NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL REVIEW
Fiscal Year Ending 2015 (with trends since FY 2012)
Date: March 31, 2016

The central purpose and use of the information in this report is to provide a financial analysis of each institution that is needed to assist the board in fulfilling its fiduciary responsibilities. In addition to this report a separate semi-annual budget status report is presented to the SBHE Budget and Finance Committee that discloses significant revenue and expenditure variances, deficits, and pending lawsuits.

The purpose of this financial review is to gain an understanding of the financial health of each institution, based on year-end financial statements as of June 30, 2015 and to identify trends that are occurring over a period of time (FY2012 thru FY2015). It is not the intent of the Ratio Analysis section of this report to compare ratios of one institution to the ratios of another, but rather to compare each institution to the identified industry standard. With the exception of the Composite Financial Index (CFI), these are general industry standards and not specific to just higher education. However, they do provide a good benchmark to measure financial performance. **In addition, it is important to note that individual ratio results do not stand on their own; rather, the results of all the ratios and trends over time should be viewed together when considering the financial health of the institution.**

In order to distinguish between financial statement position and funding adequacy, a Funding Analysis section (pages 11 - 12) is included in this report. Nationally, in FY2014 ND ranked 8 out of 50 in state/local appropriations funding per FTE student, as compared to a ranking of 11 out of 50 in FY2012. State appropriations in North Dakota have increased over that period of time, while many other states have reduced funding.

Note: FY2014 data is presented on pages 11 - 12, pending the release of the FY2015 SHEEO State Higher Education Finance Report. Upon release of the FY2015 SHEEO report, an updated Annual Financial Review Report will be distributed.

Composite Financial Index (CFI)

The CFI creates one overall financial measurement of an institution's health based on four core ratios: primary reserve ratio, net income ratio, viability ratio and the return on net assets ratio. The CFI is calculated by:

1. Determining the value of each ratio;
2. Converting the value of each ratio to strength factors along a common scale;
3. Multiplying the strength factors by specific weighting factors;
4. Totaling the resulting four numbers to reach the single CFI score.

When calculating these ratios for the CFI, the Higher Learning Commission (HLC) requires balances for the following discretely presented component units' accounts also be included:

1. Unrestricted, temporarily restricted net assets;
2. Total net assets;
3. Change in net assets;
4. Net investment in plant;
5. Total expenses;
6. Change in unrestricted net assets;
7. Total unrestricted revenues;
8. Long-term project related debt.

The CFI is presented below for each college/university and their discretely presented component unit(s) for FY2015 and FY2014. In addition, the last two columns of the table provide the CFI for each institution, excluding their discretely present component unit(s) for the same period. Component unit balances are not included in other calculations in this report.

		FY2015		**FY2014**		**FY2015**		**FY2014**
Institution	**Component units(s) included**	**CFI, including component units**		**CFI, including component units**		**CFI, excluding component units**		**CFI, excluding component units**
BSC	BSC Foundation	**2.28**		**2.20**		**2.74**		**1.71**
DCB	DCB Foundation	**6.04**		**3.53**		**5.50**		**3.42**
DSU	DSU Foundation	**(a)**		**0.79**		**4.38**		**4.45**
LRSC	LRSC Foundation	**3.76**		**3.69**		**4.20**		**2.75**
MASU	MaSU Alumni Foundation	**1.79**		**1.78**		**2.11**		**1.26**
MISU	MiSU Development Foundation	**2.49**		**2.30**		**2.49**		**1.67**
NDSCS	NDSCS Foundation	**3.14**		**3.72**		**3.52**		**3.43**
NDSU	NDSU Development Foundation NDSU Research & Technology Park	**3.36**		**4.25**		**2.62**		**2.87**
UND	UND Alumni Assoc. & Foundation, UND Aerospace Foundation, RE Arena, Inc.	**2.67**		**3.40**		**2.72**		**3.13**
VCSU	VCSU Foundation	**3.03**		**4.57**		**1.89**		**2.04**
WSC	WSC Foundation	**5.04**		**4.01**		**3.38**		**2.15**

(a) The Dickinson State University Foundation is currently under receivership and audited financial statements are not available. As a result, DSU is unable to calculate the CFI, including component unit for FY2015.

Additional information can be found in footnote 16 of the FY2015 North Dakota University System Annual Financial Report at http://www.ndus.edu/uploads/reports/148/ndus-annual-financial-report---fiscal-year-2015.pdf.

HLC uses the following standards when evaluating the CFI for accreditation review purposes:

Zones	Public Institutions Composite Index	Outcomes
Above	1.10 to 10	No Review
In	0 to 1.0	Financial Panel Review if "in" for two or more consecutive years
Below	-4.0 to -0.1	Financial Panel Review if "below" in any given year

At FY2015, none of the reporting institutions had a CFI in the "Below" range or in the "In" range for two consecutive years.

Viability Ratio

This ratio measures the ability to retire long-term debt using current resources. It is calculated by comparing combined expendable net position to total long-term debt (bonds, notes and capital leases). Expendable net position includes all unrestricted net position and all expendable restricted net position, excluding net investment in plant. A ratio of greater than 1.0 is good and a ratio of less than .3 is of concern.

