>302,731</u>	<u>3,259,822</u>	<u>2,601,295</u>	<u>305,125</u>	<u>562,008</u>	<u>8,457,967</u>
Total Debt Service	<u>\$ 577,731</u>	<u>\$ 6,409,822</u>	<u>\$ 6,211,295</u>	<u>\$ 450,125</u>	<u>\$ 777,008</u>	<u>\$ 16,847,967</u>