NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL REVIEW
Fiscal Year Ending 2016 (with trends since FY 2013)
Date: April 2017

The purpose of this report is to provide a financial analysis of each institution 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.

This financial review is presented to provide an understanding of the financial health of each institution, as of June 30, 2016 and to identify trends occurred over a period of time (FY2013 thru FY2016). 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, please note 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 institutions.**

In order to distinguish between financial statement position and funding adequacy, a Funding Analysis section (pages 15-16) is included in this report. Nationally, in FY2015 ND ranked 12 out of 50 in state/local appropriations funding per FTE student, unchanged from a ranking of 12 out of 50 in FY2013. State appropriations in North Dakota have increased over the same time period, while many other states have reduced funding. **Note:** This section of the report will be updated upon the release of the FY16 SHEEO State Higher Education Finance Report.

Composite Financial Index (CFI)

The CFI creates one overall financial measurement of financial 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 the following balances for the 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 component units included in these calculations are:

- Bismarck State College Foundation
- DCB Foundation
- Dickinson State University Heritage Foundation
- Lake Region Community College Foundation
- Mayville State University Foundation
- Minot State University Development Foundation
- North Dakota State College of Science Foundation
- NDSU Foundation and Alumni Association
- NDSU Research & Technology Park, Inc.
- UND Aerospace Foundation
- The UND Alumni Association and Foundation
- REA Arena, Inc., UND Arena Services, Inc., UND Sports Facilities, Inc. and Arena Holdings Charitable LLC.
- VCSU Foundation
- Williston State College Foundation

Component unit balances are not included in other calculations in this report.

The CFI is presented below for each institution and their component unit(s) listed above for FY2016 and FY2015. In addition, the last two columns of the table provide the CFI for each institution, excluding component unit(s) for the same period.

Institution	Component units(s) included	FY2016 CFI, including component units		FY2015 CFI, including component units		FY2016 CFI, excluding component units		FY2015 CFI, excluding component units
BSC	BSC Foundation	**0.35**		**2.28**		**0.93**		**2.74**
DCB	DCB Foundation	**3.94**		**6.04**		**3.96**		**5.50**
DSU	DSU Foundation	**(a)**		**(a)**		**3.57**		**4.38**
LRSC	LRSC Foundation	**2.90**		**3.76**		**2.31**		**4.20**
MASU	MaSU Alumni Foundation	**1.69**		**1.79**		**1.57**		**2.11**
MISU	MiSU Development Foundation	**1.90**		**2.48**		**1.64**		**2.48**
NDSCS	NDSCS Foundation	**3.63**		**3.52**		**3.83**		**3.91**
NDSU	NDSU Development Foundation NDSU Research & Technology Park	**2.71**		**3.36**		**2.62**		**2.87**
UND	UND Alumni Assoc. & Foundation, UND Aerospace Foundation, RE Arena, Inc.	**3.33**		**3.43**		**2.73**		**3.24**
VCSU	VCSU Foundation	**3.11**		**3.03**		**1.91**		**1.89**
WSC	WSC Foundation	**3.00**		**5.18**		**0.57**		**3.38**

(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.](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

BSC is in the "In-Zone" category for FY2016. Please refer to page 17 of this document for additional information and analysis regarding BSC's CFI score.

Several campuses experienced a decline in the CFI score from FY2015 to FY2016.
DCB's CFI decreased because of a decrease in tuition and fee revenue, auxiliary revenue and state appropriations for capital assets, offset by an increase in state appropriations and federal grants and contracts.

DSU's CFI decreased due to a decrease in federal grants and contracts, state grants and contracts, state appropriations and gifts and an increase in salaries expense.

LRSC's CFI decreased mainly as a result of a decrease in tuition, operating federal grants and contracts and an increase in salaries expense. The decrease is partially offset by an increase in state appropriations, non-operating federal grants and contracts and gifts as well as a decrease in long-term debt.

MaSU's CFI decreased due to an increase in salaries, repairs and contract services expense, offset by an increase in state appropriations and federal grants and contracts and auxiliary revenue.

MiSU's CFI decreased primarily because of an increase in salaries, depreciation and interest expense and a decrease in local appropriations and gift revenue. The decrease was partially offset by a reduction in long-term debt and a decrease in travel, supplies, data processing and scholarship and fellowship expense.

NDSU's CFI (including CU) decreased as a result of an increase in net realized and unrealized loss on investments and a decrease in gifts and grant revenue and investment revenue at NDSU Development Foundation. Increased salary and depreciation expense at NDSU contributed to the decrease, which was partially offset by an increase in state appropriations.

UND's CFI (excluding CU) declined due to a decrease in state appropriations for capital assets and capital grants and gifts.

WSC's CFI decrease is attributed to a decline in tuition, TrainND revenue, state appropriations and gifts revenue.

