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# **Annual Financial Report**

**Fiscal Year Ended  
June 30, 2011**

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# NORTH DAKOTA UNIVERSITY SYSTEM

## ANNUAL FINANCIAL REPORT

Fiscal Year Ended  
JUNE 30, 2011

Prepared by the Director of Financial Reporting  
North Dakota University System Office



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**NORTH DAKOTA UNIVERSITY SYSTEM  
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STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
600 E. BOULEVARD AVENUE – DEPT 117  
BISMARCK, NORTH DAKOTA 58505

## **INDEPENDENT AUDITOR'S REPORT**

Honorable Jack Dalrymple, Governor

Members of the Legislative Assembly

The State Board of Higher Education

We have audited the accompanying financial statements of the business-type activities of the North Dakota University System and its aggregate discretely presented component units as of and for the year ended June 30, 2011, which collectively comprise the North Dakota University System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University System's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units listed in Note 1. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the reports 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the North Dakota University System are intended to present the financial position and the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities and aggregate discretely presented component units of the State of North Dakota that is 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, 2011, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the North Dakota University System as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2011, on our consideration of the North Dakota University System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, beginning on page 3, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining statement of net assets, the combining statement of revenues, expenses and changes in net assets, the combining statement of cash flows, the statement of net assets - non-major component units, the statement of revenues, expenses, and changes in net assets - non-major component units and the schedule of bonds payable - primary institution have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The financial information for revenue producing buildings has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on the financial information for revenue producing buildings.



Robert R. Peterson  
State Auditor

December 13, 2011

**NORTH DAKOTA UNIVERSITY SYSTEM  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

The North Dakota University System’s (the “System”) discussion and analysis (MD&A) provides an overview of the System’s financial activities and issues for the year ended June 30, 2011. It is designed to focus on the current year’s activities, resulting changes and currently known facts to assist readers in understanding the accompanying financial statements.

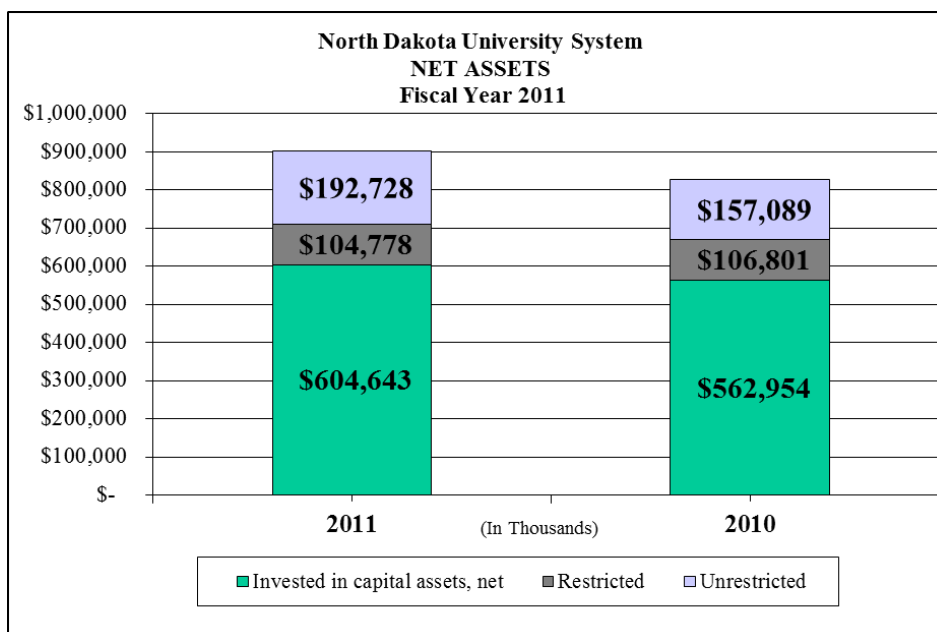
This discussion provides an overview of the financial position of the System for the year ended June 30, 2011 and should be read in conjunction with the accompanying financial statements and notes to the financial statements. The financial statements, notes, and this discussion and analysis are the responsibility of management.

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

**FINANCIAL HIGHLIGHTS**

The System’s overall financial standing continues to be sound with total assets of \$1.32 billion and total liabilities of \$419.7 million, resulting in a net assets total of \$902.1 million (an increase of \$75.3 million over the fiscal year). The System has done well in managing its financial resources and is better off as a result of the current year’s activities. Total operating revenues increased 4 percent primarily as a result of increases in tuition, room and board and grants and contracts revenue. Total operating expenses also increased 4 percent.

Total net assets were \$902.1 million at June 30, 2011 and \$826.8 million at June 30, 2010. The following graph illustrates the net asset breakdown for fiscal years ending June 30, 2011 and 2010:



Note: 2010 amounts are adjusted for the effect of the Net Asset Restatements described in Footnote 1 of the 2011 Annual Financial Report

As a percent of total net assets, invested in capital assets (net of related debt) is the largest category of net assets due to the significant size of the System’s physical infrastructure.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## JUNE 30, 2011

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### USING THIS ANNUAL REPORT

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

The statements assist in answering the question "Is the System as a whole financially better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information on the System as a whole and on its activities in a way that helps answer this question. The Statement of Cash Flows summarizes transactions affecting cash and cash equivalents during the fiscal year. It also provides information about the ability of the System to generate future cash flows necessary to meet its obligations and to evaluate its potential for additional financing.

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

### STATEMENT OF NET ASSETS

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2011**

The following table shows the Condensed Statement of Net Assets at June 30, 2011 and 2010:

	<b>June 30 (in Thousands)</b>		<b>Dollar Change</b>	<b>Percent Change</b>
	<b>2011</b>	<b>2010</b>		
Current assets	243,904	\$ 245,072 <sup>(1)</sup>	\$ (1,168)	0%
Capital assets, net	884,936	837,153 <sup>(1)</sup>	47,783	6%
Other noncurrent assets	193,048	153,012	40,036	26%
<b>Total assets</b>	<b>\$ 1,321,888</b>	<b>\$ 1,235,237</b>	<b>\$ 86,651</b>	<b>7%</b>
Current liabilities	\$ 97,965	\$ 97,262	\$ 703	1%
Noncurrent liabilities	321,774	311,131	10,643	3%
<b>Total liabilities</b>	<b>\$ 419,739</b>	<b>\$ 408,393</b>	<b>\$ 11,346</b>	<b>3%</b>
Invested in capital assets, net	\$ 604,643	\$ 562,954 <sup>(1)</sup>	\$ 41,689	7%
Restricted	104,778	106,801	(2,023)	-2%
Unrestricted	192,728	157,089 <sup>(1)</sup>	35,639	23%
<b>Total net assets</b>	<b>\$ 902,149</b>	<b>\$ 826,844</b>	<b>\$ 75,305</b>	<b>9%</b>

**Current Ratio**

(current assets to current liabilities) 2.5 2.5

**Primary Reserve Ratio**

(expendable net assets to operating expenses) 0.28 0.26

<sup>(1)</sup> 2010 amounts are adjusted for the effect of the Net Asset Restatements described in footnote 1 of the 2011 Annual Financial Report

Total assets increased \$86.6 million during fiscal year 2011 to a total of \$1.32 billion. Cash and equivalents increased \$28.4 million and investments decreased \$3.8 million. Grants and contracts receivables increased \$5.8 million. Net capital assets increased \$47.8 million for net additions to property and equipment less depreciation expense, as discussed in a later section of this MD&A.

Total liabilities increased \$11.3 million during fiscal year 2011 to a total of \$419.7 million. Accounts payable and accrued liabilities decreased \$.2 million due primarily to timing of billings. Long-term liabilities increased \$9.8 million, as discussed in a later section of this MD&A.

The current ratio, calculated by dividing current assets by current liabilities, measures the System's ability to meet current obligations. The System's current ratio at June 30, 2011 was 2.5 to 1, which indicates the System's current assets are almost three times that of its current liabilities. A ratio of less than 1 to 1 would be cause for concern.

Total net assets increased \$75.3 million during fiscal year 2011 as a result of the year's activity. The primary reserve ratio (calculated by dividing expendable and unrestricted net assets by operating expenses), measures the ability of the System to continue operating at current levels, within current restrictions, without

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2011**

future revenues. Proof of an adequate reserve ratio is often required to secure long-term financing. The System's primary reserve ratio at June 30, 2011 is 0.28 to 1, which indicates in an emergency situation, the System could continue its current operations for approximately 14 weeks.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

The Statement of Revenues, Expenses, and Changes in Net Assets provides information about the System's activities during the year by reporting all the revenues and expenses for the year. In the Statement of Revenues, Expenses and Changes in Net Assets, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as the System's operating results.

Revenues and expenses are categorized as either operating or nonoperating. Operating revenues are revenues earned by the System in exchange for its goods and services, such as tuition and fees, grants and contracts, sales and services of educational departments and auxiliary enterprise revenues. Operating expenses are expenses incurred during the normal operations of the System and include, salaries and wages, operating expenses, depreciation, scholarships and fellowships and cost of sales and services. Nonoperating revenues and expense are those derived from non-exchange transactions. Examples include: insurance proceeds, investment income, gifts, state appropriations, interest on capital asset-related debt and gains or losses on capital assets. Even though state appropriations fund operating expenses, they are classified as nonoperating revenues as the Government Accounting Standards Board has ruled that they are not an exchange for goods or services. Other nonoperating items that are reported separately at the bottom of the statement include capital related transactions – appropriations, gifts, grants and transfers.

The following table shows a Condensed Statement of Revenues, Expenses and Changes in Net Assets for the fiscal years ended June 30, 2011 and 2010:

	<b>June 30 (in Thousands)</b>		<b>Dollar Change</b>	<b>Percent Change</b>
	<b>2011</b>	<b>2010</b>		
Operating revenues	\$ 626,470	\$ 601,712	\$ 24,758	4%
Operating expenses	991,389	949,665	41,724	4%
Operating loss	(364,919)	(347,953)	(16,966)	5%
Nonoperating revenues, net of expenses	383,467	362,763	20,704	6%
Income before capital grants, gifts, and transfers	18,548	14,810	3,738	25%
Capital appropriations, grants and gifts	62,394	60,776	1,618	3%
Transfers	(5,637)	(5,573)	(64)	1%
Increase in net assets	<u>\$ 75,305</u>	<u>\$ 70,013</u>	<u>\$ 5,292</u>	<u>8%</u>
<b>Tuition and Fees Funding Ratio</b> (tuition and fees to operating expenses)	<u>26%</u>	<u>27%</u>		
<b>Net Income Margin</b> (increase in net assets to total revenue)	<u>6.9%</u>	<u>6.7%</u>		

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2011**

From June 30, 2010, operating expenses increased 4 percent and operating loss increased 5 percent. Net income margin, calculated by dividing increase in net assets by total revenue, is a measure of current year financial status. The System's net income margin for fiscal year 2011 is 6.9 percent. A positive margin is good, as it signifies the System is not spending more than it is taking in.

**Revenues**

The following table shows revenues by source for the fiscal years ended June 30, 2011 and 2010:

	<b>June 30 (in Thousands)</b>		<b>Dollar Change</b>	<b>Percent Change</b>
	<b>2011</b>	<b>2010</b>		
<b>Operating revenues</b>				
Student tuition and fees	\$ 261,960	\$ 253,693	\$ 8,267	3%
Grants and contracts	190,390	186,341	4,048	2%
Sales and services of education departments	67,829	61,731	6,098	10%
Auxiliary enterprises	104,662	98,486	6,175	6%
Other	1,630	1,461	169	12%
Total operating revenues	<u>\$ 626,470</u>	<u>\$ 601,712</u>	<u>\$ 24,758</u>	<u>4%</u>
<b>Nonoperating revenues, capital gifts and grants</b>				
State Appropriations	\$ 309,453	\$ 292,859	\$ 16,594	6%
Federal appropriations	5,646	6,166	(520)	-8%
Federal grants and contracts	48,366	43,072	5,295	12%
Gifts	24,890	24,108	782	3%
Investment income	10,552	10,029	523	5%
Insurance proceeds	175	221	(46)	-21%
Tax revenues	2,661	2,493	168	7%
Gain on sale of capital assets	177	-	177	0%
State appropriations-capital assets	38,382	37,322	1,061	3%
Capital grants & gifts	24,012	23,454	558	2%
Total nonoperating revenues, capital gifts and grants	<u>\$ 464,314</u>	<u>\$ 439,724</u>	<u>\$ 24,590</u>	<u>6%</u>
<b>Total Revenues</b>	<u><u>\$ 1,090,783</u></u>	<u><u>\$ 1,041,436</u></u>	<u><u>\$ 49,348</u></u>	<u><u>5%</u></u>

Tuition and fee revenues increased 3 percent from fiscal year 2010. Grant and contract revenues (included in operating revenues) increased 2 percent in fiscal year 2011. Within this total, federal grants and contracts revenue increased \$5.1 million and state grants and contracts revenue decreased \$3.6 million while private grants and contracts increased \$2.5 million.

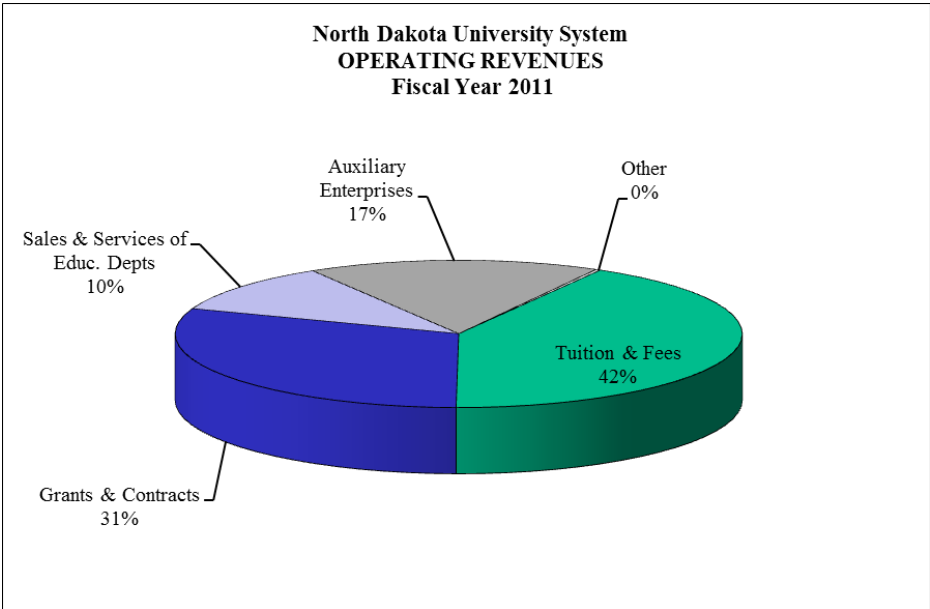
Revenues from auxiliary enterprises such as housing, bookstore and foodservice increased 6 percent from fiscal year 2010.

State appropriations, excluding capital assets, increased 6 percent over fiscal year 2010. Investment income increased 5 percent from fiscal year 2010.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2011**

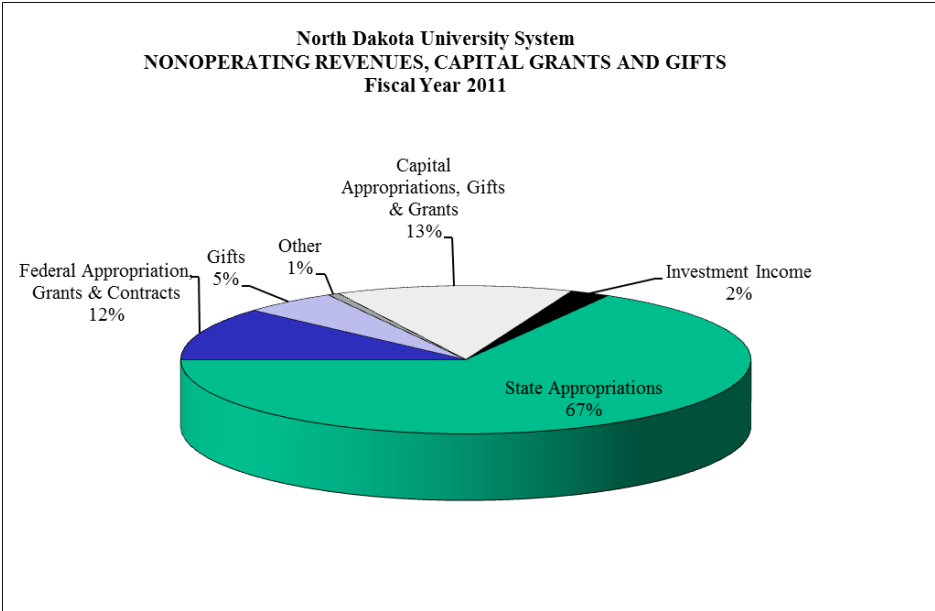
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The following graph depicts sources of operating revenues for fiscal year 2011:



In fiscal year 2011, tuition and fees accounted for 42 percent of operating revenues, no change from the previous fiscal year.

The following chart depicts sources of nonoperating revenues, capital grants and gifts for fiscal year 2011:



No major changes in these percentages have occurred from the previous fiscal year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2011**

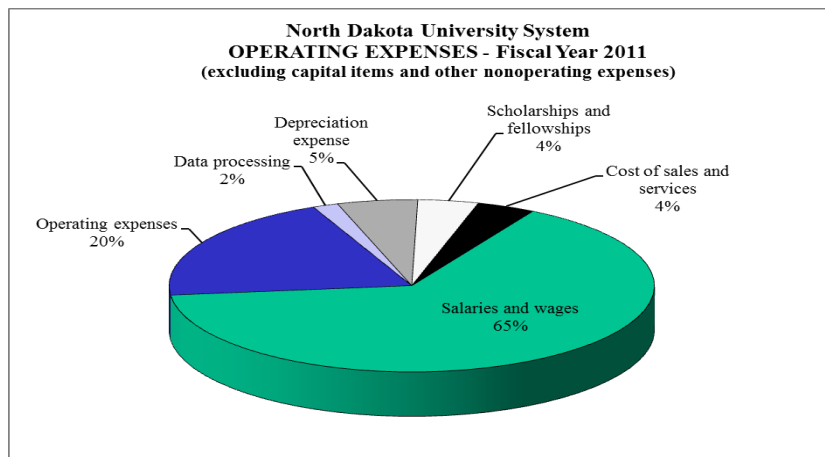
**Expenses**

The following table shows expenses by natural classification for the fiscal years ended June 30, 2011 and 2010:

	<b>June 30 (in Thousands)</b>		<b>Dollar Change</b>	<b>Percent Change</b>
	<b>2011</b>	<b>2010</b>		
<b>Operating expenses</b>				
Salaries and wages	\$ 643,481	\$ 607,927	\$ 35,554	6%
Operating expenses	199,371	201,855	(2,484)	-1%
Data processing	16,790	14,521	2,269	16%
Depreciation expense	53,051	48,453	4,598	9%
Scholarships and fellowships	40,068	38,638	1,431	4%
Cost of sales and services	38,628	38,272	357	1%
Total operating expenses	\$ 991,389	\$ 949,665	\$ 41,724	4%
<b>Nonoperating expenses</b>				
Interest on capital asset related debt	\$ 14,751	\$ 13,641	\$ 1,110	8%
Loss on sale of capital assets	-	662	(662)	-100%
General and special grant expenditures	2,545	671	1,874	279%
Other nonoperating, net	1,156	1,211	(55)	-5%
Total nonoperating expenses	\$ 18,452	\$ 16,185	\$ 2,266	14%
<b>Total expenses</b>	\$ 1,009,840	\$ 965,850	\$ 43,990	5%

Salaries and wages expense for the System increased by 6 percent in fiscal year 2011 as a result of wage increases. Operating expenses, including travel, office expenses, supplies, utilities, repairs, rents and leases, fees, instructional supplies and other general expenses decreased 1 percent in fiscal year 2011 which is lower than the Higher Education Price Index which reported a 2.3% increase for fiscal year 2011. Scholarships and fellowships expense increased 4 percent for increases in aid to students.

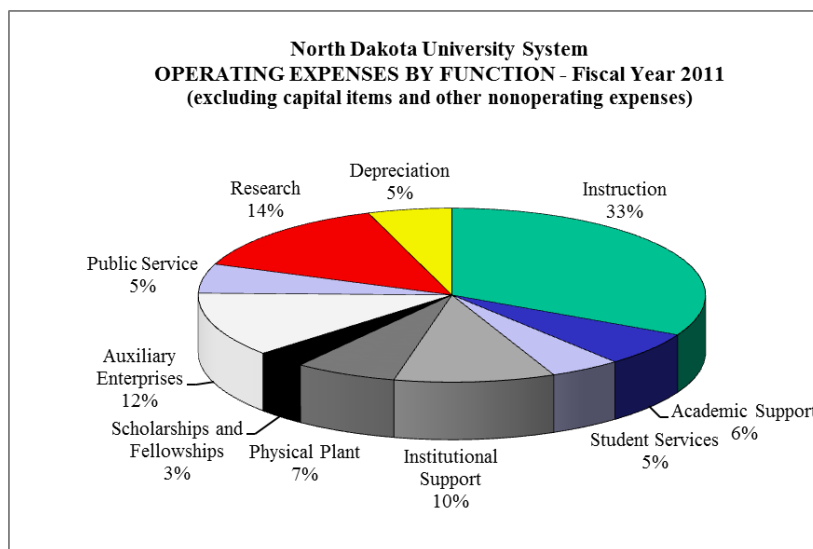
The allocation of operating expenses among the natural classification categories has not changed significantly from fiscal year 2010. The following chart depicts the uses of operating funds according to natural classification for fiscal year 2011:



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### JUNE 30, 2011

In addition to their natural classification, it is also informative to review operating expenses by function. The following chart illustrates operating expenses by function for fiscal year 2011:



The allocation of expenses to functional areas has not changed significantly from prior year. Instructional expenses, at 33 percent, continue to represent the largest expenditure category. The instructional function includes all expenses related to instruction (e.g. classroom, distance ed and continuing education) and instructional support. Academic support includes libraries, academic deans, and other departments that directly support the academic unit of the campuses. Student services include all offices that provide a specific service to students, including career services, registration, admission and counseling. Institutional support includes staff that supports the institution as a whole (e.g. business office, IT support and president's office). The physical plant function includes upkeep, maintenance and utilities for campus facilities. Scholarships and fellowships include aid provided to students. Auxiliary enterprises are the self-supporting activities of the campuses, such as bookstore, food service and housing. Depreciation represents the non-cash expense of capitalized assets over time. Public service includes expenses for activities established primarily to provide non-instructional services that are beneficial to individuals and groups external to the institution. All activities specifically organized to produce research, which is mostly federally funded, is included in the research function.

### STATEMENT OF CASH FLOWS

The Statement of Cash Flows shows inflows and outflows of cash without regard to accrual items. Cash flows from operating activities on the Statement of Cash Flows will always be different from the operating gain or loss on the Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA) because of the inclusion of noncash items, such as depreciation expense, on the SRECNA. Also, the SRECNA is prepared on the accrual basis of accounting, meaning that it shows revenues earned and expenses incurred. The primary cash receipts from operating activities consist of tuition and fees, grants and contracts, and auxiliary income from housing, food service and bookstore operations. Cash outlays include payment of wages and benefits; operating expenses such as utilities, supplies, insurance and repairs; and, scholarships to students.

State appropriations are the primary source of cash flows from noncapital financing activities. Accounting standards require that we reflect this source of revenue as nonoperating, even though the campus budgets depend on this to continue the current level of operations. Other noncapital financing activity includes gifts received from endowment and charitable gift annuities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2011**

Cash flows from capital and related financing activities include all plant funds and related long term debt activities (except depreciation and amortization), as well as capital gifts, grants and appropriations. Purchase and sale of investments and income earned on investments are included in cash flows from investing activities.

The Condensed Statement of Cash Flows for the fiscal years ended June 30, 2011 and 2010 is shown below:

	<b>June 30 (in Thousands)</b>	
	<b>2011</b>	<b>2010</b>
Cash flows from operating activities	\$(310,727)	\$(296,941)
Cash flows from noncapital financing activities	384,913	363,989
Cash flows from capital and related financing activities	(60,498)	(40,707)
Cash flows from investing activities	14,737	(8,556)
	<u>\$ 28,425</u>	<u>\$ 17,785</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 2011 was \$306.9 million. If this figure is added to the cash flows from operating activities, the result is a negative cash flow of \$3.9 million.

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

**CAPITAL ASSETS**

On June 30, 2011, the System had \$884.9 million invested in net capital assets, as reflected in the following table, which represents a net increase of \$47.8 million or 6 percent during the fiscal year.

	<b>June 30 (in thousands)</b>	
	<b>2011</b>	<b>2010<sup>(1)</sup></b>
Land	\$ 16,105	\$ 16,079
Land improvements/infrastructure	171,539	158,500
Buildings	949,277	911,743
Furniture, fixtures, and equipment	261,805	250,051
Library materials	104,348	101,796
Construction in progress	85,895	63,864
Capitalized software	22,357	21,285
Other intangibles	863	516
Total	<u>\$ 1,612,189</u>	<u>\$ 1,523,835</u>
Total accumulated depreciation and amortization	<u>(727,253)</u>	<u>(686,682)</u>
Capital assets, net	<u>\$ 884,936</u>	<u>\$ 837,153</u>

<sup>(1)</sup> 2010 amounts are adjusted for the effect of the Net Asset Restatements described in footnote 1 of the 2011 Annual Financial Report

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2011**

Total additions to depreciable capital assets in fiscal year 2011 were \$47.5 million. Construction in progress for other projects underway totaled \$85.9 million at June 30, 2011. Some of the major projects, and their estimated project costs, include:

- Tech Center renovation at BSC - \$3.5 million
- Science/Library Renovation and Education Addition at MaSU - \$5.1 million
- Agassiz Hall Renovation at MaSU - \$3.7 million
- Wellness Center at MiSU - \$12.8 million
- Boiler/Geothermal Conversion at MiSU - \$4.5 million
- Research Greenhouse Complex at NDSU - \$23.2 million
- Minard Hall at NDSU - \$18 million
- Bison Sports Arena at NDSU - \$25.2 million
- Indoor Track Facility at NDSU - \$5 million
- Snoeyenbos Hall renovation at VCSU - \$3.5 million
- New residence hall at WSC - \$9.9 million
- Career & Technology Center at WSC - \$6 million
- Science Lab addition at WSC - \$2.2 million

Outstanding commitments for these and other capital projects as of June 30, 2011 totaled \$55.3 million. More detailed information about the System's capital assets is presented in Note 5 and Note 14 to the financial statements.

