



## Annual Financial Report

June 30, 2019

# **NORTH DAKOTA UNIVERSITY SYSTEM**

## **ANNUAL FINANCIAL REPORT**

Fiscal Year Ended  
JUNE 30, 2019

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

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# **NORTH DAKOTA UNIVERSITY SYSTEM**

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**OFFICE OF THE STATE AUDITOR**  
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FARGO, NORTH DAKOTA 58103

## **INDEPENDENT AUDITOR'S REPORT**

Members of the Legislative Assembly

The State Board of Higher Education

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the business-type activities, and the aggregate discretely presented component units of the North Dakota University System as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the North Dakota University System's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for the aggregate 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***

<b>Opinion Unit</b>	<b>Type of Opinion</b>
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, 2019, 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, 2019, the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

As described in Note 1, the North Dakota University System's financial statements are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only those portions of the business-type activities, and aggregate discretely presented component units of the North Dakota University System that are attributable to the transactions of the North Dakota University System. They do not purport to, and do not, present fairly the

financial position of the State of North Dakota as of June 30, 2019, 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.

Also discussed in Note 1 to the financial statements, the North Dakota University System adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statements No. 83 and 88, *Certain Asset Retirement Obligations* and *Certain Disclosures Related to Debt*, respectively. 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, the Schedule of Employer Contributions for Pensions, the Schedule of Employer's Share of Net OPEB Liability and the Schedule of Employer Contributions for OPEB, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

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

The 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 basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2019 on our consideration of the North Dakota University System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the North Dakota University System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the North Dakota University System's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota

November 26, 2019

# **NORTH DAKOTA UNIVERSITY SYSTEM**

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

**JUNE 30, 2019**

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The North Dakota University System's (System) discussion and analysis (MD&A) provides an overview of the System's financial activities for the year ended June 30, 2019 and should be read in conjunction with the accompanying financial statements and notes to the financial statements. The financial statements, notes, and the MD&A are the responsibility of management.

Activities from the eleven public post-secondary institutions, the North Dakota University System Office, and the 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.

### **UNDERSTANDING THE FINANCIAL STATEMENTS**

The Statement of Net Position reports the assets, deferred outflows, liabilities, deferred inflows and net position of the System. The Statement of Revenues, Expenses, and Changes in Net Position reports revenue and expense information of the System. 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.

**The Statement of Net Position** presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the System at a point in time. It is a financial snapshot of the System at June 30, 2019. The statement aids readers in determining the assets available to continue operations; the liabilities owed to vendors, employees and lenders, and the net position of the System.

Assets and liabilities are classified as current or noncurrent. Current assets can be converted to cash within one year of the statement date and are available to satisfy current liabilities. They include cash and cash equivalents, short-term investments and accounts receivable. Noncurrent assets are not convertible to cash within one year and include long-term investments and property, equipment and intangibles. Current liabilities are obligations that are due within one year. Noncurrent liabilities consist of long-term debt and other obligations with maturities greater than one year.

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 outstanding debt incurred during the construction or improvement of those assets. Restricted net position is limited in use due to constraints imposed by donors or by law. Unrestricted net position is 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 core operational functions of the campuses. The balances consist of cash, investments, accounts receivable, inventories, and other non-liquid assets less liabilities for these functions. Operating cycles can create 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 Statement of Revenues, Expenses, and Changes in Net Position** presents total operating and nonoperating revenues and expenses of the System during the year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### JUNE 30, 2019

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Operating revenues include tuition and fees, grants and contracts, sales and services of educational departments and auxiliary enterprise revenues. Operating expenses include, salaries and wages, operating expenses, depreciation, scholarships and fellowships and cost of sales and services.

Nonoperating revenues and expense are derived from non-exchange transactions and include insurance proceeds, investment income, gifts, state appropriations, interest on capital asset-related debt and gains or losses on capital assets. State appropriations are classified as nonoperating revenues although they are used to fund operating expenses because the Government Accounting Standards Board (GASB) has determined they are a non-exchange transaction. Other nonoperating items include capital related appropriations, gifts, grants and transfers.

**The Statement of Cash Flows** presents cash receipts and payments during the fiscal year. The statement presents sources of cash coming into the System, how the cash was expended, and the change in the cash balance during the year.

State appropriations are included in cash flows from noncapital financing activities because GASB requires them to be reported as nonoperating, even though the campus budgets depend on this revenue for operations. Other noncapital financing activity includes gifts received from endowment and charitable gift annuities.

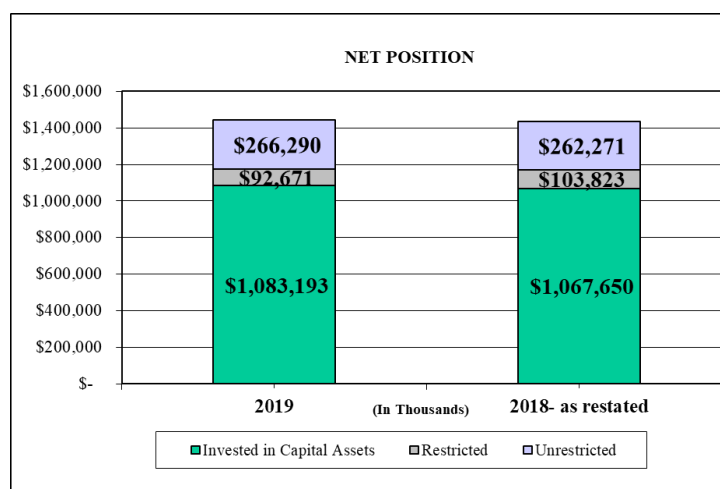
Cash flows from capital and related financing activities include all plant funds and related long-term debt activities (except depreciation and amortization), as well as capital gifts, grants and appropriations.

Purchases and sales of investments and income earned on investments are included in cash flows from investing activities.

### FINANCIAL HIGHLIGHTS

Total assets and deferred outflows of resources were \$2.2 billion and total liabilities and deferred inflows were \$759.4 million, resulting in a net position of \$1.4 billion. Net position increased \$8.4 million from fiscal year 2018.

The following graph illustrates the net position breakdown for fiscal years ending June 30, 2019 and 2018, as restated:



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019**

**STATEMENT OF NET POSITION**

The following table shows the Condensed Statement of Net Position at June 30, 2019 and 2018, as restated:

	June 30 (in Thousands)		Dollar Change	Percent Change
	2019	2018-restated		
Current assets	\$ 450,993	\$ 436,005	\$ 14,988	3%
Capital assets, net	1,465,951	1,379,572	86,378	6%
Other noncurrent assets	211,722	179,643	32,080	18%
Total assets	<u>\$ 2,128,666</u>	<u>\$ 1,995,220</u>	<u>\$ 133,446</u>	<u>7%</u>
Deferred Outflows of Resources	<u>\$ 72,896</u>	<u>\$ 81,268</u>	<u>\$ (8,372)</u>	<u>-10%</u>
Current liabilities	\$ 129,610	\$ 109,809	\$ 19,801	18%
Noncurrent liabilities	612,607	519,726	92,881	18%
Total liabilities	<u>\$ 742,217</u>	<u>\$ 629,535</u>	<u>\$ 112,682</u>	<u>18%</u>
Deferred Inflows of Resources	<u>\$ 17,191</u>	<u>\$ 13,209</u>	<u>\$ 3,981</u>	<u>30%</u>
Invested in capital assets	\$ 1,083,193	\$ 1,067,650	\$ 15,543	1%
Restricted	92,671	103,823	(11,152)	-11%
Unrestricted	266,290	262,271	4,019	2%
Total Net Position	<u>\$ 1,442,154</u>	<u>\$ 1,433,744</u>	<u>\$ 8,410</u>	<u>1%</u>

The increase in capital assets, net is discussed in a later section of this MD&A.

The change in other non-current assets is due to the following:

- an increase of \$45.1 million in other long-term investments at UND, which were previously invested as short-term investments,
- an increase of \$37.8 million in restricted cash which represents unspent certificate of participation proceeds for the new steam plant and infrastructure improvements at UND. The cash will be spent in fiscal year 2020 as the project is completed,
- a decrease in restricted investments at NDSU of \$24.8 million as monies from the issuance of revenue bonds in the previous fiscal year were used to pay for construction costs of the financed facilities,
- a decrease in other long-term investments at NDSU of \$14.0 million mainly due to redemption of long-term certificates of deposit to achieve a higher interest rate. The new certificates of deposits are classified as short-term investments,
- a decrease of \$4.3 million at UND in investments held at the foundations on behalf of the institution,
- a decrease of \$3.8 million in restricted cash at DSU which was used for energy improvement projects in fiscal year 2019,

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### JUNE 30, 2019

- a decrease of \$3.3 million in non-current notes receivable due to the discontinuance of the Perkins Loan program.

Deferred outflows of resources decreased in fiscal year 2019 by \$8.4 million as a result of a change in actuarial assumptions used to calculate the pension liability.

Total liabilities increased \$112.7 million during fiscal year 2019 to a total of \$742.2 million. The increase is mainly attributed to the issuance of certificates of participation of \$96.8 million for the construction of a new steam plant at UND. An increase in accounts payable at UND, NDSU and MiSU contributed to the remainder of the change. UND's accounts payable increased \$6.1 million due to facility improvement projects and expenses association with the demolition of the old Memorial Union. NDSU's accounts payable increased \$5.7 million due to higher construction project related payables. MiSU's accounts payable increased \$1.8 million as a result of the dome seating project and energy efficiency improvement projects.

Deferred inflows of resources increased \$4.0 million as a result of a change in actuarial assumptions used to calculate the pension liability.

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

The following table shows a Condensed Statement of Revenues, Expenses and Changes in Net Position for the fiscal years ended June 30, 2019 and 2018, as restated.

	June 30 (in Thousands)		Dollar Change	Percent Change
	2019	2018-restated		
Operating revenues	\$ 709,924	\$ 713,916	\$ (3,993)	-1%
Operating expenses	1,180,272	1,160,803	19,469	2%
Operating loss	\$ (470,348)	\$ (446,886)	\$ (23,462)	5%
Nonoperating revenues, net of expenses	443,115	444,689	(1,574)	0%
Income before capital grants, gifts, and transfers	\$ (27,233)	\$ (2,197)	(25,036)	1140%
Capital appropriations, grants and gifts	35,643	21,315	14,328	67%
Increase in net position	\$ 8,410	\$ 19,118	\$ (10,708)	-56%

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

### Revenues

The following table shows revenues by source for the fiscal years ended June 30, 2019 and 2018, as restated:

	June 30 (in Thousands)		Dollar Change	Percent Change
	2019	2018 - restated		
<b>Operating revenues</b>				
Student tuition and fees	\$ 333,910	\$ 334,215	\$ (305)	0%
Grants and contracts	174,633	170,158	4,476	3%
Sales and services of education departments	98,959	100,858	(1,900)	-2%
Auxiliary enterprises	100,913	107,349	(6,436)	-6%
Other	1,510	1,336	173	13%
Total operating revenues	\$ 709,924	\$ 713,916	\$ (3,993)	-1%

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## JUNE 30, 2019

### Nonoperating revenues, capital gifts and grants

State appropriations	\$ 360,624	\$ 363,010	\$ (2,386)	-1%
Federal appropriations	5,029	7,482	(2,453)	-33%
Federal grants and contracts	38,679	39,093	(414)	-1%
Local Appropriations	988	-	988	100%
Gifts	39,275	38,061	1,214	3%
Endowment and investment income	11,022	10,387	635	6%
Insurance proceeds	774	527	247	47%
Tax revenues	5,401	5,448	(47)	-1%
Gain on sale of capital assets	4,371	48	4,322	8949%
Other nonoperating, net	(1,504)	2,302	(3,806)	-165%
State appropriations-capital assets	15,718	16,562	(844)	-5%
Capital grants and gifts	19,926	4,752	15,173	319%
Total nonoperating revenues, capital gifts and grants	\$ 500,301	\$ 487,672	\$ 12,629	3%
<b>Total Revenues</b>	<b>\$ 1,210,226</b>	<b>\$ 1,201,589</b>	<b>\$ 8,637</b>	<b>1%</b>

Auxiliary income decreased \$6.4 million mainly as a result of the following:

- DSU outsourced their bookstore operations in October 2018 and there were fewer meal plan options made available to students in fiscal year 2019, and
- Lower enrollments and decreasing demand for housing and dining services at NDSCS, NDSU and UND.

The North Dakota State Legislature determines state appropriations and state appropriations for capital assets. These revenues decreased slightly in fiscal year 2019 compared to fiscal year 2018.

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

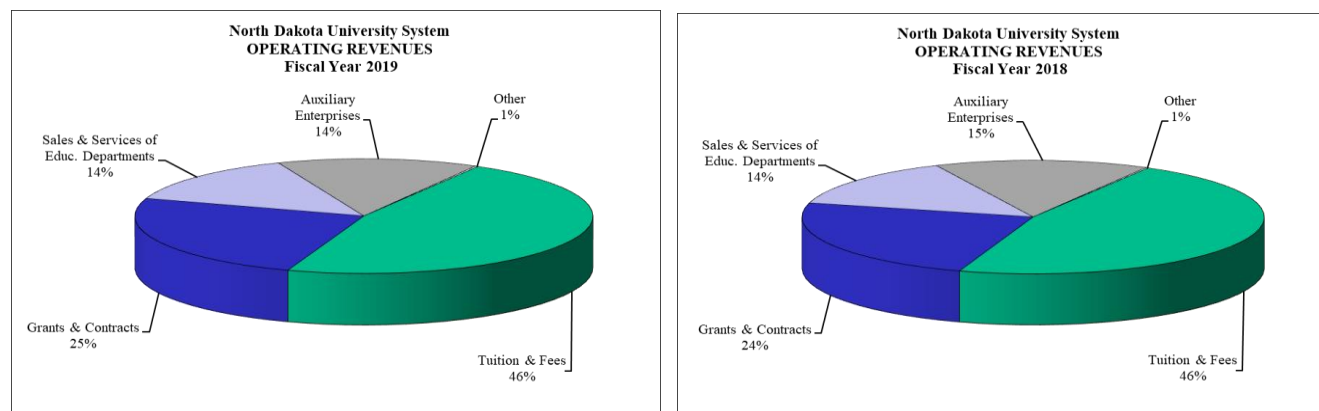
Federal appropriations declined due to a decrease in these funds at NDSU.

The increase in gain on sale of capital assets was due to the sale of the Strom, South Campus and North Apartment buildings at DSU and the sale of 15 aircraft at UND.

Capital gifts and grants increased \$15.2 million or 319 percent due to the following:

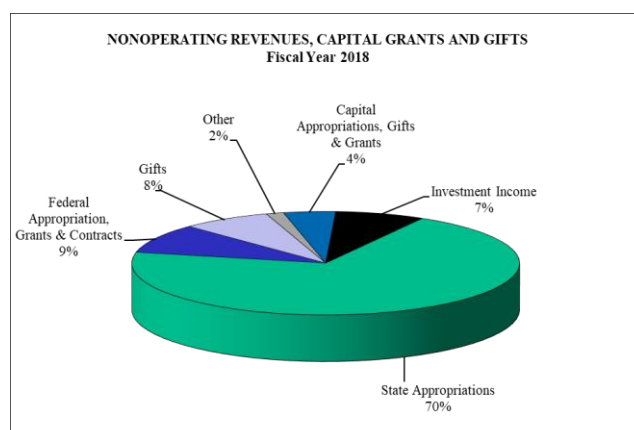
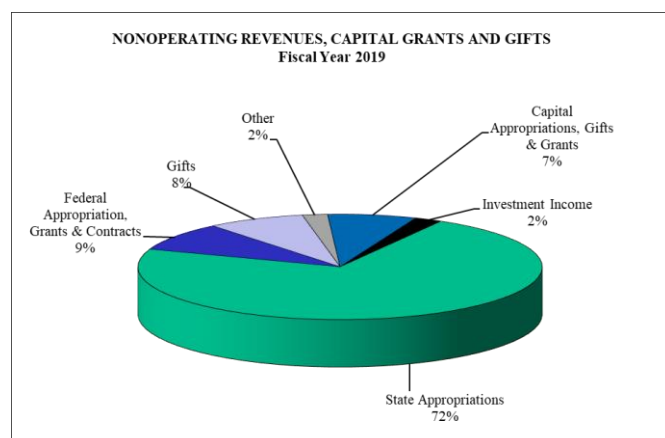
- NDSU: Gifts for the Sudro Hall addition project,
- UND: Gifts for the High Performance Center bleachers, and
- VCSU: Gifts for the repair of the track and field facilities.

The following graphs depict sources of operating and nonoperating revenues for fiscal year 2019:



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### JUNE 30, 2019



There were no significant fluctuations compared to fiscal year 2018.

### Expenses

The following table shows expenses by natural classification for the fiscal years ended June 30, 2019 and 2018:

	June 30 (in Thousands)		Dollar Change	Percent Change
	2019	2018 - restated		
<b>Operating expenses</b>				
Salaries and wages	\$ 760,668	\$ 753,738	\$ 6,930	1%
Operating expenses	266,598	253,278	13,319	5%
Data processing	17,798	16,502	1,296	8%
Depreciation expense	72,583	71,990	593	1%
Scholarships and fellowships	41,698	41,281	417	1%
Cost of sales and services	20,927	24,012	(3,085)	-13%
Total operating expenses	\$ 1,180,272	\$ 1,160,803	\$ 19,469	2%
<b>Nonoperating expenses</b>				
Interest on capital asset related debt	\$ 11,404	\$ 11,370	\$ 34	0%
General and special grant expenditures	6,806	6,558	247	4%
Transfers to Industrial Commission	3,333	3,740	(407)	-11%
Total nonoperating expenses	\$ 21,543	\$ 21,669	\$ (126)	-1%
<b>Total expenses</b>	<b>\$ 1,201,815</b>	<b>\$ 1,182,471</b>	<b>\$ 19,344</b>	<b>2%</b>

The change in operating expense is mainly due to the following:

- an increase in contract services at MiSU of \$4.3 million for non-capitalizable expenses related to energy efficient projects,
- a decrease in subcontract expenditures of \$3.3 million. The decrease is mostly due to lower expenditures in the North Dakota CarbonSafe project at UND's EERC.
- a \$2.6 million increase in subrecipient expenditures. The higher expenditures are mainly the result of an increase in Department of Energy projects at EERC,
- an increase in system-wide information technology contractual services of \$2.7 million,
- an increase in aircraft rental of \$1.8 million due to increased rental of UND Aerospace Foundation aircraft and simulators,
- an increase in repairs expense of \$1.6 million at NDSU in the auxiliary operations,
- an increase in repairs expense of \$250,000 at LRSC for painting and technology upgrades the auditorium,
- an increase in athletics and student trips of \$432,000 at MiSU.

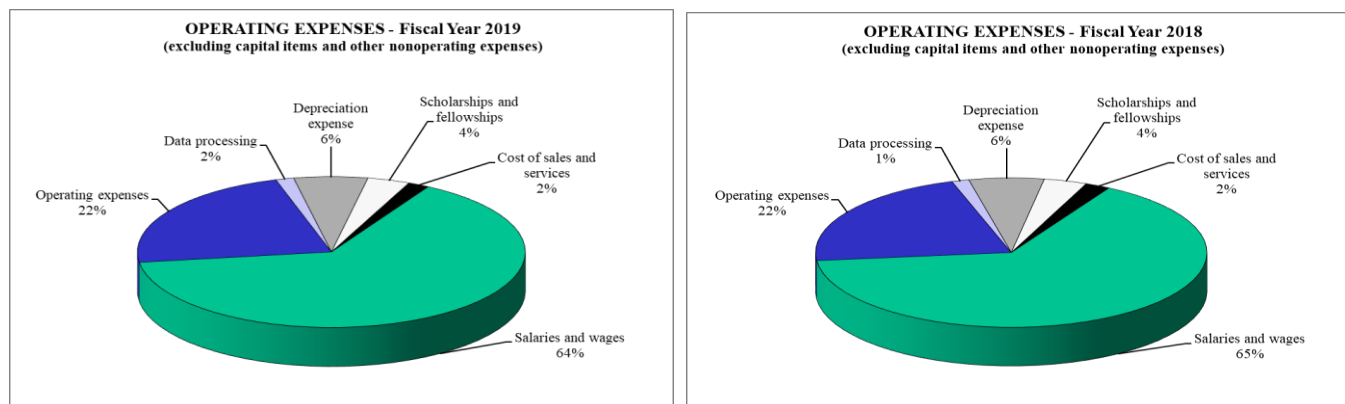
## MANAGEMENT'S DISCUSSION AND ANALYSIS

### JUNE 30, 2019

- an increase in additional costs of \$262,000 for snow removal, roof repairs and repairs at MiSU due to a water pipe leak.