The following table shows the viability ratio for each institution for the current fiscal year and three previous fiscal years:

Greater than 1.0 is good, less than .3 concern

VIABILITY RATIO					
Institution	**FY2015**	**FY2015** (excl. GASB Standard 68 retroactive restatement)	**FY2014** (Restated)	**FY2013** (Restated)	**FY2012** (Restated)
DSU	245.1	276.2	210.5	1305.7	30.4
DCB	24.7	38.4	36.9	26.1	20.7
NDSCS	1.6	2.1	1.8	1.3	1.7
MiSU	1.1	1.4	1.4	1.4	1.2
UND	1.0	1.2	1.2	1.4	1.2
Total NDUS	**.9**	**1.2**	**1.1**	**1.1**	**1.0**
NDSU	.8	1.0	1.1	.9	.7
VCSU	.7	.9	.8	.8	.7
BSC	.5	.8	.7	.7	.7
LRSC	.5	.8	.6	.5	.7
MaSU	.3	.4	.4	.4	.3
WSC	.3	.4	.2	.2	.2

In FY2015, NDUS implemented GASB Statement #68 – Accounting and Financial Reporting for Pensions. The new statement revises accounting and financial reporting for state and local government pension plans by requiring organizations to record actuarially determined pension liability and expense in their general ledger. GASB required the statement to be applied retroactively by reducing the FY2015 beginning net position balances for the cumulative impact of the pension liability. The first column in the table above includes the impact of the implementation of GASB Statement #68. The second column excludes the impact of the new statement and is included here for comparison purposes only. The FY2014, FY2013 and FY2012 ratios were not restated for GASB Statement #68.

In previous years' reports, compensated absences were included in long-term debt. In this report, the FY2014, 2013 and 2012 ratios have been restated to exclude compensated absences from total long-term debt.

Six institutions have a viability ratio of less than 1.0. The ratio, including GASB Statement #68, increased from FY2012 for DSU, NDSU and WSC while decreasing for the remaining institutions. DSU and NDSU's increase is the result of reductions in long-term debt, partially offset by the GASB Statement number 68 implementation.

The ratio, excluding GASB Statement number 68, increased from FY2012 for all institutions, except UND.

Primary Reserve Ratio

This ratio measures the ability to operate at current levels without future revenues. It is calculated by comparing combined unrestricted net position and expendable restricted net position to annual operating expenses. A ratio of greater than .1 is good while a ratio of less than .05 is of concern.

The following table shows the primary reserve ratio for each institution for the current fiscal year and three previous fiscal years:

	PRIMARY RESERVE RATIO				
Institution	**FY2015**	**FY2015** (excl. GASB Standard 68 retroactive restatement)	**FY2014**	**FY2013**	**FY2012**
DSU	.5	.5	.5	.5	.5
MiSU	.3	.4	.3	.4	.3
NDSCS	.3	.4	.4	.3	.4
NDSU	.3	.3	.3	.3	.3
UND	.3	.3	.3	.3	.3
VCSU	.2	.2	.2	.3	.2
WSC	.2	.2	.1	.1	.2
Total NDUS	**.3**	**.3**	**.3**	**.3**	**.3**
BSC	.1	.2	.2	.2	.2
DCB	.1	.2	.2	.2	.3
LRSC	.1	.2	.2	.2	.2
MaSU	.1	.2	.2	.2	.2

Greater than .1 is good, less than .05 is a concern

The primary reserve ratio is good for all campuses and NDUS. The implementation of GASB Standard #68 did not significantly impact this ratio. The ratio has not changed significantly for both individual campuses and the NDUS over the last several years.

Current Ratio

This ratio measures the ability to meet current obligations. The ratio is calculated by comparing current assets (unrestricted cash and investments, accounts/notes/grants receivable and inventories) to current liabilities (accounts payable, accrued payroll, student deposits and current portion of long-term debt). A ratio of greater than 2 is good, while a ratio of less than 1 is of concern.

The following table shows the current ratio for each institution for the current fiscal year and three previous fiscal years:

Current Ratio				
Institution	**FY2015**	**FY2014**	**FY 013**	**FY2012**
DSU	9.1	8.7	7.8	5.3
NDSCS	4.3	5.1	4.5	5.4
DCB	4.2	2.8	9.6	8.3
MiSU	3.9	4.2	3.8	3.4
UND	2.9	3.2	2.7	2.0
Total NDUS	**2.7**	**2.9**	**2.5**	**2.5**
LRSC	2.6	1.7	2.2	2.8
VCSU	2.5	2.4	1.2	2.3
WSC	2.3	1.5	1.4	1.9
NDSU	2.2	2.6	2.0	2.2
MaSU	2.0	2.1	2.3	2.1
BSC	1.9	2.2	2.9	2.7

Greater than 2.0 is good, less than 1 concern

The current ratio for the institutions is good and increased at five of the institutions from FY2012 (DSU, MiSU, UND, VCSU and WSC). The current ratio can fluctuate from year-to-year due to the liquid nature of current assets and current liabilities.