**LONG-TERM LIABILITIES**

On June 30, 2011, the System had \$338.6 million in bonds and other long-term obligations outstanding, compared to \$328.8 million on June 30, 2010, as represented in the following table:

	<b>June 30 (in thousands)</b>	
	<b>2011</b>	<b>2010</b>
Bonds Payable	\$ 222,013	\$ 218,648
Notes Payable	7,310	8,316
Capital Leases	75,649	72,279
Special Assessments	3,844	1,355
Compensated Absences	29,788	28,171
Total Debt	<u>\$ 338,604</u>	<u>\$ 328,769</u>
<b>Viability Ratio</b> (expendable net assets to L-T debt)	<u>0.8</u>	<u>0.8</u>

Long-term liabilities added in fiscal year 2011 totaled approximately \$35.1 million, including: revenue bonds totaling \$12.8 million for new construction and renovation projects, \$17.9 million in new capital leases for purchase of capital assets, \$2.7 million in new special assessments for campus improvements and \$1.7 million in other long-term obligations. Total debt retired in fiscal year 2011 was \$25.3 million, consisting primarily of capital lease payments of \$14.6 million, bond payments of \$9.4 million and other regularly scheduled principal payments. At June 30, 2011, \$99.6 million of auxiliary enterprise revenues (95 percent) are pledged as security for outstanding revenue bonds.

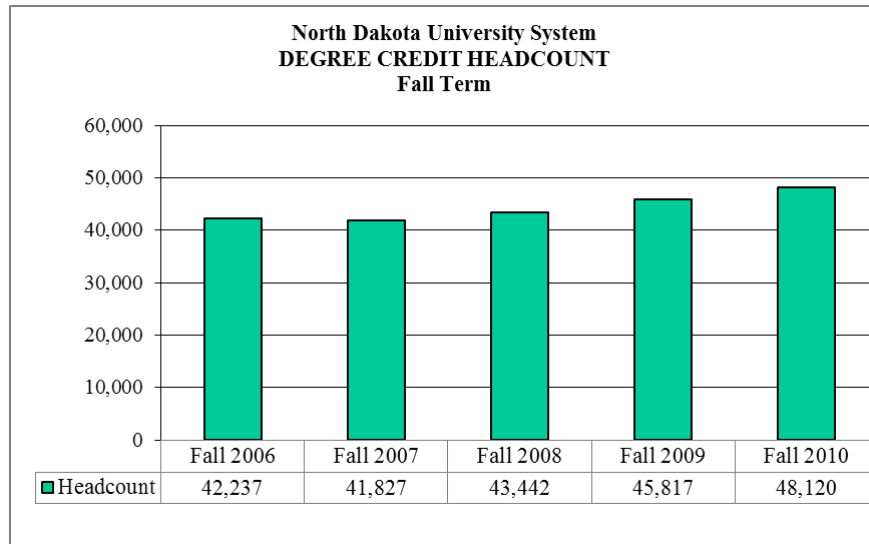
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2011**

The viability ratio, calculated by dividing expendable net assets by long-term debt, measures the System’s ability to retire long-term debt using available current resources. The System’s viability ratio at June 30, 2011 of .8 to 1 indicates the System needs to watch its future debt levels closely as a ratio of 1 to 1 or greater is preferred. More detailed information about the System’s long-term liabilities is presented in Notes 7 through 11 to the financial statements.

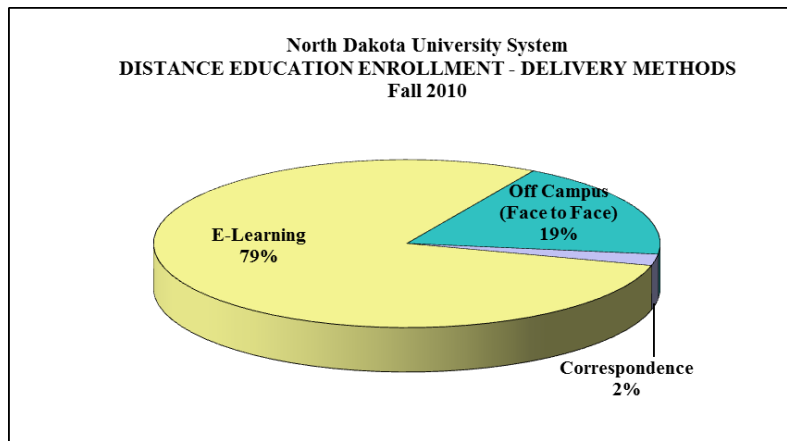
**OTHER HIGHLIGHTS**

**STUDENT ENROLLMENTS**

Annual unduplicated degree credit headcount for fall 2010 was 48,120, an increase of 5 percent over the previous fall enrollment. Degree credit headcount for the University System for the last five fall terms is as follows:



E Learning (internet, IVN and other) accounts for 79 percent of all distance education offerings, as noted in the graph below:



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

### **JUNE 30, 2011**

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#### **STATE FUNDING**

The 2011 Legislative Assembly approved a state general fund appropriation for all entities of the North Dakota University System (including major capital projects) of \$757.3 million for the 2011-13 biennium. This was an increase of \$139.6 million or 22.6 percent more than the 2009-11 adjusted appropriation. Of the total increases, \$83 million was included for base funding; \$2.5 million for one-time items and the remaining \$54.1 million one-time funding was for major capital projects. Excluding major capital projects, the total general fund increase over 2009-11 was \$85.5 million or 13.8 percent for all NDUS entities. The System's appropriation (excluding ag extension and research centers) as a percentage of the state's total 2011-13 general fund budget was 16.2 percent, compared to 18.3 percent in 2009-11.

#### **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 701-224-2541; State Capitol - 10<sup>th</sup> Floor, 600 E. Boulevard, Bismarck, ND 58505-0230.

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**STATEMENT OF NET ASSETS**

	<b>Primary Institutions</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 89,505,631
Investments	41,285,562
Accounts receivable, net	19,240,422
Receivable from component units	9,011,484
Due from State General Fund	17,483,793
Grants & contracts receivables, net	48,700,738
Inventories	7,845,739
Notes receivable, net	8,248,757
Other assets	2,581,717
Total current assets	<u>\$ 243,903,843</u>
Noncurrent assets	
Restricted cash and cash equivalents	\$ 20,420,493
Restricted investments	18,141,468
Endowment investments	15,458,710
Notes receivable, net	32,278,859
Other long-term investments	102,741,074
Unamortized bond discount & cost of issuance	4,007,766
Capital assets, net	884,935,901
Total noncurrent assets	<u>1,077,984,271</u>
Total assets	<u>\$ 1,321,888,114</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable and accrued liabilities	\$ 28,845,042
Payable to component units	144,180
Accrued payroll	29,731,613
Deferred revenue	14,721,496
Deposits	6,462,247
Long-term liabilities--current portion	
Due to Component Units	2,540,742
Due to Others	15,519,120
Total current liabilities	<u>97,964,440</u>
Noncurrent liabilities	
Other noncurrent liabilities	\$ 1,230,430
Long-term liabilities	
Due to Component Units	57,261,045
Due to Others	263,282,929
Total noncurrent liabilities	<u>321,774,404</u>
Total liabilities	<u>\$ 419,738,844</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	\$ 604,642,663
Restricted for:	
Nonexpendable:	
Scholarships and fellowships	15,499,579
Expendable:	
Scholarships and fellowships	4,219,547
Research	14,490,067
Institutional	13,291,751
Loans	45,218,647
Capital projects	323,341
Debt service	11,485,627
Other	249,898
Unrestricted	<u>192,728,150</u>
Total net assets	<u>\$ 902,149,270</u>

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**STATEMENT OF NET ASSETS**

	<b>Component Units</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 42,382,083
Distributable managed funds	2,137,206
Investments	58,810,999
Accounts receivable, net	8,765,581
Receivable from Primary Institution	2,504,743
Unconditional promises to give, net of allowance	19,800,700
Assets limited as to use	17,627,957
Inventories	929,087
Other assets	1,087,273
Total current assets	<u>\$ 154,045,629</u>
Noncurrent assets	
Restricted cash and cash equivalents	\$ 4,979,685
Investments	
Investments, net of current portion	252,635,685
Investments, restricted	3,070,289
Investments, temporarily restricted	1,360,581
Investments, permanently restricted	3,955,871
Investments held in trust	7,036,256
Beneficial interest in trust	2,750,697
Charitable gift annuity investments	5,003,460
Investments held under split-interest agreements	2,354,743
Charitable remainder trust account investments	21,714,022
Endowment investments	5,868,691
Real estate and equipment held for investment, net of accumulated depreciation	25,865,987
Other long-term investments	1,993,526
Total investments	<u>\$ 333,609,808</u>
Contracts for deed and notes receivable, net of current portions	\$ 1,176,723
Long term pledges receivable/ unconditional promises to give	45,413,906
Other receivables	241,315
Due from Primary Institution-Capital Leases	57,180,045
Notes receivable, net	4,639,496
Other noncurrent assets	2,169,152
Capital assets, net	143,026,539
Total noncurrent assets	<u>592,436,669</u>
Total assets	<u>\$ 746,482,298</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable and accrued liabilities	\$ 3,818,784
Payable to Primary Institution	8,570,670
Accrued payroll	802,598
Distributable managed funds	2,137,205
Current portion of gift annuities and life income agreements	990,622
Deferred revenue	8,325,653
Other current liabilities	1,619,339
Long-term liabilities--current portion	28,901,342
Total current liabilities	<u>55,166,213</u>
Noncurrent liabilities	
Deferred revenue	\$ 3,596,804
Deposits	3,108,656
Gift annuities and life income agreements, net of current portion	26,069,036
Obligations under split-interest agreement	1,169,624
Other noncurrent liabilities	2,020,128
Long-term liabilities	90,557,778
Total noncurrent liabilities	<u>126,522,026</u>
Total liabilities	<u>\$ 181,688,239</u>
<b>NET ASSETS</b>	
Temporarily restricted	\$ 124,006,296
Nonexpendable	
Permanently restricted	280,739,074
Net investment in property and equipment	72,738,709
Unrestricted	87,309,980
Total net assets	<u>\$ 564,794,059</u>
Total liabilities and net assets	<u>\$ 746,482,298</u>

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	<b>Primary Institution</b>
<b>OPERATING REVENUES</b>	
Student tuition and fees (net of scholarship allowances of \$63,152,913 and bad debt allowance of \$1,479,895)	\$ 261,959,597
Local appropriations	5,000
Federal grants and contracts	147,993,260
State grants and contracts	13,528,016
Nongovernmental grants and contracts (net of bad debt allowance of \$31,058)	28,863,307
Sales and services of educational departments (net of bad debt allowance of \$11,011)	67,828,827
Auxiliary enterprises (net of scholarship allowances of \$4,610,449 and bad debt allowance of \$400,919; \$99,620,546 of revenues are pledged as security for revenue bonds)	104,661,502
Other (net of bad debt allowance of \$125,879)	1,630,447
Total operating revenues	<u>\$ 626,469,956</u>
<b>OPERATING EXPENSES</b>	
Salaries and wages	\$ 643,481,007
Operating expenses	199,370,726
Data processing	16,789,691
Depreciation expense	53,050,551
Scholarships and fellowships	40,068,377
Cost of sales and services	38,628,451
Total operating expenses	<u>\$ 991,388,803</u>
Operating income (loss)	<u>\$ (364,918,847)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
State appropriations	\$ 309,452,627
Federal appropriations	5,646,298
Federal grants and contracts (net of bad debt allowance of \$83,364)	48,366,358
Gifts (net of bad debt allowance of \$32)	24,889,758
Endowment Investment income (net of investment expense of \$50,599)	10,551,600
Interest on capital asset-related debt	(14,751,028)
Gain (loss) on disposal of capital assets	176,958
Insurance proceeds	174,725
Tax revenues	2,661,241
General and special grant expenditures	(1,156,657)
Other nonoperating revenues (expenses) (net of bad debt allowance of \$209,835)	(2,544,877)
Net nonoperating revenues (expenses)	<u>\$ 383,467,003</u>
Income before capital grants, gifts, and transfers	<u>\$ 18,548,156</u>
Federal appropriations-capital assets	\$ -
State appropriations-capital assets	38,382,283
Transfers to <b>from</b> Building Authority	(5,637,454)
Capital grants and gifts	24,012,034
Increase in net assets	<u>\$ 75,305,019</u>
<b>NET ASSETS</b>	
Net assets--beginning of year, as restated (Refer to Note 1)	<u>\$ 826,844,251</u>
Net assets--end of year	<u>\$ 902,149,270</u>

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	<b>Component Units</b>
<b>Support and Revenue</b>	
Gift and contributions	\$ 65,166,438
Investment income	23,816,450
Net realized and unrealized gains (losses) on investment securities	25,292,303
Program and event income	55,334,851
Other income	11,605,215
Total support and revenue	<u>\$ 181,215,257</u>
<b>Expenses</b>	
Program services	\$ 29,164,507
Supporting services	67,198,212
Fundraising expense	3,352,855
Total operating expenses	<u>\$ 99,715,574</u>
Change in split-interest agreement	\$ 5,673,068
Change in value of split-interst agreement	<u>(103,796)</u>
Change in Net Assets	\$ 87,068,955
Net Assets, Beginning of Year	<u>\$ 477,725,104</u>
Net Assets, End of Year	<u>\$ 564,794,059</u>

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**STATEMENT OF CASH FLOWS**

	<b>Primary Institution</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student tuition and fees	\$ 262,446,638
Grants and contracts	185,466,330
Payments to suppliers	(251,471,596)
Payments to employees	(639,876,670)
Payments for scholarships and fellowships	(40,068,377)
Loans issued to students	(5,772,819)
Collection of loans to students	5,221,476
Auxiliary enterprise charges	99,360,022
Sales and service of educational departments	70,995,668
Cash received/(paid) on deposits	189,805
Other receipts (payments)	2,782,088
Net cash used by operating activities	<u>\$ (310,727,433)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State appropriations	\$ 306,860,741
Federal appropriations	5,342,580
Grants and gifts received for other than capital purposes	72,188,184
Grants given for other than capital purposes	(1,156,657)
Advances from Bank of North Dakota	-
Principal paid on advances from Bank of North Dakota	-
Direct lending receipts	192,024,889
Direct lending disbursements	(191,233,895)
Agency fund cash increase/(decrease)	(1,773,665)
Tax revenues	2,661,241
Other nonoperating revenues (expenses)	-
Net cash flows provided by noncapital financing activities	<u>\$ 384,913,418</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from issuance of debt	\$ 20,274,874
Transfers to Building Authority	(5,637,454)
Capital appropriations	35,022,443
Capital grants and gifts received	23,370,906
Proceeds from sale of capital assets	1,751,394
Purchases of capital assets	(101,184,875)
Insurance proceeds	239,810
Principal paid on capital debt and lease	(19,435,268)
Deposits with capital debt payment trustees	(509,361)
Interest paid on capital debt and lease	(14,390,104)
Net cash used by capital and related financing activities	<u>\$ (60,497,635)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sales and maturities of investments	\$ 61,809,339
Interest on investments	6,859,936
Purchase of investments	(53,932,773)
Net cash provided by investing activities	<u>\$ 14,736,502</u>
Net increase (decrease) in cash	\$ 28,424,851
CASH - BEGINNING OF YEAR	<u>81,501,272</u>
CASH - END OF YEAR	<u>\$ 109,926,124</u>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ (364,918,847)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	
Depreciation expense	53,050,551
Other nonoperating revenues (expenses)	739,472
Change in assets and liabilities	
Accounts receivable adjusted for interest receivable	(582,058)
Grant & contract receivables	(4,923,253)
Inventories	(29,977)
Notes receivable	512,153
Other assets	208,695
Accounts payable and accrued liabilities adjusted for interest payable	1,214,210
Accrued payroll	1,986,425
Compensated absences	1,617,912
Deferred revenue	207,478
Deposits	189,806
Net cash provided (used) by operating activities	<u>\$ (310,727,433)</u>
<b>SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS</b>	
Assets acquired through capital lease	\$ 4,195,892
Assets acquired through special assessment	-
Expenses paid by capital lease/special assessments	2,911,560
Gifts of capital assets	768,087
Net increase (decrease) in value of investments	<u>3,319,046</u>
Total non-cash transactions	<u>\$ 11,194,584</u>

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

STATEMENT OF NET ASSETS - MAJOR COMPONENT UNITS

	BSC Foundation June 30, 2011	DSU Foundation June 30, 2011	NDSU Development Foundation June 30, 2011	NDSU Research & Technology Park June 30, 2011	UND Aerospace Foundation June 30, 2011
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 119,355	\$ 1,588,896	\$ 4,935,494	\$ 3,804,005	\$ 7,990,528
Distributable managed funds	-	-	-	-	-
Investments	-	8,080,306	22,887,127	-	2,270,390
Accounts receivable, net	75,711	-	-	187,827	5,591,839
Receivable from Primary Institution	-	-	-	-	-
Unconditional promises to give, net of allowance	-	2,360,016	5,671,127	28,559	-
Assets limited as to use	-	-	-	17,627,957	-
Inventories	-	-	-	-	78,053
Other assets	128,403	7,200	206,300	203,032	152,865
Total current assets	\$ 323,469	\$ 12,036,418	\$ 33,700,048	\$ 21,851,380	\$ 16,083,675
Noncurrent assets					
Restricted cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Investments:					
Investments, net of current portion	7,401,234	-	93,209,437	-	-
Investments, restricted	-	-	-	-	-
Investments, temporarily restricted	-	-	-	-	-
Investments, permanently restricted	-	-	-	-	-
Investments held in trust	3,736,819	-	-	-	-
Beneficial interest in trust	1,595,971	-	-	-	1,595,971
Charitable gift annuity investments	-	-	-	-	-
Investments held under split-interest agreement	-	2,354,743	-	-	-
Charitable remainder trust account investments	-	-	-	-	-
Endowment investments	-	-	-	-	-
Real estate and equipment held for investment, net of accumulated depreciation	140,890	-	46,512,112	-	-
Other long-term investments	106,177	-	-	-	735,000
Total investments	\$ 12,981,091	\$ 2,354,743	\$ 139,721,549	\$ -	\$ 735,000
Contracts for deed and notes receivable, net of current portions	\$ -	\$ -	\$ 1,176,723	\$ -	\$ -
Long term pledges					
receivable/unconditional promises to give	1,150,414	2,758,243	16,438,628	15,101	-
Other receivables	1,040,000	-	-	-	-
Receivable from Primary Institution	-	-	-	-	-
Notes receivable, net	-	-	-	4,459,750	-
Other noncurrent assets	146,263	466,944	495,330	691,573	-
Capital assets, net	16,414,259	1,116,800	5,161,568	26,858,423	20,232,797
Total noncurrent assets	\$ 31,732,027	\$ 6,696,730	\$ 162,993,798	\$ 32,024,847	\$ 20,967,797
Total assets	\$ 32,055,496	\$ 18,733,148	\$ 196,693,846	\$ 53,876,227	\$ 37,051,472
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable and accrued liabilities	\$ 68,640	\$ 56,850	\$ 487,007	\$ 384,144	\$ 488,558
Payable to Primary Institution	-	10,101	-	-	726,108
Accrued payroll	-	8,752	-	78,184	417,424
Distributable managed funds	-	-	-	-	-
Current portion of gift annuities and life income agreements	226,817	-	744,176	-	-
Deferred revenue	102,351	-	-	-	6,299,277
Other current liabilities	-	777,732	393,828	-	-
Long-term liabilities-current portion	657,879	492,008	1,111,629	18,143,640	1,052,977
Total current liabilities	\$ 1,055,687	\$ 1,345,443	\$ 2,736,640	\$ 18,605,968	\$ 8,984,344
Noncurrent liabilities					
Deferred revenue	\$ 3,596,804	\$ -	\$ -	\$ -	\$ -
Deposits	-	-	-	-	-
Gift annuities and life income agreements, net of current portion	2,822,515	-	6,201,925	-	-
Obligations under split-interest agreement	-	1,169,624	-	-	-
Other noncurrent liabilities	232,433	-	-	1,003,700	-
Long-term liabilities	1,964,822	7,524,608	26,072,183	29,358,931	5,818,280
Total noncurrent liabilities	\$ 8,616,574	\$ 8,694,232	\$ 32,274,108	\$ 30,362,631	\$ 5,818,280
Total liabilities	\$ 9,672,261	\$ 10,039,675	\$ 35,010,748	\$ 48,968,599	\$ 14,802,624
<b>NET ASSETS</b>					
Temporarily restricted	\$ 2,229,504	\$ 1,401,161	\$ 57,401,784	\$ 44,059	\$ 5,300,000
Nonexpendable:					
Permanently restricted:	12,100,556	8,822,153	87,280,948	-	-
Net investment in property and equipment	-	-	-	-	-
Unrestricted	8,053,175	(1,529,841)	17,000,366	4,863,569	16,948,848
Total net assets	22,383,235	8,693,473	161,683,098	4,907,628	22,248,848
Total liabilities and net assets	\$ 32,055,496	\$ 18,733,148	\$ 196,693,846	\$ 53,876,227	\$ 37,051,472

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

STATEMENT OF NET ASSETS - MAJOR COMPONENT UNITS - Continued

	UND Alumni Association & UND Foundation June 30, 2011	RE Arena, Inc UND Arena Services, Inc. UND Sports Facilities, Inc. Arena Holdings & Charitable LLC & Affiliates May 31, 2011	Total Major Component Units	Non-major Component Units	Reclassification of Inter-Entity Balances Units	Total Component Units
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$ 9,748,920	\$ 6,436,640	\$ 34,623,838	\$ 7,758,245	\$ -	\$ 42,382,083
Distributable managed funds	-	-	-	2,137,206	-	2,137,206
Investments	15,244,722	-	48,482,545	10,328,454	-	58,810,999
Accounts receivable, net	2,121,043	1,267,038	9,243,458	40,634	(518,511)	8,765,581
Receivable from Primary Institution	-	-	-	-	2,504,743	2,504,743
Unconditional promises to give, net of allowance	11,054,566	-	19,114,268	686,432	-	19,800,700
Assets limited as to use	-	-	17,627,957	-	-	17,627,957
Inventories	1,000	830,626	909,679	19,408	-	929,087
Other assets	14,508	154,852	867,160	326,430	(106,317)	1,087,273
Total current assets	\$ 38,184,759	\$ 8,689,156	\$ 130,868,905	\$ 21,296,809	\$ 1,879,915	\$ 154,045,629
<b>Noncurrent assets</b>						
Restricted cash and cash equivalents	\$ -	\$ 4,375,799	\$ 4,375,799	\$ 603,886	\$ -	\$ 4,979,685
<b>Investments:</b>						
Investments, net of current portion	122,629,732	-	223,240,403	29,395,282	-	252,635,685
Investments, restricted	-	-	-	3,070,289	-	3,070,289
Investments, temporarily restricted	-	-	-	1,360,581	-	1,360,581
Investments, permanently restricted	-	-	-	3,955,871	-	3,955,871
Investments held in trust	3,108,656	-	6,845,475	190,781	-	7,036,256
Beneficial interest in trust	-	-	1,595,971	1,154,726	-	2,750,697
Charitable gift annuity investments	5,003,460	-	5,003,460	-	-	5,003,460
Investments held under split-interest agreement	-	-	2,354,743	-	-	2,354,743
Charitable remainder trust account investments	21,714,022	-	21,714,022	-	-	21,714,022
Endowment investments	-	-	-	5,868,691	-	5,868,691
Real estate and equipment held for investment, net of accumulated depreciation	1,603,453	-	48,256,455	1,213,757	(23,604,225)	25,865,987
Other long-term investments	-	-	841,177	1,152,349	-	1,993,526
Total investments	\$ 154,059,323	\$ -	\$ 309,851,706	\$ 47,362,327	\$ (23,604,225)	\$ 333,609,808
Contracts for deed and notes receivable, net of current portions	\$ -	\$ -	\$ 1,176,723	\$ -	\$ -	\$ 1,176,723
<b>Long term pledges</b>						
receivable/unconditional promises to give	23,877,472	-	44,239,858	1,174,048	-	45,413,906
Other receivables	9,547,276	-	10,587,276	-	(10,345,961)	241,315
Due from Primary Institution-Capital Leases	-	-	-	-	57,180,045	57,180,045
Notes receivable, net	-	-	4,459,750	179,746	-	4,639,496
Other noncurrent assets	-	-	1,800,110	369,042	-	2,169,152
Capital assets, net	2,397,460	72,738,709	144,920,016	23,216,297	(25,109,774)	143,026,539
Total noncurrent assets	\$ 189,881,531	\$ 77,114,508	\$ 521,411,238	\$ 72,905,346	\$ (1,879,915)	\$ 592,436,669
Total assets	\$ 228,066,290	\$ 85,803,664	\$ 652,280,143	\$ 94,202,155	\$ -	\$ 746,482,298
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Accounts payable and accrued liabilities	\$ 167,909	\$ 4,530,224	\$ 6,183,332	\$ 581,168	\$ (2,945,716)	\$ 3,818,784
Payable to Primary Institution	-	-	736,209	2,332,303	5,502,158	8,570,670
Accrued payroll	274,196	-	778,556	24,042	-	802,598
Distributable managed funds	-	-	-	2,137,205	-	2,137,205
Current portion of gift annuities and life income agreements	-	-	970,993	19,629	-	990,622
Deferred revenue	-	4,283,025	10,684,653	197,442	(2,556,442)	8,325,653
Other current liabilities	-	-	1,171,560	447,779	-	1,619,339
Long-term liabilities-current portion	667,484	469,142	22,594,759	6,306,583	-	28,901,342
Total current liabilities	\$ 1,109,589	\$ 9,282,391	\$ 43,120,062	\$ 12,046,151	\$ -	\$ 55,166,213
<b>Noncurrent liabilities</b>						
Deferred revenue	\$ -	\$ -	\$ 3,596,804	\$ -	\$ -	\$ 3,596,804
Deposits	3,108,656	-	3,108,656	-	-	3,108,656
Gift annuities and life income agreements, net of current portion	16,802,078	-	25,826,518	242,518	-	26,069,036
Obligations under split-interest agreement	-	-	1,169,624	-	-	1,169,624
Other noncurrent liabilities	-	-	1,236,133	783,995	-	2,020,128
Long-term liabilities	9,901,600	3,997,302	84,637,726	5,920,052	-	90,557,778
Total noncurrent liabilities	\$ 29,812,334	\$ 3,997,302	\$ 119,575,461	\$ 6,946,565	\$ -	\$ 126,522,026
Total liabilities	\$ 30,921,923	\$ 13,279,693	\$ 162,695,523	\$ 18,992,716	\$ -	\$ 181,688,239
<b>NET ASSETS</b>						
Temporarily restricted	\$ 46,119,172	\$ -	\$ 112,495,680	\$ 11,510,616	\$ -	\$ 124,006,296
<b>Nonexpendable:</b>						
Permanently restricted	131,109,970	-	239,313,627	41,425,447	-	280,739,074
Net investment in property and equipment	-	72,738,709	72,738,709	-	-	72,738,709
Unrestricted	19,915,225	(214,738)	65,036,604	22,273,376	-	87,309,980
Total net assets	197,144,367	72,523,971	489,584,620	75,209,439	-	564,794,059
Total liabilities and net assets	\$ 228,066,290	\$ 85,803,664	\$ 652,280,143	\$ 94,202,155	\$ -	\$ 746,482,298