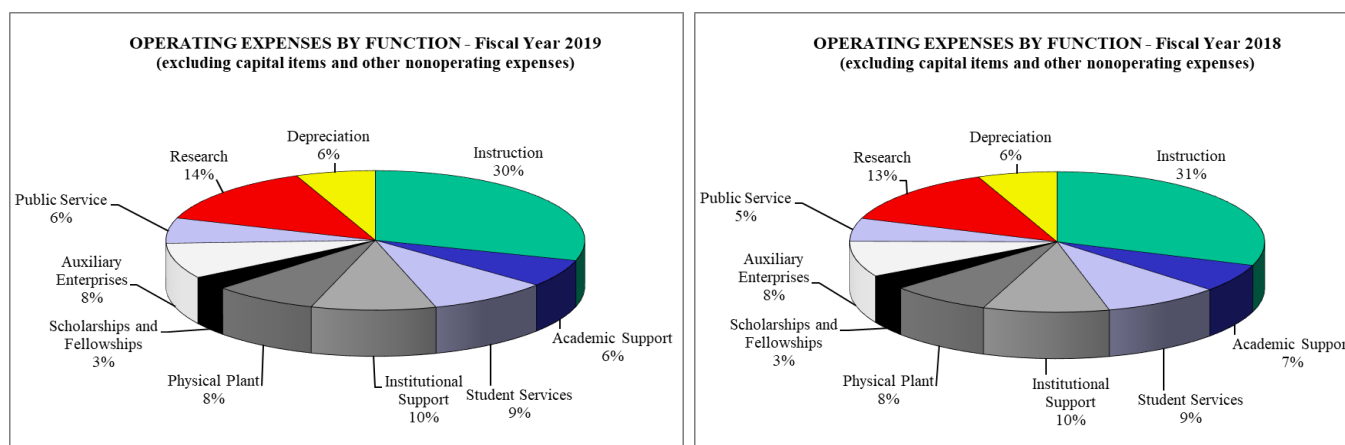
Cost of sales and services decreased \$3.1 million or 13 percent as a result of lower demand for auxiliary services, such as housing and dining, at NDSCS, NDSU and UND. Open educational resources initiatives also contributed to the decrease at VCSU as fewer books and supplies were purchased for resale in the bookstore. Additionally, DSU outsourced their bookstore operations in October 2018.

The following chart depicts the uses of operating funds according to natural classification for fiscal year 2019:



The allocation of operating expenses among the natural classification categories has not changed significantly from fiscal year 2018.

The following chart illustrates operating expenses by function for fiscal year 2019:



The allocation of expenses to functional areas has not changed significantly from the prior year.

Instructional expenses 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.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### JUNE 30, 2019

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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, are included in the research function.

## STATEMENT OF CASH FLOWS

The Condensed Statement of Cash Flows for the fiscal years ended June 30, 2019 and 2018 is shown below:

	<b>June 30 (in thousands)</b>	
	<b>2019</b>	<b>2018-restated</b>
Cash flows from operating activities	\$ (353,217)	\$ (371,955)
Cash flows from noncapital financing activities	438,637	441,899
Cash flows from capital and related financing activities	(43,772)	(25,932)
Cash flows from investing activities	3,382	(22,988)
Increase in cash and cash equivalents during the year	<u>\$ 45,029</u>	<u>\$ 21,024</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 2019 was \$360.5 million. If this amount is added to the cash flows from operating activities, the result is a cash inflow of \$7.3 million.

## CAPITAL ASSET AND LONG-TERM LIABILITIES HIGHLIGHTS

### CAPITAL ASSETS AND INTANGIBLES

On June 30, 2019, the System had \$1.46 billion invested in net capital assets and intangibles, which represents a net increase of \$86.3 million or 6 percent during the fiscal year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019**

	<b>June 30 (in thousands)</b>	
	<b>2019</b>	<b>2018</b>
Land	\$ 19,676	\$ 19,676
Land improvements/infrastructure	225,880	217,266
Buildings	1,695,809	1,658,140
Furniture, fixtures, and equipment	359,247	347,058
Library materials	81,977	86,170
Construction in progress	140,027	52,509
Capitalized software	25,103	25,055
Other intangibles	2,192	2,132
Total	<u>\$ 2,549,912</u>	<u>\$ 2,408,007</u>
Total accumulated depreciation and amortization	<u>(1,083,961)</u>	<u>(1,028,433)</u>
Capital assets, net	<u>\$ 1,465,952</u>	<u>\$ 1,379,573</u>

Total additions to depreciable capital assets and intangibles in fiscal year 2019 were \$56.3 million. Construction in progress for other projects underway totaled \$140.0 million at June 30, 2019. Major projects and their total project costs through June 30, 2019 include:

**MiSU**

- Energy efficiency project - \$1.9 million
- Dome seating - \$1.8 million

**NDSCS**

- Water and sewer replacement - \$13.2 million

**NDSU**

- Catherine Cater Hall - \$40.8 million
- Sudro Hall - \$17.7 million

**UND**

- Steam plant replacement and related capitalized interest - \$44.0 million
- Energy efficiency projects - \$9.7 million
- CFL phase renovation - \$3.9 million
- Memorial Union demolition - \$2.9 million

Outstanding commitments for these and other capital projects as of June 30, 2019 totaled \$84.9 million. More detailed information about the System's capital assets is presented in Note 5 and Note 17 to the financial statements.

**LONG-TERM LIABILITIES**

	<b>June 30 (in thousands)</b>	
	<b>2019</b>	<b>2018</b>
Bonds Payable	\$ 260,192	\$ 271,333
Certificates of Participation	96,843	-
Notes Payable	17,412	26,237
Capital Leases	54,359	40,058
Special Assessments	5,058	5,288
Compensated Absences	30,886	31,332
Total Debt	<u>\$ 464,750</u>	<u>\$ 374,248</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

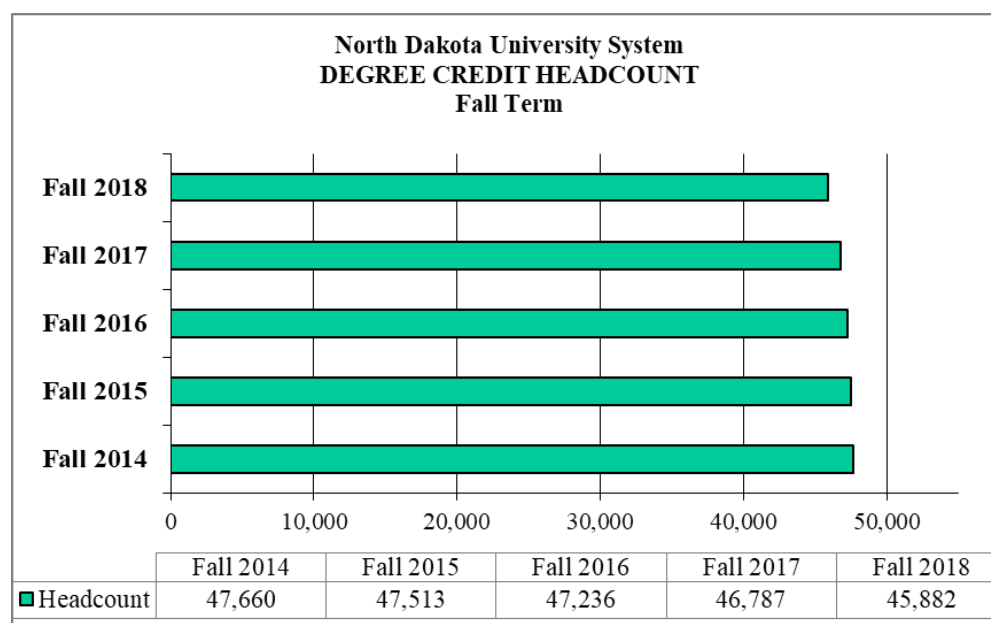
### JUNE 30, 2019

Long-term liabilities added in fiscal year 2019 totaled approximately \$119.6 million, including certificates of participation issued by UND totaling \$96.8 million for the construction of a new steam plant, \$22.4 million in new capital leases for capital assets, \$178,000 in new special assessments for campus improvements and \$220,000 in compensated absences liability. Total debt retired in fiscal year 2019 was \$29.1 million, consisting primarily of bond payments of \$11.1 million, notes payable payments of \$8.9 million, capital lease payments of \$8.1 million and compensated absences of \$666,000. At June 30, 2019, \$19.4 million of revenue is pledged as security for outstanding revenue bonds.

## OTHER HIGHLIGHTS

### STUDENT ENROLLMENTS

As illustrated in the chart below, Annual Degree Credit Headcount enrollment for fall 2018 decreased by 905 compared to fall 2017 and by 1,778 compared to fall 2014.



Source: 2018 Fall Enrollment Report: Table 6-Degree Credit Headcount Enrollment by Instructional Mode

Additional detailed enrollment data is contained in the 2018 Fall Enrollment Report at <https://ndus.edu/media-and-publications/institutional-research/reporting/>.

### STATE FUNDING

The 2017 Legislative Assembly approved a state general fund appropriation for all entities of the North Dakota University System of \$723.6 million for the 2017-19 biennium. This is a decrease of \$276.4 million below the 2015-17 original appropriation. Of the total decreases, \$128.9 million was base funding, \$66.3 million of this reduction occurred during the 2016 Special Legislative Session; \$46.1 million was one-time items and the remaining \$101.4 million was one-time funding for major capital projects.

### 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, 600 E. Boulevard, Bismarck, ND 58505-0230.

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**FINANCIAL STATEMENTS**

JUNE 30, 2019

**STATEMENT OF NET POSITION**

	<b>Primary Institutions</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 212,370,938
Investments	140,705,660
Accounts receivable, net	25,905,620
Due from component units - investments held on behalf of the institutions	97,872
Due from component units	10,715,746
Due from other NDUS institutions	-
Due from State general fund	10,014,438
Grants and contracts receivables, net	32,465,713
Inventories	6,986,515
Notes receivable, net	6,180,651
Other assets	5,549,973
Total current assets	450,993,126
Noncurrent assets	
Restricted cash and cash equivalents	40,343,773
Restricted investments	13,583,575
Endowment investments	558,528
Notes receivable, net	21,073,874
Other long-term investments	111,622,133
Due from component units - investments held on behalf of the institutions	24,150,017
Other noncurrent assets	390,197
Capital assets, net	1,465,950,582
Total noncurrent assets	1,677,672,679
Total assets	2,128,665,805
Deferred outflows of resources	72,895,754
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable and accrued liabilities	39,146,095
Due to component units	700,964
Accrued payroll	40,692,136
Unearned revenue	20,584,992
Deposits	6,837,581
Long-term liabilities - current portion	
Due to component units	3,342,771
Due to others	18,305,160
Total current liabilities	129,609,699
Noncurrent liabilities	
Pension liability	162,113,636
OPEB liability	7,146,894
Other noncurrent liabilities	244,623
Long-term liabilities	
Due to component units	32,704,248
Due to others	410,398,095
Total noncurrent liabilities	612,607,496
Total liabilities	742,217,195
Deferred inflows of resources	17,190,770
<b>NET POSITION</b>	
Net investment in capital assets	1,083,192,671
Restricted for:	
Nonexpendable:	
Scholarships and fellowships	18,384,451
Expendable:	
Scholarships and fellowships	4,713,501
Research	9,079,049
Institutional	10,082,521
Loans	42,860,355
Capital projects	84,464
Debt service	6,981,713
Other	484,714
Unrestricted	266,290,155
Total net position	\$ 1,442,153,594

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**STATEMENT OF FINANCIAL POSITION**

<b>FASB Basis</b>	<b>Component Units</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 61,051,930
Investments	32,917,991
Accounts receivable, net	7,557,654
Receivable from primary institution	4,720,078
Unconditional promises to give, net of allowance	17,472,537
Inventories	1,102,034
Current portion of net investment in direct financing leases	1,166,959
Other assets	1,303,957
Total current assets	<u>127,293,140</u>
Noncurrent assets	
Restricted cash and cash equivalents	948,080
Investments	
Investments, net of current portion	541,198,421
Investments, restricted	5,345,576
Investments held in trust	33,516,962
Beneficial interest in trust	17,089,739
Charitable gift annuity investments	6,054,740
Charitable remainder trust account investments	18,589,642
Real estate and equipment held for investment, net of accumulated depreciation	18,862,316
Other long-term investments	43,763,765
Total investments	<u>684,421,161</u>
Contracts for deed and notes receivable, net of current portions	775,488
Long term pledges receivable/ unconditional promises to give	48,250,773
Other receivables	41,643
Due from primary institution-capital leases	32,694,633
Notes receivable, net	6,800,000
Net investment in direct financing leases, net of current portion	12,548,962
Other noncurrent assets	2,834,542
Capital assets, net	154,040,246
Total noncurrent assets	<u>943,355,528</u>
Total assets	<u>1,070,648,668</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable and accrued liabilities	3,588,467
Payable to Institutions	5,137,308
Accrued payroll	1,096,743
Current portion of gift annuities and life income agreements	2,888,098
Deferred revenue	10,201,982
Deposits held in custody for others	513,847
Other current liabilities	764,049
Long-term liabilities--current portion	4,509,882
Total current liabilities	<u>28,700,376</u>
Noncurrent liabilities	
Deposits	3,493,349
Investments held on behalf of Institutions	22,992,282
Gift annuities and life income agreements, net of current portion	18,922,198
Obligations under split-interest agreement	5,765,744
Other noncurrent liabilities	518,548
Long-term liabilities	60,316,663
Total noncurrent liabilities	<u>112,008,784</u>
Total liabilities	<u>140,709,160</u>
<b>NET ASSETS</b>	
With Donor Restriction	693,492,454
Without Donor Restriction	236,447,054
Total net assets	<u>929,939,508</u>
Total liabilities and net assets	<u>\$ 1,070,648,668</u>

# NORTH DAKOTA UNIVERSITY SYSTEM

## Financial Statements

JUNE 30, 2019

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

	Primary Institution
<b>OPERATING REVENUES</b>	
Student tuition and fees (net of scholarship allowances of \$64.8 million and bad debt allowance of \$1.8 million)	\$ 333,909,568
Federal grants and contracts (net of bad debt allowance of \$56,000)	114,805,248
State grants and contracts	22,918,720
Nongovernmental grants and contracts	36,909,457
Sales and services of educational departments (net of bad debt allowance of \$419,000)	98,958,588
Auxiliary enterprises (net of scholarship allowances of \$1.1 million and bad debt allowance of \$496,000)	100,912,581
Other (net of bad debt allowance of \$281,000)	1,509,536
Total operating revenues	<u>709,923,698</u>
<b>OPERATING EXPENSES</b>	
Salaries and wages	760,667,749
Operating expenses	266,597,696
Data processing	17,798,333
Depreciation expense	72,583,004
Scholarships and fellowships	41,698,185
Cost of sales and services	20,927,199
Total operating expenses	<u>1,180,272,166</u>
Operating income (loss)	<u>(470,348,468)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
State appropriations	360,624,054
Federal appropriations	5,029,495
Federal grants and contracts (net of bad debt allowance of (\$8,000))	38,678,777
Local appropriations	988,123
Gifts	39,274,902
Endowment and investment income	11,021,716
Interest on capital asset - related debt	(11,404,436)
Gain (loss) on disposal of capital assets	4,370,608
Insurance proceeds	773,751
Tax revenues	5,400,945
General and special grant expenditures	(6,805,972)
Transfers to North Dakota Industrial Commission	(3,332,530)
Other nonoperating revenues (expenses) (net of bad debt allowance of \$8,000)	(1,503,953)
Net nonoperating revenues (expenses)	<u>443,115,480</u>
Income (loss) before capital grants, gifts, and transfers	(27,232,988)
State appropriations - capital assets	15,717,582
Capital grants and gifts	19,925,817
Total other revenue	<u>35,643,399</u>
Increase (decrease) in net position	<u>8,410,411</u>
<b>NET POSITION</b>	
Net position - beginning of year, as restated	1,433,743,183
Net position - end of year	<u><u>\$ 1,442,153,594</u></u>

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**STATEMENT OF ACTIVITIES**

<b>FASB BASIS</b>	<b>Component Units</b>
<b>Support and Revenue</b>	
Gift, grants, and contributions	\$ 85,196,328
Investment income	34,418,644
Grant Revenue	4,057,192
Net realized and unrealized gains (losses) on investment securities	(16,016,328)
Program and event income	61,499,830
Other income	7,442,228
Total support and revenue	<u>176,597,894</u>
<b>Expenses</b>	
Program services	42,606,152
Supporting services	65,001,609
Fundraising expense	6,873,002
Total operating expenses	<u>114,480,763</u>
Change in Net Assets	62,117,131
Net Assets, Beginning of Year, as restated	<u>867,822,377</u>
Net Assets, End of Year	<u><u>\$ 929,939,508</u></u>

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**STATEMENT OF CASH FLOWS**

	<b>Primary Institution</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student tuition and fees	\$ 331,698,479
Grants and contracts	186,614,391
Payments to suppliers	(293,692,496)
Payments to employees	(740,553,794)
Payments for scholarships and fellowships	(41,698,193)
Loans issued to students	(1,059,790)
Collection of loans to students	6,022,354
Auxiliary enterprise charges	100,858,601
Sales and service of educational departments	97,012,612
Cash received/(paid) on deposits	443,083
Other receipts (payments)	1,137,861
Net cash used by operating activities	<u>(353,216,892)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State appropriations	360,547,521
Federal appropriations	5,029,495
Local appropriations	988,123
Grants and gifts received for other than capital purposes	77,897,867
Grants given for other than capital purposes	(6,805,973)
Direct lending receipts	191,365,125
Direct lending disbursements	(191,391,524)
Agency fund cash increase/(decrease)	(1,062,184)
Transfers to Industrial Commission	(3,332,531)
Tax revenues	5,400,947
Net cash flows provided by noncapital financing activities	<u>438,636,866</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from issuance of debt	96,844,950
Capital appropriations	16,233,975
Capital grants and gifts received	13,639,009
Proceeds from sale of capital assets	5,886,832
Purchases of capital assets	(145,055,540)
Insurance proceeds	844,171
Principal paid on capital debt and lease	(20,538,565)
Interest paid on capital debt and lease	(11,627,313)
Net cash used by capital and related financing activities	<u>(43,772,481)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sales and maturities of investments	138,521,062
Interest on investments	9,550,530
Purchase of investments	(144,690,125)
Net cash provided by investing activities	<u>3,381,467</u>
Net increase (decrease) in cash	45,028,960
CASH - BEGINNING OF YEAR, as restated	<u>207,685,751</u>
CASH - END OF YEAR	<u>\$ 252,714,711</u>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ (470,348,468)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	
Depreciation expense	72,583,004
Other nonoperating revenues (expenses)	2,596,275
Change in assets, deferred outflows, liabilities and deferred inflows	
Accounts receivable adjusted for interest receivable	(113,314)
Grant & contract receivables	12,059,845
Inventories	(87,885)
Notes receivable	5,257,241
Other assets	(2,967,943)
Accounts payable and accrued liabilities adjusted for interest payable	7,202,014
Pension liability	5,047,817
OPEB liability	(218,301)
Net change in deferred outflows	8,176,521
Net change in deferred inflows	3,986,671
Accrued payroll	3,488,050
Compensated absences	(445,692)
Unearned revenue	124,190
Deposits	443,083
Net cash provided (used) by operating activities	<u>\$ (353,216,892)</u>
<b>SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS</b>	
Assets acquired through capital lease	\$ 10,461,093
Assets acquired through special assessment	52,899
Expenses paid by capital lease/special assessments	4,444,582
Gifts of capital assets	167,424
Net increase (decrease) in value of investments	<u>702,180</u>
Total non-cash transactions	<u>\$ 15,828,178</u>



# NORTH DAKOTA UNIVERSITY SYSTEM

## Financial Statements

JUNE 30, 2019

### STATEMENT OF FINANCIAL POSITION- MAJOR COMPONENT UNITS

FASB BASIS	BSC Foundation June 30, 2019	NDSU Foundation December 31, 2018	NDSU Research & Technology Park June 30, 2019	UND Aerospace Foundation June 30, 2019	UND Alumni Association & UND Foundation June 30, 2019
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ 3,239,695	\$ 9,463,185	\$ 2,555,734	\$ 18,233,468	\$ 6,633,930
Investments	-	10,611,015	-	-	-
Accounts receivable, net	28,500	881,725	200,391	5,982,659	-
Receivable from primary institution	154,194	-	-	-	-
Unconditional promises to give, net of allowance	719,607	9,594,249	-	-	6,391,823
Inventories	-	-	-	494,222	-
Current portion of net investment in direct financing leases	-	-	1,166,959	-	-
Other assets	18,252	229,526	2,600	423,207	1,023,174
Total current assets	4,160,248	30,779,700	3,925,684	25,133,556	14,048,927
Noncurrent assets					
Restricted cash and cash equivalents	-	567,268	-	-	-
Investments:					
Investments, net of current portion	17,254,005	223,961,702	-	-	264,770,742
Investments, restricted	-	-	-	-	-
Investments held in trust	6,517,484	-	-	-	23,023,839
Beneficial interest in trust	1,580,839	-	-	-	15,508,900
Charitable gift annuity investments	-	-	-	-	6,054,740
Charitable remainder trust account investments	-	-	-	-	18,589,642
Real estate and equipment held for investment, net of accumulated depreciation	175,294	31,615,969	-	-	-
Other long-term investments	53,198	17,438,000	-	124,361	25,070,232
Total investments	25,580,820	273,015,671	-	124,361	353,018,095
Contracts for deed and notes receivable, net of current portions	-	775,488	-	-	-
Long term pledges					
receivable/unconditional promises to give	1,850,026	24,624,804	-	-	16,916,958
Other receivables	-	-	-	-	5,248,791
Receivable from primary institution	914,698	-	-	-	-
Notes receivable, net	-	-	6,800,000	-	-
Net investment in direct financing leases, net of current portion	-	-	12,548,962	-	-
Other noncurrent assets	125,619	972,076	383,010	915,646	-
Capital assets, net	14,780,727	3,179,941	5,938,357	56,928,919	11,096,212
Total noncurrent assets	43,251,890	303,135,248	25,670,329	57,968,926	386,280,056
Total assets	47,412,138	333,914,948	29,596,013	83,102,482	400,328,983
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable and accrued liabilities	526,765	1,202,263	188,785	513,788	94,725
Payable to primary institution	-	-	-	2,342,767	462,695
Accrued payroll	-	-	20,830	684,044	389,177
Current portion of gift annuities and life income agreements	369,177	806,982	-	-	1,670,337
Deferred revenue	-	17,404	20,000	4,243,987	449,794
Deposits held in custody for others	-	-	-	-	-
Other current liabilities	228,051	289,004	-	21,600	-
Long-term liabilities-current portion	390,197	1,071,742	1,370,206	575,760	629,087
Total current liabilities	1,514,190	3,387,395	1,599,821	8,381,946	3,695,815
Noncurrent liabilities					
Deposits	-	-	-	-	3,493,349
Investments held on behalf of institutions	-	-	-	-	19,530,490
Gift annuities and life income agreements, net of current portion	3,261,571	-	-	-	15,125,007
Obligations under split-interest agreement membership units	-	5,765,744	-	-	-
Other noncurrent liabilities	240,015	-	163,333	115,200	-
Long-term liabilities	5,265,440	20,442,413	20,568,396	1,947,345	5,614,107
Total noncurrent liabilities	8,767,026	26,208,157	20,731,729	2,062,545	43,762,953
Total liabilities	10,281,216	29,595,552	22,331,550	10,444,491	47,458,768
<b>NET ASSETS</b>					
With Donor Restriction:	24,789,789	274,112,365	-	6,575,000	309,823,978
Without Donor Restriction:	12,341,133	30,207,031	7,264,463	66,082,991	43,046,237
Total net assets	37,130,922	304,319,396	7,264,463	72,657,991	352,870,215
Total liabilities and net assets	\$ 47,412,138	\$ 333,914,948	\$ 29,596,013	\$ 83,102,482	\$ 400,328,983