Working Capital Ratio

This ratio measures the ability to sustain operations in a short-term emergency situation (4-6 weeks). The ratio compares working capital (current assets less current liabilities) to total operating expenses, converted into weeks. While no industry standard is available, professional judgment suggests that an institution should be able to cover a minimum of 4 weeks of operating expenses in the event of an emergency.

The following table shows the working capital ratio for each institution for the current fiscal year and three previous fiscal years:

Working Capital Ratio				
Institution	**FY2015**	**FY2014**	**FY2013**	**FY2012**
DSU	27.5	26.8	25.8	23.5
NDSCS	21.2	19.7	14.9	16.5
MiSU	15.4	15.0	16.2	18.7
UND	11.6	12.3	8.0	5.1
Total NDUS	**10.5**	**10.7**	**8.2**	**7.8**
LRSC	9.4	7.4	8.0	11.0
WSC	9.0	3.8	2.8	6.1
BSC	8.6	9.1	10.8	9.6
MaSU	8.4	7.9	8.5	7.9
DCB	8.2	6.9	12.8	14.4
VCSU	7.5	7.8	2.1	8.4
NDSU	7.0	8.8	6.1	6.1

4-6 weeks is good

The working capital ratio is good or very good for all institutions.

Operating Income Margin

This ratio measures current year financial results. The ratio is calculated by comparing combined operating and non-operating net income (before capital gifts and grants) to total combined operating and non-operating revenues (excluding capital gifts and grants). A ratio of greater than zero is desired and indicates the institution is not spending more than it is taking in during the year. Additionally, a ratio of greater than zero indicates the institution is adding to reserves.

The following table shows the operating income margin for each institution for the current fiscal year and three previous fiscal years:

Greater than 0 is good

Operating Income Margin				
Institution	**FY2015**	**FY2014**	**FY2013**	**FY2012**
WSC	8.9%	-4.6%	-3.9%	6.6%
MiSU	0.9%	-4.5%	-4.5%	-2.0%
LRSC	0.9%	-2.3%	-8.6%	-7.9%
DCB	0.6%	-6.6%	-5.4%	2.2%
Total NDUS	**0.3%**	**1.4%**	**1.5%**	**0.9%**
NDSU	-0.2%	3.4%	4.7%	1.2%
NDSCS	-1.0%	-1.4%	-4.1%	-3.0%
UND	-1.5%	0.3%	-0.3%	0.6%
BSC	-1.7%	-1.3%	-1.9%	0.3%
MaSU	-3.0%	-2.4%	1.2%	1.1%
DSU	-3.4%	-3.8%	-5.5%	-1.2%
VCSU	-3.8%	-1.2%	-3.4%	-3.7%

Seven institutions have an operating income margins below zero, which means the institution spent more to operate than they earned from operations in FY2015. A negative margin for one year may be due to timing issues or one-time events. Several years of a ratio of zero or less is of concern. DSU, NDSCS and VCSU have had a negative operating income margin for four consecutive years while BSC has had a negative operating income margin for three consecutive years and MaSU had a negative operating income margin for two consecutive years. These institutions should be closely monitored.

Net Income Margin

This ratio measures an institution's financial status in terms of current year operations. The ratio is calculated by dividing the current year's increase in net position by total revenues. A positive net income margin indicates that the institution experienced a net increase in current year fund balances. A negative net income margin results when an institution's current year expenditures exceed its current year revenues, requiring the institution to draw on reserves or creating deficit spending.

Net Income Margin				
Institution	**FY2015**	**FY2014**	**FY2013**	**FY2012**
WSC	35.0%	30.8%	13.4%	22.9%
BSC	16.6%	4.2%	5.8%	5.9%
NDSCS	14.9%	8.7%	15.7%	1.4%
UND	14.9%	6.9%	4.4%	3.5%
DCB	12.9%	-2.3%	3.2%	3.3%
MaSU	12.3%	5.3%	1.5%	7.3%
LRSC	11.8%	18.7%	-7.3%	13.4%
NDSU	9.7%	6.5%	8.5%	6.5%
VCSU	8.4%	6.6%	20.5%	10.9%
MiSU	7.8%	0.3%	8.5%	10.4%

Positive margin good

Total NDUS	**6.5%**	**6.5%**	**6.9%**	**5.5%**
DSU	-1.8%	-2.4%	-4.3%	1.8%

All institutions, with the exception of DSU, had a positive net income margin. A negative margin for one year could be due to timing issues or one-time events. Several years of a negative margin is of a concern. Since FY2012, DSU had a negative net income margin for three consecutive years and should be closely monitored.

<u>Trend: Change in net liquid assets less current liabilities (FY2012 to FY2015)</u>

This calculation measures the change in ability to meet current obligations over time. It is the percentage change from June 30, 2012 to June 30, 2015 between liquid assets (cash, current investments and current receivables) and current liabilities. A positive percentage change is desirable as it indicates improvement over time in an institution's ability to meet current obligations. A negative percentage change indicates decline in ability over time to meet current obligations.