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

Statement of Revenues, Expenses and Changes in Net Assets, Major Component Units

	<b>BSC</b>	<b>DSU</b>	<b>NDSU</b>	<b>NDSU</b>	<b>UND</b>
	<b>Foundation</b>	<b>Foundation</b>	<b>Development</b>	<b>Research &amp;</b>	<b>Aerospace</b>
	<b>June 30, 2011</b>	<b>June 30, 2011</b>	<b>Foundation</b>	<b>Park</b>	<b>Foundation</b>
	<b>June 30, 2011</b>	<b>June 30, 2011</b>	<b>June 30, 2011</b>	<b>June 30, 2011</b>	<b>June 30, 2011</b>
<b>Support and revenue</b>					
Gifts and contributions	\$ 833,874	\$ 3,478,770	\$ 28,661,555	\$ 98,891	\$ 5,505,667
Investment income	363,623	142,199	3,816,327	-	161,906
Net realized and unrealized gains (losses) on investment securities	1,504,787	783,202	16,515,123	-	-
Program and event income	33,151	-	-	180,127	34,516,337
Other income	312,354	434,330	847,580	2,750,529	818,014
Total support and revenue	<u>\$ 3,047,789</u>	<u>\$ 4,838,501</u>	<u>\$ 49,840,585</u>	<u>\$ 3,029,547</u>	<u>\$ 41,001,924</u>
<b>Expenses</b>					
Program services	\$ 760,342	\$ 1,513,821	\$ 5,442,615	\$ 967,163	\$ 272,149
Supporting services	1,046,976	1,005,960	7,250,286	2,266,575	31,460,131
Fundraising expense	87,120	194,565	-	-	-
Total expenses	<u>\$ 1,894,438</u>	<u>\$ 2,714,346</u>	<u>\$ 12,692,901</u>	<u>\$ 3,233,738</u>	<u>\$ 31,732,280</u>
Change in split-interest agreement	\$ 4,373	\$ -	\$ -	\$ -	\$ -
Change in value of split-interest agreements	<u>\$ (103,796)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Net Assets	\$ 1,053,928	\$ 2,124,155	\$ 37,147,684	\$ (204,191)	\$ 9,269,644
Net Assets, Beginning of Year	<u>\$ 21,329,307</u>	<u>\$ 6,569,318</u>	<u>\$ 124,535,414</u>	<u>\$ 5,111,819</u>	<u>\$ 12,979,204</u>
Net Assets, End of Year	<u>\$ 22,383,235</u>	<u>\$ 8,693,473</u>	<u>\$ 161,683,098</u>	<u>\$ 4,907,628</u>	<u>\$ 22,248,848</u>

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

Statement of Revenues, Expenses and Changes in Net Assets, Major Component Units

	UND Alumni Association & UND Foundation June 30, 2011	RE Arena, Inc UND Arena Services, Inc. UND Sports Facilities, Inc. Arena Holdings Charitable LLC & Affiliates May 31, 2011	Total Major Component Units	Non-Major Component Units	Total Component Units
<b>Support and revenue</b>					
Gifts and contributions	\$ 18,450,572	\$ -	\$ 57,029,329	\$ 8,137,109	\$ 65,166,438
Investment income	17,540,037	-	22,024,092	1,792,358	23,816,450
Net realized and unrealized gains (losses) on investment securities	-	-	18,803,112	6,489,191	25,292,303
Program and event income	6,242,622	7,823,034	48,795,271	6,539,580	55,334,851
Other income	-	1,313,561	6,476,368	5,128,847	11,605,215
Total support and revenue	<u>\$ 42,233,231</u>	<u>\$ 9,136,595</u>	<u>\$ 153,128,172</u>	<u>\$ 28,087,085</u>	<u>\$ 181,215,257</u>
<b>Expenses</b>					
Program services	\$ 11,544,617	\$ 1,044,449	\$ 21,545,156	\$ 7,619,351	\$ 29,164,507
Supporting services	1,517,715	10,430,757	54,978,400	12,219,812	67,198,212
Fundraising expense	2,602,986	-	2,884,671	468,184	3,352,855
Total expenses	<u>\$ 15,665,318</u>	<u>\$ 11,475,206</u>	<u>\$ 79,408,227</u>	<u>\$ 20,307,347</u>	<u>\$ 99,715,574</u>
Change in split-interest agreement	\$ 5,668,695	\$ -	\$ 5,673,068	\$ -	\$ 5,673,068
Change in value of split-interest agreements	\$ -	\$ -	\$ (103,796)	\$ -	\$ (103,796)
Change in Net Assets	\$ 32,236,608	\$ (2,338,611)	\$ 79,289,217	\$ 7,779,738	\$ 87,068,955
Net Assets, Beginning of Year	<u>\$ 164,907,759</u>	<u>\$ 74,862,582</u>	<u>\$ 410,295,403</u>	<u>\$ 67,429,701</u>	<u>\$ 477,725,104</u>
Net Assets, End of Year	<u>\$ 197,144,367</u>	<u>\$ 72,523,971</u>	<u>\$ 489,584,620</u>	<u>\$ 75,209,439</u>	<u>\$ 564,794,059</u>

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

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

**REPORTING ENTITY**

The North Dakota State Board of Higher Education (Board) is the governing body for North Dakota's eleven publicly supported colleges and universities. In addition to these eleven institutions, the Board 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 Board was established in 1939 when the voters of North Dakota approved an initiated measure to add Article VIII to the State Constitution. The Board consists of eight 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. The Board is an entity of the executive branch of the government of the State of North Dakota. The colleges and universities governed by the Board are collectively known and referred to as the North Dakota University System hereafter referred to as the University System. The Board appoints a Commissioner of Higher Education (Chancellor) to serve as the chief executive officer of the Board and of the University System. The Chancellor and the Chancellor's staff must have their principal office in the State Capitol per the North Dakota Constitution. This office is referred to as the University System Office. The North Dakota Legislature appropriates funds it deems necessary and as required by law for those agencies and institutions authorized to exist by the constitution and statutes. Separate general ledgers are maintained for the University System office and each institution on the PeopleSoft Finance Module. The financial statements presented here are also included in the comprehensive annual financial report of the State of North Dakota.

The University System includes the following entities that were created by the North Dakota Constitution and/or North Dakota Century Code (NDCC). As stated above these entities are under the control and administration of the State Board of Higher Education. 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

## NOTES TO THE FINANCIAL STATEMENTS

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Dickinson Research Extension Center  
Central Grasslands Research Extension Center  
Hettinger Research Extension Center  
Langdon Research Extension Center  
North Central Research Extension Center  
Williston Research Extension Center  
Carrington Research Extension Center  
Agronomy Seed Farm  
Northern Crops Institute  
Upper Great Plains Transportation Institute  
North Dakota State University Cooperative Extension Service  
North Dakota Forest Service  
University of North Dakota (UND)  
School of Medicine and Health Sciences  
Valley City State University (VCSU)  
Williston State College (WSC)

### Component Units

The process of evaluating potential component units involved the application of criteria set forth in Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity. In accordance with GASB Statement No. 14, a financial reporting entity consists of the primary institution, organizations for which the primary institution is financially accountable and other organizations for which the nature and significance of their relationship with the primary institution are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The definition of the reporting entity is based primarily on the criteria of financial accountability. The primary institution is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and it is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary institution. Governmental Accounting Standards Board (GASB) Statement No. 39, Determining Whether Certain Organizations Are Component Units, modifies and clarifies previously existing criteria of determining whether an organization should be reported as a component unit and how that component unit should be reported in the financial statements. The nature and significance of the organizations relationship and the extent of financial integration with the primary institution are now considered when determining potential component units.

As required by generally accepted accounting principles, the accompanying financial statements present the University System (the primary institution) and its component units. The component units are included in the University System's reporting entity because of the significance of their operational or financial relationships with the University System.

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

## NOTES TO THE FINANCIAL STATEMENTS

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### Blended Component Units

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

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

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

### Discretely Presented Component Units

The following component units are legally separate entities; however, a fiscal dependency relationship exists whereby the entity does not have the ability to complete certain essential fiscal events without substantive approval from the primary institution or due to the nature and significance of the relationship to the University System, exclusion would render the financial statements incomplete or misleading. Although the primary institution does not control the timing or amount of receipts from the component units, the majority of resources, or income thereon, that the entities hold and invest are restricted by the donors to the activities of the primary institution or its constituents. Therefore, these entities are discretely presented in the accompanying financial statements using Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Component units that are significant relative to the other component units and to the primary institution are considered "major" component units and are displayed in separate columns in the component unit section of the accompanying financial statements and are included in Note 15 under Major Component Units. Component units that are not significant relative to the other component units and to the primary institution are considered "non-major" component units and are displayed in a combined column in the component unit section of the accompanying financial statements.

### **Major Component Units**

**The Bismarck State College Foundation** is a legally separate, tax-exempt organization providing support and recognition to BSC through a variety of programs. The foundation acts primarily as a fund-raising organization to supplement the resources that are available to the college. The foundation is managed by a 75-member board of directors comprised of leading citizens, both alumni and friends of the college as well as seven ex-officio members that are officers/employees of BSC. Complete financial statements for Bismarck State College Foundation may be obtained at the entity's administrative offices at 1255 Schafer Street, PO Box 5587, Bismarck, ND 58506-5587.

**Dickinson State University Foundation, Inc.**, was organized in 1952 as a non-profit corporation to provide an avenue through which alumni and friends of the University may contribute financially to the

## NOTES TO THE FINANCIAL STATEMENTS

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University. Gifts, grants, and bequests to the foundation benefit present and future students by providing scholarship assistance and the funding of special projects. The foundation is managed by a 26-member board of directors comprised of leading citizens, both alumni and friends of DSU as well as one ex-officio member that is an officer/employee of DSU. Complete financial statements for the Foundation may be obtained at Dickinson State University, Dickinson, ND 58601.

**North Dakota State University Development Foundation** is an incorporated, nonprofit organization developed solely for the benefit of NDSU. The foundation is approved by the IRS as a charitable, tax-exempt organization and designated by the University as the repository for private giving to the University. Its purpose is to raise, manage, and disburse contributions for the benefit of NDSU. The foundation is managed by a board of trustees comprised of 60 elected alumni and friends of the university as well as four ex-officio members – the president of NDSU, the president and vice president of the Alumni Association and the executive director of the Development Foundation and Alumni Foundation. Complete financial statements for North Dakota State University Development Foundation may be obtained at the entity's administrative office at 1241 N. University Drive, Fargo, ND 58102, or PO Box 5144, Fargo, ND 58105.

**NDSU Research & Technology Park, Inc.**, is a nonprofit organization established in 1999 to promote an economic environment dedicated to applied research and technology discovery for the benefit of NDSU, its faculty and staff and students and the citizens of North Dakota. The majority of the Park's board of directors (7 of 10) works in private industry. Vacancies are filled by a majority vote of the board. Officers of NDSU fill the remaining three positions. The President of NDSU serves as president of the board of directors and has control over final building plans for any new building at the Park. Complete financial statements for NDSU Research & Technology Park, Inc. may be obtained at the entity's administrative office at 1854 NDSU Research Circle North, Fargo, ND 58104.

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

The **Alumni Association of the University of North Dakota** was incorporated in 1915 for the purpose of 1) keeping classmates in contact with each other, 2) keeping graduates and former students informed of happenings at UND, and 3) involving the graduates, former students, and special friends in the ongoing growth and development of UND. **UND Foundation** was incorporated in 1978 to replace the Alumni Association Development Fund and is the umbrella organization for alumni and private support for UND. These two legally separate nonprofit corporations have the same board of directors and the same executive vice president, but different board presidents and Vice-Presidents. The board of directors consists of 23 voting members, 21 who are alumni of UND and 3 ex-officio members that are officers of UND. Complete combined financial statements for the Alumni Association of the University of North Dakota and University of North Dakota Foundation, may be obtained at the entity's administrative offices at PO Box 8157, Grand Forks, ND 58202.

## NOTES TO THE FINANCIAL STATEMENTS

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**RE Arena, Inc., UND Arena Services, Inc., UND Sports Facilities, Inc., Arena Holdings Charitable LLC** are related organizations with common board of directors and management organized in 2003 for the benefit of UND. These organizations operate and maintain a multipurpose sports and entertainment arena in Grand Forks, ND. The arena is used primarily for UND athletics and activities. UND Sports Facilities, Inc. is the sole member of Arena Holdings Charitable LLC. RE Arena, Inc. conducts the day-to-day operations of the arena as an agent for UND Sports Facilities. UND Arena services, Inc. is the legal manager of Arena Holdings. Complete combined financial statements for these organizations may be obtained at Ralph Engelstad Arena, One Ralph Engelstad Arena Drive, Grand Forks ND 58203.

### Non-major Component Units

**Dakota College of Bottineau Foundation** was established to act primarily as a fund-raising organization to supplement the resources that are available to DCB. The Logrollers, a legally separate organization, operates as an entity within the Foundation. The foundation and Logrollers are managed by the same eight-member board of directors comprised of leading citizens, both alumni and friends of the college as well as one ex-officio member that is an officer of DCB. However, each entity has separate committees that direct each organization's activities. Complete combined financial statements for Dakota College at Bottineau Development Foundation and Logrollers may be obtained at the entity's administrative offices at 105 Simrall Boulevard, Bottineau, ND 58318.

**Lake Region Community College Foundation** was established in 1959 to provide a permanent structure through which support for Lake Region State College could be channeled. The work and the resources of the foundation are managed by a 27-member board of directors elected by the foundation membership to serve three-year terms. Complete financial statements for the Community College Foundation may be obtained at the entity's administrative office at 1801 College Drive North, Devils Lake, ND 58301-1598.

**Mayville State University Foundation** was established to act primarily as a fund-raising organization to supplement the resources that are available to MaSU. The foundation is managed by a 15-member board of directors comprised of leading citizens, both alumni and friends of the university as well as ex-officio members that are officers/employees of MaSU. The Comet Athletic Club, a legally separate non-profit organization, operates as an entity within the foundation. The Club's purpose is to promote, support, and encourage interest and participation in MaSU sports. Their financial activity is reflected in the foundation's financial statements. Complete financial statements for Mayville State University Foundation may be obtained at the entity's administrative office at 330 3<sup>rd</sup> Street Northeast, Mayville, ND 58257.

**Minot State University Development Foundation** was incorporated in 1978 exclusively for the benefit of MiSU. Its purpose is to establish, promote and stimulate voluntary financial support for the benefit of the university, especially in the building of endowment and in addressing the long-term priorities of the university. A board of directors comprising 13 voting members manages the foundation. Two are ex-officio appointments from the Board of Regents and the Alumni Association, and three are ex-officio members who are employees of MiSU. Complete financial statements for Minot State University Development Foundation may be obtained at the entity's administrative office at 500 University Avenue West, Minot, ND 58707.

**North Dakota State College of Science Foundation** was established to act primarily as a fund-raising organization to supplement the resources that are available to NDSCS. The foundation is managed by a 23-member board of directors comprised of leading citizens, both alumni and friends of the college as well as four ex-officio members that are officers/employees of NDSCS. Complete financial statements

## NOTES TO THE FINANCIAL STATEMENTS

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

**North Dakota 4-H Foundation** is a legally separate, non-profit 501(c)(3) organization committed to supporting 4-H programs with private funds for furthering leadership development, education, research and scholarships and creating opportunities for the youth of North Dakota. The foundation is managed by board of directors comprised of 15 voting members, of which 2 are employees of NDSU. Complete financial statements for the North Dakota 4-H Foundation may be obtained at the entity's administrative office at FLC 219 Dept 7280, PO Box 6050, Fargo ND 58108-6050.

**North Dakota State University Research Foundation** is a legally separate, non-profit 501(c)(3) organization created to provide support to NDSU in its mission by enabling NDSU faculty to enhance their involvement in research, technology transfer, and business endeavors. Through linkages with public and private businesses and industries, the foundation facilitates the commercialization of research technologies developed by NDSU faculty and staff. The foundation is managed by an 11-member board of directors, comprised of five NDSU employees and six individuals who are not employed by NDSU. Complete financial statements for the Research Foundation may be obtained at the entity's administrative office at 1735 NDSU Research Park Drive, Fargo, ND 58108-6050.

**North Dakota State University Team Makers Club** was established in 1950 by a group of local business leaders who recognized the need for a community-based support group to benefit NDSU Bison Athletics. Team Makers is a legally separate, non-profit 501(c)(3) organization to provide financial support, promotion and spirit for NDSU student-athletes and the NDSU Athletics Department in order to achieve excellence. The foundation is managed by board of directors comprised of 11 voting members, of which one is an employee of NDSU. Complete financial statements for the NDSU Team Makers may be obtained at the entity's administrative office at NDSU Dept 1200, PO Box 6050, Fargo ND 58108-6050.

**University of North Dakota Center for Innovation Foundation** was incorporated in 1991. The Foundation supports the Center for Innovation and the Department of Entrepreneurship at the University of North Dakota to fulfill their mission of helping entrepreneurs, innovators, researchers and students launch new technologies, products and ventures, develop business and marketing plans, access talent and secure sources of venture financing. This fiscal year the foundation supported the College of Business and Public Administration in the amount of \$270,316 plus \$50,000 for the support of an international marketing specialist at UND and \$50,000 for students that work as entrepreneur interns at the Center for Innovation. The foundation is managed by a board of directors comprised of 9 members as well as four ex-officio non-voting members who are officers of UND plus the Director of the Center for Innovation. Complete financial statements for the Center for Innovation may be obtained at the entity's administrative office at 4200 James Ray Drive, Grand Forks ND 58203.

**The University of North Dakota Research Foundation** is the newest foundation and was formed in 2006 to assist the University of North Dakota to advance its research agenda, to commercialize its university innovations and discoveries, and to create economic opportunities for Grand Forks and the State of North Dakota. The foundation works with UND to build successful and strategic partnerships between the university and private companies, resulting in mutual gains for each. Complete financial statements for the UND Research Foundation may be obtained at the entity's administrative office at 4201 James Ray Drive, Grand Forks ND 58202.

**The Fellows of the University of North Dakota** was organized in 1970 as a nonprofit corporation for the purpose of supporting and promoting the University of North Dakota. The Fellows provides scholarships, promotion and special project fund-raising for UND. In FY11, The Fellows is managed by

## NOTES TO THE FINANCIAL STATEMENTS

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a board of directors comprised of five member, including two officers of UND. The Fellows transferred \$82,974 to UND for scholarships and special project funding. Complete financial statements may be obtained at UND 264 Centennial Drive, Twamley Hall, Grand Forks, ND 58202.

**Valley City State University Foundation** was established to support Valley City State University by involving alumni and friends of the university in activities and private giving that meet the university's needs and advance its welfare. The foundation is managed by a 19 member Board of Directors comprised of leading citizens, both alumni and friends of the university, as well as two ex-officio nonvoting members that are officers of VCSU. Complete financial statements for Valley City State University Foundation may be obtained at the entity's administrative office at 101 College Street SW, Valley City, ND 58072.

**Williston State College Foundation** was established to act primarily as a fund-raising organization to supplement the resources that are available to WSC. The foundation is managed by an 11-member board of directors comprised of leading citizens, both alumni and friends of the college. Complete financial statements for Williston State College Foundation may be obtained at the entity's administrative office at PO Box 1286, 501 18<sup>th</sup> Street East, Williston, ND 58802-1286.

### JOINT VENTURES

#### **Tri-College University**

Tri-College University (TCU) is a legally separate organization that is organized exclusively for educational purposes within the meaning of section 501(c)(3) of the Internal Revenue Code. TCU's purpose is to assist in the establishment and maintenance of coordinated programs between Concordia College, Minnesota State University Moorhead and NDSU, as a means of maximizing higher educational services for the people of the region. The organization serves as an agency through which resources are received and dispensed to supplement the educational endeavors of the three universities. The corporation also serves as a means for promoting and strengthening existing and potential educational programs and courses. An eight-member board of directors, including the presidents of the three universities, handles the affairs of the corporation. All property, funds and income of this corporation are held for the exclusive use and benefit of Concordia College, Minnesota State University Moorhead and NDSU. 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, 2011, Tri-College University had net assets of approximately \$530,374 and is not considered a financial burden to NDSU. The financial activity of this organization is not reflected in the accompanying financial statements. Complete audited financial statements for Tri-College University may be obtained at the entity's administrative office at North Dakota State University, Renaissance Hall, 650 NP Avenue 100, Fargo, ND 58102.

#### **INSIGNIFICANT COMPONENT UNITS**

The following organizations are component units of the University System but have been deemed insignificant due to small total assets and revenues balances. Entities in this category had less than \$1 million dollars each in total assets and less than \$750,000 each in total revenues. 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 are not significant enough to warrant inclusion in the reporting entity's financial statements. The related organizations at June 30, 2011 were:

## NOTES TO THE FINANCIAL STATEMENTS

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BSC:	National Alumni Association 1255 Schafer Street PO Box 5587 Bismarck, ND 58506-5587	DSU:	The Blue Hawk Booster Club 24 2 <sup>nd</sup> Street W Dickinson, ND 58601-5128
MaSU:	Mutual Aid Corporation 330 3 <sup>rd</sup> Street NE Mayville, ND 5825 Minot State University 500 University Ave W	MiSU:	Alumni Association, Inc. Minot State University 500 University Ave W. Minot, ND 58707  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  RSVP Enterprise Dept. 2020 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  Law School Foundation 215 Centennial Drive Stop 9003 Grand Forks, ND 58502-9003
WSC	Teton Booster Club PO Box 760 Williston, ND 58802		

### BASIS OF PRESENTATION

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, and Statement No. 35, Basic Financial Statements - and Management’s Discussion and Analysis - for Public Colleges and Universities, issued in June and November, 1999, as amended by GASB Statement Nos. 36, 37 and 38. The System follows the “business-type activities” (BTA) reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the System’s activities.

### BASIS OF ACCOUNTING

The financial statements of the University System have been prepared using the economic resources measurement focus and the accrual basis of accounting, whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

The University System follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard setting body for establishing generally accepted accounting principles for governmental entities. The University System follows all applicable GASB

## **NOTES TO THE FINANCIAL STATEMENTS**

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pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with GASB pronouncements.

### **UNRESTRICTED NET ASSETS**

Unrestricted net assets include resources derived from student tuition and fees, sales and services, unrestricted gifts, royalties, and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at each institution.

### **RESTRICTED ASSETS**

The University System, based on certain bond covenants, is required to establish and maintain prescribed amounts of resources that can be used only to service outstanding debt. Also, included are unspent bond proceeds that will be expended for construction of capital assets.

### **REVENUE AND EXPENSE RECOGNITION**

The University System presents its revenues and expenses as operating or nonoperating based on recognition definitions from GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. Operating activities are those activities that are necessary and essential to the mission of the University System.

Operating revenues include all charges to customers, grants received for student financial assistance, research contracts and grants, and interest earned on loans. Grants received for student financial assistance are considered operating revenues because they provide resources for student charges and such programs are necessary and essential to the mission of the University System. Revenues from nonexchange transactions and state appropriations that represent subsidies or gifts to the University System, as well as investment income, are considered nonoperating since these are either investing, capital or noncapital financing activities. Operating expenses are all expense transactions incurred other than those related to investing, capital or noncapital financing activities. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor nonoperating activities and are presented after nonoperating activities.

### **BUDGETARY PROCESS**

The State of North Dakota operates through a biennial appropriation. Legislation requires the Board 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 Board allocates contingency and capital emergency funding within guidelines provided by the

## **NOTES TO THE FINANCIAL STATEMENTS**

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General Assembly. Any funds received by the Board and entities of the University System pursuant to federal acts, private grants, and other sources not deposited in the operating funds in the state treasury are appropriated for the biennial period. The Board has the authority to transfer funds between line items by notifying the Office of Management and Budget in writing, with the exception that the Board may not approve transfers from any capital assets line item.