Viability Ratio

Formula: $$\frac{\textbf{Expendable Net Position}}{\textbf{Long-Term Debt}}$$

This ratio measures the ability to retire long-term debt using current resources. 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 the current fiscal year and three previous fiscal years:

Greater than 1.0 is good, less than .3 concern

VIABILITY RATIO

Institution	FY2016	FY2015	FY2015 (excl. GASB Standard 68 retroactive restatement)	FY2014 (Restated)	FY2013 (Restated)
DSU	300.0	245.1	276.2	210.5	1305.7
DCB	21.2	24.7	38.4	36.9	26.1
NDSCS	1.9	1.6	2.1	1.8	1.3
MiSU	1.4	1.1	1.4	1.4	1.4
UND	1.1	1.0	1.2	1.2	1.4
Total NDUS	**1.0**	**.9**	**1.2**	**1.1**	**1.1**
NDSU	.9	.8	1.0	1.1	.9
VCSU	.9	.7	.9	.8	.8
LRSC	.7	.5	.8	.6	.5
BSC	.6	.5	.8	.7	.7
WSC	.3	.3	.4	.2	.2
MaSU	.2	.3	.4	.4	.4

In FY2015, NDUS implemented GASB Statement #68 – Accounting and Financial Reporting for Pensions. The new statement requires organizations to record an 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 second column in the table above includes the impact of the implementation of GASB Statement #68. The third column excludes the impact of the new statement and is included here for comparison purposes only. The FY2014 and FY2013 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 and FY2013 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 increased slightly from FY2013 for LRSC, NDSCS, VCSU and WSC.

Primary Reserve Ratio

Formula: $$\frac{\textbf{Unrestricted Net Position and Expendable Net Position}}{\textbf{Annual Operating Expenses}}$$

This ratio measures the ability to operate at current levels without future revenues. 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	**FY2016**	**FY2015**	**FY2015** (excl. GASB Standard 68 retroactive restatement)	**FY2014**	**FY2013**
DSU	.4	.5	.5	.5	.5
MiSU	.3	.3	.4	.3	.4
NDSCS	.3	.3	.4	.4	.3
NDSU	.3	.3	.3	.3	.3
Total NDUS	**.3**	**.3**	**.3**	**.3**	**.3**
UND	.3	.3	.3	.3	.3
LRSC	.2	.1	.2	.2	.2
VCSU	.2	.2	.2	.2	.3
WSC	.2	.2	.2	.1	.1
BSC	.1	.1	.2	.2	.2
DCB	.1	.1	.2	.2	.2
MaSU	.1	.1	.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 ratio has not changed significantly for both individual campuses and the NDUS over the last several years.

Current Ratio

Formula:	$$\frac{\textbf{Current Assets}}{\textbf{Current Liabilities}}$$

This ratio measures the ability to meet current obligations. A ratio of greater than two is good, while a ratio of less than one 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	**FY2016**	**FY2015**	**FY2014**	**FY 2013**
DSU	10.3	9.1	8.7	7.8
MiSU	4.4	3.9	4.2	3.8
NDSCS	4.4	4.3	5.1	4.5
DCB	3.7	4.2	2.8	9.6
UND	3.4	2.9	3.2	2.7
LRSC	3.1	2.6	1.7	2.2
Total NDUS	**3.1**	**2.7**	**2.9**	**2.5**
BSC	2.7	1.9	2.2	2.9
VCSU	2.7	2.5	2.4	1.2
WSC	2.6	2.3	1.5	1.4
NDSU	2.2	2.2	2.6	2.0
MaSU	2.1	2.0	2.1	2.3

Greater than 2.0 is good, less than 1 concern

The current ratio for the institutions is good and increased at seven of the institutions from FY2013 (DSU, LRSC, MiSU, NDSU, 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

Formula:	$$\frac{\dfrac{\textbf{Current Assets}}{\textbf{Current Liabilities}}}{\textbf{Operating Expenses}} \textbf{ X 52 weeks}$$

This ratio measures the ability to sustain operations in a short-term emergency situation (4-6 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 the current fiscal year and three previous fiscal years:

Working Capital Ratio				
Institution	**FY2016**	**FY2015**	**FY2014**	**FY2013**
DSU	23.9	27.5	26.8	25.8
NDSCS	22.7	21.2	19.7	14.9
MiSU	17.4	15.4	15.0	16.2
LRSC	14.0	9.4	7.4	8.0
UND	13.8	11.6	12.3	8.0
Total NDUS	**11.0**	**10.5**	**10.7**	**8.2**
DCB	9.9	8.2	6.9	12.8
BSC	9.4	8.6	9.1	10.8
VCSU	8.5	7.5	7.8	2.1
WSC	8.5	9.0	3.8	2.8
NDSU	6.9	7.0	8.8	6.1
MaSU	6.6	8.4	7.9	8.5

4-6 weeks is good

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

Net Tuition and Fees Dependency

Formula: $$\frac{\textbf{Net Tuition and Fees}}{\textbf{Total Revenues}}$$

This ratio compares net tuition and fees to total operating and non-operating revenues. Factors such as programs offered, number of in-state versus out-of-state students, state funding levels and other funding sources may affect this ratio. Examples of significant other funding sources are gifts, auxiliary revenue and federal, state and private grants.

No standard benchmarks exist to measure this ratio against, because costs and other factors across the nation can vary significantly. Therefore, the information is provided here for informational purposes only.

Net Tuition and Fees Dependency				
Institution	**FY2016**	**FY2015**	**FY2014**	**FY2013**
BSC	25%	25%	25%	25%
DCB	13%	19%	15%	17%
DSU	23%	22%	22%	27%
LRSC	21%	22%	21%	26%
MaSU	20%	22%	20%	21%
MiSU	26%	25%	27%	27%
NDSCS	17%	16%	19%	20%
NDSU	28%	27%	27%	26%
UND	31%	30%	30%	30%
VCSU	25%	24%	26%	26%
WSC	4%	4%	7%	8%
Total NDUS	**26%**	**26%**	**26%**	**26%**

Net Tuition per FTE Enrollment

Formula:

$$\frac{\textbf{Net Tuition and Fees}}{\textbf{FTE Enrollment}}$$

This ratio compares net tuition and fees compared to FTE enrollment. The FTE enrollment for each institution can be found on page 13 of this report. As with the previous ratio, factors such as programs offered, number of in-state versus out-of-state students, state appropriations and other funding sources may affect this ratio. In addition, the ratio is affected by undergraduate, graduate and professional career enrollment.