The following table shows the percentage change in net liquid assets for each institution from FY2012 to FY2015 and the dollar amount of net liquid assets for the current fiscal year and three previous fiscal years:

Net Liquid Assets					
	Trend	**Ending Balance (in millions)**			
Institution	**% Change FY 2012 - 2015**	**FY 2015**	**FY 2014**	**FY 2013**	**FY 2012**
UND	163%	$91.6	$94.5	$59.6	$34.9
WSC	98%	$3.1	$1.3	$0.7	$1.6
Total NDUS	**56%**	**$217.8**	**$215.1**	**$181.2**	**$139.8**
NDSCS	36%	$17.4	$15.6	$11.5	$12.8
NDSU	35%	$51.1	62.0	$41.1	$37.9
MaSU	29%	$2.9	$2.6	$2.6	$2.3
BSC	13%	$7.9	$7.5	$7.5	$7.0
MiSU	11%	$16.5	$16.1	$16.2	$14.8
DSU	7%	$14.4	$14.0	$13.6	$13.4
VCSU	5%	$3.5	$3.2	$0.6	$3.3
LRSC	-3%	$2.9	$2.0	$2.0	$3.0
DCB	-35%	$1.3	$1.1	$1.8	$2.0

Positive change good

The change in net liquid assets coupled with the current ratio gives an indication of change in financial liquidity from one year to another. The change in net liquid assets can fluctuate from year-to-year due to the liquid nature of current assets and current liabilities. All institutions, with the exception of DCB and LRSC had an increase in net liquid assets since FY2012. DCB's decrease is the result of a decrease in cash partially offset by an increase in grants and contracts receivable and an increase in deposits. LRSC's decrease is the result of an increase in current liabilities mostly due to an increase in accounts payable and unearned revenue. UND's increase is attributed to an increase in cash and current investments, partially offset by an increase in accounts payable, accrued payroll and unearned revenue. WSC's increase is due to an increase in cash partially offset by a decrease in accounts receivable and grants and contracts receivable and an increase in accounts payable and deposits.

Trend: Change in long-term liabilities, excluding pension liability (FY2012 to FY2015)

This calculation measures the change in long-term liabilities over time. It is the percentage change from June 30, 2012 to June 30, 2015 in total long-term liabilities. A negative change indicates the institution retired more debt than it added over the three-year period. A positive change indicates the institution added more debt than it retired.

The following table shows the percentage change in long-term liabilities for each institution from FY2012 to FY2015 and the dollar amount of long-term liabilities at year end and for the three previous fiscal years:

Negative change good

Long-term Liabilities, excluding Pension Liability and Compensated Absences					
Institution	**Trend**	**Ending Balance (in millions)**			
	% Change FY 2012-2015	**FY 2015**	**FY 2014** (restated)	**FY 2013** (restated)	**FY 2012** (restated)
DSU	-89%	$0.05	$0.07	$0.01	$0.5
DCB	-66%	$0.04	$0.05	$0.08	$0.1
LRSC	-16%	$4.5	$4.9	$5.2	$5.4
MASU	-13%	$10.1	$10.7	$11.2	$11.7
NDSU	-9%	$123.6	$122.4	$130.8	$135.9
VCSU	-9%	$6.0	$6.2	$9.0	$6.6
BSC	-8%	$12.6	$13.2	$13.4	$13.7
NDSCS	-8%	$8.5	$8.8	$9.2	$9.3
Total NDUS	**-0.3%**	**$312.7**	**$314.8**	**$298.9**	**$313.5**
MISU	14%	$16.7	$13.7	$14.1	$14.6
UND	16%	$118.7	$125.3	$94.5	$102.2
WSC	20%	$11.8	$9.5	$9.6	$9.8

The FY2014, 2013 and 2012 balances have been restated to exclude compensated absences from total long-term debt.

This calculation, coupled with the viability ratio indicates an institution's ability to service debt over time.

- MiSU's long-term debt increased from FY2012, due to the refunding of the 2006 Crane revenue bonds in FY2015
- UND's long-term liabilities increased as a result of the issuance of revenue bonds in FY2014 for the Wilkerson Hall.
- WSC's increase in long-term debt from FY2012 is the result of the issuance of the TrainND Workforce Training Center notes payable in FY2015.

Institutions with viability ratios of less than 1.0 should remain cautious about adding new debt in the near future. In FY2015, BSC, LRSC, MaSU, NDSU, VCSU and WSC had viability ratios less than 1.0.

Appropriated Reserves

Unrestricted appropriated funds are set aside for two purposes: 1) undesignated reserves for sudden revenue shortfalls or unexpected expenses and 2) designated reserves for future programs, technology, strategic planning initiatives, etc., and other needs as determined by the institution.

SBHE Policy 810. (1 a). Undesignated Reserve states colleges and universities shall target establishing and thereafter maintain an undesignated appropriated funds (i.e. general fund and tuition) reserve of between 5-7% of the previous fiscal years' actual general fund and net tuition revenue.