The North Dakota Constitution prohibits any transfers between institutions, even by the legislature. Institutions within the University System do not use encumbrance accounting. The legal level of budgetary control is at the institutional line item level, with administrative controls established at lower levels of detail in certain instances.

Board policy requires each college or university to submit a biennial budget for Board 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 Board allows each institution's discretion in transferring funds between departments.

### **CASH AND CASH EQUIVALENTS**

This classification includes cash on-hand, cash in-bank, regular and money market savings accounts, and certificates of deposit and time saving certificates (original maturity of 3 months or less). For purposes of the Statement of Cash Flows, the University System considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents representing assets of the University System's endowment, unspent bond proceeds and cash restricted by bond covenants are included in non-current restricted cash.

### **INVESTMENTS**

Investments consist of certificates of deposit (maturity greater than three months), U.S. Treasuries, bonds, stocks and other securities held by trust departments or broker dealers. 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.

### **RECEIVABLES**

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

## NOTES TO THE FINANCIAL STATEMENTS

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### INVENTORIES

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

### CAPITAL AND INTANGIBLE ASSETS

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

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

The composite method is used for library book depreciation. All books purchased during a year are consolidated together and depreciated as a group of assets rather than individually. Expenses for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized, net of interest income earned on resources set aside for the construction or remodeling costs. Certain reserves have been established by bond indenture for the repayment of revenue bond indebtedness. Such reserves are recorded in the appropriate restricted assets category (cash/investments) and as "net assets restricted for debt service" on the Statement of Net Assets.

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

Land Improvements	10 – 35 years
Infrastructure	20 – 60 years
Buildings	10 – 50 years
Equipment	3 – 20 years
Internally developed software	2 – 10 years
Purchased software	3 – 5 years
Other Intangibles	3 – 20 years
Library Books	10 years

### DEPOSITS

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

## NOTES TO THE FINANCIAL STATEMENTS

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### 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.

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

### NET ASSETS

Net assets are classified according to external donor restrictions or availability of assets for satisfaction of University System obligations. Restricted Net Assets 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 Assets are all other funds available at the discretion of the University System. Invested in Capital Assets represents the cost or gifted value of buildings, equipment, land improvements and infrastructure, less accumulated depreciation and related outstanding debt.

### RESTATEMENT OF BEGINNING NET ASSETS

	Primary Institution
Net assets, beginning of the year, as previously reported	\$ 824,924,773
Prior period adjustments:	
Correction of errors	1,919,478
Net assets, beginning of the year, as restated	<u>\$ 826,844,251</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

## **NOTES TO THE FINANCIAL STATEMENTS**

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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**

In February 2009, the GASB issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The statement is effective beginning in fiscal year 2011. GASB Statement No. 54 had no impact on the fiscal year 2011 financial statements.

In December 2009, the GASB issued Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." The statement is effective for periods beginning after June 15, 2011. The effect GASB Statement No. 57 will have on the fiscal year 2012 financial statements has not yet been determined.

In June 2010, the GASB issued Statement No. 59, "Financial Instruments Omnibus." The statement applies to certain financial instruments and is effective beginning in fiscal year 2011 GASB Statement No. 59 had no impact on the fiscal year 2011 financial statements.

In November 2010, the GASB issued Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements." The statement applies to certain service concession arrangements, which are a type of public-private or public-public partnership. The statement is effective for periods beginning after December 15, 2011. The effect GASB Statement No. 60 will have on the fiscal year 2012 financial statements has not yet been determined.

In June 2011, the GASB issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." The statement is effective for periods beginning after December 15, 2011. The effect GASB Statement No. 63 will have on the fiscal year 2012 financial statements has not yet been determined.

In June 2011, the GASB issued Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53." The statement is effective for periods beginning after June 15, 2011. The effect GASB Statement No. 64 will have on the fiscal year 2012 financial statements has not yet been determined.

## **NOTE 2 – DEPOSITS AND INVESTMENTS**

### **LIMITATIONS**

#### **Primary Institution**

North Dakota Century Code (NDCC) governs the deposit and investment policies of the System. NDCC Section 6-09-07 states, "All state funds...must be deposited in the Bank of North Dakota (BND) ...or must be deposited in accordance with constitutional and statutory provisions."

In addition, NDCC Section 21-04-02 provides that public funds belonging to or in the custody of the state shall be deposited in the Bank of North Dakota. NDCC Section 15-10-12 requires that all moneys not deposited in the special revenue fund within the State Treasury (unless restricted by the terms of a grant, donation or bequest), received by the institutions from federal, state, and local grants and contracts, indirect cost recoveries, tuition, special student fees, room and board and other auxiliary

## NOTES TO THE FINANCIAL STATEMENTS

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enterprise fees, student activity fees, continuing education program fees, internal service fund revenues, and all other revenues must be deposited in the BND.

NDCC Sections 15-55-05 and 15-55-06 govern the investment of proceeds of revenue bonds and revenues pledged to bondholders. Such proceeds must be invested in the BND, in a separate fund in the State Treasury or in a duly authorized depository for the state funds that is a member of the federal deposit insurance corporation. The Board 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 reported on the Statement of Net Assets as follows:

	<b>June 30, 2011</b>	
	<b>Carrying Amount</b>	<b>Bank Balance</b>
Cash Deposits	\$ 109,685,167	\$ 127,622,938
Certificates of Deposit	140,401,144	140,401,144
Total Bank Deposits	<u>\$ 250,086,311</u>	<u>\$ 268,024,082</u>
Add: Cash on Hand/Petty Cash	\$ 240,957	
Less: Amts. credit risked as deposits but reported as investments	\$ (140,401,144)	
Cash & Cash Equivalents per Statement of Net Assets	<u>\$ 109,926,124</u>	

### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the System's deposits may not be returned to it. The System does not specifically address policies concerning custodial credit risk and while the deposits in the Bank of North Dakota are backed by the State of North Dakota, they are deemed to be uninsured and uncollateralized by GASB definition. As of June 30, 2011, \$265.2 million of the System's bank balance of \$268 million was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$261,646,611
Uninsured and collateral held by pledging bank not in system's name	\$ 3,589,916

### Investments

Investments are reported at fair value (market) and reported on the Statement of Net Assets as of June 30, 2011, as shown below:

## 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	\$ 5,915,221	\$ 3,898,271	\$ 2,016,859	\$ 91	\$ -
US Agencies	290,550	-	-	-	290,550
US Strips	131,763	-	70,745	61,018	-
Corporate Bonds	183,150	-	183,150	-	-
Mutual Bond Funds	417,615	417,615	-	-	-
Guaranteed Investment Contracts	237,375	-	-	-	237,375
Money Market Mutual Funds	11,620,021	11,620,021	-	-	-
Other	969,785	944,833	24,952	-	-
Subtotal	<u>\$ 19,765,480</u>	<u>\$ 16,880,740</u>	<u>\$ 2,295,706</u>	<u>\$ 61,109</u>	<u>\$ 527,925</u>
Stocks	\$ 15,867,367				
Certificates of Deposit - BND	139,793,599				
Certificates of Deposit - non-BND	607,544				
Equity Mutual Funds	828,879				
Other	763,945				
Total Investments per the Statement of Net assets	<u>\$ 177,626,814</u>				

### 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. Campuses choose terms based on maximizing their return within the limits of their cash flow needs. Campuses 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, 2011, the system's debt portfolio (excluding US Treasuries and US Agencies) included Standard & Poor's quality ratings as follows:

Investment Type	Credit Quality Rating			
	AAA	AA	A	Not Rated
US Agencies	\$ 290,550	\$ -	\$ -	\$ -
Corporate Bonds	-	26,535	156,615	-
Mutual Bond Funds	-	-	-	417,615
GICs	-	237,375	-	-
Money market mutual funds	11,588,423	-	-	31,599
Other	24,952	-	768,887	175,946
Total	<u>\$ 11,903,925</u>	<u>\$ 263,910</u>	<u>\$ 925,502</u>	<u>\$ 625,160</u>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 3 – RECEIVABLES

Receivables at June 30, 2011 consist of the following amounts:

	Current	NonCurrent	Total
Student & General	\$ 22,331,079		\$ 22,331,079
Interest Receivable	216,353		216,353
Allowance for Doubtful Accounts	(3,307,010)		(3,307,010)
Accounts Receivable, net	<u>\$ 19,240,422</u>		<u>\$ 19,240,422</u>
Grants & Contracts Receivable	\$ 46,188,468		\$ 46,188,468
Due from Other State Agencies	2,512,270		2,512,270
Grants & Contracts Receivable, net	<u>\$ 48,700,738</u>		<u>\$ 48,700,738</u>
Student Loans	\$ 11,985,712	\$ 35,656,796	\$ 47,642,508
Allowance for Doubtful Notes	(2,066,464)	(5,178,177)	(7,244,641)
Notes Receivable, net	<u>\$ 9,919,248</u>	<u>\$ 30,478,619</u>	<u>\$ 40,397,867</u>

### NOTE 4 – ENDOWMENT FUNDS

The endowment funds reported herein are donor-restricted funds in the custody of the University System. NDCC Section 59-21 applies to the investment of endowments governed by a gift instrument. Subject to any limitations in the gift instrument such funds may be invested in any real or personal property deemed advisable by the governing board. 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, campuses have differing policies with respect to spending investment income and net appreciation on endowment funds. UND's policy allows up to 4.5% of the average of the last five years of assets in the Alerus endowment pool to be expended. MiSU allows for 4.5 percent of earnings to be used for scholarships and .5 percent for administrative expenses. MaSU, NDSU, VCSU and WSC give departments authority to spend all investment income earned on the endowment funds. Net appreciation on investments are available for expenditure and consists of the following at June 30, 2011:

		<u>Reflected in net assets as:</u>
Mayville State University	\$ 802	Expendable scholarships & fellowships
Minot State University	53,638	Expendable scholarships & fellowships
University of North Dakota	465,000	Non -expendable scholarships & fellowships
Williston State College	2,885	Cash in bank
Total NDUS	<u>\$ 522,325</u>	

Endowment funds reported herein do not include the Federal Land Grant Fund held by the State Land Department. The annual proceeds from assets held by the State Land Commissioner are deposited into each college/university's operating fund at the State Treasury and are used for current operating purposes. Bismarck State College, Lake Region State College and Williston State College do not participate in the proceeds allocated by the State Land Department. Total assets held by the State

## NOTES TO THE FINANCIAL STATEMENTS

Land Department and proceeds for the fiscal year ended June 30, 2011 are approximately \$74.1 million and \$1.65 million, respectively.

### NOTE 5 – CAPITAL AND INTANGIBLE ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	\$ 16,079,095	\$ 25,512	\$ -	\$ -	\$ 16,104,607
Construction in progress	63,863,611	56,866,664	1,329,394	(33,505,969)	85,894,911
<b>Total non-depreciable capital assets</b>	<b>\$ 79,942,706</b>	<b>\$ 56,892,176</b>	<b>\$ 1,329,394</b>	<b>(33,505,969)</b>	<b>\$ 101,999,518</b>
Land improvements/infrastructure	\$ 158,500,026	\$ 3,502,374	\$ -	9,536,239	\$ 171,538,639
Buildings	911,743,158	15,317,007	1,658,570	23,875,537	949,277,132
Furniture, fixtures, and equipment	250,051,471	23,333,887	11,632,442	51,893	261,804,809
Intangibles:					
Computer Software	21,285,122	1,072,215	-	-	22,357,338
Websites	-	341,334	-	109,127	450,461
Other	516,291	17,380	54,345	(66,827)	412,499
Library materials	101,795,821	3,925,062	1,372,755	-	104,348,128
<b>Total depreciable capital assets</b>	<b>\$ 1,443,891,890</b>	<b>\$ 47,509,258</b>	<b>\$ 14,718,112</b>	<b>\$ 33,505,969</b>	<b>\$ 1,510,189,005</b>
Less accumulated depreciation and amortization					
Land improvements/infrastructure	\$ 69,088,646	\$ 4,320,315	\$ -	\$ 1,596,933	\$ 75,005,894
Buildings	395,773,326	21,981,247	3,244,461	(1,596,933)	412,913,180
Furniture, fixtures, and equipment	140,085,972	19,509,004	9,794,453	-	149,800,524
Intangibles					
Computer Software	8,390,342	2,023,831	-	-	10,414,174
Websites	-	50,201	-	-	50,201
Other	50,323	38,755	-	-	89,078
Library materials	75,225,130	5,127,197	1,372,755	-	78,979,573
<b>Total accumulated depreciation and amortization</b>	<b>\$ 688,613,739</b>	<b>\$ 53,050,551</b>	<b>\$ 14,411,668</b>	<b>\$ -</b>	<b>\$ 727,252,622</b>
<b>Total depreciable capital assets, net</b>	<b>\$ 755,278,150</b>	<b>\$ (5,541,293)</b>	<b>\$ 306,444</b>	<b>\$ 33,505,969</b>	<b>\$ 782,936,382</b>
<b>Capital assets, net</b>	<b>\$ 835,220,856</b>	<b>\$ 51,350,883</b>	<b>\$ 1,635,838</b>	<b>\$ (0)</b>	<b>\$ 884,935,901</b>

Construction in progress for the year ended June 30, 2011 was as follows:

	Amount Authorized	Expended (CIP Asset)	Expended (Non capitalized)	Authorized Balance
Bismarck State College	\$ 3,990,621	\$ 2,917,222	\$ 503,316	\$ 570,083
Mayville State University	9,944,336	8,044,132	-	1,900,204
Minot State University	22,094,972	4,492,015	-	17,602,957
North Dakota State University	107,718,757	40,483,522	-	67,235,235
University of North Dakota	22,089,999	15,118,172	-	6,971,827
Valley City State University	4,495,000	2,936,072	-	1,558,928
Williston State College	18,075,000	11,903,776	-	6,171,224
<b>Total NDUS</b>	<b>\$188,408,685</b>	<b>\$ 85,894,911</b>	<b>\$ 503,316</b>	<b>\$102,010,458</b>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30, 2011:

Accounts Payable	\$ 24,059,455
Due to Other State Agencies	99,084
Sales Tax Payable	32,991
Accrued Interest - BND	2,742,475
Contractor Payable/Retainage	1,764,155
Other Liabilities	146,882
	<u>\$ 28,845,042</u>

### NOTE 7 – LONG-TERM LIABILITIES

The changes in long-term liabilities during fiscal year 2011 are as shown below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Current Portion</u>	<u>Noncurrent Portion</u>
Bonds Payable	\$ 218,648,488	\$ 12,805,000	\$ 9,440,762	\$ 222,012,726	\$ 9,894,989	\$ 212,117,737
Notes Payable	8,315,608	-	1,005,844	7,309,764	982,117	6,327,647
Capital Leases	72,278,860	17,932,979	14,562,876	75,648,963	5,428,915	70,220,048
Special Assessments	1,354,884	2,725,360	236,480	3,843,764	231,643	3,612,121
Compensated Absences	28,170,706	1,622,128	4,215	29,788,619	1,522,198	28,266,421
Total	<u>\$ 328,768,546</u>	<u>\$ 35,085,467</u>	<u>\$ 25,250,177</u>	<u>\$ 338,603,836</u>	<u>\$ 18,059,862</u>	<u>\$ 320,543,974</u>

### NOTE 8 – BONDS PAYABLE

Revenue bonds are limited obligations of the University System. The principal and interest on the bonds are payable generally from the net income of specific auxiliary activities, designated student fees, interest subsidies and debt service reserve funds. These revenues are generally pledged to the payment of bonds in accordance with the specific terms of the specific indenture. Amounts held by the trustee specifically for payment on bonds are reflected in Net Assets, Restricted for Debt Service.

The summary of outstanding obligations of the campuses, as of June 30, 2011 is presented below and the detail is presented in the Supplementary Information section following these notes.

## NOTES TO THE FINANCIAL STATEMENTS

	Original Balances	Interest Rates	Balances Outstanding
Bismarck State College	\$ 4,400,000	3.4 - 5.35%	\$ 3,805,000
Dakota College of Bottineau	390,000	4.0 - 5.5%	29,000
Dickinson State University	775,000	3.75 - 5.0%	525,000
Lake Region State College	1,050,000	3.0-5.125%	605,000
Mayville State University	6,465,000	1.55 - 6.63%	5,634,926
Minot State University	17,299,000	0 - 6.60%	14,892,250
North Dakota State College of Science	2,785,000	4.0 - 5.5%	520,000
North Dakota State University	140,005,000	1.5 - 6.5%	107,670,000
University of North Dakota	77,655,000	1 - 5.0%	67,137,000
Valley City State University	7,480,000	2.8 - 7.25%	6,405,000
Williston State College	2,046,000	3.0% - 6.9%	9,461,000
North Dakota University System	14,200,000	4.28%	5,328,550
Total Bonds Payable	\$ 274,550,000		\$ 222,012,726

### Industrial Commission Bonds

For the 2009-2011 biennium, the North Dakota University System Office received an appropriation of \$12.01 million to act as the fiscal agent for the campuses on bond payments to the Industrial Commission. Of this total, \$717 thousand is special funds, which is the amount the campuses pay as local match. During fiscal year 2011, the North Dakota University System Office paid \$5.35 million in general funds to the Industrial Commission of North Dakota.

### Refunding and Defeased Bonds

The purpose of a refunding bond is to refund in advance of maturity another bond issue. Under an advanced refunding arrangement, refunding bonds are issued, and the net proceeds plus additional resources that may be required, are used to purchase securities issued or guaranteed by the United States Government. These securities are then deposited in an irrevocable trust under an escrow agreement which provides that all proceeds from the trust will be used to fund the principal and interest payments of the previously issued bonded debt being refunded. The trust deposits have been computed so that the securities in the trust, along with future cash flow generated by the securities, will be sufficient to service the previously issued bonds. As a result, trust account assets and liabilities for the defeased bonds are not included in the University System's financial statements. The following is a description of the University System's defeased bonds and the balance of the bonds outstanding in the trust.

#### North Dakota State College of Science

On June 20, 2001, North Dakota State College of Science issued \$2,785,000 of Housing and Auxiliary Facilities Improvement and Refunding Revenue Bonds (Series 2001). These bonds were used to i) refund, defease and discharge outstanding North Dakota State School of Science Married Student Housing Revenue Bonds 1970, Dormitory Revenue Bonds of 1970, and Dormitory Revenue Bonds of 1972; ii) finance the cost of the construction of the parking lot and related improvements at the College; and iii) to pay certain costs associated with the issuance of the Series 2001 bonds. The principal amount outstanding as of June 30, 2011, of the original 1970 bonds refunded, is \$90,000.

#### North Dakota State University

On December 30, 1985, the University issued \$4,833,813 of Housing and Auxiliary Facilities Revenue Refunding Bonds (Series 1985). The purpose of issuing Series 1985 bonds was to refund in advance of maturity the outstanding advanced refunded bonds, which consisted of all bonds outstanding as of

## NOTES TO THE FINANCIAL STATEMENTS

December 30, 1985, totaling \$7,675,000. The principal amounts outstanding as of June 30, 2011 of the original bonds refunded, total \$125,000.

### Scheduled Maturities of Bonds Payable

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 9,894,989	\$ 10,328,887	\$ 20,223,876
2013	9,328,554	10,246,386	19,574,940
2014	9,162,052	9,882,986	19,045,038
2015	6,372,703	9,542,954	15,915,657
2016	6,665,402	9,280,743	15,946,145
2017 - 2021	37,317,026	41,600,064	78,917,090
2022 - 2026	40,532,500	32,453,911	72,986,411
2027 - 2031	49,794,500	21,582,072	71,376,572
2032 - 2036	39,785,000	9,414,181	49,199,181
2037 - 2041	13,160,000	2,101,873	15,261,873
	<u>\$ 222,012,726</u>	<u>\$ 156,434,057</u>	<u>\$378,446,783</u>

## NOTE 9 – NOTES PAYABLE

### Energy Performance Contracts

Several campuses have individual notes payable to GE Capital Public Finance, Inc., for energy improvements through a performance contract. Details of the notes are as follows:

<u>Institution</u>	<u>Original Balance</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding Balance June 30, 2011</u>
Bismarck State College	\$ 1,492,000	July 2012	5.01%	\$ 403,601
Dakota College of Bottineau	378,067	August 2013	4.27%	99,428
Dickinson State University	21,765	July 2016	9.90%	16,822
Lake Region State College	932,726	February 2015	4.41%	378,574
Mayville State University	7,280,185	August 2012 - December 2024	4.97% - 5.25%	6,012,501
Minot State University	1,158,054	December 2012	4.22%	209,157
Valley City State University	1,065,688	November 2011	4.87%	189,681
Total Notes Payable	\$ 12,328,485			\$ 7,309,764

## NOTES TO THE FINANCIAL STATEMENTS

### Scheduled Maturities of Notes Payable

Fiscal Year	Principal	Interest	Total
2012	\$ 982,117	\$ 368,380	\$ 1,350,497
2013	747,509	323,928	1,071,437
2014	383,638	299,362	683,000
2015	354,381	281,786	636,167
2016	323,783	266,831	590,614
2017 - 2021	2,215,922	1,062,270	3,278,192
2022 - 2026	2,302,414	369,452	2,671,866
	<u>\$ 7,309,764</u>	<u>\$ 2,972,009</u>	<u>\$ 10,281,773</u>

### NOTE 10 – CAPITAL LEASES

The institutions lease various types of capital assets under capital lease agreements. Capital leases give rise to property rights and lease obligations and therefore, the assets under lease are recorded as assets of the institution and the lease obligation is recognized as a liability. The leases have varying interest rates with maturities to 2026.

Carrying Value of Assets Held Under Capital Leases		
	Carrying Value	Accumulated Depreciation
Land improvements/infrastructure	\$ 560,015	\$ 497,201
Buildings	70,094,956	20,737,540
Furniture, fixtures, and equipment	34,349,343	15,616,463
Total	<u>\$ 105,004,314</u>	<u>\$ 36,851,204</u>

### Scheduled Maturities of Capital Leases

Fiscal Year	Principal	Interest	Total
2012	\$ 5,428,915	\$ 3,376,125	\$ 8,805,040
2013	5,851,117	3,271,166	9,122,283
2014	5,380,880	3,044,585	8,425,465
2015	5,161,065	2,773,801	7,934,866
2016	4,862,510	2,529,113	7,391,623
2017 - 2021	21,268,138	9,212,857	30,480,995
2022 - 2026	12,861,370	5,493,488	18,354,858
2027 - 2031	8,156,976	1,628,827	9,785,803
2032 - 2036	5,318,025	740,939	6,058,964
2037 - 2041	1,359,967	244,264	1,604,231
	<u>\$ 75,648,963</u>	<u>\$ 32,315,165</u>	<u>\$ 107,964,128</u>

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 11 – OTHER LONG-TERM LIABILITIES

#### SPECIAL ASSESSMENTS

The institutions receive special assessments from the city or county for improvements made to roads and infrastructure owned by the city or county that are adjacent to or on campus property.

#### Scheduled Maturities of Special Assessments

Fiscal Year	PRIMARY INSTITUTION		
	Principal	Interest	Total
2012	\$ 231,643	\$ 188,271	\$ 419,914
2013	231,917	176,402	408,319
2014	218,455	164,538	382,993
2015	216,961	153,623	370,584
2016	212,236	142,609	354,845
2017 - 2021	952,895	565,768	1,518,663
2022 - 2026	691,689	364,752	1,056,441
2027 - 2031	580,865	213,654	794,519
2032 - 2036	507,103	64,130	571,233
	<u>\$ 3,843,764</u>	<u>\$ 2,033,747</u>	<u>\$ 5,877,511</u>

#### Compensated Absences

The compensated absences liability of the institutions at June 30, 2011 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, 2011 and 2010 totaled \$29,788,619 and \$28,170,706, respectively. Leave policies restrict the accumulation of unused vacation and thus limit the actual payments made to employees upon termination or retirement.

### NOTE 12 – RETIREMENT BENEFITS

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

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

##### Description of Plan

NDPERS is a cost-sharing, multiple-employer, defined benefit pension plan covering substantially all broadband employees of the University System. The plan provides retirement, disability and death benefits. If an active employee dies with less than three years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than three years of credited service, the surviving spouse

## **NOTES TO THE FINANCIAL STATEMENTS**

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will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50 percent of the employee's accrued normal retirement benefit, monthly payments in an amount equal to the employee'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 employee's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible employees, who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits that are equal to 25 percent of their final average salary with a minimum benefit of \$100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled. Employees are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85, or at normal retirement age (65), equal to 2 percent of their final average salary for each year of service. The plan permits early retirement at ages 55-64, with three or more years of service. A financial report that includes financial statements and the required supplementary information for NDPERS can be obtained by writing to NDPERS; 400 East Broadway, Suite 505; P.O. Box 1657; Bismarck, ND 58502.

### **Funding Policy**

NDPERS is funded by employee contributions (set by statute) of 4 percent of regular compensation. During the 1983-1985 biennium the State implemented the employer pickup provision of the IRS code whereby the employer makes all or a portion of the required employee contributions. The State is paying the full employee contribution. Employer contributions of 4.12 percent of covered compensation are set by statute. The required contributions are determined using an entry age normal actuarial funding method.

The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDPERS. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code, changes to the plan documents must be approved by the legislature and Governor. The University System's required and actual contributions to NDPERS for the fiscal years ending June 30, 2011, 2010 and 2009 were \$7,302,659, \$6,929,921 and \$6,420,467, respectively.