No standard benchmarks exist to measure this ratio against because costs and other factors across the nation can vary significantly. Therefore, the information is provided here for informational purposes only.

NET TUITION PER FTE				
Institution	**FY2016**	**FY2015**	**FY2014**	**FY2013**
BSC	$4,563	$4,429	$4,213	$3,911
DCB	$2,512	$3,894	$2,535	$2,529
DSU	$5,466	$5,588	$5,012	$5,988
LRSC	$3,985	$4,071	$3,580	$3,912
MaSU	$5,698	$5,705	$4,980	$5,446
MiSU	$5,677	$5,507	$5,670	$5,129
NDSCS	$3,359	$3,092	$3,530	$3,508
NDSU	$8,964	$8,632	$8,233	$7,845
UND	$11,325	$10,503	$10,371	$10,042
VCSU	$5,807	$5,831	$5,928	$5,746
WSC	$863	$1,197	$2,223	$1,998
Total NDUS	**$8,347**	**$7,962**	**$7,820**	**$7,547**

Operating Income Margin

Formula:

$$\frac{\textbf{Income (loss) before capital grants and gifts}}{\textbf{Total Revenue (operating and non-operating)}}$$

This ratio measures current year financial results. A ratio of greater than zero is desired and indicates an institution is not spending more than it is taking in during the year. Additionally, a ratio of greater than zero indicates an institution is adding to reserves.

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

Greater than 0 is good

OPERATING INCOME MARGIN				
Institution	**FY2016**	**FY2015**	**FY2014**	**FY2013**
LRSC	3.2%	0.9%	-2.3%	-8.6%
NDSU	0.5%	-0.2%	3.4%	4.7%
DCB	-0.4%	0.6%	-6.6%	-5.4%
Total NDUS	**-1.0%**	**0.3%**	**1.4%**	**1.5%**
NDSCS	-1.2%	-1.0%	-1.4%	-4.1%
UND	-1.7%	-1.5%	0.3%	-0.3%
MiSU	-3.4%	0.9%	-4.5%	-4.5%
BSC	-3.5%	-1.7%	-1.3%	-1.9%
WSC	-4.1%	8.9%	-4.6%	-3.9%
MaSU	-4.2%	-3.0%	-2.4%	1.2%
VCSU	-6.9%	-3.8%	-1.2%	-3.4%
DSU	-10.4%	-3.4%	-3.8%	-5.5%

All institutions, other than LRSC and NDSU, had a negative operating income margin in FY2016, which means the institutions spent more to operate than they earned from operations. 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. BSC, DSU, NDSCS and VCSU have had a negative operating income margin for four consecutive years while UND had a negative operating income margin for two consecutive years and MaSU had a negative operating income margin for three consecutive years. In 2016, VCSU had a large depreciation expense for library periodicals that were moved to electronic delivery as well as a correction of parking lot depreciation discovered during the conversion of fixed assets tracking to PeopleSoft. These institutions should be closely monitored.

WSC's negative margin due to auxiliary losses and debt repayment. WSC implemented a plan in FY13 and updated in FY17 to improve the margin. The following measures have been taken or are in process:

- TrainND has implemented several cost saving measures, including reductions in force, unpaid furloughs and salary reductions.
- Negotiating with BND to restructure the TrainND debt.
- The WSC Foundation has added, at their own expense, a Director of the WSC Booster Club to raise funds for athletic programs, thereby reducing the athletic department's expenses.
- WSC continues to look at reducing costs through shared services agreements.
- A hiring freeze has been implemented and several vacant positions were not filled.

We recommend BSC, DSU, NDSCS, MaSU, UND and VCSU develop a plan to address the negative margin.

Net Income Margin

Formula:

$$\frac{\textbf{Increase (decrease) in net position}}{\textbf{Total Revenue (operating and non-operating)}}$$

This ratio measures an institution's financial status in terms of current year operations. A positive net income margin indicates a net increase in current year fund balances. A negative net income margin results when current year expenditures exceed current year revenues, requiring institutions to draw on reserves or creating deficit spending.

Positive margin good

Net Income Margin				
Institution	**FY2016**	**FY2015**	**FY2014**	**FY2013**
NDSCS	12.7%	14.9%	8.7%	15.7%
MaSU	11.8%	12.3%	5.3%	1.5%
UND	11.1%	14.9%	6.9%	4.4%
NDSU	9.7%	9.7%	6.5%	8.5%
Total NDUS	**8.5%**	**6.5%**	**6.5%**	**6.9%**
VCSU	8.0%	8.4%	6.6%	20.5%
LRSC	6.6%	11.8%	18.7%	-7.3%
BSC	2.8%	16.6%	4.2%	5.8%
WSC	2.7%	35.0%	30.8%	13.4%
DCB	0.4%	12.9%	-2.3%	3.2%
MiSU	-1.3%	7.8%	0.3%	8.5%
DSU	-9.6%	-1.8%	-2.4%	-4.3%

All institutions, with the exception of DSU and MiSU, had a positive net income margin in FY2016. 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 FY2016, DSU had a negative net income margin for four consecutive years and should be closely monitored.