# NORTH DAKOTA UNIVERSITY SYSTEM

## Financial Statements

JUNE 30, 2019

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

FASB BASIS	RE Arena, Inc UND Arena Services, Inc. UND Sports  Facilities, Inc. Arena Holdings Charitable LLC & Affiliates				Total Major Component	Non-major Component	Reclassifications	Total Component										
	May 31, 2019				Units	Units		Units										
ASSETS																		
Current assets																		
Cash and cash equivalents	\$	7,464,324	\$	47,590,336	\$	13,461,594	\$	-	\$	61,051,930								
Investments		1,003,479		11,614,494		21,303,497		-		32,917,991								
Accounts receivable, net		730,299		7,823,574		1,089,515		(1,355,435)		7,557,654								
Receivable from primary institution		-		154,194		105,189		4,460,695		4,720,078								
Unconditional promises to give, net of allowance		-		16,705,679		766,858		-		17,472,537								
Inventories		607,812		1,102,034		-		-		1,102,034								
Current portion of net investment in direct financing leases		-		1,166,959		-		-		1,166,959								
Other assets		212,041		1,908,800		72,854		(677,697)		1,303,957								
Total current assets		10,017,955		88,066,070		36,799,507		2,427,563		127,293,140								
Noncurrent assets																		
Restricted cash and cash equivalents		380,812		948,080		-		-		948,080								
Investments:																		
Investments, net of current portion		-		505,986,449		35,211,972		-		541,198,421								
Investments, restricted		5,345,576		5,345,576		-		-		5,345,576								
Investments held in trust		-		29,541,323		3,975,639		-		33,516,962								
Beneficial interest in trust		-		17,089,739		-		-		17,089,739								
Charitable gift annuity investments		-		6,054,740		-		-		6,054,740								
Charitable remainder trust account investments		-		18,589,642		-		-		18,589,642								
Real estate and equipment held for investment, net of accumulated depreciation		-		31,791,263		-		(12,928,947)		18,862,316								
Other long-term investments		-		42,685,791		1,077,974		-		43,763,765								
Total investments		5,345,576		657,084,523		40,265,585		(12,928,947)		684,421,161								
Contracts for deed and notes receivable, net of current portions										-	775,488							
Long term pledges										-								
receivable/unconditional promises to give		-		43,391,788		4,858,985		-		48,250,773								
Other receivables		-		5,248,791		-		(5,207,148)		41,643								
Receivable from primary institution		-		914,698		116,666		31,663,269		32,694,633								
Notes receivable, net		-		6,800,000		-		-		6,800,000								
Net investment in direct financing leases, net of current portion		-		12,548,962		-		-		12,548,962								
Other noncurrent assets		-		2,396,351		438,191		-		2,834,542								
Capital assets, net		62,205,747		154,129,903		15,865,080		(15,954,737)		154,040,246								
Total noncurrent assets		67,932,135		884,238,584		61,544,507		(2,427,563)		943,355,528								
Total assets		77,950,090		972,304,654		98,344,014		-		1,070,648,668								
LIABILITIES																		
Current liabilities																		
Accounts payable and accrued liabilities		1,600,083		4,126,409		139,651		(677,593)		3,588,467								
Payable to primary institution		713,382		3,518,844		940,871		677,593		5,137,308								
Accrued payroll		-		1,094,051		2,692		-		1,096,743								
Current portion of gift annuities and life income agreements		-		2,846,496		41,602		-		2,888,098								
Deferred revenue		5,265,797		9,996,982		205,000		-		10,201,982								
Deposits held in custody for others		-		-		513,847		-		513,847								
Other current liabilities		223,060		761,715		2,334		-		764,049								
Long-term liabilities-current portion		288,881		4,325,873		184,009		-		4,509,882								
Total current liabilities		8,091,203		26,670,370		2,030,006		-		28,700,376								
Noncurrent liabilities																		
Deposits		-		3,493,349		-		-		3,493,349								
Investments held on behalf of institutions		-		19,530,490		3,461,792		-		22,992,282								
Gift annuities and life income agreements, net of current portion		-		18,386,578		535,620		-		18,922,198								
Obligations under split-interest agreement membership units		-		5,765,744		-		-		5,765,744								
Other noncurrent liabilities		-		518,548		-		-		518,548								
Long-term liabilities		-		53,837,701		6,478,962		-		60,316,663								
Total noncurrent liabilities		-		101,532,410		10,476,374		-		112,008,784								
Total liabilities		8,091,203		128,202,780		12,506,380		-		140,709,160								
NET ASSETS																		
With Donor Restriction:		4,000,000		619,301,132		74,191,322		-		693,492,454								
Without Donor Restriction:		65,858,887		224,800,742		11,646,312		-		236,447,054								
Total net assets		69,858,887		844,101,874		85,837,634		-		929,939,508								
Total liabilities and net assets									\$	77,950,090	\$	972,304,654	\$	98,344,014	\$	-	\$	1,070,648,668

**NORTH DAKOTA UNIVERSITY SYSTEM**  
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**STATEMENT OF ACTIVITIES, Major Component Units**

**FASB BASIS**

	<b>BSC</b>		<b>NDSU</b>		<b>UND</b>		<b>UND Alumni</b>
	<b>Foundation</b>	<b>NDSU Foundation</b>	<b>Research &amp;</b>	<b>Foundation</b>	<b>Aerospace</b>	<b>Association &amp;</b>	<b>UND</b>
	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>Park</b>	<b>June 30, 2019</b>	<b>Foundation</b>	<b>Foundation</b>	<b>June 30, 2019</b>
			<b>June 30, 2019</b>		<b>June 30, 2019</b>		<b>June 30, 2019</b>
<b>Support and revenue</b>							
Gifts, Grants and contributions	\$ 3,976,885	\$ 40,512,466	\$ 200,895	\$ 7,264,152	\$ 21,187,082		
Investment income	1,159,308	14,617,373	725,297	201,452	11,966,171		
Grant Revenue	-	-	-	-	-		
Net realized and unrealized gains (losses) on investment securities	-	(16,528,866)	-	-	-		
Program and event income	38,377	-	100,250	34,945,837	8,113,749		
Other income	1,148,241	1,148,349	909,177	314,392	-		
Total support and revenue	<u>6,322,811</u>	<u>39,749,322</u>	<u>1,935,619</u>	<u>42,725,833</u>	<u>41,267,002</u>		
<b>Expenses</b>							
Program services	1,547,590	15,614,833	1,033,571	-	17,026,163		
Supporting services	2,007,207	5,208,749	714,337	32,557,669	2,518,379		
Fundraising expense	62,558	3,001,280	-	79,849	3,115,095		
Total expenses	<u>3,617,355</u>	<u>23,824,862</u>	<u>1,747,908</u>	<u>32,637,518</u>	<u>22,659,637</u>		
<b>Change in Net Assets</b>	<u>2,705,456</u>	<u>15,924,460</u>	<u>187,711</u>	<u>10,088,315</u>	<u>18,607,365</u>		
<b>Net Assets, Beginning of Year, as Restated</b>	<u>34,425,466</u>	<u>288,394,936</u>	<u>7,076,752</u>	<u>62,569,676</u>	<u>334,262,850</u>		
<b>Net Assets, End of Year</b>	<u>\$ 37,130,922</u>	<u>\$ 304,319,396</u>	<u>\$ 7,264,463</u>	<u>\$ 72,657,991</u>	<u>\$ 352,870,215</u>		

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

<b>FASB BASIS</b>	<b>RE Arena, Inc UND Arena Services, Inc. UND Sports Facilities, Inc. Arena Holdings Charitable LLC &amp; Affiliates May 31, 2019</b>	<b>Total Major Component Units</b>	<b>Non-Major Component Units</b>	<b>Total Component Units</b>
<b>Support and revenue</b>				
Gifts and contributions	\$ -	\$ 73,141,480	\$ 12,054,848	\$ 85,196,328
Investment income	-	28,669,601	5,749,043	34,418,644
Grant Revenue	4,000,000	4,000,000	57,192	4,057,192
Net realized and unrealized gains (losses) on investment securities	-	(16,528,866)	512,538	(16,016,328)
Program and event income	8,584,973	51,783,186	9,716,644	61,499,830
Other income	1,724,371	5,244,530	2,197,698	7,442,228
Total support and revenue	14,309,344	146,309,931	30,287,963	176,597,894
<b>Expenses</b>				
Program services	1,188,217	36,410,374	6,195,778	42,606,152
Supporting services	10,422,245	53,428,586	11,573,023	65,001,609
Fundraising expense	262,838	6,521,620	351,382	6,873,002
Total expenses	11,873,300	96,360,580	18,120,183	114,480,763
<b>Change in Net Assets</b>	2,436,044	49,949,351	12,167,780	62,117,131
<b>Net Assets, Beginning of Year, as Restated</b>	67,422,843	794,152,523	73,669,854	867,822,377
<b>Net Assets, End of Year</b>	\$ 69,858,887	\$ 844,101,874	\$ 85,837,634	\$ 929,939,508

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

The significant accounting policies, as summarized below, and the financial statements for the North Dakota University System (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 System. The Board appoints a Commissioner of Higher Education (Chancellor) to serve as the chief executive officer of the Board and of the 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 System Office or NDUSO. 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 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 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

Hettinger Research Extension Center

**June 30, 2019**

**NOTES TO THE FINANCIAL STATEMENTS**

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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 organization's 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 System (the primary institution) and its component units. The component units are included in the System's reporting entity because of the significance of their operational or financial relationships with the System.

The component units' financial statements are presented under Financial Accounting Standards Board (FASB) standards. As such, certain amounts reported on the primary institution financial statements (receivables from and payables to component units) are not reflected on the component units' financial statements. A reclassification column has been added to the consolidating component unit's statement of financial position to reflect material inter-entity balances between the primary institutions and the component units. Certain other amounts have been reclassified for consistent presentation. Detailed component unit financial statements may be obtained at the respective addresses listed below.

### **Blended Component Units**

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

**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 System. 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 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 18 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, non-profit organization established to assist in the development and advancement of BSC. 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 as well as seven ex-officio members that are officers/employees of BSC. Financial statements may be obtained at their administrative office at 1255 Schafer Street, PO Box 5587, Bismarck, ND 58506-5587.

**NDSU Foundation** is a legally separate non-profit corporation established to raise, manage, distribute, and steward private resources to support the various priorities of NDSU. The foundation engages in development and outreach activities on behalf of NDSU. The foundation is governed by an Executive Governing Board comprised of 11 voting members as well as two ex-officio members – the president of NDSU and the President/CEO of the foundation.

The foundation's fiscal year-end is December 31. Financial statements and footnote disclosures are presented as of December 31, 2018. Financial statements may be obtained at their administrative office at 1241 N. University Drive, Fargo, ND 58102.

June 30, 2019

## NOTES TO THE FINANCIAL STATEMENTS

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**NDSU Research & Technology Park, Inc.**, is a legally separate non-profit organization developed 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 (nine of twelve) works in private industry. 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. Financial statements may be obtained at their administrative office at 1854 NDSU Research Circle North, Fargo, ND 58102.

**UND Aerospace Foundation** is a legally separate non-profit entity to encourage and develop UND'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's principal activities are located in Grand Forks, North Dakota, with additional flight training centers in Phoenix, Arizona and Crookston, Minnesota.

The Foundation is governed by a board of directors consisting of three to nine voting members, including two or more persons who are active in the aerospace industry and/or graduates of UND with an interest in the aerospace industry, elected by the board. Non-voting members/representatives on the board include a senior manager of the Foundation elected by the board, the dean of the Odegard School of Aerospace Sciences and the president of the University. Financial statements may be obtained at their administrative office at 4275 University Ave Stop 9023, Grand Forks, ND 58202-9023.

**The UND Alumni Association and Foundation** is a legally separate non-profit organization exclusively for the benefit of UND. The foundation fosters connections, inspires generosity, and advances UND. The foundation receives, holds and manages contributions from alumni and private sources and engages in development and engagement activities on behalf of UND.

The foundation is governed by a board of directors consisting of twenty-two voting members, eighteen of whom are alumni of UND, and an additional six ex-officio members. The six ex-officio members consist of foundation officers and four UND officers. Financial statements may be obtained at their administrative office at 3501 University Ave Stop 8157, Grand Forks, ND 58202-8157 or at undalumni.org

**RE Arena Inc. (REA), UND Arena Services Inc. (UAS), UND Sports Facilities Inc. (UNDSF) and Arena Holdings Charitable LLC (AHC)** are legally separate related organizations with common board of directors and management organized for the benefit of UND. There are transactions between the organizations and all related party transactions have been eliminated in the combined financial statements of the organization.

These organizations operate and maintain a multipurpose sports and entertainment complex in Grand Forks, North Dakota. The complex is used primarily for UND athletics and activities.

UNDSF is the sole member of AHC. REA conducts day-to-day operations of the arena through a contract with UAS. UAS is the legal manager of the AHC, which is the lessee of the land from UND and is the titleholder of the complex. At the conclusion of the original 30-year lease (2030), the complex will vest with UND.

UAS has a seven-member board with one member being the UND Vice President for Finance and Operations/Chief Operating Officer (VPFO/COO). REA has a five-member board with the President being the REA General Manager. The remaining four board members are board members of UAS with no UND employee represented on the board. AHC does not have any board members. UNDSF has three board members, who also serve on the other boards, with one of the board members being the UND



**June 30, 2019**

## **NOTES TO THE FINANCIAL STATEMENTS**

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VPFO/COO. All board members from all three entities have voting rights. Combined financial statements may be obtained at the UND Controller's Office at Twamley Hall, Room 409, 264 Centennial Drive Stop 8356, Grand Forks ND 58202-8356.

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

**Minot State University Development Foundation** is a legally separate non-profit organization established for the purpose of providing financial and other support to MiSU. The foundation receives, holds and manages contributions from alumni and private sources.

A board of directors comprising twelve voting members manages the foundation. In addition, there are two ex-officio appointments from the Board of Regents and the Alumni Association, and three ex-officio members who are employees of MiSU. Financial statements for the foundation may be obtained at their administrative office at 500 University Avenue West, Minot, ND 58707.

**North Dakota State College of Science Foundation** is a legally separate non-profit entity established for the purpose of receiving and maintaining funds received from the public for the betterment of NDSCS. The foundation is managed by a 20-member board of directors as well as five ex-officio members that are officers/employees of NDSCS. Financial statements for the foundation may be obtained at their administrative office at 800 Sixth Street North, Wahpeton, ND 58076-0002.

**Williston State College Foundation** is legally separate established 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. Financial statements for the foundation may be obtained at their 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 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 region. The organization serves as an agency through which resources are received and dispensed to supplement the educational endeavors of the five member institutions. The organization also serves as a means for promoting and strengthening existing and potential educational programs and courses.

A ten-member board of directors, including the presidents of the five universities, manages the TCU. All property, funds and income of the organization 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, 2019, the TCU had net position of approximately \$657,153 and is not considered a financial burden to NDSU. The financial activity of this organization is not reflected in the accompanying financial statements. Financial statements for the TCU may be obtained at their administrative office at North Dakota State University, Renaissance Hall, 650 NP Avenue 110, Fargo, ND 58102.

### **INSIGNIFICANT COMPONENT UNITS**

The following organizations are component units of the System but they have been deemed insignificant due to small total assets and revenues. Entities in this category had less than 1.0 percent each in total assets compared to total System assets and less than 10 percent in payments to or from the primary

**June 30, 2019**

## **NOTES TO THE FINANCIAL STATEMENTS**

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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, 2019 were:

BSC:	Bismarck Innovations Foundation 1200 Edwards Avenue Bismarck, ND 58506-5587	DSU	The Blue Hawk Booster Club 620 Villard St. W Dickinson, ND 58601-5128
	Mystic Athletic Club 1500 Edwards Ave. PO Box 5587 Bismarck, ND 58506-5587		Dickinson State University Heritage Foundation 290 Campus Drive Box 19 Dickinson, ND 58601
DCB:	DCB Foundation 105 Simrall Boulevard Bottineau, ND 58318	LRSC:	Lake Region Community College Foundation 1801 College Drive North Devils Lake, ND 58301-1598
MaSU:	Mayville Mutual Aid Corporation 330 3 <sup>rd</sup> Street NE Mayville, ND 58257	MiSU:	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 Research Foundation 1735 NDSU Research Park Drive Suite 124 Fargo, ND 58102		The Fellows of the University of North Dakota 264 Centennial Drive PO Box 6050 Grand Forks, ND 58502
	NDSU Team Makers Dept 1200 PO Box 6050 Fargo, ND 58108-6050		UND Center for Innovation Foundation 4200 James Ray Drive, Stop 8372 Grand Forks, ND 58203
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 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

**June 30, 2019**

## **NOTES TO THE FINANCIAL STATEMENTS**

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expenses are recorded when they have been reduced to a legal or contractual obligation to pay. The 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 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 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 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 System. Pell Grant revenues are considered non-operating revenues. Revenues from nonexchange transactions and state appropriations that represent subsidies or gifts to the 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 System pursuant to federal acts,

**NOTES TO THE FINANCIAL STATEMENTS**

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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 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 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 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

**June 30, 2019**

## **NOTES TO THE FINANCIAL STATEMENTS**

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assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

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

### **RECEIVABLES**

Accounts receivables include tuition, fees, food service, room and board charges and apartment rent; accrued interest on investments; and Family Medicine 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 other 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, aerospace and pharmacy 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

**June 30, 2019**

## **NOTES TO THE FINANCIAL STATEMENTS**

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estimated useful lives for the System and its component units. All institutions, except UND and NDSU, use the half-year convention.

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

### **OTHER POST-EMPLOYMENT BENEFITS**

For purposes of measuring the net other post-employment (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB 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 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

June 30, 2019

## NOTES TO THE FINANCIAL STATEMENTS

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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.

### NET POSITION

Net position is classified according to external donor restrictions or availability of assets for satisfaction of 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 System. Invested in capital assets represents the cost or gifted value of buildings, equipment, land improvements and infrastructure, less accumulated depreciation and related outstanding debt.

### RESTATEMENT OF BEGINNING NET POSITION

Net Position, beginning of the year, as previously reported	\$ 1,433,684,587
<u>Prior period adjustments:</u>	
Correction of error	58,596
Net Position, beginning of the year, as restated	<u>\$ 1,433,743,183</u>

### USE OF ESTIMATES

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

### New Accounting Pronouncements

#### Accounting Standards Implemented

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

In April 2018, the GASB issued Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement." This statement is effective for periods beginning after June 15, 2018. The statement adds additional disclosures for debt instruments.

#### Accounting Standards Issued but Not Yet Implemented

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

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

**June 30, 2019**

## **NOTES TO THE FINANCIAL STATEMENTS**

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In June 2018, the GASB issued Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period". The statement is effective for reporting periods beginning after December 15, 2019.

In December 2016, the GASB issued Statement No. 90, "Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61". The statement is effective for reporting periods beginning after December 15, 2018.

In May 2019, the GASB issued Statement No. 91, "Conduit Debt Obligations". The statement is effective for periods beginning after December 15, 2020.

The effect, if any, these statements will have on future financial statements has not 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 allows the System to receive donations, gifts, grants and bequests. These funds must be used for the specific purpose for which they are donated or given and must be deposited in the Bank of North Dakota.