## **TIAA-CREF RETIREMENT PLAN**

### **Description of Plan**

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

### **Funding Policy**

The plan requires employee and employer contributions be based on a classification system and years of service based on the following schedule:

## NOTES TO THE FINANCIAL STATEMENTS

Employment Class	Years of Service	Contributions by the Participant	Contributions by the Institution
I and III	0 thru 10	1.5%	9.5%
	over 10	2.0%	10.0%
II	0 thru 2	0.5%	4.5%
	3 thru 10	1.5%	9.5%
	over 10	2.0%	10.0%
IV	0	1.0%	9.0%
President/Chancellor (additional employer contribution)	0 thru 12	0.0%	8.33%*
	or		
	less than 3	0.0%	0.0%
	3 to less than 6	0.0%	4.0%
	6 yrs and over	0.0%	8.0%

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

Plan contributions are made on a tax-deferred basis in accordance with Section 414(h)(2) of the Internal Revenue Code. All contributions are applied as premiums to retirement annuity contracts owned by the participant. The North Dakota University System has no further liability once annual contributions are made. The University System contributed \$28,862,608 and \$26,512,291 to TIAA-CREF during the fiscal years ending June 30, 2011 and 2010, respectively.

### NOTE 13 – POST-EMPLOYMENT BENEFITS

#### STATE GROUP HEALTH PLAN

Members who receive retirement benefits from the Public Employees Retirement System may receive a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. The benefits are set by statute and the plan is a cost-sharing multiple-employer defined benefit plan. The employer contribution for the Public Employees Retirement System is set by statute on an actuarially determined basis (projected unit actuarial cost method) at 1.14 percent of covered compensation.

There are approximately 738 retired University System employees receiving these benefits and 2,737 active employees with retiree health credit. The actuarially determined required employer contribution of \$1,026,066 for the year ended June 30, 2011 is 1.14 percent of the covered payroll. The University System's actual and required contributions for the fiscal years ending June 30, 2011, 2010 and 2009 were \$1,028,414, \$972,873 and \$790,756, respectively.

As of June 30, 2011 there was \$58.7 million in net assets available for benefits under the state retiree health insurance credit plan. The actuarially accrued liability was \$108.4 million and the underfunded actuarially accrued liability was \$54.7 million at June 30, 2011.

#### TERMINATION BENEFITS

##### Early Retirement Agreements

When early retirement is deemed to be in the mutual benefit of an employee and the University System, the Board has adopted Policy 703.1 on Early Retirement. This policy applies to tenured faculty, the chancellor, vice chancellors, other system office professional staff, presidents, executive deans, vice

## NOTES TO THE FINANCIAL STATEMENTS

president, provosts, deans, and other officers responsible for a major unit of an institution who report directly to a president, vice president, provost, or executive dean who are members of TIAA-CREF, TFFR, or TIRF. During the fiscal year ended June 30, 2011, 13 employees elected early retirement.

Under the Tenured (Contract) Purchase Option, the employee is eligible for payment of up to 100 percent of the employee's final contract salary if the sum of the employee's age and total years of employment equals 70 or greater. Payments will be pursuant to the approved agreement, but cannot be made until at least 90 days after the date of Early Retirement Agreement. During the fiscal year ended June 30, 2011, 37 University System employees elected to participate in this option. Policy 703.1 also allows the early retirement agreements to retain the retiree on the applicable group health and life insurance plan. Payment by the institution of premiums is negotiable. Total cost to the institutions for these termination benefits will be \$211,823 over the term of the new contracts. Amounts payable to employees at June 30, 2011 for outstanding contract buyouts and future health and life premiums, adjusted for projected health insurance premium increases and discounted to the present were \$226,378, assuming health insurance premium increases of 5-10 percent and a discount rate of 0.2 percent.

Under the Phased Retirement Option, retirement is over a period of time. The percentage of workload each year is negotiated. The campus may pay all or any part of the retirement contributions on the current salary or any part of the individual's salary until the individual terminates all employment. During the fiscal year ended June 30, 2011, no University System employees participated in this option.

### Severance Agreements

In fiscal year 2011, institutions paid \$497,989 to 16 employees under separate employment separation agreements.

## NOTE 14 – CONSTRUCTION COMMITMENTS AND FINANCING

The campuses have contracted for various construction projects as of June 30, 2011. Estimated costs To complete the various projects and the sources of anticipated funding are presented below:

Campus	Contracts Awarded	Expended Through June 30, 2011	Total Cost To Complete	Funding for Remaining Costs			
				Federal Sources	State Sources	Institutional Funds	Other Sources
BSC	\$ 2,635,054	\$ 2,340,272	\$ 294,782	\$ 63,180	\$ 231,602	\$ -	\$ -
DCB	796,684	783,745	12,939	-	12,939	-	-
MaSU	8,806,828	7,729,228	1,077,600	-	1,003,127	-	74,473
MiSU	16,836,088	3,358,889	13,477,199	434,700	708,286	3,212,043	9,122,170
NDSCS	1,179,236	593,957	585,279	-	98,783	486,496	-
NDSU	79,078,148	56,871,243	22,206,905	129,474	12,182,287	-	9,895,144
UND	22,352,285	13,269,513	9,082,772	4,335,106	4,344,450	349,809	53,407
VCSU	5,329,037	3,161,123	2,167,914	574,514	648,000	14,173	931,227
WSC	16,642,812	10,224,895	6,417,917	-	-	-	6,417,917
<b>Total</b>	<b>\$153,656,172</b>	<b>\$98,332,864</b>	<b>\$55,323,307</b>	<b>\$5,536,974</b>	<b>\$ 19,229,474</b>	<b>\$ 4,062,521</b>	<b>\$ 26,494,338</b>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 15 –COMPONENT UNIT TRANSACTIONS

#### MAJOR COMPONENT UNITS

##### Investments

Investments are reported at fair value (market) and reported on the Statement of Net Assets as follows:

As of June 30, 2011, the major component units had investments as shown below:

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	\$ 196,086	\$ 25	\$ 5,874	\$ -	\$ 190,187
US Agencies	157,598	-	99,410	57,156	1,032
Corporate Bonds	2,247,932	77,716	847,579	485,999	836,638
Mutual Bond Funds	47,078,018	-	32,445,440	-	14,632,578
Money Market Mutual Funds	1,133,896	1,133,896	-	-	-
Other	890,164	500,000	42,047	58,933	289,184
Subtotal	<u>\$ 51,703,694</u>	<u>\$ 1,711,637</u>	<u>\$ 33,440,350</u>	<u>\$ 602,088</u>	<u>\$ 15,949,619</u>
Equity Mutual Funds	133,057,263				
Trust Funds	2,753,875				
Investment in Real Estate	52,159,659				
Commodity Hedge and Limited Partnerships	33,967,260				
Stocks	77,537,806				
Certificate of Deposits	5,592,390				
Other	<u>1,562,304</u>				
Total Investments per the Statement of Net assets	<u>\$ 358,334,251</u>				

##### Interest Rate Risk

Minot State University Development Foundation's investment policy addresses interest rate risk as it relates to duration and maturity of investments concurrent with interest rates, without specifically limiting maturities. North Dakota State University Development Foundation's investment policy addresses interest rate risk by requiring allocation of fixed income securities among maturities of different lengths according to interest rate prospects. Bismarck State College Foundation's investment policy limits the average maturity of the portfolio to between four and seven years with a maximum maturity for any one fixed income security of ten years.

##### Custodial Credit Risk

As of June 30, 2011, the major component units had no investments that were uninsured and not registered in the name of the component unit.

##### Credit Risk

As of June 30, 2011, the component units' debt portfolio (excluding US Treasuries and US Agencies) included Standard & Poor's credit quality ratings as follows:

## NOTES TO THE FINANCIAL STATEMENTS

Investment Type	Credit Quality Rating						
	AAA	AA	A	BBB	BB	B	Unrated
Corporate Bonds	\$ 82,827	\$ 963,652	\$ 1,135,857	\$ -	\$ -	\$ 60,096	\$ 5,500
Treasury Obligation Funds	-	-	-	-	24,576	-	133,022
Mutual Bond Funds	-	32,445,440	-	845,020	-	-	13,787,558
Other	1,286,727	112,496	109,799	-	-	-	515,038
Total	<u>\$ 1,369,554</u>	<u>\$ 33,521,588</u>	<u>\$ 1,245,656</u>	<u>\$ 845,020</u>	<u>\$ 24,576</u>	<u>\$ 60,096</u>	<u>\$ 14,441,118</u>

### CAPITAL ASSETS

Capital asset activity for the major component units for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	\$ 3,257,793	\$ 20,956	\$ -	\$ -	\$ 3,278,749
Construction in progress	306,084	404,678	-	-	710,762
Total non-depreciable capital assets	<u>\$ 3,563,877</u>	<u>\$ 425,634</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,989,511</u>
Land improvements/infrastructure	\$ 1,247,796	\$ -	\$ -	\$ -	\$ 1,247,796
Buildings	164,291,890	217,970	-	-	164,509,860
Furniture, fixtures, and equipment	33,730,575	4,436,583	1,333,125	-	36,834,033
Total depreciable capital assets	<u>\$ 199,270,261</u>	<u>\$ 4,654,553</u>	<u>\$ 1,333,125</u>	<u>\$ -</u>	<u>\$202,591,689</u>
Less accumulated depreciation					
Land improvements/infrastructure	\$ 445,072	\$ 53,698	\$ -	\$ -	\$ 498,770
Buildings	41,272,573	5,329,488	-	-	46,602,061
Furniture, fixtures, and equipment	11,710,183	3,102,239	252,069	-	14,560,353
Total accumulated depreciation	<u>\$ 53,427,828</u>	<u>\$ 8,485,425</u>	<u>\$ 252,069</u>	<u>\$ -</u>	<u>\$ 61,661,184</u>
Total depreciable capital assets, net	<u>\$ 145,842,433</u>	<u>\$ (3,830,872)</u>	<u>\$ 1,081,056</u>	<u>\$ -</u>	<u>\$140,930,505</u>
Capital assets, net	<u>\$ 149,406,310</u>	<u>\$ (3,405,238)</u>	<u>\$ 1,081,056</u>	<u>\$ -</u>	<u>\$144,920,016</u>

### BONDS PAYABLE

Bonds payable for the major component units at June 30, 2011 was as follows:

Issue	June 30, 2011		
	Maturity Date	Interest Rate	Balance Outstanding
BSC Foundation	2012-2032	4.5 - 5.25%	\$ 2,622,701
Dickinson State University Foundation	2017-2024	1.0 - 6.0%	7,582,573
NDSU Development Foundation	2018-2039	1.0 - 5.19%	25,599,475
NDSU Research & Technology Park, Inc.	2012-2032	3.0 - 6.5%	39,980,000
UND Alumni Foundation	2013-2027	2.5 - 5.0%	10,569,084
Total Component Unit Bonds Payable			<u>\$ 86,353,833</u>

## NOTES TO THE FINANCIAL STATEMENTS

### Scheduled Maturities of Bonds Payable

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 20,760,820	\$ 2,852,112	\$ 23,612,932
2013	3,123,628	2,709,270	5,832,898
2014	3,256,136	2,584,745	5,840,881
2015	3,135,834	2,460,064	5,595,898
2016	3,084,812	2,333,805	5,418,617
2017 - 2021	20,217,005	9,330,937	29,547,942
2022 - 2026	14,600,634	5,769,434	20,370,068
2027 - 2031	15,284,008	1,942,828	17,226,836
2032 - 2036	2,778,546	169,121	2,947,667
2037 - 2041	112,410	5,750	118,160
	<u>\$ 86,353,833</u>	<u>\$ 30,158,066</u>	<u>\$ 116,511,899</u>

### NOTES PAYABLE

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

	<u>June 30, 2011</u>	
	<u>Interest Rate</u>	<u>Balance Outstanding</u>
DSU Foundation	4.05 - 5.0%	\$ 416,754
NDSU Development Foundation	3.0 - 7.0%	1,584,337
NDSU Research & Tech Park, Inc.	3.0 - 4.0%	600,000
UND Aerospace Foundation	2.09 - 4.5%	5,129,936
RE, Arena, Inc	3.0%	4,466,444
Total Component Unit Notes Payable		<u>\$ 12,197,471</u>

### Scheduled Maturities of Notes Payable

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,752,156	\$ 343,524	\$ 2,095,680
2013	1,737,353	328,406	2,065,759
2014	2,997,573	172,423	3,169,996
2015	1,107,463	117,140	1,224,603
2016	1,137,696	87,812	1,225,508
2017 - 2021	3,465,230	73,926	3,539,156
	<u>\$ 12,197,471</u>	<u>\$ 1,123,231</u>	<u>\$ 13,320,702</u>

## NOTES TO THE FINANCIAL STATEMENTS

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### Scheduled Maturities of Capital Leases

Fiscal Year	Principal	Interest	Total
2012	\$ 53,144	\$ 81,494	\$ 134,638
2013	55,281	79,357	134,638
2014	49,912	77,118	127,030
2015	51,567	74,773	126,340
2016	54,024	72,315	126,339
2017 - 2021	311,281	320,416	631,697
2022 - 2026	392,865	238,832	631,697
2027 - 2031	495,831	135,866	631,697
2032 - 2036	294,705	21,144	315,849
	<u>\$ 1,758,610</u>	<u>\$ 1,101,315</u>	<u>\$ 2,859,925</u>

### SIGNIFICANT TRANSACTIONS

#### Bismarck State College and 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 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 audited financial statements of BSC Foundation for fiscal year 2011 report this transaction as an operating lease and report the related capital assets and related debt as assets and debt of the foundation.

#### Dickinson State University and Dickinson State University Foundation

From July 1, 2010 through December 31, 2010, DSU provided one-half of the salary of foundation employees and other services to the foundation at no charge, as in-kind reimbursement for services provided by the foundation, including postage, utilities and buildings and ground services. For the year ended June 30, 2011, DSU has valued these services at approximately \$96,631.

The Dickinson State University Foundation issued two series of revenue bonds of \$9,200,000 on June 4, 2009 to finance the Badlands Activities Center project. The bonds will be paid off with private donations raised by the Foundation and are summarized as follows:

## NOTES TO THE FINANCIAL STATEMENTS

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\$5,000,000 million bond at a fixed rate of 5.89%. The bond is amortized over 15 years with semi-annual payments due each January and July 20<sup>th</sup>. The payments in 2010 will be interest only, with the first principal payment due in January of 2011.

\$4,200,000 million bond with a variable rate of interest, currently 1.65%. The bond is re-priced every six months and has payments each January and July. There are neither time limits nor prepayment penalties on this issue.

### **North Dakota State University and NDSU Research and Technology Park, Inc.**

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

On November 1, 2000, NDSU Research and Technology Park, Inc. (RTP) entered into a \$6.5 million lease agreement with the City of Fargo to finance the construction of laboratory and research facilities and all equipment and furnishings located on property owned by the city. The agreement assigned to NDSU all of RTP's obligations under the lease, including but not limited to the payment of all rent, maintenance, and repair of the facility, maintenance of all insurance required under the lease, and restrictions of use of the facility as set forth in the lease. Upon payment of all the bonds, title to the facility will revert to RTP. On August 1, 2002, essentially the same legal and financial structure used to construct Research Building #1 was used to construct a second Research Building. The second lease agreement was for \$20,450,000.

On January 25, 2007, the city of Fargo, on behalf of the NDSU Research & Technology Park, issued \$4,735,000 of Series 2007A (Research 1) and \$18,100,000 of Series 2007B (Research 2) Lease Revenue Refunding Bonds. These bonds are used to advance refund the callable maturities of both the Series 2000 (Research 1) and Series 2002 (Research 2) bonds and to pay the costs of issuance (including the insurance premium for the insurance policy and the reserve fund surety bond) relating to bonds for both Series A and 2B bonds. For the Series 2000 bonds, there is a principal amount of \$4,365,000 of callable maturities on October 1 in years 2011 through 2021. For the Series 2002 bonds, there is a principal amount of \$17,215,000 of callable maturities on October 1 in years 2013 through 2032. On the original bonds refunded, the principal amounts outstanding as of June 30, 2011 are as follows: Series 2000 bonds \$4,365,000 and Series 2002 bonds \$17,730,000.

The audited financial statements of RTP for fiscal year 2011 report these transactions as an operating lease and report the related capital assets and related debt as assets and debt of RTP.

NDSU and RTP have entered into an operating agreement, whereby NDSU leases Research Building #1 for an annual rent of \$628,943 and Research Building #2 for \$1,525,963 through July 2013, plus utilities and insurance. Total payments under these agreements in fiscal year 2011 were approximately \$2.3 million. These agreements are subject to funding and legislative appropriations. On July 1, 2002, NDSU and RTP entered into an agreement for cooperation and assistance between entities. The agreement automatically extends for one-year periods unless cancelled by either party to the agreement.

### **North Dakota State University and NDSU Development Foundation**

#### NDSU Equine Center

Effective January 1, 2003, NDSU and the NDSU Development Foundation entered into a ten-year

## **NOTES TO THE FINANCIAL STATEMENTS**

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lease agreement with an option for an additional ten year term to facilitate the construction of an Equine Science Center. Under the agreement, NDSU will pay rent to the NDSU Development Foundation for use of the premises. The amount of the rent is tied to the \$4.355 million debt service retirement plus necessary insurance and taxes incurred by the Development Foundation. NDSU paid the Development Foundation \$385,941 in fiscal year 2011 under this agreement.

The facility is included in long-term investments and the debt is included in long-term liabilities on the financial reports of the NDSU Development Foundation. NDSU has also recorded a capital asset and a capital lease payable of \$3,245,000 as of June 30, 2011. Since the Development Foundation is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for the Equine Center, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution.

### **Fargodome Lease and Improvements**

In fiscal year 2006, the NDSU Development 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 NDSU Development Foundation 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 Development Foundation incident to the lease, less any contributions received by the Foundation for the project. Under this agreement in fiscal year 2011, the Development Foundation paid the debt service and other fees on behalf of NDSU in the amount of \$331,996.

The facility is included in long-term investments and the debt is included in long-term liabilities on the financial reports of the NDSU Development Foundation. NDSU has also recorded a capital asset and a capital lease payable of \$2,498,866 as of June 30, 2011. Since the Development Foundation is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for the Fargodome improvements, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution.

### **Renaissance Hall**

The former Northern School Supply building was donated to the NDSU Development Foundation by NDSU alum in December of 2001. During fiscal year 2003 and 2004, the NDSU Development Foundation renovated the building with the intent to lease the facility to NDSU beginning fall 2004.

The Development Foundation transferred nearly the entire ownership of the building to 650 NP Avenue, LLC and Kilborne 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 Development Foundation, permanent financing was put in place on December 17, 2010, with the issuance of \$5,650,000 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 a 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 State Board of Higher Education on December 16, 2010, the property is leased to NDSU for rent equal to the semi-annual

## **NOTES TO THE FINANCIAL STATEMENTS**

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principal and interest on the bonds, plus all costs incurred by the Development Foundation incident to ownership of the property. Ownership of the property will transfer to NDSU when the bonds are repaid in full. As of June 30, 2011 the outstanding balance on the bonds, reflected as "Due to Component Units" by NDSU, is \$5,580,000.

### **Aircraft**

Effective June 28, 2007, NDSU and the NDSU Development Foundation entered into a \$2,348,000, ten-year, lease agreement for the purchase of an aircraft. Under the agreement, NDSU will pay rent to the NDSU Development Foundation for use of the aircraft. The amount of the rent is equal to the amount of the principal and interest payments on the loan, for the life of the loan. During fiscal year 2011, NDSU made \$322,919 of debt service to the NDSU Development Foundation on the Aircraft lease. The University is responsible for all costs incurred in operation and maintenance of the aircraft. Upon completion of the loan payments, ownership of the aircraft will be transferred to NDSU. Since the Development Foundation is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for the leased aircraft, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution.

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

Effective November 28, 2007, NDSU and the NDSU Development 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 20-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. During fiscal 2011, NDSU paid \$766,171 to the NDSU Development Foundation for under the leases for debt service, property taxes and insurance on Barry Hall & Klai Hall. NDSU has an option to acquire the property upon full payment of the bonds. The bonds payable have a balance of \$10,702,977 at June 30, 2011.

### **NDSU President's House**

On September 15, 2008, the NDSU Development Foundation financed the construction of a new residence for the NDSU President through the sale of \$900,000 of 30 year University Facilities Bonds. The interest rate is a fixed rate of 4.20% with semi-annual principal and interest payments. The repayment source is private donations and pledges. The bonds payable have a balance of \$855,274 at June 30, 2011. During fiscal year 2010, the President's House was capitalized on NDSU's books for the sum of the Foundation & NDSU costs, plus the donated services (\$2,605,983).

### **Other Transactions**

NDSU also has agreements in place with the Foundation for maintenance of the University's alumni records, for use and insurance on certain land and buildings and for lease of a vehicle. Amounts paid

## NOTES TO THE FINANCIAL STATEMENTS

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under these agreements in fiscal year 2011 totaled \$522,725. In addition, the Development Foundation may contract with NDSU for materials and personnel in the service and utility areas and will reimburse NDSU based on separate agreements.

### **University of North Dakota and UND Aerospace Foundation**

The Aerospace Foundation reimbursed UND for salaries, building rent, aircraft rental, and goods and services under an operating agreement aggregating approximately \$19.0 million in fiscal 2011. 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. UND reimbursed the foundation for air service and hangar, CRJ, 360-degree tower and aircraft rental of \$1.1 million. These expense reimbursements represent actual costs incurred. In addition, the Aerospace Foundation may contract with UND for materials and personnel in the service and utility areas and will reimburse UND based on separate arrangements. As of June 30, 2011, the foundation has recorded accounts payable to UND of \$726,108 for reimbursable costs and services under these arrangements.

The Aerospace Foundation entered into a sublease with UND to lease the aircraft storage hangar/ground support equipment facility. The lease term is for 20 years, commencing on July 7, 2003 until July 6, 2023. For the first 15 years of the sublease, UND will pay the foundation monthly minimum payments of \$12,672 beginning on October 1, 2003, subject to actual cost adjustments. At the end of the 15 years, rent will be adjusted based upon an interest rate adjustment or a refinancing of the debt incurred by the foundation in the construction of the hangar. The audited financial statements of the foundation report the capital assets and related debt for this lease. Since the foundation is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for this transaction, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution.

### **University of North Dakota and RE Arena, Inc.**

RE Arena, Inc. manages, operates and maintains an arena known as the Ralph Englestad Arena, which was constructed in 2001 for the benefit of UND athletics. UND and RE Arena, Inc enter into an annual operating agreement from July 1 to June 30. The operating agreement sets forth the facility usage, fees and services, ticket administration and revenue allocation, sponsorship sales administration and revenue allocation, and net income disposition. In accordance with this agreement: (i) RE Arena Inc. collects all ticket revenue from ticketed UND athletic events (men's and women's hockey, football, men's and women's basketball, and volleyball), RE Arena, Inc. retains 52% of such ticket revenue and remits 48% to UND, and (ii) RE Arena Inc. collects all sponsorship sales revenue from UND athletic events at the arena, RE Arena, Inc. retains 64% of such sponsorship revenue, net of direct costs, and remits 36% to UND. In addition, UND and RE Arena, Inc. jointly utilize UND and RE Arena Inc. marketing staff to market and promote UND athletic events.

Revenue and expense arrangements for all other UND events held at the arena will be negotiated on an event-by-event basis. Per this agreement, RE Arena, Inc. received approximately \$1,953,805 in ticket revenue and \$352,970 in sponsorship revenue from UND athletic events in fiscal year 2011. Additionally, under the agreement, to the extent funds are available, RE Arena, Inc. and UND determine an amount to fund a reserve for extraordinary repairs, maintenance and building improvements. The amount reserved in fiscal year 2011 was \$700,000. On an annual basis, RE Arena, Inc. will remit to UND its net income after adding back depreciation and amortization, and deducting the funded reserve, capital expenditure, additional principal reduction on Betty Engelstad Sioux Center debt and amount mutually agreed to be retained by RE Arena Inc. for the fiscal year. RE Arena, Inc. paid UND \$500,000 under this agreement in fiscal year 2011.

## NOTES TO THE FINANCIAL STATEMENTS

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In addition, RE Arena, Inc. may contract with UND for materials and personnel in the service and utility areas and will reimburse UND based on separate agreements. As of June 30, 2011, RE Arena, Inc. has a payable to UND of \$244,919 for these expenditures.

### **University of North Dakota and University of North Dakota Foundation**

The University of North Dakota Foundation issued tax-exempt lease revenue bonds on October 24, 2003 of \$4,400,000 to finance the land purchase and construction of the Minot Family Practice Center. The center is a component of the School of Medicine & Health Sciences at UND. The interest rate is fixed at 4.15 percent until 2018. Principal balance outstanding at June 30, 2011 is \$3,224,472. Payments of \$136,000 are required semi-annually through 2018. A receivable from UND and the bond payable is included on the financial reports of the foundation and UND has recorded a capital asset and a capital lease payable as of June 30, 2011.

On July 24, 2002, UND Foundation issued lease revenue bonds of \$8,595,000 on behalf of UND to, i) finance the construction of an office building for EERC, ii) renovate the current EERC building, iii) finance capitalized interest, and iv) pay cost of issuance of the bonds. UND and UND Foundation also entered into a lease agreement on July 1, 2002, whereby the foundation leases certain property to UND and UND will pay the foundation basic rents which will be sufficient to cover principal and interest on the lease revenue bonds when due. The bonds bear an interest rate of 2.5 to 5.13 percent and mature in 2027. The lease revenue bond has a balance of \$6,600,000 at June 30, 2011. The foundation's financial statements include this transaction as a receivable from UND and a long-term liability. UND's financial statements include the capitalized asset and a long-term liability due to UND Foundation.

On April 16, 2008, the UND Foundation issued bonds of \$2,200,000 to build a University Presidents Home and an addition to the Jodsaas Center Engineering building. Series B for the President's residence was \$900,000 and Series A for the Jodsaas Center Engineering Building was \$1,300,000. The bonds had an original maturity date of 2038 but were repaid in fiscal year 2011 and there was no outstanding balance at June 30, 2011.