	Undesignated Appropriated Reserves				
Institution	**Required Amount (5%-7% FY14 GF and Net Tuition Revenue)**	**Actual Undesignated Appropriated Reserves at June 30, 2015**	**Actual % of FY14 GF and Net Tuition Revenue**	**Designated Appropriated Reserves at June 30, 2015**	**Total Approp Reserves at June 30, 2015**
BSC	$1.6 - $2.2 million	$3,149,078	10.1%	$702,000	$3,851,078
DCB	$289,000 - $404,000	$89,408	1.5%	$0	$89,408
DSU	$1.0 - $1.4 million	$1,398,506	7.0%	$2,225,739	$3,624,245
LRSC	$530,000 - $742,000	$569,252	5.4%	$0	$569,252
MaSU	$588,000 - $823,000	$823,013	7.0%	$638,932	$1,461,945
MiSU	$1.8 - $2.6 million	$1,215,811	3.3%	$500,000	$1,715,811
NDSCS	$1.3 - $1.9 million	$1,877,743	7.0%	$417,407	$2,295,150
NDSU	$8.2 - $11.5 million	$8,228,486	5.0%	$7,241,098	$15,469,584
UND	$8.3 - $11.6 million	$5,143,863	3.1%	$15,646,682	$20,790,545
SMHS	$2.4 - $3.3 million	$0	0.0%	$1,738,539	$1,738,539
VCSU	$783,000 - $1.1 million	$891,913	5.7%	$203,980	$1,095,893
WSC	$416,800 - $583,600	$424,714	5.1%	$2,275,000	$2,699,714
		$23,811,787		**$31,589,377**	**$55,401,165**

The information above is presented on a cash basis.

Trend: Change in Fall FTE enrollment (2012 - 2015)

This calculation shows the percentage change in FTE enrollment from Fall2012 to Fall2015, including all credit on-campus and distance ed students.

The second column in the table shows the percentage change for each institution in Fall FTE enrollment from the Fall 2015 Enrollment Report (FY2016) to the Fall 2012 (FY2013) Enrollment Report. The third column shows the percentage change in Fall FTE enrollment from the Fall 2014 (FY2015) Enrollment Report to the Fall2011 (FY2012) Enrollment Report.

			Fall FTE Enrollment				
	Trend	**Trend**	**Enrollment***				
Institution	**% Change Fall Enrollment Report FY 2012-2015**	**% Change Fall Enrollment Report FY 2011-2014**	**2015**	**2014**	**2013**	**2012**	**2011**
WSC	37%	-5%	738	579	593	537	608
MASU	5%	13%	796	798	749	759	704
VCSU	4%	-2%	1,031	990	975	995	1,011
LRSC	1%	-1%	981	978	943	973	988
NDSU	1%	3%	12,834	12,934	12,797	12,707	12,606
Total NDUS	**0%**	**-1%**	**38,151**	**38,174**	**38,326**	**38,703**	**39,089**
NDSCS	-2%	-4%	2,305	2,272	2,295	2,354	2,366
UND	-2%	1%	12,455	12,420	12,606	12,729	12,319
BSC	-3%	-9%	2912	2909	2,955	2,990	3,209
DCB	-3%	-1%	459	518	502	474	524

Positive growth good

MISU	-6%	-7%	2,570	2,600	2,710	2,731	2,794
DSU	-26%	-40%	1,070	1,176	1,201	1,454	1,959

**From the Fall Enrollment Report Table 4 and as re-defined, Aug. 2006 based on 15 credit hours. The report can be found at http://www.ndus.edu/uploads/reports/141/fall-enrollment-final-2015.pdf.*

Overall, the NDUS' FTE enrollment was flat compared to Fall 2012. Five institutions (LRSC, MaSU, NDSU, VCSU and WSC experienced increased FTE enrollment. WSC experienced increased enrollment as a result of the Williams County Graduate Scholarship which provided free tuition, fees and books for full-time students who graduated from a high school in Williams County. MaSU's increased enrollment is the result of attracting and retaining students in Athletics and Health Physical Education and Recreation. MiSU continues to experience a decline in enrollment. This may be due to a number of factors not limited to, but including, competition from online providers, opportunities in the oil industry, changing demographics, and residual effects of the 2011 flood. BSC's enrollment declined as a result of the oil activity in western North Dakota as well as lack of affordable housing in the Bismarck/Mandan area. Enrollment at DSU has declined markedly over the past five years as a result of a controversy involving recruiting practices as well as the increased demand for oil field workers in the region. The slowdown in the oil exploration activity in western North Dakota may begin to stabilize enrollment. In addition, the DSU Foundation was put into receivership in November 2014 due to its weakened financial condition. Additional information regarding the DSU Foundation's financial condition can be found in footnote 16 of the FY2015 NDUS Annual Financial Report.

Note: Occasional declines in enrollment are not unusual, but several consecutive years of declining enrollment are noteworthy.

FUNDING ANALYSIS – FY 2014 National per FTE Funding Comparison

State funding per FTE for the public institutions of higher education in North Dakota are above the national average, as are educational revenues (tuition and fees) per student.