MiSU's negative martin is mainly attributed to a decrease in local appropriations, gifts and endowment and interest income as well as an increase in interest and salaries expense.

We recommend DSU develop a plan to address the negative margin.

<u>Trend: Change in net liquid assets less current liabilities (FY2013 to FY2016)</u>

Formula: $$\frac{\textbf{FY2016 Net Liquid Assets – FY2013 Liquid Assets}}{\textbf{FY2013 Liquid Assets}}$$

This calculation measures the change in ability to meet current obligations over time. Liquid assets includes cash, current investments and current receivables less current liabilities. A positive percentage change is desirable as it indicates improvement over time in the ability to meet current obligations. A negative percentage change indicates decline in ability over time to meet current obligations.

The following table presents the percentage change in net liquid assets from FY2013 to FY2016 and the dollar amount of net liquid assets for the current fiscal year and three previous fiscal years:

Net Liquid Assets					
Institution	Trend	Ending Balance (in millions)			
	% Change FY 2013 - 2016	FY 2016	FY 2015	FY 2014	FY 2013
VCSU	501%	$3.9	$3.5	$3.2	$0.6
WSC	309%	$2.9	$3.1	$1.3	$0.7
LRSC	130%	$4.5	$2.9	$2.0	$2.0
UND	95%	$116.4	$91.6	$94.5	$59.6
NDSCS	71%	$19.6	$17.4	$15.6	$11.5
Total NDUS	**28%**	**$219.3**	**$217.8**	**$215.1**	**$181.2**
NDSU	26%	$51.8	$51.1	$62.0	$41.1
BSC	14%	$8.6	$7.9	$7.5	$7.5
MiSU	10%	$18.6	$16.5	$16.1	$16.2
MaSU	-3%	$2.5	$2.9	$2.6	$2.6
DSU	-5%	$12.9	$14.4	$14.0	$13.6
DCB	-7%	$1.6	$1.3	$1.1	$1.8

Positive margin good

The change in net liquid assets coupled with the current ratio indicates the 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, DSU and MaSU had an increase in net liquid assets since FY2013. DCB's decrease is the result of an increase in accounts payable, partially offset by an increase in cash and grants and contracts receivable. DSU's decrease is attributed to a decrease in cash, partially offset by a decrease in accounts payable. MaSU's decrease is the result of a slight decrease in cash and an increase in unearned revenue, deposits and accrued payroll.

Trend: Change in long-term liabilities, excluding pension liability and compensated absences (FY2013 to FY2016)

Formula:

$$\frac{\textbf{FY2016 LT Liabilities} - \textbf{FY2013 LT Liabilities}}{\textbf{FY2013 LT Liabilities}}$$

This calculation includes long-term liabilities, excluding pension liability and compensated absences. A negative change indicates more debt was retired added over the three-year period. A positive change indicates more debt was added than retired.

The following table shows the percentage change in long-term liabilities from FY2013 to FY2016 and the dollar amount of long-term liabilities at year-end and for the three previous fiscal years:

Long-term Liabilities, excluding Pension Liability and Compensated Absences					
Institution	Trend	Ending Balance (in millions)			
	% Change FY 2013-2016	FY 2016	FY 2015	FY 2014 (restated)	FY 2013 (restated)
VCSU	-35%	$5.9	$6.0	$6.2	$9.0
DCB	-24%	$0.6	$0.04	$0.05	$0.08
LRSC	-21%	$4.1	$4.5	$4.9	$5.2
MASU	-15%	$9.4	$10.1	$10.7	$11.2

Negative change good

BSC	-10%	$12.0	$12.6	$13.2	$13.4
MISU	-8%	$12.9	$16.7	$13.7	$14.1
NDSCS	-8%	$8.4	$8.5	$8.8	$9.2
NDSU	-8%	$120.5	$123.6	$122.4	$130.8
Total NDUS	**1.2%**	**$302.4**	$312.7	**$314.8**	**$298.9**
WSC	18%	$11.4	$11.8	$9.5	$9.6
UND	24%	$117.4	$118.7	$125.3	$94.5
DSU	252%	$38	$0.05	$0.07	$0.01

The FY2014 and FY2013 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. Institutions with viability ratios of less than 1.0 should remain cautious about adding significant new debt in the near future. In FY2016, 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 percent of the previous fiscal years' actual general fund and net tuition revenue.

The information below is presented on a cash basis.

	Undesignated Appropriated Reserves as of June 30, 2016				
	Required Amount (5%-7% FY15 GF & Net Tuition Revenue)	Actual Undesignated Approp Reserves June 30, 2016	Actual % of FY15 GF and Net Tuition Revenue	Designated Approp Reserves June 30, 2016	Total Approp Reserves June 30, 2016
BSC	$1.6 - $2.2 million	$3,704,780	11.8%	$566,700	$4,271,480
LRSC	$530,000-$742,000	793,387	7.5%	308,839	$1,102,226
WSC	$416,800-$583,600	1,006,360	12.1%	2,694,352	$3,700,712
UND	$8.3 - $11.6 million	2,632,863	1.6%	21,300,124	$23,932,987
SMHS	$2.4 - $3.3 million	-	0.0%	5,637,762	$5,637,762
NDSU	$8.2 - $11.5 million	12,321,537	7.5%	4,515,586	$16,837,123
NDSCS	$1.3 - $1.9 million	1,946,223	7.3%	990,222	$2,936,445
DSU	$1.0 - $1.4 million	1,306,772	6.5%	1,978,726	$3,285,498
MaSU	$588,000-$823,000	882,371	7.5%	318,461	$1,200,832
MiSU	$1.8 - $2.6 million	1,652,866	4.5%	500,000	$2,152,866
VCSU	$783,000 - $1.1 million	953,729	6.1%	751,269	$1,704,998
DCB	$289,000-$404,000	376,070	6.5%	-	$376,070
		$27,576,958		**$39,562,041**	**$67,138,999**

We recommend UND and MiSU submit a plan to address the reserves.