On December 22, 2008, the UND Foundation issued bonds of \$1,200,000 to fund construction of the North Dakota Center for Human Safety (NDCHS). Annual payments of principal along with semi-annual payments of interest are required at a fixed interest rate of 3.5%. Payments are due through 2013. The bonds have a balance of \$744,612 at June 30, 2011.

UND leases office space to the UND Foundation at a cost of \$1 per year and provides some administrative services, computer services, utilities and maintenance at no cost as a partial in-kind reimbursement for services rendered by the Foundation. At June 30, 2011, the foundation estimated the fair rental value reflected in the audited financial statements at \$129,000.

### **NON-MAJOR COMPONENT UNITS**

#### **North Dakota State University and North Dakota State University Research Foundation**

Revenues from research fees & royalties received from patents and other intellectual property or know-how are first used to cover expenses incurred in patenting, licensing, collection, and other expenses related to the technology. After these expenses have been paid, the net research fee (royalty) income is divided so that at least 30% of the net proceeds will be paid to those responsible for the invention, and 70% is distributed by negotiation between the department, college, and the Foundation. The portion distributable to an NDSU department is credited to a liability account called Distributable Managed Funds and recognized as an expense at the Foundation. NDSU reports an offsetting revenue and receivable (Due from Component Units) in its financial statements. A summary of the fiscal 2011 activity in the Distributable Managed Funds liability account at the Foundation is as follows:

## NOTES TO THE FINANCIAL STATEMENTS

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Beginning Distributable Managed Funds (DMF) as of 6/30/2010	\$	1,785,957
Royalties transferred to DMFs		788,735
Portion of above Royalties distributed to NDSU Departments		(255,487)
Other Payments on account to NDSU Departments		(182,000)
Ending Distributable Managed Funds as of 6/30/2011	\$	<u>2,137,205</u>

### Valley City State University and Valley City State University Foundation

The foundation has a memorandum of Agreement with VCSU for administrative services. Under this agreement, the foundation paid VCSU approximately \$91,081 during fiscal year 2011.

### NOTE 16 – ON-BEHALF PAYMENTS

On-behalf payments for fringe benefits and salaries are direct payments made by one entity to a third party recipient for the employees of another legally separate entity. On-behalf payments include pension plan contributions, employee health and life insurance premiums, and salary supplements or stipends. The amount of on-behalf payments for fringe benefits and salaries for fiscal year ended June 30, 2011 is \$56,000. There were no on-behalf payments made as contributions to a pension plan for which the System is not legally responsible.

### NOTE 17 – FUNCTIONAL EXPENSE CLASSIFICATION

The System reports operating expenses using the “natural classification” on the Statement of Revenues, Expenses and Changes in Net Assets. Operating expenses for the year ending June 30, 2011, using the “functional classification” are presented below:

Operating Expenses	
Instruction	\$ 322,925,115
Academic Support	62,893,295
Student Services	44,780,776
Institutional Support	101,441,340
Physical Plant	64,397,302
Scholarships and Fellowships	31,505,939
Auxiliary Enterprises	118,904,608
Public Service	53,970,839
Research	137,519,746
Depreciation	53,049,843
Total	<u>\$ 991,388,803</u>

### NOTE 18 – OPERATING LEASES

The campuses 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

## NOTES TO THE FINANCIAL STATEMENTS

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for the year ended June 30, 2011, amounted to \$5.7 million.

### Future Minimum Lease Payments

<b>Fiscal Year</b>	<b>Future Minimum Lease Payments</b>
2012	\$ 4,027,488
2013	2,267,510
2014	1,872,554
2015	1,549,706
2016	1,446,840
2017 - 2021	4,317,935
	<u>\$ 15,482,033</u>

### NOTE 19 – CONTINGENCIES

Amounts received and expended by the University System under various federal and state programs are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the financial position of the University System.

In the normal course of its activities, the institutions of the University System are party to various legal actions. Because, in the opinion of management and counsel, the risk of material loss in excess of insurance coverage for these items is remote, the outcome of the legal proceedings and claims is not expected to have a material effect on the financial position of the University System. Therefore, an estimated liability has not been recorded.

### NOTE 20 – RISK MANAGEMENT

The University System is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The following are funds/pools established by the state for risk management issues.

#### RISK MANAGEMENT FUND

The 1995 Legislative Session established the Risk Management Fund (RMF), an internal service fund, to provide a self-insurance vehicle for funding the liability exposures of state agencies resulting from the elimination of the state's sovereign immunity. The RMF manages the tort liability of the state, its agencies, employees and the University System. All state agencies participate in the RMF and each fund's contribution was determined using a projected cost allocation approach. The system obtains most of its insurance through the RMF.

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

The University System also participates in the North Dakota Fire and Tornado Fund and State Bonding Fund. The University System pays an annual premium to the Fire and Tornado Fund to cover property damage to personal property. Replacement cost coverage is determined in consultation with the Fire and Tornado Fund. The State Bonding Fund currently provides the University System with blanket

**NOTES TO THE FINANCIAL STATEMENTS**

fidelity bond coverage in the amount of \$750,000 to \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

**NORTH DAKOTA WORKFORCE SAFETY AND INSURANCE**

The University System participates in the North Dakota Workforce Safety and Insurance, an Enterprise Fund of the State of North Dakota. The Bureau is a state insurance fund and is a no fault insurance system. It covers the state’s employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

There have been no significant reductions in insurance coverage from the prior year and settled claims from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**NOTE 21 – ASBESTOS SETTLEMENT**

During fiscal year 1999, the University System settled an asbestos lawsuit against W.R. Grace & Co. The Chancellor has designated the dollars for asbestos related projects at the campuses. The designated amount for NDSU and UND at June 30, 2011 is \$292,282 and \$331,174, respectively.

**NOTE 22– DEFICIT NET ASSET BALANCES > \$100,000**

As of June 30, 2011 the institutions listed below had the following reportable net asset balance deficits greater than \$100,000.

<u>Institution</u>	<u>Fund</u>	<u>Description</u>	<u>Deficit Balance</u>
North Dakota State University	18541	Interfund Borrowing	\$ 238,717
	28100	Barry Hall Finishing	2,117,226
		Total NDSU	\$ 2,355,943
University of North Dakota	22364	EERC Cost of Litigation	\$ 1,355,839
	21220	Bismarck Center for Family Medicine	498,025
	22416	Recharge Center for Maintenance-Labor	183,197
		Total UND	\$ 2,037,061
Total University System			\$ 4,393,004

**NORTH DAKOTA STATE UNIVERSITY**

Fund 18541 – The deficit is the result of a planned early payment of NDSU special assessment projects. This deficit will be repaid from revenues from 19<sup>th</sup> Ave development (McDonalds and University Mall) over approximately the next 3 years. The early payment of specials resulted in interest expense savings of \$30,000 per year. The amount of specials retired in April 2008 was \$801,000. Paying for the costs using inter-fund borrowing in this manner results in interest savings and keeps the university’s long-term debt down. Deficit balance at June 30, 2011 was \$238,717.

Fund 28100 – Barry Hall Finishing Costs (estimated) - The deficit is the result of paying furniture, IT equipment and landscaping costs on the Barry Hall project in FY10. Original NDSU plans were to pay for these costs through a lease agreement with the NDSU Development Foundation. During a

## **NOTES TO THE FINANCIAL STATEMENTS**

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performance audit in FY10, the State Auditor's Office questioned the legality of lease agreements on Barry Hall; as a result, the lease agreement on the Barry Hall finishing costs was put on hold. Based on advice from the ND University System Office, NDSU did not enter into the planned lease agreement; but instead accumulated the costs in a university fund/project, reporting the deficit, and is currently developing a plan to repay the deficit over 5 years. One-fifth of the deficit was paid from NDSU local funds in FY 2011 in line with the deficit reduction plan approved by the SBHE Budget Audit & Finance Committee. Paying for the costs using inter-fund borrowing in this manner, results in interest savings and keeps the university's long-term debt down. The deficit balance at June 30, 2011 was \$2,117,226.

### **UNIVERSITY OF NORTH DAKOTA**

Fund 22364 - EERC Costs of Litigation had an original deficit balance of \$1,846,000 as of June 30, 2008. This balance represents the aggregate of costs incurred relative to ongoing litigation. As each case is brought to closure, balances will be brought to zero using funds resulting from the settlement. Additionally, monthly payments are made by EERC to reduce the deficit. The maximum time needed to cover the deficit is just over nine years. The intent is to bring the deficit to zero as quickly as possible. The deficit balance at June 30, 2011 is \$1,355,839.

Fund 21220 – The Bismarck Center for Family Medicine net equity deficit as of June 30, 2008 was \$52,850 before an audit adjustment to increase the accounts receivable allowance by \$1,108,030 was made to the June 30, 2008 financial statements in December 2008. The adjustment relates to a \$1,775,973 accounts receivable balance due to UND from Bismarck MedCenter One Hospital. The audit adjustment was made after Medicare made a provider audit adjustment to Bismarck MedCenter One Hospital financial statements. UND disputed the Medicare provider adjustment, but the 8<sup>th</sup> Circuit court ruled in favor of Medicare in May 2011 and has declined a rehearing. A 2<sup>nd</sup> Group appeal has been discontinued. An analysis of Bismarck MedCenter One Hospital and Bismarck St. Alexius Hospital receivables is a cooperative effort among hospital and SMHS officials. Adjustments to the hospitals' accounts receivables have and will continue to be made as new information becomes available. The deficit was reduced by \$387,221 in FY11 through increased patient care revenue and careful work with the hospital billings to Medicare. Balance at June 30, 2011 is \$498,025.

Fund 22416 – The maintenance-labor recharge center had a deficit balance at June 30, 2011 of \$183,197. The deficit will be recovered through adjustment of recharge rates.

### **NOTE 23 – Subsequent Events**

#### **MINOT STATE UNIVERSITY**

Since June 30, 2011, MiSU purchased two new housing units: University Heights for \$500,000 & Beaver Lodge for \$1,500,000.

Flooding in the spring/summer of 2011 has caused damage to MiSU's infrastructure. The various structures that were damaged include: parking lots, utility tunnels, storm & sanitary sewers, curb, gutters, & sidewalks. This damage was caused by either heavy trucks on MiSU's property or by the high water flow and in some cases by both. Through November 4, 2011, flood expenditures have totaled \$176,470. In addition, a construction consultant reviewed overall damages to the campus infrastructure & provided an estimate of repair costs of approximately \$2.6 million with an additional amount yet to be quantified (not expected to be greater than \$200,000).

## **NOTES TO THE FINANCIAL STATEMENTS**

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### **NORTH DAKOTA STATE UNIVERSITY**

The December 2009 partial collapse of Minard Hall caused a delay in the construction project's timeline, additional costs, and a complex forensic study to help collect data that could determine the cause of the event. At a December 2010 State Board of Higher Education meeting the Board, in part, allowed NDSU to pay for collapse related expenses from general funds currently available for the project, and authorized NDSU to seek appropriate legislative authorization and funding to complete the project in the most appropriate manner.

Due to the complexity of the project, accurate dollar amounts were not yet available during the 2011 legislative session to make a request for additional expenditure authority. As a result, the 2011 legislative assembly approved HB 1003, Section 8, which in part directs NDSU to report to the budget section regarding the status of the Minard Hall project and may request increased expenditure authorization from the budget section for the project.

Since the June 30, 2011 fiscal year-end reporting date, NDSU has determined that additional expenditure authorization of \$4,499,300 will be needed to complete the project as directed by the Board. NDSU plans to request State Board of Higher Education approval for this additional expenditure authorization at its November 2011 meeting and, pending this approval, provide a status report to the legislative budget section at its December 2011 meeting and seek the necessary additional expenditure authorization.

### **WILLISTON STATE COLLEGE**

On September 1, 2011, Williston State College received a promissory note from the Williston State College foundation in the amount of \$500,000, for the term of eleven years. The funds were used to install geothermal heating for the Frontier Hall housing facility.

## **NOTES TO THE FINANCIAL STATEMENTS**

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**NORTH DAKOTA UNIVERSITY SYSTEM**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2011**

**COMBINING STATEMENT OF NET ASSETS**

	<b>North Dakota University System Office</b>	<b>Bismarck State College</b>	<b>Dakota College at Bottineau</b>	<b>Dickinson State University</b>	<b>Lake Region State College</b>	<b>Mayville State University</b>	<b>Minot State University</b>
<b>ASSETS</b>							
Current assets							
Cash and cash equivalents	\$ 7,438,691	\$ 2,967,790	\$ 1,471,307	\$ 3,608,395	\$ 3,932,690	\$ 2,124,078	\$ 18,785,176
Investments	-	3,480,000	-	9,655,000	-	475,000	4,514,347
Accounts receivable, net	2,139,238	787,797	189,842	591,132	575,911	437,886	781,344
Due From component units	-	125,268	-	10,101	-	14,026	-
Due from State General Fund	1,482,398	1,206,849	-	-	-	455,153	105,269
Grants & contracts receivable, net	39,504	1,790,826	295,426	634,397	538,027	754,998	2,040,716
Inventories	-	689,924	145,777	372,418	296,325	219,338	-
Notes receivable, net	-	97,165	59,038	211,252	77,413	141,353	618,515
Other assets	2,240	359,737	36,823	152,160	19,645	66,156	115,738
Total current assets	11,102,071	11,505,356	2,198,213	15,234,855	5,440,011	4,687,988	26,961,105
Noncurrent assets							
Restricted cash and cash equivalents	\$ -	\$ 50,907	\$ -	\$ 77,500	\$ 46,212	\$ 159,543	\$ 7,015,268
Restricted investments	-	405,000	51,994	-	105,000	220,559	1,129,535
Endowment investments	-	-	-	-	-	17,000	1,244,922
Notes receivable, net	-	388,664	213,022	838,554	306,650	474,484	2,474,057
Other long-term investments	-	81,000	-	-	-	-	-
Unamortized bond discount & cost of issuance	32,557	78,508	-	15,615	-	113,126	297,657
Capital assets, net	10,691,979	34,419,011	5,354,176	34,766,639	3,560,550	24,922,631	59,180,339
Total noncurrent assets	10,724,536	35,423,090	5,619,192	35,698,308	4,018,412	25,907,343	71,341,778
Total assets	\$ 21,826,607	\$ 46,928,446	\$ 7,817,405	\$ 50,933,163	\$ 9,458,423	\$ 30,595,331	\$ 98,302,883
<b>LIABILITIES</b>							
Current liabilities							
Accounts payable and accrued liabilities	\$ 2,004,189	\$ 1,790,538	\$ 142,011	\$ 723,219	\$ 208,521	\$ 918,302	\$ 2,693,187
Payable to component units	-	-	-	-	-	-	-
Accrued payroll	344,728	1,415,087	185,647	949,888	440,371	629,244	1,959,429
Deferred revenue	-	548,245	42,425	-	449,450	155,775	1,049,971
Deposits	1,167,745	271,720	-	188,029	313,995	148,119	568,867
Long-term liabilities-current portion							
Due to component units	-	106,317	-	-	-	-	-
Due to others	1,814,476	430,137	90,000	94,282	195,170	1,002,724	709,296
Total current liabilities	5,331,138	4,562,044	460,083	1,955,418	1,607,507	2,854,164	6,980,750
Noncurrent liabilities							
Other noncurrent liabilities	78,870	18,327	497	15,850	-	-	-
Long-term liabilities							
Due to component units	-	1,964,821	-	-	-	-	-
Due to others	4,094,560	5,505,573	249,562	1,161,282	1,188,730	11,834,533	15,482,140
Total noncurrent liabilities	4,173,430	7,488,721	250,059	1,177,132	1,188,730	11,834,533	15,482,140
Total liabilities	\$ 9,504,568	\$ 12,050,765	\$ 710,142	\$ 3,132,550	\$ 2,796,237	\$ 14,688,697	\$ 22,462,890
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	\$ 5,025,877	\$ 27,296,266	\$ 5,190,218	\$ 34,224,818	\$ 2,576,976	\$ 12,816,660	\$ 51,303,017
Restricted for:							
Nonexpendable:							
Scholarships and fellowships	-	-	-	-	-	17,524	1,247,010
Expendable:							
Scholarships and fellowships	-	77,559	10,072	-	-	3,852	669,613
Research	-	-	-	-	57,782	-	4,204
Institutional	-	75,674	437,811	171,735	-	21,890	345,854
Loans	-	553,298	269,229	1,220,922	410,903	640,842	3,271,152
Capital projects	-	-	-	-	-	-	-
Debt service	-	455,907	51,203	86,781	55,419	110,618	774,520
Other	97,716	-	-	-	-	-	-
Unrestricted	7,198,446	6,418,977	1,148,730	12,096,357	3,561,106	2,295,248	18,224,623
Total net assets	\$ 12,322,039	\$ 34,877,681	\$ 7,107,263	\$ 47,800,613	\$ 6,662,186	\$ 15,906,634	\$ 75,839,993

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2011**

**COMBINING STATEMENT OF NET ASSETS**

	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	\$ 10,536,517	\$ 19,104,059	\$ 16,861,620	\$ 2,606,909	\$ 68,399	\$ -	\$ 89,505,631
Investments	270,885	2,453,025	18,791,631	1,645,674	-	-	41,285,562
Accounts receivable, net	1,558,313	4,676,499	8,572,442	213,245	147,422	(1,430,649)	19,240,422
Due From component units	-	2,217,412	6,281,308	84,963	278,406	-	9,011,484
Due from State General Fund	263,482	12,544,787	485,374	162,890	777,591	-	17,483,793
Grants & contracts receivable, net	1,417,477	22,791,161	16,244,667	778,068	1,375,471	-	48,700,738
Inventories	379,678	1,972,710	3,505,555	158,119	105,895	-	7,845,739
Notes receivable, net	450,061	1,458,622	4,941,343	134,206	59,789	-	8,248,757
Other assets	28,635	272,705	1,185,806	93,555	248,517	-	2,581,717
Total current assets	14,905,048	67,490,980	76,869,746	5,877,629	3,061,490	(1,430,649)	\$ 243,903,843
<b>Noncurrent assets</b>							
Restricted cash and cash equivalents	\$ -	\$ 11,571,538	\$ 1,005,807	\$ 31,688	\$ 462,030	\$ -	\$ 20,420,493
Restricted investments	537,530	10,103,695	2,527,061	1,234,136	1,826,958	-	18,141,468
Endowment investments	-	367,944	13,105,112	671,532	52,200	-	15,458,710
Notes receivable, net	1,800,240	5,248,755	19,765,372	553,326	215,735	-	32,278,859
Other long-term investments	-	47,260,035	55,400,039	-	-	-	102,741,074
Unamortized bond discount & cost of issuance	-	2,815,887	289,528	185,688	179,200	-	4,007,766
Capital assets, net	19,000,532	299,992,500	356,659,019	11,902,529	24,485,996	-	884,935,901
Total noncurrent assets	21,338,302	377,360,354	448,751,938	14,578,899	27,222,119	-	1,077,984,271
Total assets	\$ 36,243,350	\$ 444,851,334	\$ 525,621,684	\$ 20,456,528	\$ 30,283,609	\$ (1,430,649)	\$ 1,321,888,114
<b>LIABILITIES</b>							
Current liabilities							
Accounts payable and accrued liabilities	\$ 895,406	\$ 12,888,488	\$ 5,456,110	\$ 1,121,599	\$ 266,376	\$ (262,904)	\$ 28,845,042
Payable to component units	-	-	144,180	-	-	-	144,180
Accrued payroll	1,504,667	9,576,766	11,657,659	791,431	276,696	-	29,731,613
Deferred revenue	121,318	4,336,655	7,580,824	340,415	96,418	-	14,721,496
Deposits	221,194	1,044,445	3,334,952	146,550	224,376	(1,167,745)	6,462,247
Long-term liabilities-current portion							
Due to component units	-	1,879,915	518,510	-	36,000	-	2,540,742
Due to others	315,721	3,963,856	6,371,593	287,672	244,193	-	15,519,120
Total current liabilities	3,058,306	33,690,125	35,063,828	2,687,667	1,144,059	(1,430,649)	97,964,440
<b>Noncurrent liabilities</b>							
Other noncurrent liabilities	8,835	48,913	1,051,335	-	7,803	-	1,230,430
Long-term liabilities							
Due to component units	-	44,489,310	10,725,914	-	81,000	-	57,261,045
Due to others	1,515,747	106,366,569	99,598,552	6,802,824	9,482,857	-	263,282,929
Total noncurrent liabilities	1,524,582	150,904,792	111,375,801	6,802,824	9,571,660	-	321,774,404
Total liabilities	\$ 4,582,888	\$ 184,594,917	\$ 146,439,629	\$ 9,490,491	\$ 10,715,719	\$ (1,430,649)	\$ 419,738,844
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	\$ 18,144,672	\$ 177,148,436	\$ 248,896,545	\$ 5,922,393	\$ 16,096,785	\$ -	\$ 604,642,663
Restricted for:							
Nonexpendable:							
Scholarships and fellowships	-	370,017	13,271,309	537,039	56,680	-	15,499,579
Expendable:							
Scholarships and fellowships	-	200,622	3,098,328	153,286	6,215	-	4,219,547
Research	-	9,448,019	4,980,062	-	-	-	14,490,067
Institutional	363,240	1,092,274	9,861,135	615,193	306,945	-	13,291,751
Loans	3,681,650	7,101,729	27,090,366	688,834	289,722	-	45,218,647
Capital projects	-	323,341	-	-	-	-	323,341
Debt service	512,534	5,945,026	2,524,825	338,225	630,569	-	11,485,627
Other	-	-	-	152,182	-	-	249,898
Unrestricted	8,958,366	58,626,953	69,459,485	2,558,885	2,180,974	-	192,728,150
Total net assets	\$ 31,660,462	\$ 260,256,417	\$ 379,182,055	\$ 10,966,037	\$ 19,567,890	\$ -	\$ 902,149,270

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2011**

**COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**

	North Dakota University System Office	Bismarck State College	Dakota College of Bottineau	Dickinson State University	Lake Region State College	Mayville State University	Minot State University
<b>OPERATING REVENUES</b>							
Student tuition and fees (net of scholarship allowances of \$63,152,913 and bad debt allowance of \$1,479,895)	\$ 6,355,402	\$ 12,002,729	\$ 1,332,322	\$ 9,676,063	\$ 3,757,789	\$ 3,343,347	\$ 14,596,645
Local appropriations	-	-	-	5,000	-	-	-
Federal grants and contracts	902,179	3,042,790	373,828	1,259,111	987,370	3,366,246	7,107,570
State grants and contracts	206,209	1,772,610	256,811	260,871	472,114	54,975	997,826
Nongovernmental grants and contracts (net of bad debt allowance of \$31,058)	26,250	5,081	72,798	45,854	58,655	-	66,715
Sales and services of educational departments (net of bad debt allowance of \$11,011)	1,312,873	3,655,332	122,761	1,074,075	798,072	693,740	999,895
Auxiliary enterprises (net of scholarship allowances of \$4,610,449 and bad debt allowance of \$400,919; \$99,620,546 of revenues are pledged as security for revenue bonds)	-	4,178,941	1,298,254	4,151,182	1,527,734	2,010,920	3,303,345
Other operating revenue (net of bad debt allowance of \$125,879)	-	8,172	5,710	76,124	8,553	12,011	7,490
Total operating revenues	\$ 8,802,913	\$ 24,665,655	\$ 3,462,484	\$ 16,548,280	\$ 7,610,287	\$ 9,481,239	\$ 27,079,486
<b>OPERATING EXPENSES</b>							
Salaries and wages	\$ 8,810,059	\$ 24,126,465	\$ 4,527,186	\$ 18,402,095	\$ 8,902,174	\$ 10,471,247	\$ 33,445,329
Operating expenses	9,945,039	11,310,810	2,011,309	8,937,949	3,000,428	3,510,194	12,254,050
Data processing	3,682,087	966,078	156,032	524,105	247,329	123,819	472,352
Depreciation expense	1,961,602	1,693,958	258,546	1,583,644	483,022	1,057,231	2,626,872
Scholarships and fellowships	15,241,632	3,176,881	549,509	1,539,045	543,626	628,880	2,321,432
Cost of sales and services	-	2,067,040	264,106	770,111	629,503	762,214	-
Total operating expenses	\$ 39,640,419	\$ 43,341,232	\$ 7,766,688	\$ 31,756,949	\$ 13,806,082	\$ 16,553,585	\$ 51,120,035
Operating income (loss)	\$ (30,837,506)	\$ (18,675,577)	\$ (4,304,204)	\$ (15,208,669)	\$ (6,195,795)	\$ (7,072,346)	\$ (24,040,549)
<b>NONOPERATING REVENUES (EXPENSES)</b>							
State appropriations	\$ 41,012,796	\$ 12,633,649	\$ 3,013,733	\$ 10,773,121	\$ 4,130,972	\$ 6,130,856	\$ 17,847,507
Federal appropriations	-	-	-	-	-	-	-
Federal grants and contracts (net of bad debt allowance of \$83,364)	-	5,012,919	1,293,223	2,705,491	1,470,821	1,588,835	4,636,611
Gifts (net of bad debt allowance of \$32)	-	1,014,268	178,296	1,057,981	614,133	543,683	1,757,857
Endowment and Investment Income (net of investment expense of \$50,599)	973	41,559	18,258	264,184	14,082	108,201	372,941
Interest on capital asset related debt	(259,284)	(347,349)	(13,047)	(29,333)	(50,114)	(710,537)	(842,791)
Gain (loss) on disposal of capital assets	-	-	-	-	-	-	(2,838)
Insurance proceeds	-	1,552	-	-	-	-	2,527
Tax revenues	-	-	-	-	-	193,788	-
General and special grant expenditures	(5,181,657)	-	-	-	-	-	-
Other Nonoperating revenue (net of bad debt allowance of \$209,835)	444,467	(676,985)	4,726	12,213	17,683	(363,277)	1,419
Net nonoperating revenues	\$ 36,017,295	\$ 17,679,613	\$ 4,495,189	\$ 14,783,657	\$ 6,197,577	\$ 7,491,549	\$ 23,773,233
Income (loss) before capital grants, gifts and transfers	\$ 5,179,789	\$ (995,964)	\$ 190,985	\$ (425,012)	\$ 1,782	\$ 419,203	\$ (267,316)
Fed Approp - Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State appropriations-capital assets	-	2,685,336	981,710	1,252,122	64,418	3,994,255	722,867
Transfers to Building Authority	(5,353,963)	-	-	-	-	-	-
Capital Grants and Gifts	350,000	1,403,105	-	31,166	-	-	708,063
Total other revenue	(5,003,963)	4,088,441	981,710	1,283,288	64,418	3,994,255	1,430,930
Increase (decrease) in net assets	\$ 175,826	\$ 3,092,477	\$ 1,172,695	\$ 858,276	\$ 66,200	\$ 4,413,458	\$ 1,163,614
<b>NET ASSETS</b>							
Net assets--beginning of year	12,146,213	31,785,204	5,934,568	46,942,337	6,595,986	11,493,176	74,676,379
Net assets--end of year	\$ 12,322,039	\$ 34,877,681	\$ 7,107,263	\$ 47,800,613	\$ 6,662,186	\$ 15,906,634	\$ 75,839,993