NDCC Sections 15-55-05 and 15-55-06 govern the investment of proceeds of revenue bonds and revenues pledged to bondholders. Such proceeds must be invested in the BND, in a separate fund in the State Treasury or in a duly authorized depository for the state funds that is a member of the federal deposit insurance corporation. The SBHE may invest such funds in direct obligations of, or in obligations where the United States of America guarantees the principal and interest, or obligations of the State of North Dakota or any municipality as defined in NDCC Section 21-03-01.

#### **DEPOSITS**

Cash and Cash Equivalents are as follows:

	June 30, 2019	
	Carrying Amount	Bank Balance
Cash Deposits at the Bank of North Dakota	\$ 242,937,069	\$ 266,174,685
Cash Deposits at institutions other than the Bank of North Dakota	9,593,987	11,309,827
Certificates of Deposit at the Bank of North Dakota	249,102,290	249,102,290
Certificates of Deposit at institutions other than the Bank of North Dakota	163,210	47,400
Total Bank Deposits	501,796,557	\$ 526,634,202
Cash on Hand/Petty Cash	183,654	
Amounts credit risked as deposits but reported as investments	(249,265,500)	
Total Cash and Cash Equivalents	\$ 252,714,711	



June 30, 2019

## NOTES TO THE FINANCIAL STATEMENTS

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### 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, 2019, \$524.2 million of the System's bank balance of \$526.6 million was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$515.3 million
Uninsured and collateral held by pledging bank not in system's name	\$ 8.9 million

### Investments

Investments are reported at fair value (market). The balances at June 30, 2019 are:

Investment Type	Market Value	Maturities
		Less than 1 year
Mutual Bond Funds	\$ 195,579	\$ 195,579
Money Market Mutual funds	5,804,152	5,804,152
<b>Debt Securities Subtotal</b>	<b>\$ 5,999,731</b>	<b>\$ 5,999,731</b>
Stocks	\$ 192,451	
Equity Mutual Funds	31,315	
Exchange Transfer Funds (ETF's)	786,456	
Certificates of Deposit - BND	249,102,290	
Certificates of Deposit - non-BND	163,210	
Investment in Real Estate	10,194,443	
<b>Equity Securities Subtotal</b>	<b>\$ 260,470,165</b>	
<b>Total Investments</b>	<b>\$ 266,469,896</b>	

### 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, 2019, the system's debt portfolio (excluding US Treasuries and US Agencies) included Standard & Poor's quality ratings as follows:

June 30, 2019

## NOTES TO THE FINANCIAL STATEMENTS

	Market	Credit Quality Rating			Total
	Value	AAA	AA	Not Rated	
Mutual Bond Funds	\$ 195,579	\$ -	\$ -	\$ 195,579	\$ 195,579
Money market mutual funds	5,804,152	5,420,404	383,748	-	5,804,152
<b>Total</b>	<b>\$ 5,999,731</b>	<b>\$ 5,420,404</b>	<b>\$ 383,748</b>	<b>\$ 195,579</b>	<b>\$ 5,999,731</b>

The System 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, 2019 are:

	Level 1	Level 2	Level 3	Total
Equity securities	\$ 192,451	\$ -	\$ -	\$ 192,451
US Treasuries	-	-	-	-
ETF funds	786,456	-	-	786,456
Mutual bond funds	195,579	-	-	195,579
Mutual funds	31,315	-	-	31,315
Real estate	-	-	10,194,443	10,194,443
<b>Total</b>	<b>\$ 1,205,801</b>	<b>\$ -</b>	<b>\$ 10,194,443</b>	<b>\$ 11,400,244</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.

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## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 3 – RECEIVABLES

Receivables consist of the following amounts:

	Current	Non-Current	Total
Student and General Receivables	\$ 32,018,002	\$ -	\$ 32,018,002
Interest Receivable	755,575	-	755,575
Allowance for Doubtful Accounts	(6,867,957)	-	(6,867,957)
Accounts Receivable, net	<u>\$ 25,905,620</u>	<u>\$ -</u>	<u>\$ 25,905,620</u>
Grants and Contracts Receivable	\$ 26,643,518	\$ -	\$ 26,643,518
Due from Other State Agencies	5,822,195	-	5,822,195
Grants and Contracts Receivable, net	<u>\$ 32,465,713</u>	<u>\$ -</u>	<u>\$ 32,465,713</u>
Student	\$ 6,998,581	\$ 24,883,807	\$ 31,882,388
Allowance for Doubtful Notes	(817,930)	(3,809,933)	(4,627,863)
Notes Receivable, net	<u>\$ 6,180,651</u>	<u>\$ 21,073,874</u>	<u>\$ 27,254,525</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. 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, 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, institution officers are delegated authority to manage and invest these institutional funds as provided by UPMIFA. NDCC Section 59-21-02.5a(7) applies to standard of conduct in the administration of powers to make and retain investments. It states that in managing and investing an institutional fund, the needs of the institution and the fund to make distributions and to preserve capital must be considered. Given the flexibility in NDCC 59-21-02, institutions have differing policies with respect to spending investment income and net appreciation on endowment funds.

For UND, distributions for spending from endowments each fiscal year will be calculated once annually with the quarter ended December 31 unitized market value and is based on the set spending rate, currently four percent, applied to the average market value for the preceding twelve quarter average. All endowments in existence at December 31 for one year will receive a distribution spending allocation. The 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. NDSU determines the spending of endowment earnings based on an annual evaluation. 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, 2019:

June 30, 2019

## NOTES TO THE FINANCIAL STATEMENTS

North Dakota State University	\$ 233,027
University of North Dakota	937,935
Williston State College	2,731
Total NDUS	<u>\$ 1,173,693</u>

### Reflected in net position as:

Expendable scholarships and fellowships  
Non-expendable scholarships and fellowships  
Non-expendable scholarships and fellowships

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 and Williston State College do 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, 2019 are approximately \$185.2 million and \$6.1 million, respectively.

### NOTE 5 – CAPITAL AND INTANGIBLE ASSETS

Capital asset activity for the year ended June 30, 2019 are as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	\$ 19,675,565	\$ -	\$ -	\$ -	\$ 19,675,565
Construction in progress	52,509,308	105,168,661	212,500	(17,438,248)	140,027,221
<b>Total non-depreciable capital assets</b>	<b>72,184,873</b>	<b>105,168,661</b>	<b>212,500</b>	<b>(17,438,248)</b>	<b>159,702,786</b>
Land improvements/infrastructure	217,266,170	7,560,385	-	1,053,795	225,880,350
Buildings	1,658,139,971	24,040,541	2,275,306	15,904,162	1,695,809,368
Furniture, fixtures, and equipment	347,057,766	23,599,223	11,890,325	480,291	359,246,955
Intangibles:					
Computer Software	25,055,333	126,978	79,099	-	25,103,212
Websites	825,096	29,458	-	-	854,554
Other	1,306,428	31,075	-	-	1,337,503
Library materials	86,170,218	902,486	5,095,486	-	81,977,218
<b>Total depreciable capital assets</b>	<b>2,335,820,982</b>	<b>56,290,146</b>	<b>19,340,216</b>	<b>17,438,248</b>	<b>2,390,209,160</b>
Less accumulated depreciation and amortization					
Land improvements/infrastructure	107,327,051	5,784,950	128	-	113,111,873
Buildings	595,836,699	39,650,488	1,820,671	-	633,666,516
Furniture, fixtures, and equipment	229,907,039	22,657,829	10,062,776	-	242,502,092
Intangibles					
Computer Software	22,012,100	1,290,046	71,978	(108,488)	23,121,680
Websites	579,970	41,473	4,077	-	617,366
Other	524,642	47,670	-	108,488	680,800
Library materials	72,245,975	3,110,548	5,095,486	-	70,261,037
<b>Total accumulated depreciation and amortization</b>	<b>1,028,433,476</b>	<b>72,583,004</b>	<b>17,055,116</b>	<b>-</b>	<b>1,083,961,364</b>
<b>Total depreciable capital assets, net</b>	<b>1,307,387,506</b>	<b>(16,292,858)</b>	<b>2,285,100</b>	<b>17,438,248</b>	<b>1,306,247,796</b>
<b>Capital assets, net</b>	<b>\$ 1,379,572,379</b>	<b>\$ 88,875,803</b>	<b>\$ 2,497,600</b>	<b>\$ -</b>	<b>\$ 1,465,950,582</b>

June 30, 2019

## NOTES TO THE FINANCIAL STATEMENTS

Construction in progress for the year ended June 30, 2019 was as follows:

	Total Amount Authorized	Expended (CIP Asset)	Capitalized Equipment	Expended (Non capitalized)	Remaining Authorized Balance
Dakota College of Bottineau	\$ 2,500,000	\$ 12,684	\$ -	\$ -	\$ 2,487,316
Minot State University	11,380,089	3,721,369	-	4,432,576	3,226,144
North Dakota State College of Science	13,298,000	13,205,583	-	5,941	86,476
North Dakota State University	67,213,224	60,505,025	788,515	61,573	6,646,626
University of North Dakota	197,533,942	61,235,182	6,800	35,804	136,262,956
Valley City State University	24,110,000	1,026,378	-	-	23,083,622
Williston State College	11,500,000	321,000	-	-	11,179,000
Total NDUS	<u>\$ 327,535,255</u>	<u>\$ 140,027,221</u>	<u>\$ 795,315</u>	<u>\$ 4,535,894</u>	<u>\$ 182,972,140</u>

Interest expense related to capital asset debt was approximately \$15.4 million in fiscal year 2019, of which approximately \$4.0 million was capitalized as part of the value of the construction in progress.

### NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30, 2019:

	Totals
Accounts Payable	\$ 28,678,225
Due to other state agencies	1,350,747
Due to Other Funds	2,862,559
Sales Tax Payable	41,713
Accrued Interest	2,281,799
Contractor Payable/Retainage	3,898,253
Other liabilities	32,799
Total Payables & Accrued Liabilities	<u>\$ 39,146,095</u>

### NOTE 7 – LONG-TERM LIABILITIES

The changes in long-term liabilities during fiscal year 2019 are as follows:

	Beginning Balance, restated	Additions	Retirements	Ending Balance	Current Portion	Noncurrent Portion
Bonds Payable	\$ 251,107,800	\$ -	\$ 9,411,019	\$ 241,696,781	\$ 10,617,051	\$ 231,079,731
Bonds Payable to Component Units	20,224,999	-	1,730,000	18,494,999	1,765,000	16,730,000
Certificates of Participation	-	96,842,841	-	96,842,841	-	96,842,841
Notes Payable	26,022,473	27,238	8,798,151	17,251,560	1,224,581	16,026,980
Notes Payable to Component Units	214,318	-	53,972	160,346	55,604	104,742
Capital Leases	21,156,705	22,390,166	6,579,047	36,967,824	3,283,857	33,683,966
Capital Leases with Component Units	18,901,079	-	1,509,403	17,391,676	1,522,167	15,869,506
Special Assessments	5,288,497	177,819	408,539	5,057,777	469,475	4,588,300
Compensated Absences	31,332,163	220,238	665,931	30,886,470	2,710,196	28,176,277
Total	<u>\$ 374,248,034</u>	<u>\$ 119,658,302</u>	<u>\$ 29,156,062</u>	<u>\$ 464,750,274</u>	<u>\$ 21,647,931</u>	<u>\$ 443,102,343</u>

### NOTE 8 – BONDS PAYABLE

Revenue bonds are limited obligations of the System. The principal and interest on the bonds are payable generally from the net income of specific auxiliary activities, designated student fees, interest subsidies

**June 30, 2019**

## **NOTES TO THE FINANCIAL STATEMENTS**

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, 2019 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	\$ 10,184,334	2.0 - 4.0%	\$ 7,768,529
Mayville State University	4,685,057	1.25 - 6.63%	3,425,515
Minot State University	13,433,825	2.0 - 6.60%	11,580,883
North Dakota State College of Science	9,000,000	3.76%	7,335,000
North Dakota State University	151,397,818	1.5 - 5.0%	132,724,634
University of North Dakota	103,119,689	0.75 - 4.25%	84,512,220
Valley City State University	5,995,000	2.8 - 7.05%	5,185,000
Williston State College	9,375,000	6.81%	7,660,000
<b>Total Bonds Payable</b>	<b>\$ 307,190,723</b>		<b>\$ 260,191,781</b>

At June 30, 2019, NDSU had pledged \$14.7 million of assets as collateral for bonds payable issued for the Research I and Research II buildings.

### **Industrial Commission Bonds**

For the 2017-2019 biennium, the North Dakota University System Office received an appropriation of \$6.6 million to act as the fiscal agent for the institutions on bond payments to the Industrial Commission. During fiscal year 2019, the North Dakota University System Office paid \$3.3 million in general funds to the Industrial Commission of North Dakota.

### **Scheduled Maturities of Bonds Payable**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 12,382,051	\$ 9,701,304	\$ 22,083,355
2021	12,785,684	9,302,003	22,087,687
2022	12,941,866	8,862,757	21,804,623
2023	12,915,386	8,370,583	21,285,969
2024	13,114,160	7,861,334	20,975,494
2025 - 2029	63,785,232	32,023,655	95,808,887
2030 - 2034	64,994,867	20,194,846	85,189,713
2035 - 2039	37,108,309	10,010,098	47,118,407
2040 - 2044	22,238,056	3,735,469	25,973,525
2045 - 2049	7,926,170	551,250	8,477,420
	<u>\$ 260,191,781</u>	<u>\$ 110,613,299</u>	<u>\$ 370,805,080</u>

### **NOTE 9 – CERTIFICATES OF PARTICIPATION**

On September 1, 2018, UND entered into a lease-purchase agreement with Johnson Controls PI Project Site Operations, LLC (Johnson Controls) to construct and operate a new steam plant and make other energy conservation improvements. To fund the project, UND issued Series 2018A and 2018B Certificates of Participation through the Bank of North Dakota. The certificates have interest rates ranging

**June 30, 2019**

**NOTES TO THE FINANCIAL STATEMENTS**

from 3.55 to 5.0 percent and are subject to annual appropriations by the North Dakota Legislature as part of the general operating appropriations.

The Series 2018A certificates were issued at a par value of \$76.6 million, with a net premium of \$3.8 million. Beginning in fiscal year 2019, UND will make semi-annual interest-only payments through fiscal year 2040. The semi-annual interest-only payments in fiscal years 2019 and 2020 are for capitalized interest paid with bond proceeds. The first principal payment will be due in fiscal year 2041. The certificates mature in fiscal year 2057.

The Series 2018B certificates were issued at a par value of \$16.5 million, with no premium or original issue discount. Beginning in fiscal year 2019, UND will make semi-annual interest-only payments through fiscal year 2023. The semi-annual interest-only payments in fiscal years 2019 and 2020 are for capitalized interest paid with bond proceeds. The first principal payment will be due in 2024. The certificates mature in fiscal year 2041.

**Scheduled Maturities of Certificates of Participation**

Fiscal Year	Principal	Interest	Total
2020	\$ -	\$ 4,240,148	\$ 4,240,148
2021	-	4,240,148	4,240,148
2022	-	4,240,148	4,240,148
2023	-	4,240,148	4,240,148
2024	105,044	4,240,148	4,345,192
2025 - 2029	1,810,857	21,069,325	22,880,182
2030 - 2034	2,662,844	20,653,575	23,316,419
2035 - 2039	9,050,645	19,624,874	28,675,519
2040 - 2044	11,796,449	17,135,145	28,931,594
2045 - 2049	18,366,776	13,970,429	32,337,205
2050 - 2054	31,780,197	8,637,750	40,417,947
2055 - 2059	21,270,029	1,877,200	23,147,229
	<u>\$ 96,842,841</u>	<u>\$ 124,169,036</u>	<u>\$ 221,011,876</u>

**NOTE 10 – NOTES PAYABLE**

Mayville State University has a note payable to Capitol One, 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 \$2.2 million with the Bank of North Dakota for construction of the Petroleum Safety and Technology Center and a note payable of \$160,000 to the Williston State College Foundation for construction of a dormitory geothermal system.

Details of the notes are as follows:

Institution	Original Balance	Maturity Date	Interest Rate	Outstanding Balance June 30, 2019
Lake Region State College	\$ 4,881,045	Jun-27	3.27%-5.15%	\$ 2,940,606
Mayville State University	4,338,457	Dec-19	2.73%	3,570,332
University of North Dakota	9,800,000	Oct-23	5.38%	8,519,486
Williston State College	3,000,000	January 2022 & May 2035	1.75% - 3%	2,381,482
Total Notes Payable	\$ 22,019,502			\$ 17,411,906

June 30, 2019

## NOTES TO THE FINANCIAL STATEMENTS

### Scheduled Maturities of Notes Payable

	Principal	Interest	Total
2020	\$ 1,280,185	\$ 758,831	\$ 2,039,016
2021	1,359,285	710,705	2,069,990
2022	1,423,474	660,284	2,083,758
2023	1,453,683	607,907	2,061,589
2024	8,646,794	251,714	8,898,507
2025 - 2029	2,262,553	349,856	2,612,409
2030 - 2034	818,548	111,698	930,246
2035 - 2039	167,385	3,155	170,540
	<u>\$ 17,411,906</u>	<u>\$ 3,454,149</u>	<u>\$ 20,866,055</u>

### NOTE 11 – 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 2053.

Carrying Value of Assets Held Under Capital Leases		
	Carrying Value	Accumulated Depreciation
Land improvements/infrastructure	\$ 60,015	\$ 16,804
Buildings	52,429,670	15,610,477
Intangibles - Easement	58,314	97,189
Furniture, fixtures, and equipment	16,203,978	2,522,044
Total	<u>\$ 68,751,977</u>	<u>\$ 18,246,514</u>

### Scheduled Maturities of Capital Leases

Fiscal Year	Principal	Interest	Total
2020	\$ 4,806,026	\$ 2,316,741	\$ 7,122,767
2021	4,581,475	1,995,254	6,576,729
2022	4,485,409	1,793,452	6,278,861
2023	4,347,792	1,600,558	5,948,350
2024	4,173,308	1,370,521	5,543,829
2025 - 2029	12,538,535	3,883,666	16,422,201
2030 - 2034	9,878,320	2,232,944	12,111,264
2035 - 2039	4,062,995	1,080,042	5,143,037
2040 - 2044	2,515,412	723,085	3,238,497
2045 - 2049	2,197,250	396,714	2,593,964
2050 - 2054	772,975	51,645	824,620
	<u>\$ 54,359,498</u>	<u>\$ 17,444,624</u>	<u>\$ 71,804,122</u>

### NOTE 12 – OTHER LONG-TERM LIABILITIES

#### SPECIAL ASSESSMENTS

The institutions receive special assessments from the city or county for improvements made to roads and



June 30, 2019

## NOTES TO THE FINANCIAL STATEMENTS

infrastructure owned by the city or county that are adjacent to or on institution property.

### Scheduled Maturities of Special Assessments

Fiscal Year	Principal	Interest	Total
2020	\$ 469,475	\$ 368,462	\$ 837,937
2021	428,074	358,575	786,649
2022	336,216	348,778	684,993
2023	303,823	337,986	641,809
2024	301,045	331,246	632,290
2025 - 2029	1,217,752	1,547,524	2,765,276
2030 - 2034	1,113,187	1,383,331	2,496,518
2035 - 2039	643,719	742,348	1,386,067
2040 - 2044	244,485	246,807	491,292
	<u>\$ 5,057,775</u>	<u>\$ 5,665,057</u>	<u>\$ 10,722,833</u>

### Compensated Absences

The compensated absences liability of the institutions at June 30, 2019 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, 2019 totaled \$30.9 million. Leave policies restrict the accumulation of unused vacation and thus limit the actual payments made to employees upon termination or retirement.

### NOTE 13 – Deferred Outflows and Deferred Inflows

Deferred outflows and deferred inflows consist of the following:

<b>Deferred Outflows</b>	
Pension	\$ 66,901,629
Other post employment retirement benefits	2,005,931
Deferred outflows from debt refunding	3,988,194
	<u>\$ 72,895,754</u>
<b>Deferred Inflows</b>	
Pension	\$ 16,550,754
Other post employment retirement benefits	499,230
Grant amounts received prior to meeting time requirements	42,500
Deferred inflows from debt refunding	98,286
	<u>\$ 17,190,770</u>

### NOTE 14 – RETIREMENT BENEFITS

#### North Dakota Public Employees Retirement System (Main System)

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 nine 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, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

#### **Pension Benefits**

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00 percent 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 percent of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100 percent 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 percent 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 for 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.

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## NOTES TO THE FINANCIAL STATEMENTS

### Member and Employer Contributions

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

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

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 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, 2019, the System reported a liability of \$162.1 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The System's proportion of the net pension liability was based on their share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2018, the System's proportionate share was 9.61 percent which was a decrease of 0.16 percent from its proportion measured at June 30, 2017.

For the year ended June 30, 2019, the System recognized pension expense of \$24.5 million. At June 30, 2019, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expensed and actual experience	\$ 429,121	\$ 5,515,420
Changes of assumptions	58,519,646	2,313,856
Net difference between projected and actual earnings on pension plan investments	-	788,699
Changes in proportion and differences between employer contributions and proportionate share of contributions	814,287	7,932,779
Employer contributions subsequent to the measurement date	7,138,576	-
Total	<u>\$ 66,901,630</u>	<u>\$ 16,550,754</u>

Deferred outflows of resources of \$7.1 million are related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the fiscal year ended June 30, 2020.