FY 2014 Total Educational Revenue per FTE - Public Institutions of Higher Ed					
	Total Educational Revenues Per FTE*			**Educational Appropriations (State/Local) Per FTE***	
1	Alaska	$ 18,960	**1**	Wyoming	$ 15,561
2	Delaware	18,852	**2**	Alaska	13,978
3	Illinois	18,517	**3**	Illinois	12,293
4	Wyoming	18,284	**4**	North Carolina	8,562
5	Michigan	15,727	**5**	New York	8,454
6	Rhode Island	15,661	**6**	Texas	8,050
7	Vermont	15,320	**7**	New Mexico	8,029
8	Maryland	15,139	**8**	North Dakota	7,888
9	Connecticut	14,941	**9**	Nebraska	7,840
10	Alabama	14,927	**10**	Arkansas	7,653
11	Maine	14,652	**11**	Hawaii	7,618
12	North Dakota	14,640	**12**	Maryland	7,512
13	New Jersey	13,568	**13**	California	7,509
14	Iowa	13,453	**14**	Georgia	7,297
15	Nebraska	13,241	**15**	Connecticut	7,192
16	New York	13,225	**16**	Oklahoma	7,080
17	Texas	13,175	**17**	Nevada	7,016
18	Kentucky	13,151	**18**	Idaho	7,004
19	Pennsylvania	12,890	**19**	Tennessee	6,959
20	North Carolina	12,879	**20**	Kentucky	6,824
21	Tennessee	12,848	**21**	Mississippi	6,514
22	South Carolina	12,639	**22**	Maine	6,252
23	Minnesota	12,439	**23**	Massachusetts	6,073
24	Oklahoma	12,432	**24**	Florida	5,798
25	Virginia	12,409	**25**	Wisconsin	5,786
26	South Dakota	12,298	**26**	Washington	5,700
27	New Hampshire	12,216	**27**	Alabama	5,673
28	West Virginia	11,930	**28**	Kansas	5,648
29	New Mexico	11,789	**29**	Louisiana	5,606
30	Georgia	11,757	**30**	West Virginia	5,530
31	Arkansas	11,731	**31**	New Jersey	5,520
32	Indiana	11,690	**32**	Utah	5,506
33	Ohio	11,658	**33**	Iowa	5,335
34	Hawaii	11,550	**34**	Minnesota	5,327
35	Kansas	11,533	**35**	Missouri	5,297
36	Arizona	11,339	**36**	Arizona	5,171
37	Idaho	11,265	**37**	Delaware	5,052
38	Wisconsin	11,205	**38**	Indiana	5,005
39	Colorado	11,138	**39**	Montana	4,939
40	Nevada	11,011	**40**	South Carolina	4,894
41	Massachusetts	11,002	**41**	South Dakota	4,878
42	Washington	10,956	**42**	Virginia	4,779
43	Mississippi	10,947	**43**	Michigan	4,765
44	Missouri	10,841	**44**	Rhode Island	4,690
45	Oregon	10,791	**45**	Ohio	4,314
46	Montana	10,444	**46**	Oregon	4,214
47	Utah	10,375	**47**	Pennsylvania	3,654
48	Louisiana	10,174	**48**	Colorado	3,022
49	California	9,593	**49**	Vermont	2,816
50	Florida	8,919	**50**	New Hampshire	2,360
	US	**$ 12,266**		**US**	**$ 6,552**

**Excluding Ag research, extension and med school funding.*

Source: FY2014 SHEEO State Higher Education Finance Report

As the chart below illustrates, North Dakota's educational revenues per FTE has increased since FY2011 and are above the national average. North Dakota's educational appropriations per FTE increased 25.9 percent while the US average increased 4.2 percent. North Dakota's net tuition revenue increased 9.3 percent since FY2011 which is below the US average of increase of 20.5 percent for the same period.

	FY2014	FY2013	FY2012	FY2011
ND Total Educational Revenues per FTE	$ 14,640	$ 13,049	$ 13,585	$ 12,416
% increase (decrease)	*17.9%*			
US Average	$ 12,266	$ 11,492	$ 11,034	$ 11,016
% increase (decrease)	*11.3%*			
ND Ranking	12	12	10	15

	FY2014	FY2013	FY2012	FY2011
Educational Appropriations (State/Local) Per FTE	$ 7,888	$ 6,561	$ 6,938	$ 6,263
% increase (decrease)	*25.9%*			
US Average	$ 6,552	$ 6,105	$ 5,896	$ 6,290
% increase (decrease)	*4.2%*			
ND Ranking	8	17	11	23

	FY2014	FY2013	FY2012	FY2011
ND Net Tuition Revenue, per FTE	$ 6,752	$ 6,489	$ 6,647	$ 6,153
% increase (decrease)	*9.7%*			
US Average	$ 5,777	$ 5,445	$ 5,189	$ 4,793
% increase (decrease)	*20.5%*			
ND Ranking	20	19	17	17

Source: FY2014 SHEEO State Higher Education Finance Report.

SUMMARY BY INSTITUTION

BSC

BSC's overall financial position is good. The CFI increased from FY2014 and the net income margin increased from FY2012. However, the viability, primary reserve, current and working capital ratios have decreased for the same period. Long-term debt has also decreased slightly from FY2012. The oil/energy related activities in the western part of the state and the overall strong North Dakota economy as well as a shortage of affordable housing contributed to a decline in FTE enrollment of 3 percent since FY2012. With a viability ratio of less than 1.0, issuance of additional long-term debt should be carefully evaluated.