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2011**

**COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**

	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 \$63,152,913 and bad debt allowance of \$1,479,895)	\$ 7,863,378	\$ 88,520,912	\$ 108,761,138	\$ 4,434,103	\$ 1,315,769	\$ -	\$ 261,959,597
Local appropriations	-	-	-	-	-	-	5,000
Federal grants and contracts	1,261,918	62,875,204	70,495,451	1,066,107	473,006	(5,217,520)	147,993,260
State grants and contracts	922,598	6,365,517	6,959,201	36,948	1,288,944	(6,066,608)	13,528,016
Nongovernmental grants and contracts (net of bad debt allowance of \$31,058)	60,000	9,629,053	18,538,200	354,066	6,635	-	28,863,307
Sales and services of educational departments (net of bad debt allowance of -\$11,011)	2,452,307	18,704,427	35,921,407	300,670	2,417,142	(623,874)	67,828,827
Auxiliary enterprises (net of scholarship allowances of \$4,610,449 and bad debt allowance of \$400,919; \$99,620,546 of revenues are pledged as security for revenue bonds)	4,612,260	43,120,108	36,445,762	2,591,386	1,421,610	-	104,661,502
Other operating revenue (net of bad debt allowance of \$125,879)	240,569	697,822	592,556	15,170	(33,730)	-	1,630,447
Total operating revenues	<u>\$ 17,413,030</u>	<u>\$ 229,913,043</u>	<u>\$ 277,713,715</u>	<u>\$ 8,798,450</u>	<u>\$ 6,889,376</u>	<u>\$ (11,908,002)</u>	<u>\$ 626,469,956</u>
<b>OPERATING EXPENSES</b>							
Salaries and wages	\$ 23,587,376	\$ 229,476,898	\$ 262,286,962	\$ 12,422,441	\$ 7,022,775	\$ -	\$ 643,481,007
Operating expenses	11,606,017	70,891,189	63,464,035	5,336,331	2,890,298	(5,786,923)	199,370,726
Data processing	836,954	4,733,873	4,193,684	541,584	311,794	-	16,789,691
Depreciation expense	2,028,939	18,847,583	20,435,710	942,054	1,131,390	-	53,050,551
Scholarships and fellowships	1,369,946	7,185,029	8,579,497	706,812	871,967	(2,645,879)	40,068,377
Cost of sales and services	732,773	10,403,114	21,926,324	471,806	601,460	-	38,628,451
Total operating expenses	<u>\$ 40,162,005</u>	<u>\$ 341,537,686</u>	<u>\$ 380,886,212</u>	<u>\$ 20,421,028</u>	<u>\$ 12,829,684</u>	<u>\$ (8,432,802)</u>	<u>\$ 991,388,803</u>
Operating income (loss)	<u>\$ (22,748,975)</u>	<u>\$ (111,624,643)</u>	<u>\$ (103,172,497)</u>	<u>\$ (11,622,578)</u>	<u>\$ (5,940,308)</u>	<u>\$ (3,475,200)</u>	<u>\$ (364,918,847)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
State appropriations	\$ 15,549,402	\$ 97,500,691	\$ 88,417,041	\$ 8,398,380	\$ 4,044,479	\$ -	\$ 309,452,627
Federal appropriations	-	5,646,298	-	-	-	-	5,646,298
Federal grants and contracts (net of bad debt allowance of \$83,364)	3,998,718	13,572,764	11,449,044	1,559,340	1,078,592	-	48,366,358
Gifts (net of bad debt allowance of \$32)	748,691	8,942,480	8,066,562	1,057,004	1,458,603	(549,800)	24,889,758
Endowment and Investment Income (net of investment expense of \$50,599)	261,313	3,312,224	5,580,868	293,345	283,652	-	10,551,600
Interest on capital asset related debt	(60,244)	(6,650,373)	(5,110,046)	(406,809)	(271,101)	-	(14,751,028)
Gain (loss) on disposal of capital assets	53,201	(122,598)	265,330	-	(16,137)	-	176,958
Insurance proceeds	-	71,635	99,011	-	-	-	174,725
Tax revenues	-	201,801	2,265,652	-	-	-	2,661,241
General and special grant expenditures	-	-	-	-	-	4,025,000	(1,156,657)
Other Nonoperating revenue (net of bad debt allowance of \$209,835)	68,310	(2,020,148)	(48,215)	7,509	7,421	-	(2,544,877)
Net nonoperating revenues	<u>\$ 20,619,391</u>	<u>\$ 120,454,774</u>	<u>\$ 110,985,247</u>	<u>\$ 10,908,769</u>	<u>\$ 6,585,509</u>	<u>\$ 3,475,200</u>	<u>\$ 383,467,003</u>
Income (loss) before capital grants, gifts and transfers	<u>\$ (2,129,584)</u>	<u>\$ 8,830,131</u>	<u>\$ 7,812,750</u>	<u>\$ (713,809)</u>	<u>\$ 645,201</u>	<u>\$ -</u>	<u>\$ 18,548,156</u>
Fed Approp - Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State appropriations-capital assets	2,340,453	21,714,103	3,349,723	1,061,468	215,828	-	38,382,283
Transfers to Building Authority	-	(283,491)	-	-	-	-	(5,637,454)
Capital Grants and Gifts	423,161	2,119,373	16,109,471	25,512	2,842,183	-	24,012,034
Total other revenue	<u>2,763,614</u>	<u>23,549,985</u>	<u>19,459,194</u>	<u>1,086,980</u>	<u>3,058,011</u>	<u>-</u>	<u>56,756,863</u>
Increase (decrease) in net assets	<u>\$ 634,030</u>	<u>\$ 32,380,116</u>	<u>\$ 27,271,944</u>	<u>\$ 373,171</u>	<u>\$ 3,703,212</u>	<u>\$ -</u>	<u>\$ 75,305,019</u>
<b>NET ASSETS</b>							
Net assets--beginning of year	31,026,432	227,876,301	351,910,111	10,592,866	15,864,678	-	826,844,251
Net assets--end of year	<u>\$ 31,660,462</u>	<u>\$ 260,256,417</u>	<u>\$ 379,182,055</u>	<u>\$ 10,966,037</u>	<u>\$ 19,567,890</u>	<u>\$ -</u>	<u>\$ 902,149,270</u>

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2011**

**COMBINING STATEMENT OF CASH FLOWS**

	<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>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Student tuition and fees	\$ 5,479,037	\$ 12,091,541	\$ 1,323,413	\$ 9,608,616	\$ 3,746,005	\$ 3,328,636	\$ 14,571,358
Local appropriations	1,098,101	4,341,205	675,416	1,275,894	1,489,956	3,141,459	7,821,713
Grants and contracts	(13,566,635)	(13,701,356)	(2,343,486)	(9,797,832)	(3,919,283)	(4,205,688)	(11,907,027)
Payments to suppliers	(8,634,276)	(23,902,342)	(4,494,543)	(18,332,323)	(8,796,580)	(10,350,461)	(33,194,244)
Payments to employees	(15,241,632)	(3,176,881)	(549,509)	(1,539,045)	(543,626)	(628,880)	(2,321,432)
Payments for scholarships and fellowships	-	(88,300)	(36,867)	(163,514)	(66,600)	(96,269)	(504,962)
Loans issued to students	-	115,808	48,668	167,991	55,839	92,219	370,092
Collection of loans to students	-	4,178,214	1,294,521	4,120,625	1,531,363	1,996,188	3,312,042
Auxiliary enterprise charges	1,312,873	3,455,821	111,301	1,026,159	847,816	657,644	1,556,739
Sales and service of educational departments	(41,722)	955	(55,684)	(22,026)	21,616	2,237	2,651
Cash received/(paid) on deposits	443,347	331,106	(12,128)	127,456	28,711	68,178	64,018
Other receipts (payments)	-	-	-	-	-	-	-
Net cash provided (used) by operating activities	\$ (29,150,907)	\$ (16,354,229)	\$ (4,038,898)	\$ (13,527,999)	\$ (5,604,783)	\$ (5,994,737)	\$ (20,229,052)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
State appropriations	\$ 40,923,719	\$ 11,556,213	3,013,733	\$ 10,773,121	\$ 4,130,972	\$ 6,130,856	\$ 17,847,507
Federal appropriations	-	-	-	-	-	-	-
Grants and gifts received for other than capital purposes	(1,167,745)	6,041,776	1,471,519	3,763,472	2,084,954	2,132,517	6,394,468
Grants given for other than capital purposes	(5,181,657)	-	-	-	-	-	-
Advances from Bank of North Dakota	-	-	-	-	-	-	-
Principal paid on advances from Bank of North Dakota	-	-	-	-	-	-	-
Direct Lending Receipts	-	12,230,949	2,255,090	7,003,966	2,453,686	4,188,195	11,328,871
Direct Lending Disbursements	-	(12,235,945)	(2,255,090)	(7,003,966)	(2,453,686)	(4,352,204)	(11,372,287)
Agency fund cash increase/(decrease)	-	(95,949)	(12,589)	(46,974)	41,275	(40,555)	(24,007)
Tax revenues	-	-	-	-	-	193,788	-
Other nonoperating revenues (expenses)	-	-	-	-	-	-	-
Net cash flows provided (used) by noncapital financing activities	\$ 34,574,317	\$ 17,497,044	\$ 4,472,663	\$ 14,489,619	\$ 6,257,201	\$ 8,252,597	\$ 24,174,552
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Proceeds from issuance of debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers to Building Authority	(5,353,963)	-	-	-	-	-	-
Capital appropriations	-	2,591,976	1,044,317	1,285,760	64,418	4,020,193	617,598
Capital grants and gifts received	350,000	1,351,232	-	367,303	(12)	(60,456)	708,073
Proceeds from sale of capital assets	-	-	-	-	-	-	-
Purchases of capital assets	(170,914)	(4,781,324)	(963,577)	(1,916,337)	(268,839)	(6,001,502)	(8,271,499)
Insurance proceeds	-	1,552	-	-	-	-	2,527
Principal paid on capital debt and lease	(1,795,391)	(523,503)	(79,064)	(52,578)	(165,420)	(1,078,423)	(514,014)
Deposits with capital debt payment trustees	-	-	17,597	-	-	-	-
Interest paid on capital debt and lease	(297,913)	(345,090)	(13,047)	(29,332)	(50,114)	(709,907)	(809,515)
Net cash provided (used) by capital and related financing activities	\$ (7,268,181)	\$ (1,705,157)	\$ 6,226	\$ (345,184)	\$ (419,967)	\$ (3,830,095)	\$ (8,266,830)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Proceeds from sales and maturities of investments	\$ -	\$ 2,041,000	\$ -	\$ -	\$ -	\$ 2,974,895	\$ 7,052,451
Interest on investments	973	41,838	18,421	265,577	14,082	108,221	224,938
Purchase of investments	-	(3,741,000)	-	-	-	(1,049,138)	(518,470)
Net cash provided (used) by investing activities	\$ 973	\$ (1,658,162)	\$ 18,421	\$ 265,577	\$ 14,082	\$ 2,033,978	\$ 6,758,919
Net increase (decrease) in cash	\$ (1,843,798)	\$ (2,220,504)	\$ 458,412	\$ 882,013	\$ 246,533	\$ 461,743	\$ 2,437,589
CASH - BEGINNING OF YEAR	9,282,489	5,239,201	1,012,895	2,803,882	3,732,369	1,821,878	23,362,855
CASH - END OF YEAR	\$ 7,438,691	\$ 3,018,697	\$ 1,471,307	\$ 3,685,895	\$ 3,978,902	\$ 2,283,621	\$ 25,800,444
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>							
Operating income (loss)	\$ (30,837,506)	\$ (18,675,577)	\$ (4,304,204)	\$ (15,208,669)	\$ (6,195,795)	\$ (7,072,346)	\$ (24,040,549)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities							
Depreciation expense	1,961,602	1,693,958	258,546	1,583,644	483,022	1,057,231	2,626,872
Other nonoperating revenues (expenses)	444,467	(11,483)	4,267	28,063	17,682	25,840	1,412
Change in assets and liabilities							
Accounts receivable adjusted for interest receivable	(876,365)	(41,062)	(50,700)	(89,743)	21,801	(48,471)	467,116
Grant & contract receivables	(36,537)	(479,276)	(28,021)	(294,942)	(28,183)	(279,762)	(350,398)
Inventories	-	7,028	15,258	100,827	19,772	(18,338)	-
Notes receivable	-	54,604	18,780	49,599	13,320	28,123	255
Other assets	15,160	389,902	(22,105)	25,221	2,476	33,374	68,176
Accounts payable and accrued liabilities adjusted for							
interest payable	44,211	576,703	60,990	230,257	(71,936)	149,805	676,333
Accrued payroll	158,212	187,483	14,658	38,188	75,275	94,720	169,578
Compensated absences	17,571	36,640	17,985	31,584	30,319	26,066	81,507
Deferred revenue	-	(94,104)	31,329	-	5,847	6,784	67,996
Deposits	(41,722)	955	(55,681)	(22,028)	21,617	2,237	2,650
Net cash provided (used) by operating activities	\$ (29,150,907)	\$ (16,354,229)	\$ (4,038,898)	\$ (13,527,999)	\$ (5,604,783)	\$ (5,994,737)	\$ (20,229,052)
<b>SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS</b>							
Assets acquired through capital lease	\$ 127,500	\$ 7,908	\$ 18,528	\$ -	\$ -	\$ -	\$ -
Assets acquired through special assessment	-	-	-	-	-	-	-
Expenses paid by capital lease/special assessments	-	700,161	-	-	-	-	-
Gifts of capital assets	-	39,048	-	4,020	-	-	-
Net increases (decrease) in value of investments	-	-	-	-	-	390,472	122,480
Total non-cash transactions	\$ 127,500	\$ 747,117	\$ 18,528	\$ 4,020	\$ -	\$ 390,472	\$ 122,480

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2011**

**COMBINING STATEMENT OF CASH FLOWS - Continued**

	North Dakota State College of Science	North Dakota State University	University of North Dakota	Valley City State University	Williston State College	Eliminations	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Student tuition and fees	\$ 7,711,592	\$ 89,185,735	\$ 109,733,694	\$ 4,464,387	\$ 1,202,624	\$ -	\$ 262,446,638
Local appropriations							
Grants and contracts	1,709,290	77,070,076	95,949,897	1,079,417	1,098,034	(11,284,128)	185,466,330
Payments to suppliers	(13,159,610)	(86,393,180)	(87,993,566)	(6,219,382)	(4,051,474)	5,786,923	(251,471,596)
Payments to employees	(23,460,285)	(228,667,333)	(260,661,479)	(12,339,880)	(7,042,924)		(639,876,670)
Payments for scholarships and fellowships	(1,369,946)	(7,185,029)	(8,579,497)	(706,812)	(871,967)	2,645,879	(40,068,377)
Loans issued to students	(135,655)	(1,206,838)	(3,320,629)	(99,585)	(53,600)		(5,772,819)
Collection of loans to students	365,980	1,047,495	2,830,841	82,987	43,556		5,221,476
Auxiliary enterprise charges	4,500,415	43,044,818	31,362,317	2,586,794	1,432,725		99,360,022
Sales and service of educational departments	2,850,262	18,848,149	38,503,592	220,177	2,229,009	(623,874)	70,995,668
Cash received/(paid) on deposits	15,452	(2,828)	214,156	8,989	46,009		189,805
Other receipts (payments)	271,462	764,920	788,141	(1,234)	(91,889)		2,782,088
Net cash provided (used) by operating activities	\$ (20,701,043)	\$ (93,494,013)	\$ (81,172,533)	\$ (10,924,142)	\$ (6,059,897)	\$ (3,475,200)	\$ (310,727,433)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
State appropriations	\$ 15,496,428	\$ 96,127,555	\$ 88,417,041	\$ 8,399,116	\$ 4,044,480		\$ 306,860,741
Federal appropriations	-	5,342,580	-	-	-		5,342,580
Grants and gifts received for other than capital purposes	4,747,409	22,515,244	19,507,606	2,709,982	2,536,782	(549,800)	72,188,184
Grants given for other than capital purposes	-	-	-	-	-	4,025,000	(1,156,657)
Advances from Bank of North Dakota	-	-	-	-	-		-
Principal paid on advances from Bank of North Dakota	-	-	-	-	-		-
Direct Lending Receipts	9,522,474	57,735,676	74,252,968	7,693,082	3,359,932		192,024,889
Direct Lending Disbursements	(9,522,474)	(56,575,077)	(74,228,429)	(7,693,082)	(3,541,655)		(191,233,895)
Agency fund cash increase/(decrease)	(138,998)	(1,365,112)	(24,727)	(118,997)	52,968		(1,773,665)
Tax revenues	-	201,801	2,265,652	-	-		2,661,241
Other nonoperating revenues (expenses)	-	-	-	-	-		-
Net cash flows provided (used) by noncapital financing activities	\$ 20,104,839	\$ 123,982,667	\$ 110,190,111	\$ 10,990,101	\$ 6,452,507	\$ 3,475,200	\$ 384,913,418
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Proceeds from issuance of debt	\$ -	\$ 7,266,959	\$ 202,915	\$ 3,430,000	\$ 9,375,000		\$ 20,274,874
Transfers to Building Authority	-	(283,491)	-	-	-		(5,637,454)
Capital appropriations	2,340,453	19,037,447	3,209,816	968,752	(158,287)		35,022,443
Capital grants and gifts received	363,707	1,693,587	15,740,488	-	2,856,984		23,370,906
Proceeds from sale of capital assets	316,994	10,000	1,424,400	-	-		1,751,394
Purchases of capital assets	(2,377,263)	(37,661,160)	(25,366,019)	(3,184,847)	(10,221,594)		(101,184,875)
Insurance proceeds	-	71,635	164,096	-	-		239,810
Principal paid on capital debt and lease	(461,135)	(5,240,560)	(8,884,466)	(246,737)	(393,977)		(19,435,268)
Deposits with capital debt payment trustees	-	-	-	-	(526,958)		(509,361)
Interest paid on capital debt and lease	(68,253)	(6,369,806)	(5,128,049)	(297,977)	(271,102)		(14,390,104)
Net cash provided (used) by capital and related financing activities	\$ 114,503	\$ (21,475,389)	\$ (18,636,819)	\$ 669,191	\$ 660,066	\$ -	\$ (60,497,635)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Proceeds from sales and maturities of investments	\$ -	\$ 8,945,986	\$ 37,619,404	\$ 3,175,603	\$ -		\$ 61,809,339
Interest on investments	261,313	2,870,813	2,476,836	293,391	283,533		6,859,936
Purchase of investments	-	(745,000)	(42,308,265)	(4,270,900)	(1,300,000)		(53,932,773)
Net cash provided (used) by investing activities	\$ 261,313	\$ 11,071,799	\$ (2,212,025)	\$ (801,906)	\$ (1,016,467)	\$ -	\$ 14,736,502
Net increase (decrease) in cash	\$ (220,388)	\$ 20,085,064	\$ 8,168,734	\$ (66,756)	\$ 36,209	\$ -	\$ 28,424,851
CASH - BEGINNING OF YEAR	10,756,905	10,590,532	9,698,693	2,705,353	494,220		81,501,272
CASH - END OF YEAR	\$ 10,536,517	\$ 30,675,597	\$ 17,867,427	\$ 2,638,597	\$ 530,429	\$ -	\$ 109,926,124
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>							
Operating income (loss)	\$ (22,748,975)	\$ (111,624,643)	\$ (103,172,497)	\$ (11,622,578)	\$ (5,940,308)	\$ (3,475,200)	\$ (364,918,847)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities							
Depreciation expense	2,028,939	18,847,583	20,435,710	942,054	1,131,390		53,050,551
Other nonoperating revenues (expenses)	59,528	607	7,897	8,001	153,191		739,472
Change in assets and liabilities							
Accounts receivable adjusted for interest receivable	71,542	(9,063)	(1,355,741)	(71,174)	(30,847)	1,430,649	(582,058)
Grant & contract receivables	(535,226)	(1,799,698)	(42,955)	(377,704)	(670,551)		(4,923,253)
Inventories	(356,384)	381,034	(216,576)	7,938	29,464		(29,977)
Notes receivable	138,383	(30,626)	218,446	15,147	6,122		512,153
Other assets	(28,635)	66,491	187,688	(138,503)	(390,550)		208,695
Accounts payable and accrued liabilities adjusted for interest payable	546,085	(783,587)	1,163,640	201,519	(149,161)	(1,430,649)	1,214,210
Accrued payroll	63,232	237,022	969,276	43,499	(64,718)		1,986,425
Compensated absences	63,859	572,543	656,207	39,062	44,569		1,617,912
Deferred revenue	(18,843)	651,151	(237,784)	19,609	(224,507)		207,478
Deposits	15,452	(2,827)	214,156	8,988	46,009		189,806
Net cash provided (used) by operating activities	\$ (20,701,043)	\$ (93,494,013)	\$ (81,172,533)	\$ (10,924,142)	\$ (6,059,897)	\$ (3,475,200)	\$ (310,727,433)
<b>SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS</b>							
Assets acquired through capital lease	\$ -	\$ 657,254	\$ 3,284,332	\$ -	\$ 100,370		\$ 4,195,892
Assets acquired through special assessment	-	-	-	-	-		-
Expenses paid by capital lease/special assessments	181,222	2,024,706	4,978	493	-		2,911,560
Gifts of capital assets	-	425,786	273,721	25,512	-		768,087
Net increases (decrease) in value of investments	-	441,411	2,364,683	-	-		3,319,046
Total non-cash transactions	\$ 181,222	\$ 3,549,156	\$ 5,927,714	\$ 26,005	\$ 100,370	\$ -	\$ 11,194,584

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2011**

**Statement of Net Assets -- Non-major Component Units**

	<b>Dakota College of Bottineau Foundation</b>	<b>Lake Region Community College Foundation</b>	<b>MaSU Alumni Foundation</b>	<b>MiSU Development Foundation</b>	<b>NDSU NDSU 4-H Foundation</b>	<b>NDSU Research Foundation</b>	
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents	\$ 190,933	\$ -	\$ -	\$ 1,075,436	\$ 3,156,625	\$ 38,598	\$ 178,567
Distributable managed funds	-	-	-	-	-	-	2,137,206
Investments	577,616	-	-	-	6,880,800	338,685	150
Accounts receivable, net	-	-	-	-	-	-	-
Unconditional promises to give, net of allowance	-	103,932	20,631	2,500	-	-	-
Inventories	-	-	-	-	-	-	-
Other assets	-	-	780	30,274	-	-	5,015
Total current assets	<u>768,549</u>	<u>103,932</u>	<u>21,411</u>	<u>1,108,210</u>	<u>10,037,425</u>	<u>377,283</u>	<u>2,320,938</u>
<b>Noncurrent assets</b>							
Restricted cash and cash equivalents	\$ -	\$ -	\$ 177,016	\$ -	\$ -	\$ -	\$ 162,310
<b>Investments:</b>							
Investments, net of current portion	1,139,568	1,736,873	2,993,250	11,534,177	-	880,309	-
Investments, restricted	-	-	-	-	-	-	-
Investments, temporarily restricted	-	-	-	-	-	-	-
Investments, permanently restricted	-	-	-	-	-	-	-
Investments held in trust	-	-	-	-	-	-	-
Beneficial interest in trust	-	1,004,726	-	-	-	-	-
Endowment investments	-	1,948,914	-	-	-	-	3,224,777
Real estate and equipment held for investment, net of accumulated depreciation	-	-	-	945,716	-	-	-
Other long-term investments	37,013	-	-	-	-	-	-
Total investments	<u>1,176,581</u>	<u>4,690,513</u>	<u>2,993,250</u>	<u>12,479,893</u>	<u>-</u>	<u>880,309</u>	<u>3,224,777</u>
Long term pledges receivable/unconditional promises to give	-	-	-	371,738	-	-	-
Notes receivable, net	-	-	-	4,713	-	-	-
Other noncurrent assets	-	-	88,815	-	-	-	-
Capital assets, net	-	-	665	-	1,902,082	-	2,162
Total noncurrent assets	<u>1,176,581</u>	<u>4,690,513</u>	<u>3,259,746</u>	<u>12,856,344</u>	<u>1,902,082</u>	<u>880,309</u>	<u>3,389,249</u>
Total assets	<u>\$ 1,945,130</u>	<u>\$ 4,794,445</u>	<u>\$ 3,281,157</u>	<u>\$ 13,964,554</u>	<u>\$ 11,939,507</u>	<u>\$ 1,257,592</u>	<u>\$ 5,710,187</u>
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Accounts payable and accrued liabilities	\$ 292	\$ -	\$ 15,858	\$ 11,081	\$ 9,041	\$ 288,340	\$ 20,302
Payable to university	-	-	-	-	-	-	-
Accrued payroll	-	-	-	-	-	-	1,628
Distributable managed funds	-	-	-	-	-	-	2,137,205
Current portion of gift annuities and life income agreements	-	-	-	17,517	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Other current liabilities	1,700	-	-	-	-	-	-
Long-term liabilities-current portion	-	-	-	-	53,859	-	-
Total current liabilities	<u>1,992</u>	<u>-</u>	<u>15,858</u>	<u>28,598</u>	<u>62,900</u>	<u>288,340</u>	<u>\$ 2,159,135</u>
<b>Noncurrent liabilities</b>							
Gift annuities and life income agreements, net of current portion	-	-	-	193,763	-	-	-
Other noncurrent liabilities	-	-	-	-	-	-	-
Long-term liabilities	-	-	-	-	1,938,542	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>193,763</u>	<u>1,938,542</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 1,992</u>	<u>\$ -</u>	<u>\$ 15,858</u>	<u>\$ 222,361</u>	<u>\$ 2,001,442</u>	<u>\$ 288,340</u>	<u>\$ 2,159,135</u>
<b>NET ASSETS</b>							
Temporarily restricted	\$ 45,400	\$ 1,123,884	\$ 1,314,440	\$ 3,342	\$ 472,662	\$ 351,324	\$ -
<b>Nonexpendable:</b>							
Permanently restricted	1,724,570	2,953,640	1,980,466	11,065,382	8,847,605	328,870	-
Net investment in property and equipment	-	-	-	-	-	-	-
Unrestricted	173,168	716,921	(29,607)	2,673,469	617,798	289,058	3,551,051
Total net assets	<u>\$ 1,943,138</u>	<u>\$ 4,794,445</u>	<u>\$ 3,265,299</u>	<u>\$ 13,742,193</u>	<u>\$ 9,938,065</u>	<u>\$ 969,252</u>	<u>\$ 3,551,051</u>
Total liabilities and net assets	<u>\$ 1,945,130</u>	<u>\$ 4,794,445</u>	<u>\$ 3,281,157</u>	<u>\$ 13,964,554</u>	<u>\$ 11,939,507</u>	<u>\$ 1,257,592</u>	<u>\$ 5,710,186</u>