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

June 30, 2019

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended June 30:

2020	\$	14,455,660
2021		12,300,427
2022		10,145,004
2023		6,018,884
2024		292,326
Thereafter		-

**Actuarial assumptions.** The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 2.50%

Salary increases	Service at Beginning of Year:	Increase Rate:
	0	12.00%
	1	9.50%
	2	7.25%
Age*	Under 30	7.25%
	30 - 39	6.50%
	40 - 49	6.25%
	50 - 59	5.75%
	60+	5.00%

\*Age-based salary increase rates apply for employees with three or more years of service

Investment rate of return 7.75%, net of investment expenses

Cost-of-living adjustments None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125 percent.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.05%
International Equity	21%	6.71%
Private Equity	7%	10.20%
Domestic Fixed Income	23%	1.45%

June 30, 2019

## NOTES TO THE FINANCIAL STATEMENTS

International Fixed Income	0%	0.00%
Global Real Assets	19%	5.11%
Cash Equivalents	0%	0.00%

**Discount rate.** For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75 percent; the municipal bond rate is 3.62 percent; and the resulting Single Discount Rate is 6.32 percent.

**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 6.32 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 (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate:

	1% Decrease 5.32%	Current Discount Rate 6.32%	1% Increase 7.32%
Employer's proportionate share of the net pension liability	\$ 220,282,271	\$ 162,113,636	\$ 113,573,765

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report at <https://ndpers.nd.gov/employers/employer-resources/governmental-accounting-standards-board-gasb/>

### TIAA RETIREMENT PLAN

#### Description of Plan

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

June 30, 2019

## NOTES TO THE FINANCIAL STATEMENTS

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80290 or by calling 800-842-2009.

### Funding Policy

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

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

Plan contributions are made on a tax-deferred basis in accordance with Section 414(h)(2) of the Internal Revenue Code. All contributions are applied as premiums to retirement annuity contracts owned by the participant. The System has no further liability once annual contributions are made. The System contributed \$42.3 million to TIAA-CREF during the fiscal years ending June 30, 2019.

### NOTE 15 – POST-EMPLOYMENT BENEFITS

#### STATE GROUP HEALTH PLAN

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine 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, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the

legislative management.

**OPEB Benefits**

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14 percent of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99 percent of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14 percent of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2019, the System reported a liability of \$7.1 million for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The System's proportion of the net OPEB liability was based on the System's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2018, the System's proportion was 9.07 percent, which was a decrease of 0.24 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the System recognized OPEB expense of \$861,000. At June 30, 2019, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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NOTES TO THE FINANCIAL STATEMENTS

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 213,969	\$ 147,664
Changes of assumptions	586,410	-
Net difference between projected and actual earnings on OPEB plan investments	-	153,749
Changes in proportion and differences between employer contributions and proportionate share of contributions	55,116	197,817
Employer contributions subsequent to the measurement date	1,150,442	-
Total	<u>\$ 2,005,937</u>	<u>\$ 499,230</u>

Deferred outflows of resources of \$1.1 million, related to OPEB resulting from Employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	\$ 38,146
2021	38,146
2022	38,146
2023	105,996
2023	93,545
Thereafter	42,286

**Actuarial assumptions.** The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	7.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125 percent.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected



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## NOTES TO THE FINANCIAL STATEMENTS

returns, net of RHIC 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. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	37%	5.80%
Small Cap Domestic Equities	9%	7.05%
International Equities	14%	6.20%
Core-Plus Fixed Income	40%	1.46%

**Discount rate.** The discount rate used to measure the total OPEB liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC 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 RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate.** The following presents the net OPEB liability of the Plans as of June 30, 2018, calculated using the discount rate of 7.50 percent, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Employer's proportionate share of the net OPEB liability	\$ 9,042,527	\$ 7,146,894	\$ 5,521,838

### NOTE 16 – TERMINATION BENEFITS

Termination benefits are benefits provided to employees who are involuntarily or voluntarily terminated, as a result of budget reductions. Termination benefits agreements may include contract buyouts, retirement incentives, severance lump-sum payouts and continuing healthcare coverage for a designated period of time or a combination of these benefits. The agreement terms vary by institution. The outstanding liability is measured at the discounted present value and projected increases in health insurance rates.

**June 30, 2019**

## **NOTES TO THE FINANCIAL STATEMENTS**

The System entered into voluntary termination agreements with 109 employees for a cost of \$4.2 million in fiscal year 2019. The terms for these agreements range from one month to eighteen months. The System recorded a liability at June 30, 2019 of \$2.1 million for future payments.

During the same time-period, the System entered into involuntary separation agreements with 10 employees for a cost of \$146,000. The payments of benefits were for a one-month time period and there is no future liability for these arrangements at June 30, 2019.

In fiscal year 2019, the System incurred \$718,000 in expenses related to voluntary termination agreements entered into in prior fiscal years for 26 employees. The terms for these agreements range from three month to thirty-eight months. At June 30, 2019, the liability for future payments was \$456,000.

In fiscal year 2019, the System incurred \$1,200 in expenses related to involuntary termination agreements entered into in prior fiscal years for one employee. The term for this agreement was two months and there is no future liability for these arrangements at June 30, 2019.

### **NOTE 17 – CONSTRUCTION COMMITMENTS AND FINANCING**

The institutions have contracted for various construction projects as of June 30, 2019. Estimated costs to complete the various projects and the sources of anticipated funding are as follows:

Institution	Contracts Awarded	Expended Through 6/30/2019	Total Cost To Complete	Funding for Remaining Costs			
				Federal Sources	State Sources	Institutional Funds	Other Sources
BSC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DCB	-	-	-	-	-	-	-
DSU	-	-	-	-	-	-	-
LRSC	67,600	67,600	-	-	-	-	-
MaSU	82,008	-	82,008	-	7,346	-	74,662
MiSU	9,012,247	7,942,881	1,069,366	-	212,239	857,127	-
NDSCS	13,138,926	13,130,008	8,918	-	8,918	-	-
NDSU	61,945,873	56,203,143	5,742,730	-	-	2,142,608	3,600,122
UND	112,992,647	43,593,614	69,399,033	-	6,664,224	5,724,417	57,010,392
VCSU	1,390,472	891,444	499,028	-	-	107,791	391,237
WSC	8,432,408	321,000	8,111,408	-	1,136,794	6,974,614	-
Total	\$ 207,062,181	\$ 122,149,690	\$ 84,912,491	\$ -	\$ 8,029,521	\$ 15,806,557	\$ 61,076,413

### **NOTE 18 – COMPONENT UNITS**

#### **Major Component Units Investments**

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

June 30, 2019

## NOTES TO THE FINANCIAL STATEMENTS

Investment Type	Market Value	Maturities			
		Less than 1 year	1 year to 5 years	6 years to 10 years	More than 10 years
US Treasuries	\$ 600,605	\$ 127,886	\$ 371,495	\$ 101,224	\$ -
Corporate Bonds	21,473,137	5,090,908	15,938,295	443,934	-
Mutual Bond Funds	139,969,167	22,498,816	20,681,011	34,637,698	62,151,642
Money Market Mutual Funds	2,705,785	2,705,785	-	-	-
Other	419,323	159,492	159,492	-	100,339
Subtotal	165,168,017	\$ 30,582,887	\$ 37,150,293	\$ 35,182,856	\$ 62,251,981
Equity Mutual Funds	246,424,610				
Investment in Real Estate	52,809,276				
Commodity Hedge and Limited Partnerships	84,259,330				
Stocks	10,178,548				
Certificate of Deposits	24,942,598				
Other	84,916,638				
Total Investments	<u>\$ 668,699,017</u>				

### Interest Rate Risk

Bismarck State College Foundation employs multiple investment strategies including capital appreciation, local fixed income and balanced portfolios. The Finance Committee will rebalance to the Target Asset Mix at least once each calendar year.

NDSU Foundation's relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends).

The University of North Dakota Alumni Association and Foundation's investment strategy incorporates a diversified asset allocation approach and maintains, within defined limits, exposure to the equity, international equity, emerging markets, hedge funds, fixed income, commodities real estate venture funds, natural resources, global distressed funds and private equity markets.

### Custodial Credit Risk

REA Arena, Inc.'s cash balances may exceed FDIC limits at various times during the year at one financial institution. In fiscal year 2017, REA Arena, Inc., obtained a \$7.0 million letter of credit through this institution to insure cash balances in excess of FDIC insurance limits at this institution.

The major component units' investments are registered in the name of the component unit.

### Major Component Units Capital Assets

Capital asset activity for the major component units for the year ended June 30, 2019 was as follows:

June 30, 2019

## NOTES TO THE FINANCIAL STATEMENTS

	Beginning Balance-Restated	Additions	Retirements	Transfers	Ending Balance
Land	\$ 6,236,190	\$ -	\$ -	\$ -	\$ 6,236,190
Construction in progress	-	4,928,198	-	-	4,928,198
Total non-depreciable capital assets	6,236,190	4,928,198	-	-	11,164,388
Land improvements/infrastructure	1,209,203	-	-	-	1,209,203
Buildings	195,298,242	3,956,850	14,068,902	-	185,186,190
Furniture, fixtures, and equipment	47,492,144	6,548,659	1,532,760	-	52,508,043
Total depreciable capital assets	243,999,589	10,505,509	15,601,662	-	238,903,436
Less accumulated depreciation					
Land improvements/infrastructure	574,334	47,857	-	-	622,191
Buildings	71,810,205	5,206,846	5,087,685	-	71,929,366
Furniture, fixtures, and equipment	21,185,022	3,686,986	1,485,645	-	23,386,363
Total accumulated depreciation	93,569,561	8,941,689	6,573,330	-	95,937,920
Total depreciable capital assets, net	150,430,028	1,563,820	9,028,332	-	142,965,516
Capital assets, net	\$ 156,666,218	\$ 6,492,018	\$ 9,028,332	\$ -	\$ 154,129,904

### MAJOR COMPONENT UNITS LONG-TERM LIABILITIES SUMMARY

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Noncurrent Portion
Bonds Payable	\$ 43,076,398	\$ -	\$ 3,646,455	\$ 39,429,943	\$ 3,412,149	\$ 36,017,794
Notes Payable	19,092,355	1,611,867	10,708,837	9,995,385	817,497	9,177,888
Special Assessments	551,873	102,895	33,560	621,208	31,845	589,363
Capital Leases	1,378,788	-	61,750	1,317,038	64,382	1,252,656
Other	6,490,000	4,000,000	3,690,000	6,800,000	-	6,800,000
Total	\$ 70,589,414	\$ 5,714,762	\$ 18,140,602	\$ 58,163,574	\$ 4,325,873	\$ 53,837,701

### MAJOR COMPONENT UNITS BONDS PAYABLE

Bonds payable for the major component units at June 30, 2019 was as follows:

Component Unit	Maturity Date (Fiscal Year)	Interest Rate	Balance Outstanding
BSC Foundation	2022-2040	1.75% - 5.25%	\$ 5,655,637
NDSU Foundation	2021-2037	2.00% - 4.89%	13,235,308
NDSU Research & Technology Park, Inc.	2032	1.01% - 3.541%	14,720,000
UND Alumni Foundation	2027-2028	0.75% - 4.20%	5,818,998
Total Component Unit Bonds Payable			\$ 39,429,943

June 30, 2019

## NOTES TO THE FINANCIAL STATEMENTS

### Scheduled Maturities of Major Component Bonds Payable

Fiscal Year	Principal	Interest	Total
2019	\$ 1,060,103	\$ 469,313	\$ 1,529,416
2020	3,442,251	1,229,329	4,671,580
2021	3,162,754	1,119,491	4,282,245
2022	3,085,486	1,030,347	4,115,833
2023	2,543,641	942,287	3,485,928
2024	2,627,053	863,276	3,490,329
2025 - 2029	13,117,810	2,965,073	16,082,883
2030 - 2034	7,889,125	1,004,784	8,893,909
2035 - 2039	2,463,685	137,874	2,601,559
2040 - 2044	38,035	299	38,334
	<u>\$ 39,429,943</u>	<u>\$ 9,762,073</u>	<u>\$ 49,192,016</u>

### MAJOR COMPONENT UNITS NOTES PAYABLE

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

Component Unit	Interest Rate	Maturity Date (Fiscal Year)	Balance Outstanding
NDSU Foundation	2.75%	2024	\$ 8,076,241
UND Alumni Association & UND Foundation	4.35%	2036	424,196
UND Aerospace Foundation	2.431% - 3.69%	2021 - 2022	1,206,067
RE, Arena, Inc	3.0%	2020	288,881
<b>Total Component Unit Notes Payable</b>			<u>\$ 9,995,385</u>

### Scheduled Maturities of Major Component Units Notes Payable

Fiscal Year	Principal	Interest	Total
2019	\$ -	\$ 444,193	\$ 444,193
2020	817,497	513,242	1,330,739
2021	172,718	492,584	665,302
2022	558,775	472,550	1,031,325
2023	8,095,877	237,810	8,333,687
2024	20,507	14,842	35,349
2025 - 2029	117,022	59,723	176,745
2030 - 2034	145,397	31,348	176,745
2035 - 2039	67,592	3,106	70,698
	<u>\$ 9,995,385</u>	<u>\$ 2,269,398</u>	<u>\$ 12,264,783</u>

### Scheduled Maturities of Major Component Units Capital Leases

Fiscal Year	Principal	Interest	Total
2020	\$ 64,382	\$ 63,235	\$ 127,617
2021	67,549	60,068	127,617
2022	70,872	56,745	127,617
2023	74,359	53,259	127,618
2024	78,016	49,601	127,617
2025 - 2029	451,564	186,525	638,089
2030 - 2034	510,296	63,984	574,280
	<u>\$ 1,317,038</u>	<u>\$ 533,417</u>	<u>\$ 1,850,455</u>

June 30, 2019

## 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	\$ 10,715,746	Primary University Payable to Component Units - Current	\$ 700,964
Primary University Receivable Component Units - Non-Current	-	Primary University Long Term Liability to Component Unit - Current Portion	3,342,771
Total Due from Component Units	10,715,746	Primary University Long Term Liability to Component Unit - Non-Current Portion	32,704,248
Reconciling Differences:		Total Due to Component Units	36,747,983
Transactions with Component Units having fiscal year ends other than June 30, 2019	(5,579,964)	Reconciling Differences:	
Transactions in transit at June 30, 2019	252,361	Transactions with Component Units having fiscal year ends other than June 30, 2019	523,563
Receivables from insignificant component units	(300,352)	Transaction with insignificant component units that are not discretely presented	1,819
Other differences	49,517	Transactions in transit at June 30, 2019	146,622
Total Component Unit Payable to Primary University	\$ 5,137,308	Other	(5,276)
		Total Receivable from Primary University	\$ 37,414,711
		Component Unit Current Receivable from Primary University - Current	\$ 4,720,078
		Component Unit Non-Current Receivable from Primary University	32,694,633
		Total Component Unit Receivable from Primary Institution	\$ 37,414,711

### BEGINNING COMPONENT UNIT NET ASSET RESTATEMENTS

Net assets, beginning of the year, as previously reported	\$ 867,925,974
Prior period adjustments:	
Correction of errors	(346,480)
Change in reporting entity	242,883
Net assets, beginning of the year, as restated	\$ 867,822,377

**NOTES TO THE FINANCIAL STATEMENTS****SIGNIFICANT TRANSACTIONS AND DEVELOPMENTS****Bismarck State College Foundation**

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

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.

	<u>BSC</u>	<u>BSC Foundation</u>
NECE Building	\$ 9,548,989	\$ 10,846,116
Accumulated Depreciation	(2,920,019)	(2,920,019)
	<u>\$ 6,628,970</u>	<u>\$ 7,926,097</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 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

**June 30, 2019**

## **NOTES TO THE FINANCIAL STATEMENTS**

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facilities. The lease is classified as an operating lease on BSC financial statements and Student Housing, LLC financial statements includes the capitalized asset.

In fiscal year 2019, BSC purchased a building located in Bismarck, North Dakota from the foundation for \$8.2 million. The building will house the BSC nursing school.

As of July 1, 2018, the Foundation gained control of the Bismarck State College National Alumni Association. The Alumni Association financial statements are included in the consolidated financial statements of the Foundation. The change in reporting entity has been applied retroactively to the July 1, 2018 beginning net assets.

### **Dickinson State University Foundation**

#### **Arbitration:**

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

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

- a) prejudgment interest at 6 percent 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 exceeded \$1.7 million. Although DSUF had an equity interest of about 6 percent in Dickinson Investments, the arbitrator ruled that it was jointly and severally liable for the entire award, except the \$133,600 loan for which Dickinson Investments is responsible.

#### **Receivership:**

At the request of the System 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 a receiver for DSUF. The court order included the following directives:

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

The receiver filed interim reports on a regular basis through September 2016. In the seventh interim report, dated August 31, 2015, the receiver recommended that DSUF be dissolved. This recommendation was based on an inability to negotiate a mutually acceptable settlement of the outstanding Brinkman



**June 30, 2019**

## **NOTES TO THE FINANCIAL STATEMENTS**

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judgment against DSUF. The report indicates that dissolution should foremost prioritize DSUF obligations to honor restrictions placed on DSUF assets by donors, then address claims made by creditors, employees, and other interested parties. However, DSUF accounting reports indicated that the foundation had total net restricted assets in an amount less than total permanently and temporarily restricted donations.

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

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

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

There is a cash reserve account remaining in excess of \$300,000 pending the outcomes of resolving claims from the U.S. Internal Revenue Service relating to Charitable Remainder Trusts. All tax returns have been filed by the court appointed Receiver. The U.S. Internal Revenue Service has approved one of the returns and the remainder of the returns are pending review. Once all returns are approved, any remaining cash will be distributed to the DSU Heritage Foundation and a final Receiver's report will be filed to obtain Court approval of the final distribution and closing the receivership dissolution action.

### **Financial Audit:**

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

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.

### **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 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

**June 30, 2019**

**NOTES TO THE FINANCIAL STATEMENTS**

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cancelled by either party to the agreement.

During fiscal year 2017, NDSU and the RTP entered into renewed agreements, whereby NDSU leases the Research Buildings I and II through June 30, 2032. During fiscal year 2019, total annual rent of \$312,000 was paid by NDSU for these two buildings, in addition to the \$1.8 million of principal and interest paid by NDSU directly to the bond trustee. NDSU reimbursed the RTP \$30,556 for property insurance on the two buildings and directly pays the utility costs under these agreements. The annual rent will be re-adjusted by mutual agreement every two years. These agreements are subject to funding and legislative appropriations.

**NDSU Foundation**

**Fargodome Lease and Improvements**

In fiscal year 2006, the Foundation 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 Foundation has leased the space in the Fargodome from the City of Fargo and subleased the space, furniture, fixtures and equipment to NDSU. Under the agreement, NDSU will pay rent to the NDSUFAA for use of the premises. The amount of the rent is tied to the \$3.5 million debt service retirement plus the Fargodome annual space rent and all costs incurred by the Foundation incident to the lease, less any contributions received by the Foundation for the project. Under this agreement in fiscal year 2019, the Foundation paid the debt service and other fees on behalf of NDSU in the amount of \$331,606.

The facility is included in long-term investments and the debt is included in long-term liabilities on the financial reports of the Foundation. NDSU has also recorded a capital asset and a capital lease payable, reflected as "Due to Component Units" by NDSU, of \$443,947 as of June 30, 2019. Since the foundation is a discretely presented component unit of the System and the component unit and the 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 Foundation by NDSU alumni in December of 2001. During fiscal year 2003 and 2004, the Foundation renovated the building with the intent to lease the facility to NDSU beginning fall 2004. The Foundation 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 Foundation, 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 Foundation incident to ownership of the property. Ownership of the property will transfer to NDSU when the bonds are repaid in full. NDSU paid the Foundation \$412,000 in fiscal year 2019 for debt service under this agreement. As of June 30, 2019, the outstanding balance on

**June 30, 2019**

**NOTES TO THE FINANCIAL STATEMENTS**

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the bonds, reflected as "Due to Component Units" by NDSU, is \$3.8 million.

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

Effective November 28, 2007, NDSU and the Foundation entered into lease agreements for two buildings in downtown Fargo, formerly known as the "Pioneer Mutual Building" and "Lincoln Mutual building". The Foundation financed the construction of the Barry Hall business building and Klai Hall architecture building projects through the sale of \$18.52 million of twenty-year University Facilities Revenue Bonds issue by the City of Fargo, North Dakota. The City has loaned the bond proceeds to the Foundation 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 Foundation 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 Foundation. Ownership of the property will transfer to NDSU when the bonds are repaid in full. The bonds are guaranteed by the Foundation. This property is leased to NDSU for rental equal to the sum of the semi-annual interest only payments on the variable term bonds plus the semi-annual principal and interest payments on the fixed-rate bonds for the term of the bonds, plus all the costs incurred by the Foundation incident to ownership of the property.

In May 2012, the Foundation 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 the entire amount of the previously issued bonds. During fiscal year 2019, NDSU paid \$774,000 to the bond trustee on-behalf of the Foundation under the new leases for debt service on Barry Hall & Klai Hall. NDSU has an option to acquire the property upon full payment of the bonds. As of June 30, 2019, the outstanding balance on the bonds, reflected as "Due to Component Units" by NDSU, is \$8.65 million

**Other Transactions**

The Foundation provides meeting space rental and database support service to NDSU for an annually negotiated fee. NDSU paid the foundation \$679,0001 for the fiscal year ending December 31, 2018.

In addition to the debt service payments on the Fargodome, Renaissance, Barry and Klai Halls, NDSU reimburses the Foundation 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 \$104,000 during the fiscal year ending December 31, 2018.