DCB

DCB's CFI, viability, primary reserve, current and working capital ratios are good. However the primary reserve, current and working capital ratios have decreased from FY2012. Long-term liabilities have decreased 66 percent from FY2012. FTE enrollment declined three percent from FY2012 to FY2015.

DSU

DSU's financial position remains good. DSU's CFI, excluding the DSU Foundation, is very sound at 4.38. It is not possible to calculate DSU's FY2015 CFI with the DSU's Foundation balances because audited financial statements for the foundation were not available due to the foundation being in receivership. DSU's viability ratio, primary reserve ratio, current ratio and working capital ratio are very good. Long-term liabilities decreased 89 percent from FY2012. However, the operating income margin was negative for the past four years and FTE enrollment decreased 26 percent since FY2012 from 1,454 to 1,070 FTE. In addition, the financial situation of the DSU Foundation is a concern.

In June 2014, DSU prepared a plan for the SBHE Budget and Finance Committee to address the negative trends for operating income margin and enrollment. The plan outlined several steps taken by DSU since FY2012 that included reducing operating expenses, reducing FTE through retirements, reorganizations and attrition and enhanced marketing and recruitment efforts to increase enrollment. DSU's operating income margin increased slightly from -3.8% in FY 2014 to -3.4% in FY 2015.

FY2015 Plan Status Update: In the past five years, DSU experienced significant turnover in senior management including three presidents, four provosts and three CFO's. A new team is in place and working diligently to develop and implement a plan going forward. We will work with NDUS to deploy bond funds and auxiliary reserves in an effort to configure this university in such a manner as to take advantage of the changing regional oil related employment picture and to support the promotional and recruiting efforts currently being initiated.

LRSC

LRSC's overall financial position is generally good. Long-term debt decreased 16 percent from FY2012 as payments continue on the wind turbine and the revenue bonds, however LRSC should remain cautious about adding new debt in the future. The viability, primary reserve, current and working capital ratios have been relatively stable. Operating income margin improved to 0.9 percent in FY2015 from -7.9 percent in FY2012. FTE enrollment increased slightly from FY2012. In June 2014, LRSC prepared a plan for the SBHE Budget and Finance Committee to address the negative trends for operating income margin and the increase in long-term liabilities. The plan included reducing large one-time purchases in the short-term and incorporating student retention effort budgets into the appropriated budget rather than rely on local fund reserves.

Plan Status Update: No additional long-term debt has been added and long-term debt has decreased as planned. To improve operating income margin, LRSC decreased large one-time purchases. LRSC was able to meet the reserve obligations by carefully monitoring expenditures.

MaSU

MaSU CFI, current ratio, working capital ratio and net income margin are good. Enrollment increased 5 percent from FY2012. The viability ratio has remained below 1.0 each year since FY2012 but is not a concern at this time. Long-term liabilities decreased 13 percent since FY2012. However, with a viability ratio of 0.3, MaSU should be cautious about adding new debt in the future.

MiSU

MiSU's financial position is good. The working capital ratio is very strong. The CFI, viability, primary reserve, current ratio and working capital ratio are good. Operating income margin increased to 0.9 percent in FY 2015 after having a negative operating income margin for the last three years. Long-term liabilities increased 14 percent from FY2012 due to the refunding of Student Services facilities revenue bonds in FY2015. The 2011 Souris River flood and the tight housing market in Minot have negatively impacted enrollment in each of the last four years.

Plan Status Update: The campus has begun the process of developing a new strategic plan. As part of this process, MiSU intends to better align its budgets with it strategic initiatives. Through these efforts, MiSU will streamline its operations to more effectively use its resource which will increase operating margin.

NDSCS

NDSCS's financial position is strong. The CFI, viability, primary and current ratio are good. The working capital ratio and net income margin are very good. Operating income margin has been negative for the last four years but improved in FY2014 and FY2015. None of the ratios indicate any concerns at this point, as long as continued positive progress is made on improving the operating income margin. In June 2014, NDSCS prepared a plan for the SBHE Budget and Finance Committee to address the negative trends in operating income margin. The plan included increasing student enrollment and centralizing certain services to better serve and support students.

Plan Status Update: Included in the proposed plan was a retention goal of Fall to Fall of 62 percent to 82 percent. Fall to Spring and Fall to Fall retention rates for FY2016 was 83 and 73 percent, respectively. The focus of our plan was to restructure and bolster our Student Success initiative to better service and support the students. At this point in the plan, this goal appears to be tracking. NDSCS will continually measure and monitor this data and the success of this initiative which will be an ongoing effort.

NDSU

NDSU's overall financial position is good. The CFI, primary reserve ratio, current ratio, working capital ratio and net income margin ratio are good. The viability ratio is below 1.0 at .8 but has improved slightly since FY2012 and is not a concern at this time. Enrollment remains stable. Long term liabilities decreased 9 percent. However, with a viability ratio of .8, NDSU should be cautious about adding new debt in the future.

Standard & Poor's reaffirmed its 'AA-' rating with a stable outlook in a report dated May 28, 2015. According to S&P, "The rating reflects our view of NDSU's strong enterprise and financial profile, specifically its position as the designated land-grant and flagship institution and leading research university in North Dakota, growing and geographically diverse enrollment base, good operating performance and adequate financial resource ratios for the rating category".