	Undesignated Appropriated Reserves as of June 30, 2015				
	Required Amount (5%-7% FY14 GF & Net Tuition Revenue)	Actual Undesignated Approp Reserves June 30, 2015	Actual % of FY14 GF and Net Tuition Revenue	Designated Approp Reserves June 30, 2015	Total Approp Reserves June 30, 2015
BSC	$1.4 - $2.0 million	$3,149,078	10.9%	$702,000	$3,851,078
LRSC	$509,000-$713,000	569,252	5.6%	$0	569,252
WSC	$436,500-$611,000	424,714	4.9%	$2,275,000	2,699,714
UND	$8.0 - $11.3 million	5,143,863	3.2%	$15,646,682	20,790,545
SMHS	$2.1 - $3.0 million	-	0.0%	$1,738,539	1,738,539
NDSU	$8.2 - $11.5 million	8,228,486	5.0%	$7,241,098	15,469,584
NDSCS	$1.3 - $1.8 million	1,877,743	7.1%	$417,407	2,295,150
DSU	$1.0 - $1.4 million	1,398,506	7.2%	$2,225,739	3,624,245
MaSU	$555,000-$777,000	823,013	7.4%	$638,932	1,461,945
MiSU	$1.8 - $2.5 million	1,215,811	3.4%	$500,000	1,715,811
VCSU	$780,000 - $1.1 million	891,913	5.7%	$203,980	1,095,893
DCB	$284,000-$399,000	89,408	1.6%	$0	89,408
		$23,811,787		**$31,589,377**	**$55,401,165**

Trend: Change in Fall FTE enrollment (2013 - 2016)

This calculation shows the percentage change in FTE enrollment from Fall2013 to Fall2016, including all credit on-campus and distance-ed students.

The second column in the table shows the percentage change in Fall FTE enrollment from the Fall 2016 Enrollment Report (FY2017) to the Fall 2013 (FY2014) Enrollment Report. The third column shows the percentage change in Fall FTE enrollment from the Fall 2015 (FY2016) Enrollment Report to the Fall 2021 (FY2013) Enrollment Report.

			Fall FTE Enrollment				
	Trend	Trend	Enrollment*				
Institution	**% Change Fall Enrollment Report FY 2013-2016**	**% Change Fall Enrollment Report FY 2012-2015**	**2016**	**2015**	**2014**	**2013**	**2012**
BSC	-3%	-3%	2,860	2,912	2,909	2,955	2,990
DCB	-2%	-3%	490	459	518	502	474
DSU	-7%	-26%	1,114	1,070	1,176	1,201	1,454
LRSC	3%	1%	971	981	978	943	973
MASU	4%	5%	782	796	798	749	759
MISU	-4%	-6%	2,592	2,570	2,600	2,710	2,731
NDSCS	0%	-2%	2,298	2,305	2,272	2,295	2,354
NDSU	0%	1%	12,783	12,834	12,934	12,797	12,707
UND	-3%	-2%	12,182	12,455	12,420	12,606	12,729
VCSU	7%	4%	1,044	1,031	990	975	995
WSC	27%	37%	756	738	579	593	537
Total NDUS	**-1%**	**-1%**	**37,873**	**38,151**	**38,174**	**38,326**	**38,703**

**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-2016.pdf.

Overall, the NDUS' FTE enrollment decreased slightly for both trends. Five institutions (LRSC, MaSU, NDSU, VCSU and WSC experienced increased FTE enrollment, compared to FY2012. WSC's enrollment increase is the result of the Williams County Graduate Scholarship that provides free tuition, fees and books for full-time students who graduated from a high school in Williams County.

MiSU saw a modest increase in headcount for the Fall '16 enrollment. This increase was the first in several years after declines caused by a number of factors including competition from online providers, opportunities in the oil industry, changing demographics, and residual effects from the 2011 flood. New efforts are underway to increase enrollments and meet student program expectations.

BSC's enrollment declined in FY2016 as a result of the downturn in the energy industry. While liberal arts/transfer students were up 5%, energy online was down due to loss of incumbent worker students whose companies have reduced budgets in the wake of significant reductions in oil prices.

Enrollment at DSU is slowly increasing with additional emphasis being placed on Enrollment Management and Retention. In addition, the DSU Foundation financial condition remains under receivership; however, the DSU Heritage Foundation was developed during FY2016 to replace the former Foundation. DSU is optimistic with the new foundation and continuation of enrollment trends that our FTE will continue to increase.

UND's enrollment decreased three percent as a result of record-high graduation numbers paired with smaller, yet academically-stronger, incoming classes which has helped improve retention and graduation rates.

VCSU's enrollment increased seven percent, as a result of multiple strategies implemented by the university to attract and retain the best students. We have entered into multiple articulation agreements with other institutions to attract transfer students and make sure their credits are accepted at VCSU. Additionally, our focus on retention has helped our retention rate steadily increase over this time period. We also recognized a need in North Dakota and began our Master of Arts in Teaching graduate program that is helping many graduate students across the state earn their certification to teach.