The Foundation's fiscal year end is December 31, NDSU's 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 (UND AF) recorded expenses reimbursed to UND for salaries, building rent, aircraft rental, and goods and services under an operating agreement aggregating \$13.9 million in fiscal year 2019. 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 supporting services in the consolidated statements of activities.

**June 30, 2019**

**NOTES TO THE FINANCIAL STATEMENTS**

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UND AF recorded revenue for service and hangar, CRJ, 360-degree tower, and aircraft rental to UND of \$3.9 million in fiscal year 2019, which is included in program and event income in the consolidated statements of activities.

As of June 30, 2019, the UND AF recorded accounts payable to UND of \$2.3 million for reimbursable costs and services. As of June 30, 2019, the UND AF had recorded accounts receivable from UND of approximately \$813,000, which are included in accounts receivable in the consolidated statements of financial position.

UND AF 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 UND AF'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 UND AF in the construction of the hangar. Under this noncancelable sublease with UND, UND AF will receive future minimum rentals of \$1.9 million over the next five years.

**RE Arena, Inc.**

RE Arena Inc. and UND, enter into an operating agreement from July 1, 2017 to June 30, 2020. 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 (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 UND, and (ii) RE Arena Inc. collects all sponsorship sales revenue from 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 UND athletic events.

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

In RE Arena, Inc.'s fiscal year 2019, gross tickets sales were \$4.9 million of which RE Arena, Inc. recognized revenue of \$2.5 million with a net due to UND \$2.4 million as of May 31, 2019. Gross ticket sales for the next athletic season year are recorded in deferred revenue at gross by RE Arena, Inc. for a total of \$2.9 million, as of May 31, 2019.

RE Arena, Inc. recognized net sponsorship (advertising) revenue of approximately \$746,000 for the fiscal year ended May 31, 2019 and the net due UND in sponsorship (advertising) income of approximately \$419,000, as of May 31, 2019. In addition, RE Arena, Inc. allocated approximately \$670,000 of net income to the UND Athletic Department for the year ended May 31, 2019. RE Arena, Inc. expensed \$1.0 million to UND for utilities, maintenance staff, phone service and other expenses for the fiscal year ended May 31, 2019.

As of May 31, 2019, RE Arena, Inc. owed UND approximately \$713,000 for the annual operating agreement and monthly services.

**June 30, 2019**

**NOTES TO THE FINANCIAL STATEMENTS**

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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 and UND's fiscal year end is June 30. Amounts may differ between entity financial statement because of timing differences due to different year ends.

**UND Alumni Association and UND Foundation**

UND is leasing space in the Gorecki Alumni Center in the amount of \$75,000 per year. 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, 2019, UND provided approximately \$1.5 million of institutional support for event and database support, annual giving campaign and shared positions. The UND Alumni Association and Foundation (Foundation) manages UND's endowment investments and charged them approximately \$387,600 in investment management fees during the fiscal year ended June 30, 2019. These fees and support are reported as program and event income on the statement of activities.

The Foundation has other receivables from UND related to the construction of the EERC and Minot Center for Family Practice for \$3.8 million and \$2.0 million, respectively. The Foundation has accounts payable due to UND related to miscellaneous services and payments of approximately \$463,000.

The Foundation is leasing 45,000 square feet of land for the Gorecki Alumni Center from UND. Starting in 2016, the rate is \$0.10 per square foot, per year. The cost in fiscal year 2019 was \$4,500.

On July 24, 2002, the Foundation issued \$8.6 million of tax- exempt lease revenue 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 Foundation recorded a receivable from UND of \$8.6 million under the direct-financing lease arrangement. On October 18, 2012, the Foundation issued Taxable Refunding Lease Revenue Bonds, Series 2012 in the amount of \$6.4 million to refund its outstanding Lease Revenue Bonds, Series 2002. The Foundation also amended the related lease agreement with UND. Interest accrues on the bonds at rates from 0.75 percent to 4.20 percent depending upon maturity. Annual principal and semiannual interest payments are due through fiscal year 2027 and as of June 30, 2019 were \$3.8 million. The bonds are secured by a lease with UND. The terms for the repayment are the same as the payment terms of the related bonds. During fiscal year ended June 30, 2019, the Foundation recorded payment of principal and interest of \$405,000 and approximately \$157,000, respectively. The interest is included in program and event 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 occupancy by the Minot Center for Family Practice in Minot, North Dakota. The center is a department of the School of Medicine & Health Sciences at UND. The Foundation recorded a receivable from UND of \$4.4 million due under the direct-financing lease agreement. In June 2008, the \$3.7 million remaining balance of the 2003 bonds was refinanced with Lease Revenue Refunding Bonds, Series 2008. In April 2018, the \$2.2 million remaining balance of the 2008 bonds was refinanced with Lease Revenue Refunding Bonds, Series 2018. The bond matures as of April 1, 2028. The interest rate is fixed at 3.50 percent until 2028. Payments of \$133,333 are required semi-annually through 2028. The bonds are secured by a lease with UND. Annual principal and semiannual interest payments as of June 30, 2019 was \$2.0 million.

**June 30, 2019**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NON-MAJOR COMPONENT UNITS**

**North Dakota State College of Science Foundation**

For the year ended June 30, 2019, NDSCS paid the Foundation \$174,000 for the rental of NDSCS Fargo building and \$10,953 for parking lots.

In exchange for services provided by the Foundation to NDSCS, the Foundation receives office space and accounting services at no charge from NDSCS. The approximate fair market value for rent is \$5,670 and for accounting services is \$7,677.

**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 \$18,442 due July 1, 2022. The loan bears an interest rate of 3 percent. As of June 30, 2019, the loan balance of \$160,346 of which \$55,604 is a current asset.

On November 1, 2013, WSCF entered into a lease agreement with WSC. WSCF is leasing a passenger motor coach to WSC. The value of the bus was \$375,000. Quarterly lease payments of \$15,000 are being made by WSC for a seven-year lease term. The lease bears an interest rate of 3.19 percent. The lease expires on August 1, 2020. Total payments on the lease as of June 2019 was \$70,821. At June 30, 2019, the lease had a balance of \$58,870 of which \$46,946 is a current asset.

Individuals working on behalf of the WSCF and the North Dakota Department of Motor Vehicles (DMV) are employees of and paid by WSC. WSCF reimburses WSC for the time WSC employees spend on Foundation and DMV matters. WSCF records these amounts as expenses. The amount reimbursed for the years ending June 30, 2019 was \$744,503.

**NOTE 19 – PLEDGED REVENUES**

Pledged Revenue Required for Future Principal and Interest on Existing Bonds	\$ 357,884,950		
Term of Commitment ranging from	2020-2044		
Percentage of Revenue Pledged	5%		
Current Year Pledged Revenue, by source:	Pledged Revenue	Recognized Revenue	Percentage of Pledged Revenue to Recognized
Net revenues from auxiliaries	\$ 14,473,079	\$ 100,912,581	14%
Tuition and Student Fees	4,371,133	333,909,568	1%
Other	585,986	-	0%
Total	\$ 19,430,198	\$ 434,822,149	4%
Current Year Principal and Interest Paid	\$ 19,430,199		

**NOTE 20 – 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, 2019, using the functional classification are as follows:

June 30, 2019

## NOTES TO THE FINANCIAL STATEMENTS

Operating Expense	
Instruction	\$ 350,619,802
Academic Support	75,067,596
Student Services	109,419,858
Institutional Support	113,396,093
Physical Plant	94,670,090
Scholarships and Fellowships	36,581,786
Auxiliary Enterprises	97,019,463
Public Service	69,338,686
Research	161,575,788
Depreciation	72,583,004
Total	<u>\$ 1,180,272,166</u>

### NOTE 21 – 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, 2019, amounted to \$8.9 million.

Future minimum lease payments at June 30, 2019:

Fiscal Year	Future Minimum Lease Payments
2020	\$ 3,986,439
2021	2,976,520
2022	2,233,625
2023	1,814,711
2024	584,962
2025 - 2029	1,503,350
2030 - 2034	472,680
2035 - 2039	47,268
	<u>\$ 13,619,555</u>

### NOTE 22 – CONTINGENCIES

Amounts received and expended by the 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 System.

In the normal course of its activities, the institutions of the 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 System. Therefore, an estimated liability has not been recorded.

Roers Construction, Inc. v. NDSU – In July 2017, Roers Construction submitted a claim to NDSU demanding in excess of \$1.3 million related to the A. Glenn Hill Building. The work was substantially complete on the building as of December 31, 2015. The parties reached a settlement in November 2019, and the settlement will be considered by the SBHE on December 3, 2019 for final approval. If approved

**June 30, 2019**

**NOTES TO THE FINANCIAL STATEMENTS**

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by the SBHE, the terms of the settlement agreement will become public information. The amount owed by NDSU pursuant to the settlement does not have a material effect on the System's financial condition or results of operation.

**NOTE 23 – RISK MANAGEMENT**

The 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 programs have been established to address some of these risks and loss exposures.

**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, boards and commissions. The contributions are calculated by an actuary based on various factors, including the agency's loss history and number of full-time employees.

Additional information regarding coverage can be found at

**<https://www.nd.gov/omb/agency/risk-management-services>.**

**NORTH DAKOTA FIRE AND TORNADO AND STATE BONDING FUND**

The System also participates in the North Dakota Fire and Tornado Fund and State Bonding Fund. The 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 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.



**June 30, 2019**

**NOTES TO THE FINANCIAL STATEMENTS**

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Additional information regarding coverage can be found at

**<https://www.nd.gov/omb/agency/risk-management-services>**

**NOTE 24 – ASBESTOS SETTLEMENT**

During fiscal year 1999, the 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, 2019 were \$104,000 and \$344,000, respectively.

**NOTE 25 – SUBSEQUENT EVENTS**

On August 21, 2019, WSC issued tax exempt certificates of participation series 2019 totaling \$7.3 million. The proceeds will fund an infrastructure and energy improvement project, including renovations to existing heating, ventilation, controls and deferred maintenance improvements to buildings located on WSC's campus. WSC entered into a lease-purchase agreement on August 1, 2019, with Johnson Controls, Inc. (JCI). JCI will construct the project and provide operations and maintenance assistance through August 1, 2048. The certificates of participation were rated BBB by Standard and Poor's.

On October 1, 2019, the University of North Dakota issued \$71.5 million, Series 2019A Housing and Auxiliary Facilities Revenue Bonds. The proceeds will be used to demolish the current student union building and to construct a new student union building. The bond payments commence on April 1, 2020 and mature on April 1, 2050. The security for the bonds is pledged revenues from net housing and auxiliary facilities system and pledged fees. The bonds were issued with a Moody's Investor Services rating of Aa3 with a stable outlook.

As discussed in footnote 22, NDSU has reached a settlement in a lawsuit related to the A. Glenn Hill Building, pending approval by the SBHE.

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**North Dakota University System**  
**Required Supplementary Information (RSI)**  
**June 30, 2019**

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

	<b>NDUS' Proportion of the Net Pension Liability</b>	<b>NDUS' Proportionate Share of the Net Pension Liability</b>	<b>NDUS Covered Employee Payroll</b>	<b>Share of the Net Pension Liability as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
<b>2019</b>	9.61%	\$ 162,113,636	\$ 98,685,274	164%	62%
<b>2018</b>	9.77%	157,065,812	99,755,332	157.45%	61.98%
<b>2017</b>	10.34%	100,749,199	104,177,803	96.71%	70.46%
<b>2016</b>	11.08%	75,351,113	98,721,150	76.33%	77.15%
<b>2015</b>	11.23%	71,311,045	94,566,414	75.41%	77.70%

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

**Schedule of the NDUS Contributions - Last 10 Fiscal Years\***

	<b>Statutorily Required Contribution</b>	<b>Contributions in Relation to the Statutorily Required Contribution</b>	<b>Contribution Excess (Deficiency)</b>	<b>NDUS Covered Employee Payroll</b>	<b>Contributions as a Percentage of Covered Employee Payroll</b>
<b>2019</b>	\$ 7,268,591	\$ 7,268,591	-	\$ 100,877,902	7.21%
<b>2018</b>	7,134,215	7,134,215	-	99,755,332	7.15%
<b>2017</b>	7,546,708	7,546,708	-	104,177,803	7.09%
<b>2016</b>	7,654,994	7,654,994	-	98,721,150	7.26%
<b>2015</b>	7,380,713	7,380,713	-	94,566,414	7.44%

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

**Changes of assumptions**

Amounts reported in 2019 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2018. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale and percent married assumptions.

**North Dakota University System**  
**Required Supplementary Information (RSI)**  
**June 30, 2019**

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

	<b>NDUS' Proportion of the Net OPEB Liability</b>	<b>NDUS' Proportionate Share of the Net OPEB Liability</b>	<b>NDUS Covered Employee Payroll</b>	<b>Share of the Net OPEB Liability as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>
<b>2019</b>	9.07%	\$ 7,146,894	\$ 99,296,140	7.20%	61.89%
<b>2018</b>	9.31%	7,365,193	100,731,452	7.31%	59.78%

*\*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.  
Complete data for this schedule is not available prior to 2018.*

	<b>Statutorily Required Contribution</b>	<b>Contributions in Relation to the Statutorily Required Contribution</b>	<b>Contribution Excess (Deficiency)</b>	<b>NDUS Covered Employee Payroll</b>	<b>Contributions as a Percentage of Covered Employee Payroll</b>
<b>2019</b>	\$ 1,150,435	\$ 1,150,435	\$ -	\$ 100,890,040	1.14%
<b>2018</b>	1,148,790	1,148,790	-	100,731,452	1.14%

*\*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.  
Complete data for this schedule is not available prior to 2018.*

**Changes of assumptions**

Amounts reported in 2019 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2018. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale and percent married assumptions.

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**NORTH DAKOTA UNIVERSITY SYSTEM**  
**Supplementary Information**  
**June 30, 2019**

**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	\$18,808,310	\$ 9,360,434	\$ 3,430,898	\$ 3,062,696	\$ 5,148,459	\$ 3,191,008	\$ 24,869,728
Investments	-	3,545,000	-	7,680,000	1,750,000	417,000	647,400
Accounts receivable, net	16,251	783,415	296,867	261,073	589,962	1,449,516	1,759,818
Due from component units - investments held on behalf of the institutions	-	-	-	-	-	-	-
Due from component units	-	120,495	5,000	4,712	40,637	39,790	734,493
Due from other NDUS institutions	1,118,017	51,130	866	1,793	74,750	20,662	119,615
Due from State general fund	348,231	151,697	9,883	-	-	16,070	181,815
Grants and contracts receivables, net	-	661,703	412,822	178,943	447,805	474,719	663,800
Inventories	-	713,894	132,670	-	249,640	248,634	-
Notes receivable, net	-	559,466	33,946	205,085	54,297	(219,631)	544,094
Other assets	1,401	383,530	19,935	-	7,781	48,733	22,620
Total current assets	20,292,210	16,330,764	4,342,887	11,394,302	8,363,331	5,686,501	29,543,383
Noncurrent assets							
Restricted cash and cash equivalents	-	101,595	-	-	-	90,758	30
Restricted investments	-	-	-	-	-	-	752,260
Endowment investments	-	-	-	-	-	-	-
Notes receivable, net	-	194,454	122,486	740,009	195,921	656,312	1,963,252
Other long-term investments	-	81,000	-	-	-	-	-
Due from component units - investments held on behalf of the institutions	-	-	-	207,904	-	-	3,461,792
Other noncurrent assets	-	-	-	-	-	-	-
Capital assets, net	1,669,556	59,849,483	7,380,808	37,870,729	14,009,817	28,384,241	75,528,739
Total noncurrent assets	1,669,556	60,226,532	7,503,294	38,818,642	14,205,738	29,131,311	81,706,073
Total assets	21,961,766	76,557,296	11,846,181	50,212,944	22,569,069	34,817,812	111,249,456
<b>Deferred outflows of resources</b>	2,259,012	3,192,157	479,130	1,946,081	1,149,290	2,217,450	3,059,320
<b>LIABILITIES</b>							
Current liabilities							
Accounts payable and accrued liabilities	962,436	1,582,410	322,495	228,346	540,272	1,135,684	2,706,471
Due to other NDUS institutions	1,732,863	30,237	69,684	17,550	26,549	53,154	86,157
Due to component units	-	19,747	-	-	-	1,794	6,691
Accrued payroll	485,235	1,576,588	350,664	1,460,230	492,619	978,026	2,083,877
Unearned revenue	-	641,936	96,283	65,000	1,182,822	269,310	988,049
Deposits	144,591	193,670	90,648	133,355	239,165	209,100	548,848
Long-term liabilities - current portion							
Due to component units	-	134,962	-	-	-	-	-
Due to others	189,457	787,532	33,782	476,621	377,909	1,058,654	706,368
Total current liabilities	3,514,582	4,967,082	963,556	2,381,102	2,859,336	3,705,722	7,126,461
Noncurrent liabilities							
Pension liability	4,631,505	7,184,218	1,082,510	4,305,349	2,687,838	4,905,610	7,302,342
OPEB liability	202,928	317,651	47,707	188,639	117,767	214,937	321,821
Other noncurrent liabilities	-	-	-	213,294	-	-	13,300
Long - term liabilities							
Due to component units	-	924,313	-	-	-	-	-
Due to others	1,325,999	8,663,602	180,361	7,438,654	3,148,977	6,549,624	18,011,552
Total noncurrent liabilities	6,160,432	17,089,784	1,310,578	12,145,936	5,954,582	11,670,171	25,649,015
Total liabilities	9,675,014	22,056,866	2,274,134	14,527,038	8,813,918	15,375,893	32,775,476
<b>Deferred inflows of resources</b>	476,768	629,464	141,154	405,995	394,150	318,095	953,152
<b>NET POSITION</b>							
Net investment in capital assets	1,609,859	50,518,668	7,361,247	30,436,322	10,923,314	21,181,009	58,080,271
Restricted for:							
Nonexpendable:							
Scholarships and fellowships	-	-	-	-	-	17,524	3,256,901
Expendable:							
Scholarships and fellowships	-	71,852	15,693	223,244	-	(9,292)	1,097,621
Research	-	-	-	-	-	60,099	-
Institutional	13,908	(833)	91,134	(579)	(32,452)	298,947	685,496
Loans	-	217,762	231,752	1,278,950	405,124	660,505	3,407,023
Capital projects	-	-	-	-	-	15,234	-
Debt service	-	32,623	15,522	8,867	500,349	150,196	485,056
Other	734	-	-	-	-	-	-
Unrestricted	12,444,495	6,223,051	2,194,675	5,279,188	2,713,956	(1,032,948)	13,567,780
Total net position	\$14,068,996	\$57,063,123	\$ 9,910,023	\$37,225,992	\$14,510,291	\$21,341,274	\$ 80,580,148

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**Supplementary Information**  
**June 30, 2019**