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2011**

**Statement of Net Assets -- Non-major Component Units**

	<b>NDSU Team Makers Club</b>	<b>UND Center for Innovation</b>	<b>UND Research Foundation</b>	<b>UND The Fellows</b>	<b>VCSU Foundation</b>	<b>WSC Foundation</b>	<b>Total Non-major Component Units</b>
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents	\$ 256,726	\$ 267,973	\$ 551,698	\$ -	\$ 176,140	\$ 1,865,549	\$ 7,758,245
Distributable managed funds	-	-	-	-	-	-	2,137,206
Investments	-	-	-	2,431,203	-	100,000	10,328,454
Accounts receivable, net	-	36,937	3,697	-	-	-	40,634
Unconditional promises to give, net of allowance	116,904	155,000	-	-	276,856	10,609	686,432
Inventories	10,065	9,343	-	-	-	-	19,408
Other assets	2,949	235,550	3,684	-	3,748	44,430	326,430
Total current assets	<u>386,644</u>	<u>704,803</u>	<u>559,079</u>	<u>2,431,203</u>	<u>456,744</u>	<u>2,020,588</u>	<u>21,296,809</u>
<b>Noncurrent assets</b>							
Restricted cash and cash equivalents	\$ -	\$ -	\$ 264,560	\$ -	\$ -	\$ -	\$ 603,886
Investments:							
Investments, net of current portion	2,355,162	-	-	-	-	8,755,943	29,395,282
Investments, restricted	-	3,070,289	-	-	-	-	3,070,289
Investments, temporarily restricted	-	-	-	-	1,360,581	-	1,360,581
Investments, permanently restricted	-	-	-	-	3,955,871	-	3,955,871
Investments held in trust	-	-	-	73,295	-	117,486	190,781
Beneficial interest in trust	-	-	-	150,000	-	-	1,154,726
Endowment investments	-	-	-	695,000	-	-	5,868,691
Real estate and equipment held for investment, net of accumulated depreciation	-	-	-	-	-	268,041	1,213,757
Other long-term investments	-	302,249	-	615,200	7,000	190,887	1,152,349
Total investments	<u>2,355,162</u>	<u>3,372,538</u>	<u>-</u>	<u>1,533,495</u>	<u>5,323,452</u>	<u>9,332,357</u>	<u>47,362,327</u>
Long term pledges receivable/unconditional promises to give	-	44,891	-	-	754,071	3,348	1,174,048
Notes receivable, net	-	20,000	-	-	-	155,033	179,746
Other noncurrent assets	-	180,055	38,278	-	59,894	2,000	369,042
Capital assets, net	1,294	3,520,564	17,255,926	-	400	533,204	23,216,297
Total noncurrent assets	<u>2,356,456</u>	<u>7,138,048</u>	<u>17,558,764</u>	<u>1,533,495</u>	<u>6,137,817</u>	<u>10,025,942</u>	<u>72,905,346</u>
Total assets	<u>\$ 2,743,100</u>	<u>\$ 7,842,851</u>	<u>\$ 18,117,843</u>	<u>\$ 3,964,698</u>	<u>\$ 6,594,561</u>	<u>\$ 12,046,530</u>	<u>\$ 94,202,155</u>
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Accounts payable and accrued liabilities	\$ 31,136	\$ 52,532	\$ 73,057	-	\$ 175	\$ 79,354	\$ 581,168
Payable to university	2,247,340	-	-	-	84,963	-	2,332,303
Accrued payroll	-	-	22,414	-	-	-	24,042
Distributable managed funds	-	-	-	-	-	-	2,137,205
Current portion of gift annuities and life income agreements	-	-	-	-	2,112	-	19,629
Deferred revenue	1,584	175,000	20,858	-	-	-	197,442
Other current liabilities	25,000	-	32,940	359,139	-	29,000	447,779
Long-term liabilities-current portion	-	-	6,252,724	-	-	-	6,306,583
Total current liabilities	<u>2,305,060</u>	<u>227,532</u>	<u>6,401,993</u>	<u>359,139</u>	<u>87,250</u>	<u>108,354</u>	<u>12,046,151</u>
<b>Noncurrent liabilities</b>							
Gift annuities and life income agreements, net of current portion	-	-	-	-	39,644	9,111	242,518
Other noncurrent liabilities	-	-	-	37,076	746,917	-	783,993
Long-term liabilities	102,560	75,000	3,803,950	-	-	-	5,920,052
Total noncurrent liabilities	<u>102,560</u>	<u>75,000</u>	<u>3,803,950</u>	<u>37,076</u>	<u>786,561</u>	<u>9,111</u>	<u>6,946,563</u>
Total liabilities	<u>\$ 2,407,620</u>	<u>\$ 302,532</u>	<u>\$ 10,205,943</u>	<u>\$ 396,215</u>	<u>\$ 873,811</u>	<u>\$ 117,465</u>	<u>\$ 18,992,714</u>
<b>NET ASSETS</b>							
Temporarily restricted	\$ -	\$ 667,791	\$ 875,680	\$ 1,274,486	\$ 1,769,437	\$ 3,612,170	\$ 11,510,616
Nonexpendable:							
Permanently restricted	-	3,539,832	-	695,000	3,955,871	6,334,211	41,425,447
Net investment in property and equipment	-	-	-	-	-	-	-
Unrestricted	335,480	3,332,696	7,036,220	1,598,997	(4,558)	1,982,684	22,273,377
Total net assets	<u>\$ 335,480</u>	<u>\$ 7,540,319</u>	<u>\$ 7,911,900</u>	<u>\$ 3,568,483</u>	<u>\$ 5,720,750</u>	<u>\$ 11,929,065</u>	<u>\$ 75,209,440</u>
Total liabilities and net assets	<u>\$ 2,743,100</u>	<u>\$ 7,842,851</u>	<u>\$ 18,117,843</u>	<u>\$ 3,964,698</u>	<u>\$ 6,594,561</u>	<u>\$ 12,046,530</u>	<u>\$ 94,202,154</u>

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2011**

**Statement of Net Assets - Non-Major Component Units**

	<b>Dakota College of Bottineau Foundation</b>	<b>Lake Region Community College Foundation</b>	<b>MaSU Alumni Foundation</b>	<b>MiSU Development Foundation</b>	<b>NDSCS Foundation</b>	<b>NDSU 4-H Foundation</b>	<b>NDSU Research Foundation</b>
<b>Support and revenue</b>							
Gifts and contributions	\$ 80,960	\$ 415,222	\$ 400,939	\$ 1,288,558	\$ 638,030	\$ 232,481	\$ -
Net realized and unrealized gains (losses) on investment securities	13,243	568,255	404,583	1,842,900	834,797		640,077
Program and event income	106,668	-	409,090	-	41,566	110,335	-
Other income	56,411	109,247	12,745	197,764	231,524	1,966	1,965,501
<b>Total support and revenue</b>	<b>\$ 257,282</b>	<b>\$ 1,161,868</b>	<b>\$ 1,321,506</b>	<b>\$ 3,548,791</b>	<b>\$ 1,961,416</b>	<b>\$ 385,216</b>	<b>\$ 2,676,141</b>
<b>Expenses</b>							
Program Services	\$ 113,913	\$ 276,582	\$ 796,421	\$ -	\$ 607,813	\$ 137,993	\$ -
Supporting services	63,071	195,166	35,337	689,205	439,378	18,968	2,077,409
Fundraising expense	-	35,740	57,141	-	-	12,412	-
<b>Total expenses</b>	<b>\$ 176,984</b>	<b>\$ 507,488</b>	<b>\$ 888,899</b>	<b>\$ 689,205</b>	<b>\$ 1,047,191</b>	<b>\$ 169,373</b>	<b>\$ 2,077,409</b>
Change in split-interest agreement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in value of split interest agreements	-	-	-	-	-	-	-
<b>Change in Net Assets</b>	<b>\$ 80,298</b>	<b>\$ 654,380</b>	<b>\$ 432,607</b>	<b>\$ 2,859,586</b>	<b>\$ 914,225</b>	<b>\$ 215,843</b>	<b>\$ 598,732</b>
Net Assets, Beginning of Year	\$ 1,862,840	\$ 4,140,065	\$ 2,832,692	\$ 10,882,606	\$ 9,023,840	\$ 753,409	\$ 2,952,319
<b>Net Assets, End of Year</b>	<b>\$ 1,943,138</b>	<b>\$ 4,794,445</b>	<b>\$ 3,265,299</b>	<b>\$ 13,742,192</b>	<b>\$ 9,938,065</b>	<b>\$ 969,252</b>	<b>\$ 3,551,051</b>

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2011**

**Statement of Net Assets - Non-Major Component Units**

	<b>NDSU Team Makers Club</b>	<b>UND Center for Innovation</b>	<b>UND Research Foundation</b>	<b>UND The Fellows</b>	<b>VCSU Foundation</b>	<b>WSC Foundation</b>	<b>Total</b>
<b>Support and revenue</b>							
Gifts and contributions	\$ 2,208,371	\$ 70,127	\$ 1,486,135	\$ -	\$ 1,217,771	\$ 98,515	\$ 8,137,109
Net realized and unrealized gains (losses) on investment securities		116,870		172,541	857,048	1,038,877	6,489,191
Program and event income	174,121	60,578	-	-	102,994	5,534,228	6,539,580
Other income	32,587	220,259	1,084,893	-	381,277	834,673	5,128,847
<b>Total support and revenue</b>	<b>\$ 2,599,107</b>	<b>\$ 749,574</b>	<b>\$ 2,573,257</b>	<b>\$ 295,264</b>	<b>\$ 2,716,085</b>	<b>\$ 7,841,578</b>	<b>\$ 28,087,085</b>
<b>Expenses</b>							
Program Services	\$ 2,100,223	\$ 743,880	\$ -	\$ 135,517	\$ 1,459,167	\$ 1,247,842	\$ 7,619,351
Supporting services	265,114	120,951	2,671,956	33,269	177,270	5,432,718	12,219,812
Fundraising expense	52,794	-	-	-	310,097	-	468,184
<b>Total expenses</b>	<b>\$ 2,418,131</b>	<b>\$ 864,831</b>	<b>\$ 2,671,956</b>	<b>\$ 168,786</b>	<b>\$ 1,946,534</b>	<b>\$ 6,680,560</b>	<b>\$ 20,307,347</b>
Change in split-interest agreement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in value of split interest agreements	-	-	-	-	-	-	-
<b>Change in Net Assets</b>	<b>\$ 180,976</b>	<b>\$ (115,257)</b>	<b>\$ (98,699)</b>	<b>\$ 126,478</b>	<b>\$ 769,551</b>	<b>\$ 1,161,018</b>	<b>\$ 7,779,738</b>
Net Assets, Beginning of Year	\$ 154,504	\$ 7,655,576	\$ 8,010,599	\$ 3,442,005	\$ 4,951,199	\$ 10,768,047	\$ 67,429,701
<b>Net Assets, End of Year</b>	<b>\$ 335,480</b>	<b>\$ 7,540,319</b>	<b>\$ 7,911,900</b>	<b>\$ 3,568,483</b>	<b>\$ 5,720,750</b>	<b>\$ 11,929,065</b>	<b>\$ 75,209,439</b>

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2011**

**SCHEDULE OF BONDS PAYABLE - Primary Institution**

Issue	Original Balance	Interest Rate	Installments	Balance Outstanding
<b>Bismarck State College</b>				
2005 Housing & Auxiliary Facilities, due through 2030, collateralized by net revenues and income of housing services, interest rate fixed.	\$ 4,400,000	3.4-5.35%	\$90,000 to \$710,000	\$ 3,805,000
Total BSC				<u>\$ 3,805,000</u>
<b>Dakota College of Bottineau</b>				
1971 Milligan Hall Revenue Bonds, due through 2012, collateralized by net revenues and income of Milligan Hall, fixed rate.	\$ 390,000	6.25-6.90%	\$15,000 to \$29,000	\$ 29,000
Total DCB				<u>\$ 29,000</u>
<b>Dickinson State University</b>				
2006 Student Union Improvement Revenue Refunding Bonds, due through 2020, collateralized by student union fee revenue and bookstore net revenue, interest rate fixed.	\$ 775,000	3.75%-5.0%	\$50,000 to \$310,000	\$ 525,000
Total DSU				<u>\$ 525,000</u>
<b>Lake Region State College</b>				
2004 Housing & Auxiliary Facilities Improvement Revenue Bonds due through the year 2017, collateralized by auxiliary services net revenues, facility usage fees and HUD interest subsidy, interest rate fixed.	\$ 1,050,000	3.0-5.125%	\$55,000 to \$100,000	\$ 605,000
Total LRSC				<u>\$ 605,000</u>
<b>Mayville State University</b>				
2003 Facilities Revenue Bonds, due through the year 2018, collateralized by the student fees, sales tax and earnings, interest rate fixed.	\$ 2,800,000	5.38%	\$115,358	\$ 2,079,926
2010 Facilities Revenue Bonds, due through the year 2030, collateralized by the Housing and Facilities revenue, student fees, federal interest subsidy related to the bond interest payments and earnings on funds created under the indenture.	\$ 3,665,000	1.55-6.63%	\$173,923 to \$265,602	3,555,000
Total MaSU				<u>\$ 5,634,926</u>
<b>Minot State University</b>				
2001 Building Authority, consisting of revenue bonds due through the year 2013, interest rate fixed.	\$ 2,299,000	None	\$208,625 to \$315,000	\$ 417,250
2006 Student Services Facilities Revenue Bonds due through 2030, collateralized by net revenues from auxiliary housing, interest rate fixed.	\$ 5,000,000	4.0-5.25%	\$125,000 to \$290,000	4,475,000
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	2.0-6.6%	\$135,000 to \$1,415,000	10,000,000
Total MiSU				<u>\$ 14,892,250</u>
<b>North Dakota State College of Science</b>				
2001 Housing Facilities Revenue Bonds, due through 2016, fixed rate collateralized by net housing and auxiliary facilities pledged revenues.	\$ 2,785,000	4.0-5.5%	\$95,000 to \$270,000	\$ 520,000
Total NDSCS				<u>\$ 520,000</u>

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2011**

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

Issue	Original Balance	Interest Rate	Installments	Balance Outstanding
<b>North Dakota State University</b>				
2002 Research & Tech Park (MIDA Bonds), consisting of revenue bonds due the year 2032, interest rate fixed.	\$ 20,450,000	3.0-5.0%	\$145,000 to \$1,310,000	\$ 515,000
2002 Residence Hall Revenue Bonds due through 2029, collateralized by net revenues and income of housing and auxiliary system revenues and repair and replacement reserve accounts, interest rate fixed.	\$ 7,600,000	5.0-5.6%	\$135,000 to \$480,000	6,375,000
2002 Minard Hall Revenue Bonds through 2032, collateralized by net revenues of housing and auxiliary services, fixed rate.	\$ 3,000,000	2.1-5.0%	\$50,000 to \$180,000	2,450,000
2003 Refunding Revenue Bonds due through 2012, collateralized by net revenues of housing and auxiliary services, fixed rate.	\$ 5,990,000	1.7-3.95%	\$600,000 to \$750,000	750,000
2004 Housing & Auxiliary Facilities Revenue Bonds through 2034, collateralized by net revenues of housing and auxiliary services, interest rate fixed.	\$ 10,350,000	3.0-5.0%	\$125,000 to \$630,000	8,975,000
2005 Housing & Auxiliary Facilities Revenue Bonds, due through 2035, collateralized by net revenues of housing and auxiliary system, interest rate fixed.	\$ 18,700,000	4.25-5.0%	\$1,200,000	17,495,000
2006A Housing & Auxiliary Facilities Revenue Bonds, due through 2036, collateralized by net revenues of housing and auxiliary system, interest rate fixed.	\$ 9,990,000	4.25-5.0%	\$630,000	9,100,000
2006B Housing & Auxiliary Facilities Revenue Bonds, due through 2029, collateralized by net revenues of housing and auxiliary system, interest rate fixed.	\$ 2,845,000	4.25-5.0%	\$225,000	2,620,000
2007B Research & Tech Park Refunding callable Revenue Bonds Maturity June 30 2023, collateralized by lease revenue, fixed rate.	\$ 18,100,000	4.0-6.5%	\$805,000 to \$1,330,000	17,715,000
2007A Research & Tech Park Refunding callable Revenue Bonds Maturity June 30 2022, collateralized by lease revenue, fixed rate	\$ 4,735,000	4.0-4.125%	\$220,000 to \$510,000	4,535,000
2007 Housing & Auxiliaries Facilities Revenue Bonds, fixed rate Maturity 2037, collateralized by Auxiliary revenue.	\$ 12,000,000	4.5-5.0%	\$735,237 to \$791,897	11,375,000
2009 Housing & Auxiliaries Facilities Revenue Bonds, Maturity July 29, 2039, collateralized by Auxiliary revenue.	\$ 26,245,000	1.5-4.8%	\$1,715,000	25,765,000
Total NDSU				<u>\$ 107,670,000</u>
<b>University of North Dakota</b>				
2002 Memorial Union Refunding Revenue Bonds due through 2021, collateralized by net housing and auxiliary facilities system, debt service grants, & bond indenture earnings, fixed rate.	\$ 6,710,000	3-5%	\$235,000 to \$550,000	\$ 2,955,000
2004 Housing & Auxiliary Facilities Revenue Bonds due through 2034, collateralized by net housing and auxiliary facilities system, debt service grants, & bond indenture earnings, fixed rate..	\$ 19,645,000	1-5%	\$30,000 to \$1,180,000	17,130,000
2006 Housing & Auxiliary Facilities Revenue Bonds due through 2036, collateralized by net housing and auxiliary facilities system, debt service grants, & bond indenture earnings, fixed rate.	\$ 40,050,000	3.5-5%	\$85,000 to \$2,875,000	39,660,000
2009 Aerospace Hanger Revenue Bonds due through 2029, collateralized by revenue from flight operations and proceeds from any casualty insurance payments.	\$ 1,500,000	4.25%	\$73,016 to \$133,054	1,357,000
2009 Refinance of 1998A Housing and Refunding Revenue Bonds due through 2021, collateralized by net housing & auxiliary facilities system, debt service grants, and bond indenture earnings.	\$ 9,750,000	3.8-4.8%	\$1,830,000 to \$2,080,000	6,035,000
Total UND				<u>\$ 67,137,000</u>

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2011**

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

Issue	Original Balance	Interest Rate	Installments	Balance Outstanding
<b>Valley City State University</b>				
1971 Snoeyenbos Hall Revenue Bonds, due through 2011, collateralized by rentals, charges and other income from the operation of Snoeyenbos Hall, interest rate fixed.	\$ 750,000	7.2-7.25%	\$30,000 to \$55,000	\$ 55,000
2003 Housing & Auxiliary Facilities Revenue Bonds due through 2033, collateralized by net housing and auxiliary facilities system, interest rate fixed.	\$ 3,300,000	5.678%	\$50,000 to \$225,000	2,920,000
Total VCSU				
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	2.8-7.05%	\$25,000 to \$380,000	3,430,000
Total VCSU				<u>\$ 6,405,000</u>
<b>Williston State College</b>				
1979 Student Housing Revenue Bonds, due through 2019, collateralized by net revenues and income from Nelson Hall and apartments, interest rate fixed.	\$ 546,000	3.0%	\$1,000 to \$20,000	\$ 86,000
2010 Housing and Auxiliary Services, matures 2041	\$ 1,500,000	6.9%	\$150,000	9,375,000
Total WSC				<u>\$ 9,461,000</u>
<b>North Dakota University System</b>				
2003 ConnectND Project Revenue Bonds, Series C, issued by North Dakota Building Authority (\$20,000,000 - NDUS owns 71%), due through the year 2014 collateralized by student fees, fixed rate.	\$ 14,200,000	4.28%	\$1,890,000 to \$2,615,000	\$ 5,328,550
Total NDUS				<u>\$ 5,328,550</u>
Total Bonds Payable	<u>\$ 274,550,000</u>			<u>\$ 222,012,726</u>

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2011**

**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	\$ 4,643,138	\$ 424,896	\$ 2,843,073	\$ 1,525,246	\$ 1,798,031	\$ 168,717
Operating Expenses	3,905,194	485,011	2,664,297	1,574,268	1,659,573	949,755
Net Operating Revenues	<u>\$ 737,944</u>	<u>\$ (60,115)</u>	<u>\$ 178,776</u>	<u>\$ (49,022)</u>	<u>\$ 138,458</u>	<u>\$ (781,038)</u>
Pledged Fees	-	-	150,635	89,100	71,407	650,294
Non Operating Revenue	-	151,256	160,028	141,848	95,751	835,450
Investment Income	1,968	-	-	8,314	1	3,257
Debt Service Grants	-	12,182	-	23,170	68,542	105,873
Capitalized Interest	-	-	-	-	-	-
Net Revenue Available for Debt Retirement	<u>\$ 739,912</u>	<u>\$ 103,323</u>	<u>\$ 489,439</u>	<u>\$ 213,410</u>	<u>\$ 374,159</u>	<u>\$ 813,836</u>
Current year Debt Service						
Principal	\$ 110,000	\$ 29,000	\$ 50,000	\$ 70,000	\$ 110,000	\$ 140,000
Interest	<u>199,843</u>	<u>\$ 1,001</u>	<u>\$ 27,588</u>	<u>31,124</u>	<u>195,408</u>	<u>814,102</u>
Total Debt Service	<u>\$ 309,843</u>	<u>\$ 30,001</u>	<u>\$ 77,588</u>	<u>\$ 101,124</u>	<u>\$ 305,408</u>	<u>\$ 954,102</u>

**NORTH DAKOTA UNIVERSITY SYSTEM**  
**SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2011**

**Financial Information for Revenue Producing Buildings (Unaudited) - Continued**

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

	<u>North Dakota State College of Science</u>	<u>North Dakota State University</u>	<u>University of North Dakota</u>	<u>Valley City State University</u>	<u>Williston State College</u>	<u>Total</u>
Operating Revenues	\$ 6,780,618	\$ 46,001,960	\$ 41,133,910	\$ 2,346,441	\$ 442,864	\$ 108,108,894
Operating Expenses	6,466,580	38,157,885	34,328,112	2,635,883	267,476	93,094,034
Net Operating Revenues	<u>\$ 314,038</u>	<u>\$ 7,844,075</u>	<u>\$ 6,805,797</u>	<u>\$ (289,442)</u>	<u>\$ 175,388</u>	<u>\$ 15,014,860</u>
Pledged Fees	85,573	4,573,840	3,935,807	112,871	30,000	9,699,527
Non Operating Revenue	-	-	-	561,344	30,000	1,975,677
Investment Income	4,254	-	67,841	11,303	-	96,938
Debt Service Grants	19,489	24,408	16,162	123,401	-	393,227
Capitalized Interest	-	-	-	121,753	2,136	123,889
Net Revenue Available for Debt Retirement	<u>\$ 423,354</u>	<u>\$ 12,442,323</u>	<u>\$ 10,825,607</u>	<u>\$ 641,230</u>	<u>\$ 237,524</u>	<u>\$ 27,304,117</u>
Current year Debt Service						
Principal	\$ 170,000	\$ 2,560,000	\$ 2,930,000	\$ 110,000	\$ 200,000	\$ 6,479,000
Interest	<u>27,630</u>	<u>4,085,793</u>	<u>3,128,419</u>	<u>\$ 387,694</u>	<u>522,534</u>	<u>9,421,136</u>
Total Debt Service	<u>\$ 197,630</u>	<u>\$ 6,645,793</u>	<u>\$ 6,058,419</u>	<u>\$ 497,694</u>	<u>\$ 722,534</u>	<u>\$ 15,900,136</u>