FUNDING ANALYSIS – FY 2015 National per FTE Funding Comparison – FY16 data is pending the release of the FY16 Sheeo Report.

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 2015 Total Educational Revenue per FTE - Public Institutions of Higher Ed

Total Educational Revenues Per FTE*			Educational Appropriations (State/Local) Per FTE*		
1	Wyoming	$ 20,294	1	Wyoming	$ 17,300
2	Alaska	19,293	2	Alaska	14,112
3	Delaware	18,533	3	Illinois	11,518
4	Michigan	16,511	4	North Carolina	8,894
5	Illinois	16,415	5	New York	8,830
6	Connecticut	16,167	6	New Mexico	8,799
7	Vermont	15,893	7	California	8,522
8	Maryland	15,843	8	Hawaii	8,405
9	Maine	15,275	9	Nebraska	8,202
10	Alabama	15,208	10	Connecticut	8,090
11	North Dakota	14,454	11	Maryland	8,024
12	New Jersey	14,447	12	North Dakota	7,766
13	New York	13,903	13	Texas	7,748
14	Iowa	13,782	14	Arkansas	7,626
15	Kentucky	13,620	15	Oklahoma	7,521
16	Nebraska	13,574	16	Georgia	7,490
17	North Carolina	13,477	17	Idaho	7,379
18	Minnesota	13,435	18	Tennessee	7,051
19	Oklahoma	13,425	19	Kentucky	6,898
20	Pennsylvania	13,394	20	Mississippi	6,896
21	Mississippi	13,287	21	Massachusetts	6,728
22	Tennessee	13,219	22	Nevada	6,682
23	Texas	13,089	23	Maine	6,546
24	Ohio	12,857	24	Florida	6,271
25	Virginia	12,839	25	Missouri	6,102
26	Rhode Island	12,596	26	Utah	6,062
27	Hawaii	12,580	27	Wisconsin	5,991
28	New Mexico	12,525	28	Kansas	5,837
29	South Dakota	12,501	29	Alabama	5,774
30	Oregon	12,481	30	New Jersey	5,766
31	New Hampshire	12,434	31	Washington	5,761
32	Arizona	12,341	32	Minnesota	5,695
33	South Carolina	12,256	33	Louisiana	5,564
34	West Virginia	12,160	34	West Virginia	5,542
35	Kansas	12,011	35	Iowa	5,515
36	Missouri	11,998	36	Arizona	5,350
37	Arkansas	11,955	37	Montana	5,248
38	Idaho	11,852	38	Indiana	5,142
39	Georgia	11,846	39	Michigan	5,097
40	Indiana	11,838	40	Ohio	5,078
41	Massachusetts	11,756	41	South Carolina	5,077
42	Colorado	11,611	42	South Dakota	5,062
43	Wisconsin	11,469	43	Virginia	4,911
44	Washington	11,267	44	Delaware	4,804
45	Utah	11,083	45	Oregon	4,788
46	California	10,870	46	Rhode Island	4,785
47	Nevada	10,831	47	Pennsylvania	3,758
48	Montana	10,783	48	Colorado	3,529
49	Louisiana	10,445	49	Vermont	2,818
50	Florida	9,460	50	New Hampshire	2,591
	US	**$ 12,907**		**US**	**$ 6,966**

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

Source: FY2015 SHEEO State Higher Education Finance Report

Note: FY16 data is pending the release of the FY16 Sheeo Report.

As the chart below illustrates, North Dakota's educational revenues per FTE has increased since FY20112 and are above the national average. North Dakota's educational appropriations per FTE increased 12 percent while the US average increased 18 percent.

	FY2015	FY2014	FY2013	FY2012
ND Total Educational Revenues per FTE	$ 14,454	$ 14,640	$ 13,049	$ 13,585
% increase (decrease)	*6.4%*			
US Average	$ 12,907	$ 12,266	$ 11,492	$ 11,034
% increase (decrease)	*17.0%*			
ND Ranking	11	12	12	10

	FY2015	FY2014	FY2013	FY2012
Educational Appropriations (State/Local) Per FTE	$ 7,766	$ 7,888	$ 6,561	$ 6,938
% increase (decrease)	*11.9%*			
US Average	$ 6,966	$ 6,552	$ 6,105	$ 5,896
% increase (decrease)	*18.1%*			
ND Ranking	12	8	17	11

Source: FY2015 SHEEO State Higher Education Finance Report.

Summary by Institution

BSC

CFI as Reported to HLC

In FY16, BSCs CFI dropped below 1.0 which places the institution into HLCs "In The Zone" category. If BSC remains "In The Zone" for two or more consecutive years, additional financial documentation will be required by HLC to better understand our financial condition.

Several factors impact the calculation of BSC's CFI, including the inclusion of the BSC Foundation financials and GASB 68 implementation in FY15 relating to defined benefit liabilities. Both these factors came into play in FY16, causing the calculation to drop to .4.

Including BSC Foundation financials in the CFI reported to HLC has unfavorably impacted the index for four of the last five years. Primarily in recent years due to acquisition of real property for future campus expansion (not held for investment) and construction of two housing facilities for lease to BSC for student housing. These housing facilities are a long term strategic investment that have assisted BSC in meeting on-campus housing demand and will benefit BSC in the years to come as they continue to grow and expand the campus. These three projects have increased the Foundation's debt by $4.9 million (280%) since FY2014 and decreased their unrestricted net assets by $1.9 million (18%) during that same time period. Both these elements play heavily into the calculation of the CFI. A drop in market value of investments causing unrestricted earnings to not keep pace with spending has also played into the decrease. However, the Foundation remains financially sound and has indicated they will be making adjustments to their spending in the areas of grants and scholarships, to be in line with their earnings. The payoff of debt over the coming years will also reflect positively in their ratios.