**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	\$26,963,648	\$ 53,493,368	\$ 50,612,402	\$ 8,554,960	\$ 4,875,027	\$ -	\$ 212,370,938
Investments	672,569	40,000,098	85,000,000	993,593	-	-	140,705,660
Accounts receivable, net	1,472,576	6,326,510	11,928,044	480,189	938,964	(397,565)	25,905,620
Due from component units - investments held on behalf of the institutions	-	-	-	97,872	-	-	97,872
Due from component units	185,000	6,092,647	3,340,040	100,170	52,762	-	10,715,746
Due from other NDUS institutions	115,841	1,023,291	1,207,901	44,341	62,944	(3,841,151)	-
Due from State general fund	425,551	8,525,296	347,220	8,675	-	-	10,014,438
Grants and contracts receivables, net	907,339	13,190,399	15,155,362	164,308	208,513	-	32,465,713
Inventories	518,713	1,549,373	3,193,365	175,094	205,132	-	6,986,515
Notes receivable, net	182,861	1,310,042	3,247,614	121,213	141,664	-	6,180,651
Other assets	-	514,772	4,430,242	48,028	72,931	-	5,549,973
Total current assets	31,444,098	132,025,796	178,462,190	10,788,443	6,557,937	(4,238,716)	450,993,126
Noncurrent assets							
Restricted cash and cash equivalents	-	1,963,290	37,910,674	17,612	259,814	-	40,343,773
Restricted investments	-	5,420,306	6,500,303	383,748	526,958	-	13,583,575
Endowment investments	-	459,111	-	47,217	52,200	-	558,528
Notes receivable, net	565,384	4,700,548	11,514,265	437,372	(16,129)	-	21,073,874
Other long-term investments	-	56,918,352	53,482,781	600,000	540,000	-	111,622,133
Due from component units - investments held on behalf of the institutions	-	52,798	19,524,490	903,033	-	-	24,150,017
Other noncurrent assets	-	390,197	-	-	-	-	390,197
Capital assets, net	51,255,987	520,104,547	584,723,033	38,375,213	46,798,429	-	1,465,950,582
Total noncurrent assets	51,821,371	590,009,149	713,655,546	40,764,195	48,161,272	-	1,677,672,679
Total assets	83,265,469	722,034,945	892,117,736	51,552,638	54,719,209	(4,238,716)	2,128,665,805
<b>Deferred outflows of resources</b>	3,565,166	24,476,108	28,238,798	1,276,902	1,036,340	-	72,895,754
<b>LIABILITIES</b>							
Current liabilities							
Accounts payable and accrued liabilities	942,524	17,393,582	12,978,575	337,202	252,397	(236,299)	39,146,095
Due to other NDUS institutions	91,588	671,043	1,034,701	163,801	25,090	(4,002,417)	-
Due to component units	-	-	671,732	-	1,000	-	700,964
Accrued payroll	1,973,457	12,292,924	17,137,410	1,201,431	659,675	-	40,692,136
Unearned revenue	594,994	9,485,214	6,746,638	432,211	82,535	-	20,584,992
Deposits	520,369	1,474,743	3,022,108	242,015	(134,558)	153,527	6,837,581
Long-term liabilities - current portion							
Due to component units	-	2,427,563	677,697	-	102,549	-	3,342,771
Due to others	465,517	7,129,160	6,534,526	173,985	371,649	-	18,305,160
Total current liabilities	4,588,449	50,874,229	48,803,387	2,550,645	1,360,337	(4,085,189)	129,609,699
Noncurrent liabilities							
Pension liability	8,509,195	52,649,808	63,680,697	2,983,153	2,191,411	-	162,113,636
OPEB liability	378,671	2,328,558	2,801,494	130,706	96,015	-	7,146,894
Other noncurrent liabilities	-	-	10,227	-	7,802	-	244,623
Long - term liabilities							
Due to component units	-	25,221,384	6,441,885	-	116,666	-	32,704,248
Due to others	8,390,461	132,668,804	204,083,317	9,972,357	9,964,387	-	410,398,095
Total noncurrent liabilities	17,278,327	212,868,554	277,017,620	13,086,216	12,376,281	-	612,607,496
Total liabilities	21,866,776	263,742,783	325,821,007	15,636,861	13,736,618	(4,085,189)	742,217,195
<b>Deferred inflows of resources</b>	1,131,210	5,174,803	7,109,241	294,095	162,643	-	17,190,770
<b>NET POSITION</b>							
Net investment in capital assets	43,660,586	374,282,395	419,623,769	28,779,674	36,735,557	-	1,083,192,671
Restricted for:							
Nonexpendable:							
Scholarships and fellowships	8,274	513,982	14,069,335	462,018	56,417	-	18,384,451
Expendable:							
Scholarships and fellowships	6,000	975,867	2,140,728	113,640	78,148	-	4,713,501
Research	-	7,705,303	1,313,647	-	-	-	9,079,049
Institutional	573,283	872,959	7,111,109	402,487	67,062	-	10,082,521
Loans	1,282,539	7,682,391	26,790,108	732,310	171,891	-	42,860,355
Capital projects	-	69,230	-	-	-	-	84,464
Debt service	50	2,158,992	2,328,573	383,698	917,787	-	6,981,713
Other	-	-	-	483,980	-	-	484,714
Unrestricted	18,301,917	83,332,348	114,049,017	5,540,777	3,829,426	(153,527)	266,290,155
Total net position	\$63,832,649	\$477,593,467	\$587,426,286	\$36,898,584	\$41,856,288	\$ (153,527)	\$1,442,153,594

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**Supplementary Information**  
**June 30, 2019**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	<b>North Dakota University System Office</b>	<b>Bismarck State College</b>	<b>Dakota College of Bottineau</b>	<b>Dickinson State University</b>	<b>Lake Region State College</b>	<b>Mayville State University</b>	<b>Minot State University</b>
<b>OPERATING REVENUES</b>							
Student tuition and fees (net of scholarship allowances of \$64.8 million and bad debt allowance of \$1.8 million)	\$ 5,246,095	\$ 13,157,207	\$ 1,991,188	\$ 6,763,826	\$ 4,332,540	\$ 5,373,584	\$ 16,037,352
Federal grants and contracts (net of bad debt allowance of \$56,000)	-	1,016,477	553,559	814,886	614,801	3,707,669	3,589,861
State grants and contracts	-	415,265	331,068	33,141	738,722	250,160	1,937,550
Nongovernmental grants and contracts	-	627,589	109,730	-	7,945	-	375,022
Sales and services of educational departments (net of bad debt allowance of \$419,000)	1,470,414	3,948,603	154,207	1,041,037	746,805	1,588,616	2,061,973
Auxiliary enterprises (net of scholarship allowances of \$1.1 million and bad debt allowance of \$496,000)	-	4,611,344	1,601,327	1,273,587	1,844,069	2,347,607	3,354,281
Other (net of bad debt allowance of \$281,000)	-	10,007	6,453	104,960	17,212	19,146	122,824
Total operating revenues	<u>6,716,509</u>	<u>23,786,492</u>	<u>4,747,532</u>	<u>10,031,437</u>	<u>8,302,094</u>	<u>13,286,782</u>	<u>27,478,863</u>
<b>OPERATING EXPENSES</b>							
Salaries and wages	16,170,791	29,036,861	6,219,879	19,085,300	11,402,258	16,278,126	36,096,752
Operating expenses	12,628,310	9,752,676	3,046,691	5,965,823	3,351,669	4,922,161	16,498,592
Data processing	3,504,273	949,390	179,722	392,340	187,979	202,833	434,123
Depreciation expense	1,568,164	2,785,673	428,307	1,542,225	1,294,938	1,756,567	4,374,718
Scholarships and fellowships	16,225,214	1,267,870	530,877	727,393	604,276	748,091	1,715,141
Cost of sales and services	-	1,954,228	347,049	(525)	732,924	732,138	752
Total operating expenses	<u>50,096,752</u>	<u>45,746,698</u>	<u>10,752,525</u>	<u>27,712,556</u>	<u>17,574,044</u>	<u>24,639,916</u>	<u>59,120,078</u>
Operating income (loss)	<u>(43,380,243)</u>	<u>(21,960,206)</u>	<u>(6,004,993)</u>	<u>(17,681,119)</u>	<u>(9,271,950)</u>	<u>(11,353,134)</u>	<u>(31,641,215)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
State appropriations	51,583,518	15,320,429	3,782,532	10,807,268	6,348,023	7,113,250	19,491,576
Federal appropriations	-	-	-	-	-	-	-
Federal grants and contracts (net of bad debt allowance of (\$8,000))	-	2,634,784	1,186,081	1,687,085	1,319,640	1,584,428	3,228,251
Local appropriations	-	-	-	-	-	(11,877)	1,000,000
Gifts	625,400	1,258,832	344,573	836,564	713,066	1,109,638	1,899,322
Endowment and investment income	23,315	31,201	143,799	184,551	11,402	278,090	305,895
Interest on capital asset - related debt	-	(327,325)	(4,767)	(295,492)	(129,173)	(251,308)	(677,259)
Gain (loss) on disposal of capital assets	(7,849)	(99,127)	-	2,114,656	-	(4,407)	(80,728)
Insurance proceeds	-	136	-	-	740	-	122,859
Tax revenues	-	-	-	-	-	210,101	-
General and special grant expenditures	(10,143,047)	-	-	-	-	-	-
Transfers to North Dakota Industrial Commission	(3,046,740)	-	-	-	-	-	-
Other nonoperating revenues (expenses) (net of bad debt allowance of \$8,000)	2,717,060	6,000	-	388	-	(10,003)	88,513
Net nonoperating revenues (expenses)	<u>41,751,657</u>	<u>18,824,930</u>	<u>5,452,218</u>	<u>15,335,020</u>	<u>8,263,698</u>	<u>10,017,912</u>	<u>25,378,429</u>
Income (loss) before capital grants, gifts, and transfers	<u>(1,628,586)</u>	<u>(3,135,276)</u>	<u>(552,775)</u>	<u>(2,346,099)</u>	<u>(1,008,252)</u>	<u>(1,335,222)</u>	<u>(6,262,786)</u>
State appropriations - capital assets	-	8,075,658	24,300	284,974	282,112	35,376	426,241
Capital grants and gifts	-	104,375	-	-	25,315	-	808,218
Total other revenue	<u>-</u>	<u>8,180,033</u>	<u>24,300</u>	<u>284,974</u>	<u>307,427</u>	<u>35,376</u>	<u>1,234,459</u>
Increase (decrease) in net position	<u>(1,628,586)</u>	<u>5,044,757</u>	<u>(528,475)</u>	<u>(2,061,125)</u>	<u>(700,825)</u>	<u>(1,299,846)</u>	<u>(5,028,327)</u>
<b>NET POSITION</b>							
Net position - beginning of year, as restated	15,697,582	52,018,366	10,438,498	39,287,117	15,211,116	22,641,120	85,608,475
Net position - end of year	<u>\$ 14,068,996</u>	<u>\$ 57,063,123</u>	<u>\$ 9,910,023</u>	<u>\$ 37,225,992</u>	<u>\$ 14,510,291</u>	<u>\$ 21,341,274</u>	<u>\$ 80,580,148</u>



**NORTH DAKOTA UNIVERSITY SYSTEM**  
**Supplementary Information**  
**June 30, 2019**

	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 \$64.8 million and bad debt allowance of \$1.8 million)	\$ 8,239,384	\$ 118,209,698	\$ 146,542,969	\$ 6,802,887	\$ 1,466,963	\$ (254,125)	\$ 333,909,568
Federal grants and contracts (net of bad debt allowance of \$56,000)	614,687	41,412,174	64,928,744	490,274	523,317	(3,461,201)	114,805,248
State grants and contracts	763,081	8,270,257	14,082,548	72,650	411,874	(4,387,596)	22,918,720
Nongovernmental grants and contracts	20,094	11,493,520	24,179,676	67,951	27,930	-	36,909,457
Sales and services of educational departments (net of bad debt allowance of \$419,000)	3,652,369	35,448,034	45,677,787	835,096	3,257,366	(923,719)	98,958,588
Auxiliary enterprises (net of scholarship allowances of \$1.1 million and bad debt allowance of \$496,000)	7,657,933	40,934,016	32,977,291	2,622,435	1,976,038	(287,347)	100,912,581
Other (net of bad debt allowance of \$281,000)	189,811	348,835	642,508	26,655	21,125	-	1,509,536
Total operating revenues	21,137,359	256,116,534	329,031,523	10,917,948	7,684,613	(9,313,988)	709,923,698
<b>OPERATING EXPENSES</b>							
Salaries and wages	27,515,270	275,004,047	298,062,524	16,008,668	9,787,273	\$ -	760,667,749
Operating expenses	12,340,431	88,241,976	110,836,243	5,151,027	3,476,491	(9,614,394)	266,597,696
Data processing	391,343	4,823,385	6,128,592	470,768	154,379	(20,794)	17,798,333
Depreciation expense	3,257,848	25,787,635	25,390,035	1,901,064	2,495,830	-	72,583,004
Scholarships and fellowships	1,256,494	7,065,578	9,779,746	787,582	1,142,474	(152,551)	41,698,185
Cost of sales and services	2,613,949	6,706,689	7,091,863	300,233	447,899	-	20,927,199
Total operating expenses	47,375,335	407,629,310	457,289,003	24,619,342	17,504,346	(9,787,739)	1,180,272,166
Operating income (loss)	(26,237,976)	(151,512,776)	(128,257,480)	(13,701,394)	(9,819,733)	473,751	(470,348,468)
<b>NONOPERATING REVENUES (EXPENSES)</b>							
State appropriations	17,277,084	115,371,328	99,491,747	9,461,903	4,589,396	(14,000)	360,624,054
Federal appropriations	-	5,029,495	-	-	-	-	5,029,495
Federal grants and contracts (net of bad debt allowance of (\$8,000))	3,471,838	11,269,065	9,495,683	1,473,478	1,328,444	-	38,678,777
Local appropriations	-	-	-	-	-	-	988,123
Gifts	1,065,962	14,661,558	12,470,892	1,211,263	3,091,832	(14,000)	39,274,902
Endowment and investment income	812,390	4,110,410	4,620,509	491,061	9,093	-	11,021,716
Interest on capital asset - related debt	(300,327)	(3,829,694)	(4,467,729)	(477,876)	(643,486)	-	(11,404,436)
Gain (loss) on disposal of capital assets	(7,992)	(235,682)	2,704,122	2,112	(14,497)	-	4,370,608
Insurance proceeds	-	503,763	144,653	-	-	1,600	773,751
Tax revenues	-	500,000	4,690,844	-	-	-	5,400,945
General and special grant expenditures	-	-	-	-	-	3,337,075	(6,805,972)
Transfers to North Dakota Industrial Commission	-	(285,790)	-	-	-	-	(3,332,530)
Other nonoperating revenues (expenses) (net of bad debt allowance of \$8,000)	9,185	166,423	(554,738)	(5)	11,177	(3,937,953)	(1,503,953)
Net nonoperating revenues (expenses)	22,328,140	147,260,876	128,595,983	12,161,936	8,371,959	(627,278)	443,115,480
Income (loss) before capital grants, gifts, and transfers	(3,909,836)	(4,251,900)	338,503	(1,539,458)	(1,447,774)	(153,527)	(27,232,988)
State appropriations - capital assets	335,346	2,582,442	2,840,599	824,713	5,821	-	15,717,582
Capital grants and gifts	26,083	16,753,002	1,288,115	915,059	5,650	-	19,925,817
Total other revenue	361,429	19,335,444	4,128,714	1,739,772	11,471	-	35,643,399
Increase (decrease) in net position	(3,548,407)	15,083,544	4,467,217	200,314	(1,436,303)	(153,527)	8,410,411
<b>NET POSITION</b>							
Net position - beginning of year, as restated	67,381,056	462,509,923	582,959,069	36,698,270	43,292,591	-	1,433,743,183
Net position - end of year	\$ 63,832,649	\$ 477,593,467	\$ 587,426,286	\$ 36,898,584	\$ 41,856,288	\$ (153,527)	\$ 1,442,153,594

# NORTH DAKOTA UNIVERSITY SYSTEM

## Supplementary Information

June 30, 2019

### 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	\$ 5,200,390	\$ 12,743,343	\$ 2,094,169	\$ 6,816,490	\$ 4,348,649	\$ 5,118,699	\$ 15,952,750
Grants and contracts	971,474	2,045,066	1,026,527	886,456	1,527,947	4,271,061	5,827,426
Payments to suppliers	(15,271,896)	(12,245,194)	(3,517,888)	(6,655,675)	(4,085,210)	(4,739,865)	(16,705,666)
Payments to employees	(15,581,236)	(28,150,443)	(6,063,926)	(18,364,742)	(11,085,678)	(15,705,099)	(35,500,928)
Payments for scholarships and fellowships	(16,225,214)	(1,267,870)	(530,877)	(727,394)	(604,277)	(748,091)	(1,715,142)
Loans issued to students	-	(100,000)	-	(54,638)	-	-	(160,039)
Collection of loans to students	-	47,213	25,737	223,024	70,993	121,158	485,209
Auxiliary enterprise charges	-	4,604,179	1,629,949	1,262,579	1,838,764	2,278,741	3,337,712
Sales and service of educational departments	1,670,060	3,730,391	332,739	1,047,507	706,319	1,176,202	1,839,561
Cash received/(paid) on deposits	(127,215)	13,028	(2,818)	29,229	(7,276)	12,015	(10,715)
Other receipts (payments)	2,715,664	(88,363)	(7,387)	(59,239)	15,643	9,809	4,566,103
Net cash provided (used) by operating activities	(36,647,973)	(18,668,650)	(5,013,775)	(15,596,403)	(7,274,126)	(8,205,370)	(22,083,729)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
State appropriations	51,580,790	15,320,429	3,782,532	10,807,268	6,348,023	7,113,250	19,491,576
Federal appropriations	-	-	-	-	-	-	-
Local appropriations	-	-	-	-	-	(11,877)	1,000,000
Grants and gifts received for other than capital purposes	620,463	3,870,723	1,530,655	2,523,650	2,032,707	2,694,066	5,127,574
Grants given for other than capital purposes	(10,143,048)	-	-	-	-	-	-
Direct Lending Receipts	-	6,581,876	2,208,218	4,718,560	2,545,249	4,126,913	8,536,368
Direct Lending Disbursements	-	(6,572,920)	(2,124,664)	(4,718,560)	(2,545,249)	(4,135,974)	(8,539,208)
Agency fund cash increase/(decrease)	7,075	235,371	(113,998)	(24,145)	295,863	(234,289)	(158,076)
Transfers to Industrial Commission	(3,046,740)	-	-	-	-	-	-
Tax revenues	-	-	-	-	-	210,102	-
Net cash flows provided (used) by noncapital financing activities	39,018,540	19,435,479	5,282,743	13,306,773	8,676,593	9,762,191	25,458,234
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Proceeds from issuance of debt	-	-	-	-	7,309	-	-
Capital appropriations	135,109	8,298,749	14,823	659,974	282,113	1,090,646	355,731
Capital grants and gifts received	-	104,375	-	15,000	24,459	-	(191,781)
Proceeds from sale of capital assets	-	-	-	2,606,595	-	-	-
Purchases of capital assets	131,269	(8,691,547)	(19,119)	(5,400,511)	(299,874)	(983,493)	(1,097,428)
Insurance proceeds	-	136	-	-	740	-	122,860
Principal paid on capital debt and lease	(56,989)	(829,937)	(16,025)	(224,512)	(325,912)	(1,104,666)	(429,836)
Interest paid on capital debt and lease	-	(338,618)	(4,768)	(295,493)	(129,173)	(257,139)	(690,607)
Net cash provided (used) by capital and related financing activities	209,389	(1,456,842)	(25,089)	(2,638,947)	(440,338)	(1,254,652)	(1,931,061)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Proceeds from sales and maturities of investments	-	-	-	1,975,000	-	-	(607,949)
Interest on investments	23,316	30,910	143,799	183,383	11,404	276,601	218,286
Purchase of investments	-	-	-	-	(1,750,000)	15	471,999
Net cash provided (used) by investing activities	23,316	30,910	143,799	2,158,383	(1,738,596)	276,616	82,336
Net increase (decrease) in cash	2,603,272	(659,103)	387,678	(2,770,194)	(776,467)	578,785	1,525,780
CASH - BEGINNING OF YEAR, as restated	\$ 16,205,038	\$ 10,121,132	3,043,220	5,832,890	\$ 5,924,926	\$ 2,702,981	\$ 23,343,978
CASH - END OF YEAR	\$ 18,808,310	\$ 9,462,029	\$ 3,430,898	\$ 3,062,696	\$ 5,148,459	\$ 3,281,766	\$ 24,869,758

# NORTH DAKOTA UNIVERSITY SYSTEM

## Supplementary Information

June 30, 2019

	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)	\$ (43,380,243)	\$ (21,960,206)	\$ (6,004,993)	\$ (17,681,119)	\$ (9,271,950)	\$ (11,353,134)	\$ (31,641,215)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities							
Depreciation expense	1,568,164	2,785,673	428,307	1,542,225	1,294,938	1,756,567	4,374,718
Other nonoperating revenues (expenses)	2,717,061	(93,131)	(24,600)	(164,197)	-	(14,410)	4,412,469
Change in assets, deferred outflows, liabilities and deferred inflows							
Accounts receivable adjusted for interest receivable	153,941	(483,889)	277,664	44,246	(52,598)	(421,338)	(426,833)
Grant & contract receivables	971,474	(14,267)	32,168	38,427	166,477	313,232	(75,008)
Inventories	-	4,683	-	-	2,449	25,304	-
Notes receivable	-	(49,942)	30,262	157,368	66,251	128,082	356,491
Other assets	(1,401)	(5,238)	10,761	-	(1,569)	5,074	30,810
Accounts payable and accrued liabilities adjusted for interest payable	860,688	378,066	63,775	(283,140)	199,720	848,548	222,493
Pension liability	3,687	497,750	7,968	411,077	(13,695)	290,135	53,753
OPEB liability	(11,978)	4,354	(2,475)	7,795	(7,687)	603	(16,692)
Net change in deferred outflows	269,605	214,450	66,687	5,110	170,094	199,314	449,859
Net change in deferred inflows	320,427	124,443	31,569	66,394	78,039	116,187	212,961
Accrued payroll	(14,288)	84,673	31,608	214,767	31,230	32,074	(66,054)
Compensated absences	22,105	(39,251)	20,596	15,415	58,600	(65,285)	(38,002)
Unearned revenue	-	(129,846)	19,746	-	12,851	(78,338)	77,236
Deposits	(127,215)	13,028	(2,818)	29,229	(7,276)	12,015	(10,715)
Net cash provided (used) by operating activities	<u>\$ (36,647,973)</u>	<u>\$ (18,668,650)</u>	<u>(5,013,775)</u>	<u>\$ (15,596,403)</u>	<u>\$ (7,274,126)</u>	<u>\$ (8,205,370)</u>	<u>\$ (22,083,729)</u>
<b>SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS</b>							
Assets acquired through capital lease	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,431,898
Assets acquired through special assessment	-	28,577	-	-	-	-	-
Expenses paid by capital lease/special assessments	-	-	-	-	-	-	4,310,655
Gifts of capital assets	-	-	-	-	-	-	-
Net increases (decrease) in value of investments	-	-	-	-	-	-	86,137
Total non-cash transactions	<u>\$ -</u>	<u>\$ 28,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,828,690</u>