Moody's reaffirmed its 'Aa3' rating with a stable outlook in a report dated May 27, 2015. According to Moody's, "The Aa3 rating on the university's housing and auxiliary facilities revenue bonds is based on NDSU's status as the state's land grant university with growing research activity combined with strong state support, and favorable enrollment growth." "The stable outlook reflects our expectation of continued enrollment growth, positive operating performance and modest financial resource growth with no material increase in debt….It's profile is bolstered by its designation as a research university with very high research activity by the Carnegie Commission on Higher Education."

UND

UND's overall financial position is good with adequate reserves and liquidity. The CFI decreased in FY2015 compared to FY2014 but the decrease is not a concern. The current ratio, working capital ratio, net income margin and change in net liquid assets are good or very good and have increased since FY2012. The increase in long-term liabilities of 16 percent since FY2012 is not a concern. FTE enrollment has decreased slightly compared to FY2012 but is not a concern.

UND received a Moody's rating of Aa3 with a stable outlook in April 2014. The rating reflects significant research contributions in aerospace and energy which serve an important role for the state of North Dakota and established market as a flagship university in the state. The report also notes UND's completion of a successful $300 million capital campaign in 2013 and its significant non-resident draw that enable it to maintain a larger enrollment base and broader program array. The rating also takes into account lower occupancy rates in student housing, and uncertainty around federal research funding. UND received a Standard & Poor's report dated July 7, 2014 with an increased rating of AA- from A+. The outlook reflects their view of the university's flagship position, history of increasing state operating support and historically strong debt service coverage.

VCSU

VCSU's viability, primary reserve, current and working capital ratios have remained stable for the last three years as well as the change in net liquid assets. The CFI score is solid. Net income margin has decreased since FY2012 and operating income margin has been negative since FY2012. FTE enrollment increased 4 percent from FY2012. Although long term debt decreased slightly since FY2012, issuance of additional long-term debt should be carefully evaluated.

In June 2014, VCSU prepared a plan for the SBHE Budget and Finance Committee to address the negative trends. The plan called for careful monitoring of long-term debt and operating income margin, excluding depreciation.

Plan Status Update: VCSU has improved its viability ratio, excluding the implementation of GASB Statement number 68, by fulfilling required bond covenants. It will be a challenge to get into a positive viability ratio when including the non-cash depreciation expense. It will continue to be VCSU's intent to utilize appropriations and tuition revenue to support students and VCSU will budget so that operating income margin, excluding depreciation, will be positive. VCSU takes bond covenants seriously and will not enter into additional long-term debt commitments in the foreseeable future.

In FY2013, a timing difference occurred related to the refinancing of the 2003 VCSU Kolstoe Bonds. The refinance was substantially completed by June 30th but the repayment from the refinance occurred on July 1, 2013. As a result of this timing difference, GASB accounting standards required both the original debt and the new debt to be reflected in VCSU's general ledger at June 30, 2013. The second column of the table below represents the actual ratio, as reported. The third column lists the pro-forma ratio which excludes the impact of the timing difference.

Ratio	FY13 Actual Ratio	FY13 Proforma Ratio - Adjusted Due to Bond Refinance (timing)
Viability	.7	.7
Primary Reserve	.3	.2
Current	1.2	3.1
Working Capital	2.1	8.8
Operating Income Margin	-3.4%	-3.4%
Net Income Margin	20.5%	8.0%
Net Liquid Assets	-78%	15%
Change in Long-term Liabilities	146%	74%

WSC

WSC's CFI, primary reserve, current, working capital ratios and operating income and net income margins are good. The viability, current and working capital ratios as well as the operating income and net income margins have increased from FY2012. Long-term debt increased 20 percent from FY2012 due to the issuance of the TrainND Workforce Training Center notes payable in FY2015. With a viability ratio of 0.3, issuance of new debt should be carefully evaluated. FTE enrollment increased 37 percent from FY2012. In June 2014, WSC prepared a plan for the SBHE Budget and Finance Committee to address the negative trends in the viability ratio, working capital ratio, operating income margin and increase in long-term debt. The plan includes incurring no additional debt service in the short-term, exploring options to reduce debt service for Frontier Hall and the TrainND building, implementing significant budget cuts and reducing staff turnover.

Plan Status Update: Refinancing the 2010 housing bonds is not an option until the 2020 call date. We will continue watching these bonds to see if and when refinancing could be favorable. The 1979 Housing Bond was paid off in FY2015 with a gift from the Foundation. WSC has no plans to issue additional debt in the foreseeable future. Thanks to a partnership between the Alva J Field Trust, WSC Foundation and the ND Higher Education Challenge Fund, beginning in Fall 2015, graduates of Williams County high schools, who attend WSC, are eligible for free tuition and fees for two years. Beginning in Fall 2016, WSC Foundation will provide scholarships of free tuition and fees to 2016 high school graduates of schools in four neighboring counties. These generous scholarships will continue to have a positive effect on enrollment and operating income. Employee turnover has finally begun to decrease and retention is increasing.