	FY12	FY13	FY14	FY15[1]	FY16	Trend
CFI - reported to HLC	1.4	1.9	2.2	2.3	0.4	
CFI - excluding Foundation	2.0	2.2	1.7	2.7	0.9	
CFI - excluding Foundation & GASB 68	2.0	2.2	1.7	3.1	1.3	
Impact of Foundation	-0.6	-0.3	0.5	-0.5	-0.6	
Impact of GASB 68	[redacted]			-0.3	-0.3	
[1]GASB68 Implementation; large GF approp for the CCAC (rev w/ no exp)						

CFI – Excluding BSC Foundation

Since FY2012, BSC's CFI, excluding the Foundation has been increasing. This was due to intentional focus on repaying debt to improve our viability ratio (ability to pay debt with unrestricted reserves). With the implementation of GASB 68 and the subsequent addition of defined benefit liabilities in FY2015, BSC expected CFI to drop. However, that same year, BSC received over $10 million in state general fund resources for a capital project. This added one-time revenue significantly increased the CFI from FY2014 to FY2015. When the one-time revenue was no longer there, the full impact of GASB 68 was felt, dropping CFI to 0.9 in FY2016. However, when the one-time revenue is excluded, the CFI for FY2015 would have been 0.9. BSC's financial position from FY15 to FY16, based on the adjusted calculation, had actually remained stable.

CFI – Excluding BSC Foundation and GASB 68

The third line in the chart above indicates that BSC's CFI remains above 1.0 when the Foundation financial statements and GASB 68 implementation.

BSC-only CFI decreased since FY2014 (when removing the one-time capital asset revenue impact). The reason for the decline is the use of carryover reserves to fund one-time expenses. These reserves accumulated over previous years and were used to continue to fund initiatives, despite a decline in enrollment activity and tuition revenue. The majority of the $1.2 million of reserves spent in FY2016 were for security cameras, information technology equipment, city special assessments and early retirement contract buyouts. The latter item was used to effect significant operating budget savings for future years. Beyond this use of reserves for one-time funding, and despite the decline in state resources and tuition revenue, BSC has maintained a balanced budget. In other words, outflows for regular operations have not exceeded inflows from operations.

Other ratios not considered in the CFI indicate BSC's financial position has remained steady or improved since FY2015.

	FY 15	FY 16	Change
Viability Ratio	0.46	0.49	
Primary reserve ratio	0.13	0.13	
Current ratio	1.9	2.7	
Working Capital Weeks Covered	8.6	9.4	
Current liabilities	9,927,666	5,825,274	
Net liquid assets	7,891,700	8,597,557	
L-T Liabilities	13,664,613	13,017,810	

Bond Rating

On December 14, 2016, Standard & Poor's (S&P) affirmed BSC's rating of A (upper medium grade) with a Stable outlook. As of the rating date, S&P "assessed BSC's financial profile as strong, characterized by solid financial resources for the rating category and manageable maximum annual debt service burden."

CFI Summary

When only considering the CFI reported to the HLC, it appears BSC's financial position is troubling. However, when factoring out of the calculation the Foundation financials and GASB 68 and considering other ratios, the balanced budget, and S&P's affirmation of our A rating, BSC believes their financial condition remains sound. The NDUS System Office concurs but recommends the situation should be closely monitored.

Other BSC Ratios

BSC's primary, current and working capital ratios are good. Operating income margin, however, has been negative for the past four consecutive years but net income margin has been positive for the same time period. Long-term debt decreased ten percent from FY2013 and appropriated reserves of 11.7 percent are above the SBHE Policy 810. (1a) requirements.

DCB

DCB's CFI, viability, primary reserve, current and working capital ratios are good. However, the viability, primary reserve, current and working capital ratios as well as the net income margin and net liquid assets have decreased from FY2013. Although still negative, the operating income margin has improved from FY2013. Long-term liabilities have decreased 24 percent from FY2013. FTE enrollment declined two percent from FY2013 to FY2016.

DSU

DSU's financial position remains good. DSU's CFI, excluding the DSU Foundation, is very sound at 3.57. It is not possible to calculate DSU's FY2016 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. However, the operating income and net income margins have been negative for the past four years. Although FTE enrollment decreased, the decrease was not as significant as in previous years. 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.

Plan Status Update: With additional efforts focusing on promotional and recruiting efforts, DSU experienced an increase in enrollment with numbers slightly increasing during FY2016. Additionally, the impact of closing Strom Center and additional salary expenses related to changeover in management impacted overall net operating revenue even though focused was placed on reduction of operating expenses and salary savings by not filling vacant positions. Looking forward to FY17, DSU will move forward on building closures for further reduction in operating expenses and have more emphasis put on enrollment management.

LRSC

LRSC's overall financial position is generally good. Long-term liabilities decreased 21 percent from FY2013 as payments continue on the wind turbine and the revenue bonds, however LRSC should remain cautious about adding new debt in the future. The primary reserve, current and working capital ratios are good. Net liquid assets increased 130 percent from a negative position in FY2013. Operating income margin is positive and improved for the second year in a row. FTE enrollment increased slightly from FY2013. 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 continued to decrease, as planned. To improve the net operating income margin, LRSC decreased large one-time purchases. LRSC was able to meet the reserve obligations from 5 percent to 7 percent, by carefully monitoring expenditures.