# NORTH DAKOTA UNIVERSITY SYSTEM

Supplementary Information  
June 30, 2019

## 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>ACTIVITIES</b>							
Student tuition and fees	\$ 8,035,967	\$ 117,497,476	\$ 145,893,224	\$ 6,811,728	\$ 1,439,719	\$ (254,125)	\$ 331,698,479
Grants and contracts	1,185,208	63,087,094	111,959,146	669,184	1,006,599	(7,848,797)	186,614,391
Payments to suppliers	(14,870,876)	(97,006,532)	(118,411,449)	(5,760,733)	(4,056,700)	9,635,188	(293,692,496)
Payments to employees	(26,822,302)	(269,870,484)	(288,304,426)	(15,587,643)	(9,516,887)	-	(740,553,794)
Payments for scholarships and fellowships	(1,256,495)	(7,065,579)	(9,779,747)	(787,583)	(1,142,475)	152,551	(41,698,193)
Loans issued to students	-	(66,635)	(678,478)	-	-	-	(1,059,790)
Collection of loans to students	193,795	1,225,898	3,468,028	135,894	25,405	-	6,022,354
Auxiliary enterprise charges	7,627,665	41,093,887	32,938,981	2,597,847	1,935,644	(287,347)	100,858,601
Sales and service of educational departments	3,771,382	35,705,099	43,862,630	821,182	3,273,259	(923,719)	97,012,612
Cash received/(paid) on deposits	(105,813)	(63,744)	634,629	(6,922)	(74,842)	153,527	443,083
Other receipts (payments)	198,995	436,709	(2,760,504)	26,659	21,725	(3,937,953)	1,137,861
Net cash provided (used) by operating activities	(22,042,474)	(115,026,811)	(81,177,966)	(11,080,387)	(7,088,553)	(3,310,675)	(353,216,892)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
State appropriations	17,277,084	115,297,523	99,491,747	9,461,903	4,589,396	(14,000)	360,547,521
Federal appropriations	-	5,029,495	-	-	-	-	5,029,495
Local appropriations	-	-	-	-	-	-	988,123
Grants and gifts received for other than capital purposes	4,537,801	25,420,509	22,438,316	2,695,127	4,420,276	(14,000)	77,897,867
Grants given for other than capital purposes	-	-	-	-	-	3,337,075	(6,805,973)
Direct Lending Receipts	6,978,797	53,609,850	96,426,937	4,231,702	1,400,655	-	191,365,125
Direct Lending Disbursements	(6,978,797)	(53,609,850)	(96,542,281)	(4,231,702)	(1,392,319)	-	(191,391,524)
Agency fund cash increase/(decrease)	(184,908)	(954,992)	6,628	46,160	17,127	-	(1,062,184)
Transfers to Industrial Commission	-	(285,791)	-	-	-	-	(3,332,531)
Tax revenues	-	500,000	4,690,845	-	-	-	5,400,947
Net cash flows provided (used) by noncapital financing activities	21,629,977	145,006,744	126,512,192	12,203,190	9,035,135	3,309,075	438,636,866
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Proceeds from issuance of debt	-	-	96,842,841	-	(5,200)	-	96,844,950
Capital appropriations	226,549	1,037,773	3,290,785	835,901	5,822	-	16,233,975
Capital grants and gifts received	26,083	11,619,472	1,126,342	915,059	-	-	13,639,009
Proceeds from sale of capital assets	-	-	3,262,737	-	17,500	-	5,886,832
Purchases of capital assets	(753,369)	(55,647,074)	(69,838,455)	(1,846,074)	(609,865)	-	(145,055,540)
Insurance proceeds	-	503,764	215,071	-	-	1,600	844,171
Principal paid on capital debt and lease	(334,846)	(7,014,662)	(9,673,542)	(163,267)	(364,371)	-	(20,538,565)
Interest paid on capital debt and lease	(302,502)	(3,974,303)	(4,524,505)	(477,877)	(632,328)	-	(11,627,313)
Net cash provided (used) by capital and related financing activities	(1,138,085)	(53,475,030)	20,701,274	(736,258)	(1,588,442)	1,600	(43,772,481)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Proceeds from sales and maturities of investments	-	40,983,413	95,607,393	563,205	-	-	138,521,062
Interest on investments	812,118	3,668,516	3,682,899	491,063	8,235	-	9,550,530
Purchase of investments	-	(20,887,878)	(122,057,854)	(466,407)	-	-	(144,690,125)
Net cash provided (used) by investing activities	812,118	23,764,051	(22,767,562)	587,861	8,235	-	3,381,467
Net increase (decrease) in cash	(738,464)	268,954	43,267,938	974,406	366,375	-	45,028,960
CASH - BEGINNING OF YEAR, as restated	27,702,112	\$ 55,187,704	\$ 45,255,138	7,598,166	\$ 4,768,466	-	207,685,751
CASH - END OF YEAR	\$ 26,963,648	\$ 55,456,658	\$ 88,523,076	\$ 8,572,572	\$ 5,134,841	\$ -	\$ 252,714,711

# NORTH DAKOTA UNIVERSITY SYSTEM

## Supplementary Information

June 30, 2019

	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)	\$ (26,237,976)	\$ (151,512,776)	\$ (128,257,480)	\$ (13,701,394)	\$ (9,819,733)	\$ 473,751	\$ (470,348,468)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities							
Depreciation expense	3,257,848	25,787,635	25,390,035	1,901,064	2,495,830	-	72,583,004
Other nonoperating revenues (expenses)	9,185	89,357	(419,264)	(5)	21,763	(3,937,953)	2,596,275
Change in assets, deferred outflows, liabilities and deferred inflows							
Accounts receivable adjusted for interest receivable	(49,924)	(1,107,443)	(2,289,648)	2,160	1,632	4,238,716	(113,314)
Grant & contract receivables	(212,655)	1,990,038	8,768,176	38,306	43,477	-	12,059,845
Inventories	48,730	(186,803)	70,260	4,083	(56,591)	-	(87,885)
Notes receivable	387,533	1,169,984	2,901,944	132,974	(23,706)	-	5,257,241
Other assets	-	(1,481)	(2,983,747)	9	(21,161)	-	(2,967,943)
Accounts payable and accrued liabilities adjusted for interest payable	200,836	3,044,732	5,692,677	118,222	94,113	(4,238,716)	7,202,014
Pension liability	124,631	1,566,282	1,624,214	138,036	343,979	-	5,047,817
OPEB liability	(18,566)	(75,559)	(106,905)	(1,415)	10,224	-	(218,301)
Net change in deferred outflows	513,871	2,816,422	3,449,296	144,891	(123,078)	-	8,176,521
Net change in deferred inflows	198,350	1,282,831	1,455,699	48,722	51,049	-	3,986,671
Accrued payroll	(178,156)	(134,763)	3,437,083	47,252	2,624	-	3,488,050
Compensated absences	52,838	(400,546)	(101,289)	43,539	(14,412)	-	(445,692)
Unearned revenue	(33,206)	709,023	(443,646)	10,091	(19,721)	-	124,190
Deposits	(105,813)	(63,744)	634,629	(6,922)	(74,842)	153,527	443,083
Net cash provided (used) by operating activities	<u>\$ (22,042,474)</u>	<u>\$ (115,026,811)</u>	<u>\$ (81,177,966)</u>	<u>\$ (11,080,387)</u>	<u>\$ (7,088,553)</u>	<u>\$ (3,310,675)</u>	<u>\$ (353,216,892)</u>
<b>SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS</b>							
Assets acquired through capital lease	\$ 80,652	\$ -	\$ 8,948,543	\$ -	\$ -	\$ -	\$ 10,461,093
Assets acquired through special assessment	-	-	-	24,322	-	-	52,899
Expenses paid by capital lease/special assessments	-	-	133,927	-	-	-	4,444,582
Gifts of capital assets	-	-	161,774	-	5,650	-	167,424
Net increases (decrease) in value of investments	284	52,506	563,253	-	-	-	702,180
Total non-cash transactions	<u>\$ 80,936</u>	<u>\$ 52,506</u>	<u>\$ 9,807,497</u>	<u>\$ 24,322</u>	<u>\$ 5,650</u>	<u>\$ -</u>	<u>\$ 15,828,178</u>

# NORTH DAKOTA UNIVERSITY SYSTEM

## Supplementary Information

June 30, 2019

### Combining Statement of Financial Position -- Non-Major Component Units

FASB BASIS	MISU Development Foundation June 30, 2019	NDSCS Foundation June 30, 2019	WSC Foundation June 30, 2019	Total Non-major Component
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 459,042	\$ 1,165,219	\$ 11,837,333	\$ 13,461,594
Investments	-	21,193,617	109,880	21,303,497
Accounts receivable, net	10,400	839,000	240,115	1,089,515
Receivable from primary institution	-	-	105,189	105,189
Unconditional promises to give, net of allowance	625,399	52,500	88,959	766,858
Other assets	27,866	14,570	30,418	72,854
Total current assets	1,122,707	23,264,906	12,411,894	36,799,507
Noncurrent assets				
Restricted cash and cash equivalents				-
Investments:				
Investments, net of current portion	26,320,242	-	8,891,730	35,211,972
Investments held in trust	3,461,792	-	513,847	3,975,639
Other long-term investments	-	-	1,077,974	1,077,974
Total investments	29,782,034	-	10,483,551	40,265,585
Long term pledges				
receivable/unconditional promises to give	841,575	3,086,036	931,374	4,858,985
Receivable from primary institution	-	-	116,666	116,666
Other noncurrent assets	79,749	299,605	58,837	438,191
Capital assets, net	5,184,903	1,619,435	9,060,742	15,865,080
Total noncurrent assets	35,888,261	5,005,076	20,651,170	61,544,507
Total assets	37,010,968	28,269,982	33,063,064	98,344,014
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and accrued liabilities	11,219	15,292	113,140	139,651
Payable to university	707,190	185,000	48,681	940,871
Accrued payroll	-	-	2,692	2,692
Current portion of gift annuities				
and life income agreements	41,602	-	-	41,602
Deferred revenue	-	205,000	-	205,000
Deposits held in custody for others	-	-	513,847	513,847
Other current liabilities	2,334	-	-	2,334
Long-term liabilities--current portion	115,151	63,386	5,472	184,009
Total current liabilities	877,496	468,678	683,832	2,030,006
Noncurrent liabilities				
Gift annuities and life income				
agreements, net of current portion	277,069	258,551	-	535,620
Investments held on behalf of institutions	3,461,792	-	-	3,461,792
Long-term liabilities	1,964,522	1,479,969	3,034,471	6,478,962
Total noncurrent liabilities	5,703,383	1,738,520	3,034,471	10,476,374
Total liabilities	6,580,879	2,207,198	3,718,303	12,506,380
<b>NET ASSETS</b>				
With Donor Restriction	27,825,376	20,434,988	25,930,958	74,191,322
Without Donor Restriction	2,604,713	5,627,796	3,413,803	11,646,312
Total net assets	30,430,089	26,062,784	29,344,761	85,837,634
Total liabilities and net assets	\$ 37,010,968	\$ 28,269,982	\$ 33,063,064	\$ 98,344,014

# NORTH DAKOTA UNIVERSITY SYSTEM

## Supplementary Information

June 30, 2019

### COMBINING STATEMENT OF ACTIVITIES, Non-Major Component Units

#### FASB BASIS

	MiSU Development Foundation June 30, 2019	NDSCS Foundation June 30, 2019	WSC Foundation June 30, 2019	Total
<b>Support and revenue</b>				
Contributions, grants and donations	\$ 2,682,527	\$ 8,161,441	\$ 1,034,174	\$ 11,878,142
In-Kind contributions	176,706	-	-	176,706
Gifts and contributions	2,859,233	8,161,441	1,034,174	12,054,848
Investment income				
Dividends and interest	4,721	-	-	4,721
Investment income	1,448,289	1,674,235	2,720,966	5,843,490
Change in split interest agreements	(26,256)	(72,912)	-	(99,168)
Investment income	1,426,754	1,601,323	2,720,966	5,749,043
Grant Revenue	57,192	-	-	57,192
Net realized and unrealized gains (losses) on investment securities	-	-	512,538	512,538
Program and event income	-	-	9,716,644	9,716,644
Other income	571,847	734,904	890,947	2,197,698
Total support and revenue	4,915,026	10,497,668	14,875,269	30,287,963
<b>Expenses</b>				
Program Services	2,223,066	1,069,503	2,903,209	6,195,778
Supporting services	260,809	500,027	10,812,187	11,573,023
Fundraising expense	300,386	50,996	-	351,382
Total expenses	2,784,261	1,620,526	13,715,396	18,120,183
Change in Net Assets	2,130,765	8,877,142	1,159,873	12,167,780
Net Assets, Beginning of Year, as restated	28,299,324	17,185,642	28,184,888	73,669,854
Net Assets, End of Year	\$ 30,430,089	\$ 26,062,784	\$ 29,344,761	\$ 85,837,634

# North Dakota University System

## Supplementary Information

June 30, 2019

### 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	\$ 5,368,685
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	2,399,844
Total BSC	10,005,000	179,334	10,184,334			7,768,529
<b>Mayville State University</b>						
2013 Facilities Revenue Bonds, due through the year 2024, collateralized by student fees, sales tax and earnings, interest rate fixed.	1,850,000	35,057	1,885,057	2.0-3.25%	\$181,516 to \$213,413	1,010,515
2017 Facilities Revenue Bonds (2010 Refund), due through year 2030, collateralized by Housing and Facilities revenue, student fees, federal interest subsidy related to the bond interest payments and earnings on funds created under the indenture	2,800,000	-	2,800,000	1.25%-3.25%	\$185,000 to \$255,000	2,415,000
Total MaSU	4,650,000	35,057	4,685,057			3,425,515
<b>Minot State University</b>						
2015 Student Services Facilities Revenue Bonds refunding due through 2030, collateralized by net revenues from auxiliary housing.	3,305,000	128,825	3,433,825	2.0-4.0%	\$195,000 to \$290,000	2,790,883
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	8,790,000
Total MISU	13,305,000	128,825	13,433,825			11,580,883
<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%	\$265,000 to \$545,000	7,335,000
Total NDSCS	9,000,000	-	9,000,000			7,335,000
<b>North Dakota State University</b>						
2012A Housing & Auxiliaries Facilities Revenue Bonds, Maturity April 1, 2027, collateralized by auxiliary revenue	5,730,000	62,552	5,792,552	2.0-3.0%	\$455,956 to \$465,450	3,322,140
2014A Housing & Auxiliary Facilities Revenue Refunding Bonds Maturity April 1, 2034, collateralized by net revenues of housing and auxiliary services, interest rate fixed.	8,340,000	108,914	8,448,914	2.0-4.0%	\$575,237 to \$581,250	\$ 6,789,749
2015A Housing & Auxiliary Facilities Refunding Bonds Maturity April 1, 2036 collateralized by net revenues of housing and auxiliary services, interest rate fixed	21,195,000	2,185,340	23,380,340	3.0 - 5.0%	\$2,351,200 to \$2,351,200	16,759,344
2015B Housing & Auxiliary Facilities Bonds, Maturity April 1, 2035, collateralized by net revenues of housing and auxiliary services, interest rate fixed	9,355,000	366,958	9,721,958	2.0 - 5.0%	\$524,659 to \$683,806	8,362,637
2016 Housing & Auxiliary Facilities Refunding Bonds, Maturity April 1, 2036, collateralized by net revenues of housing and auxiliary services, interest rate fixed	10,405,000	310,288	10,715,288	2.0 - 4.0%	\$534,469 to \$671,575	9,548,156
2016 Research & Tech Park Taxable Lease Refunding Bonds, Maturity May 1, 2032, collateralized by lease revenues, interest rate fixed	18,790,000	-	18,790,000	1.1 - 3.9%	\$1,254,452 to \$1,806,231	14,720,000



# North Dakota University System

## Supplementary Information

June 30, 2019

2017A Housing & Auxiliary Facilities Bonds, Maturity April 1, 2047, collateralized by net revenues of housing and auxiliary services, interest rate fixed	48,770,000	1,522,948	50,292,948	2.0 - 5.0%	\$1,833,019 to \$2,782,350	50,194,555
2017B Housing & Auxiliary Facilities Refunding Bonds, Maturity April 1, 2039, collateralized by net revenues of housing and auxiliary services, interest rate fixed	22,755,000	1,500,818	24,255,818	2.0 - 5.0%	\$1,539,325 to \$1,544,338	23,028,053
Total NDSU	<u>145,340,000</u>	<u>6,057,818</u>	<u>151,397,818</u>			<u>132,724,634</u>

Issue	Original Balance	Original Discount (Premium)	Original Balance, Net of Discount (Premium)	Interest Rate	Installments	Balance Outstanding
<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, and bond indenture earnings, fixed rate.	38,985,000	1,489,517	40,474,517	3.0-4.0%	\$2,719,125 to \$2,835,607	33,924,358
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	785,000
2012 Housing & Auxiliaries Facilities Revenue Bonds, Maturity April 1, 2027, collateralized by housing and auxiliary revenue.	17,360,000	1,561,940	18,921,940	2-5%	\$220,000 to \$1,115,000	14,640,054
2012 EERC Revenue Bonds, maturity June 1, 2027, variable interest rate	6,405,000	-	6,405,000	0.75-4.2%	\$325,000 to \$540,000	3,775,000
2013 Housing & Auxiliaries Facilities Revenue Bonds Maturity April 1, 2034 collateralized by net housing and auxiliary facilities system revenue	8,130,000	81,122	8,211,122	2.0%-4.1%	\$300,000 to \$560,000	6,636,393
2014 Housing & Auxiliaries Facilities Revenue Bonds Maturity April 1, 2044 collateralized by net housing and auxiliary facilities system revenue	27,305,000	302,110	27,607,110	3.0%-4.0%	\$475,000 to \$1,465,000	24,751,415
Total UND	<u>99,685,000</u>	<u>3,434,689</u>	<u>103,119,689</u>			<u>84,512,220</u>
<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	3,125,000
2013 Housing & Auxiliary Facilities Revenue Bonds due through 2033, collateralized by net housing and auxiliary facilities system, interest rate fixed.	<u>2,565,000</u>	<u>-</u>	<u>2,565,000</u>	3% - 4%	\$40,000 to \$185,000	<u>2,060,000</u>
Total VCSU	<u>5,995,000</u>	<u>-</u>	<u>5,995,000</u>			<u>5,185,000</u>
<b>Williston State College</b>						
2010 Housing and Auxiliary Services, matures 2041	<u>9,375,000</u>	<u>-</u>	<u>9,375,000</u>	6.81%	\$200,000 to \$505,000	<u>7,660,000</u>
Total WSC	<u>9,375,000</u>	<u>-</u>	<u>9,375,000</u>			<u>7,660,000</u>
<b>Total Bonds Payable</b>	<u>\$ 297,355,000</u>	<u>\$ 9,835,723</u>	<u>\$ 307,190,723</u>			<u>\$ 260,191,781</u>

# NORTH DAKOTA UNIVERSITY SYSTEM

## Supplementary Information

June 30, 2019

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

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

	<b>Bismarck State College</b>	<b>Dakota State College</b>	<b>Dickinson State University</b>	<b>Lake Region State College</b>	<b>Mayville State University</b>	<b>Minot State University</b>
Operating Revenues	\$ 4,865,764	\$ -	\$ -	\$ -	\$ 2,631,908	\$ 626,651
Operating Expenses	5,136,745	-	-	-	2,367,722	529,354
Net Operating Revenues	<u>(270,981)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>264,186</u>	<u>97,297</u>
Pledged Fees	435,909	-	-	-	95,105	1,302,601
Non Operating Revenue	538,000	-	-	-	128,547	83,693
Investment Income	138	-	-	-	-	3,052
Debt Service Grants		-	-	-	122,024	185,621
Net Revenue Available for Debt Retirement	<u>703,066</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>609,862</u>	<u>1,672,264</u>
Current year Debt Service						
Principal	\$ 475,000	\$ -	\$ -	\$ -	\$ 185,000	\$ 1,302,601
Interest	<u>242,428</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,104</u>	<u>-</u>
Total Debt Service	<u>\$ 717,428</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261,104</u>	<u>\$ 1,302,601</u>

# NORTH DAKOTA UNIVERSITY SYSTEM

## Supplementary Information

June 30, 2019

### 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	\$ 7,852,203	\$ 40,833,294	\$ 31,848,241	\$ 2,734,712	\$ 602,267	\$ 91,995,040
Operating Expenses	6,878,771	33,464,487	27,956,564	2,721,689	218,816	79,274,148
Net Operating Revenues	<u>973,432</u>	<u>7,368,807</u>	<u>3,891,677</u>	<u>13,023</u>	<u>383,451</u>	<u>12,720,892</u>
Pledged Fees	289,059	6,158,595	3,651,842	118,699	90,000	12,141,810
Non Operating Revenue	69,228	3,347,943	-	441,619	28,740	4,637,770
Investment Income	2,771	3,210	62,964	2,077	1,780	75,992
Debt Service Grants	-	-	-	44,977	247,621	600,243
Net Revenue Available for Debt Retirement	<u><u>1,334,490</u></u>	<u><u>16,878,555</u></u>	<u><u>7,606,483</u></u>	<u><u>620,395</u></u>	<u><u>751,592</u></u>	<u><u>30,176,707</u></u>
Current year Debt Service						
Principal	\$ 300,000	\$ 3,780,000	\$ 3,310,000	\$ 160,000	\$ 230,000	\$ 9,742,601
Interest	<u>275,106</u>	<u>2,626,453</u>	<u>2,937,719</u>	<u>286,100</u>	<u>533,153</u>	<u>6,977,063</u>
Total Debt Service	<u><u>\$ 575,106</u></u>	<u><u>\$ 6,406,453</u></u>	<u><u>\$ 6,247,719</u></u>	<u><u>\$ 446,100</u></u>	<u><u>\$ 763,153</u></u>	<u><u>\$ 16,719,664</u></u>