MaSU

MaSU CFI, current ratio, primary and working capital ratios as well as the net income margin are good. Enrollment increased 4 percent from FY2013. The viability ratio has remained below 1.0 for several years and operating income margin has been negative for three out of the last four years. Long-term liabilities decreased 15 percent since FY2013. However, with a viability ratio of 0.2, MaSU should be cautious about adding new debt in the future.

MiSU

MiSU's financial position is good. The viability, primary, current and working capital ratio are strong. Operating income margin and net income margin were -3 percent and -1.3 percent, respectively, in FY2016 but are not a concern given the strong position of the other ratios. Long-term liabilities decreased 8 percent from FY2013 due to the refunding of Student Services facilities revenue bonds in FY2015. The 2011 Souris River flood and the tight housing market in Minot has negatively impacted enrollment, however there was a slight increase from FY2015 to FY2016.

Plan Status Update: MiSU is finalizing a new strategic plan and reallocating resources across the campus. Management is focused on improving efficiencies and right-sizing programs to better align resources with expected enrollments and reduced state support. University leaders are cognizant of the need to maintain a strong financial profile in coming years.

NDSCS

NDSCS's financial position is strong. The CFI, viability, primary, current and working capital ratio are good. Long-term liabilities decreased from FY2013 levels. Enrollment was flat compared to FY2012. Operating income margin has been negative for the last four years. This is not a concern at this time, 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 Fall retention rates for FY2016 was 70 percent. Graduation rates went from 43 percent in FY2015 to 50 percent in FY2016. 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, as planned. 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 strong. The CFI, primary reserve ratio, current ratio, working capital ratio and operating and net income margin ratio are good. Enrollment remains stable. Long-term liabilities decreased 8 percent.

Standard & Poor's reaffirmed its 'AA-' rating with a stable outlook in a report dated August 10, 2016. According to S&P, "We assessed NDSU's enterprise profile as strong characterized by stable enrollment, solid matriculation rates, and good geographic diversity which has helped offset local demographic pressures. We assessed the university's financial profile as very strong characterized by healthy available resources, good financial policies, and a very low debt burden."

Moody's reaffirmed its 'Aa3' rating with a stable outlook in a report dated July 6, 2016. According to Moody's, "The Aa3 rating on the university's housing and auxiliary facilities revenue bonds reflects the system's very strong debt service coverage and incorporated NDSU's recognition as top research institution within its 5 state region, a growing national research profile and focus on STEM programming, stable student demand with favorable demographics in the Fargo area and strong growth of flexible reserves to support debt and operations. The university's conservative budgeting and careful fiscal oversight help to mitigate softening operations with the strategic decision to use cash flow to fund a backlog of deferred maintenance. Offsetting credit factors include state funding pressure with the State of North Dakota rated Aa1 with a negative outlook, and a growing fixed cost base."

UND

UND's overall financial position is good. The CFI decreased in FY2015 compared to FY2014 but the decrease is not a concern. The viability ratio, current ratio, working capital ratio**,** net income margin and change in net liquid assets are good or very good. The increase in long-term liabilities of 24 percent since FY2013 is not a concern because of the strength of the ratios noted above. FTE enrollment has decreased slightly compared to FY2013 but is not a concern.

VCSU

VCSU's primary reserve, current and working capital ratios as well as the change in net liquid assets have remained stable for the last three years. The CFI score is solid and continues to increase. The change in net liquid assets has increased. Net income margin decreased since FY2013 but remains a positive ratio of 8.0 percent. Operating income margin has been negative since FY2007 and the decrease in FY2016 is due to an increase in depreciation expense related to the write-off of printed periodicals that were transferred to electronic delivery. In addition, a correction of parking lot depreciation discovered during the conversion of fixed assets tracking from Excel to PeopleSoft contributed to the decrease. Excluding depreciation, operating income margin is positive. FTE enrollment increased 7 percent from FY2013 and long-term debt decreased 35 percent from FY2013.

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 our viability ratio by fulfilling required bond covenants and bringing our long-term debt down. 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.

In FY2013, a timing difference occurred related to the refinancing of the 2003 VCSU Kolstoe Bonds. The refinance was substantially completed by June 30, 2013 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 that 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 net income margins are good. The viability, primary reserve, current and working capital ratios have increased from FY2013. Long-term debt increased 18 percent from FY2013 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 27 percent from FY2013. 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:
WSC has ceased using additional debt while reducing current debt, which resulting in an increase of the viability ratio. Significant budget reductions are being implemented for the FY2017-2019 biennium that will include a hiring freeze and a commitment not to fill vacant positions.

Auxiliary losses and repayment of debt have negatively impacted the operating income margin. This is largely due to the expansion of the Williams County Scholarship offered by the WSC Foundation. To improve the margin, TrainND has implemented many cost savings measures, including a reduction in force, unpaid furloughs and salary reductions. The WSC Foundation has increased fund raising activities for athletic programs. WSC is exploring cost savings through shared service agreements and has implemented a hiring freeze and a freeze on filling vacant positions.

While staff turnover has essentially come to a halt, WSC is down a person in finance who will not be replaced. Staff turnover remains problematic where succession planning and PeopleSoft training is concerned.