

REFUNDING ISSUE
Book-Entry Only

RATING: Standard & Poor's: "AA-"
Moody's: "Aa3"
(See "Ratings" herein)

In the opinion of Arntson Stewart Wegner PC, Bond Counsel, according to existing North Dakota and federal laws, regulations, rulings and judicial decisions, and assuming compliance with certain covenants, as of their date of issuance, interest on the Series 2014A Bonds is excludable from gross income for purposes of federal income taxation and is excludable from taxable income for State of North Dakota income tax purposes. Interest on the Series 2014A Bonds is not a specific preference item for purposes of the federal alternative minimum tax for individuals or corporations, but is included in computing adjusted current earnings when calculating the alternative minimum tax on corporations, all as more fully explained under the heading "TAX MATTERS" herein.

THE STATE BOARD OF HIGHER EDUCATION
OF THE STATE OF NORTH DAKOTA

NDSU

\$8,340,000

NORTH DAKOTA STATE UNIVERSITY
HOUSING AND AUXILIARY FACILITIES REVENUE REFUNDING BONDS
SERIES 2014A

Dated: Date of Delivery

Due: April 1, as shown on the inside cover

The North Dakota State University Housing and Auxiliary Facilities Revenue Refunding Bonds, Series 2014A offered hereby (the "Series 2014A Bonds") are not general obligations of the State Board of Higher Education of the State of North Dakota (the "Board") and are not secured by the full faith and credit of the Board or payable from any of the Board's general funds, revenues or assets (other than amounts pledged pursuant to the Indenture as described herein). The Board has no taxing power.

The Series 2014A Bonds are issuable as fully registered Bonds and, when initially issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2014A Bonds. Purchases of Series 2014A Bonds will be made in book-entry only form, in denominations of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through, DTC participants. Beneficial owners of the Series 2014A Bonds will not receive physical delivery of Series 2014A Bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Series 2014A Bonds. Interest is payable on October 1, 2014, and on each April 1 and October 1 thereafter. So long as DTC or its nominee is the registered owner of the Series 2014A Bonds, payments of the principal or redemption price of and interest on the Series 2014A Bonds will be made directly to DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "THE SERIES 2014A BONDS—Book-Entry Only System."

The Series 2014A Bonds will be payable solely from the moneys held for the payment thereof by U.S. Bank National Association, St. Paul, Minnesota, or its successors (the "Trustee") under the Indenture, as defined herein.

The Series 2014A Bonds are being issued to refund the Board's outstanding North Dakota State University, Housing and Auxiliary Facilities Revenue Bonds, Series 2004, and to pay the costs of issuance.

Subject to earlier redemption and prepayment as described herein under "THE SERIES 2014A BONDS—Redemption," the Series 2014A Bonds shall mature and bear interest as set forth on the inside cover.

The Series 2014A Bonds are subject to optional redemption prior to their stated maturities as provided herein.

This cover page contains certain information for quick reference only. It is not a complete summary of the terms of the Series 2014A Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2014A Bonds were sold by competitive sale on February 13, 2014, to Piper Jaffray & Co., Minneapolis, Minnesota. For additional information concerning the competitive sale of the Series 2014A Bonds, contact the financial advisor, Fieldman, Rolapp & Associates, Irvine, California. The Series 2014A Bonds are offered when, as and if issued, subject to the approval as to their legality by Arntson Stewart Wegner PC, Fargo, North Dakota, Bond Counsel. Certain legal matters will be passed on for the Board by the General Counsel to the Board. It is anticipated that the Series 2014A Bonds will be available for delivery in book-entry form in New York, New York on or about February 27, 2014.

PiperJaffray®

The date of this Official Statement is February 13, 2014.

Maturity Schedule

<u>Maturity April 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP⁽¹⁾</u>
2015	\$ 290,000	2.000%	0.270%	101.889	65888U GH0
2016	325,000	2.000	0.440	103.248	65888U GJ6
2017	330,000	2.000	0.660	104.097	65888U GK3
2018	340,000	3.000	1.000	108.003	65888U GL1
2019	345,000	3.000	1.310	108.301	65888U GM9
2020	360,000	3.000	1.740	107.254	65888U GN7
2021	370,000	3.000	2.150	105.564	65888U GP2
2022	380,000	3.000	2.470	103.865	65888U GQ0
2023	385,000	3.000	2.700	102.403	65888U GR8
2024	400,000	3.000	2.840	101.394	65888U GS6
2025	415,000	4.000	3.000	108.651 ⁽²⁾	65888U GT4
2026	430,000	3.000	3.200	98.005	65888U GU1
2027	440,000	3.125	3.320	97.940	65888U GV9
2028	450,000	3.250	3.430	97.999	65888U GW7
2029	470,000	3.375	3.530	98.196	65888U GX5
2030	485,000	3.500	3.620	98.543	65888U GY3
2031	505,000	3.500	3.710	97.356	65888U GZ0
2032	520,000	3.625	3.790	97.850	65888U HA4
2033	540,000	3.750	3.870	98.387	65888U HB2
2034	<u>560,000</u>	3.750	3.920	97.648	65888U HC0
	\$8,340,000				

⁽¹⁾ The Board takes no responsibility for the accuracy of CUSIP numbers, which are included solely for the convenience of owners of the Series 2014A Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data contained herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services.

⁽²⁾ Priced to the call date. Yield to maturity is 3.074%

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF THE PROVISIONS OF SECTION 3(A)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED. THE REGISTRATION OR QUALIFICATION OF THESE SECURITIES UNDER THE SECURITIES OR BLUE SKY LAWS OF THE STATES IN WHICH THEY HAVE BEEN REGISTERED OR QUALIFIED, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THESE SECURITIES OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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No person has been authorized by the Board, the University or the financial advisor to give any information regarding the Series 2014A Bonds, the Board, the University, the offering contained herein and related matters or to make any representations other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which it is unlawful for any person to make such offer or solicitation. The information set forth herein has been provided by or on behalf of the Board. Neither the Board, the University, nor the financial advisor makes any guarantee as to accuracy or completeness of such information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement at any time nor any sale made hereunder creates any implication that the information herein is correct as of any time subsequent to its date.

If and when included in this Official Statement, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates” and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the University and the Board. These forward-looking statements speak only as of the date of this Official Statements. The University and the Board disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the University’s or the Board’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

For purposes of compliance with Rule 15c2-12(b)(1) of the Securities and Exchange Commission (the “Rule”), the Preliminary Official Statement, as of its date, is deemed to be final within the meaning of the Rule.

**STATE BOARD OF HIGHER EDUCATION
OF THE STATE OF NORTH DAKOTA**

Dr. Kirsten Diederich, President	Fargo, North Dakota
Dr. Terry Hjelmstad, Vice President	Minot, North Dakota
Don Morton	Fargo, North Dakota
Duaine Espegard	Grand Forks, North Dakota
Kathleen Neset	Tioga, North Dakota
Kari Reichert	Bismarck, North Dakota
Grant Shaft	Grand Forks, North Dakota
David Hoffarth, Voting Student Representative	Mayville, North Dakota
Dr. Douglas Munski, Non-Voting Faculty Representative	Grand Forks, North Dakota
Janice Hoffarth, Non-Voting Staff Representative	Grand Forks, North Dakota

NDUS SENIOR STAFF

Dr. Larry C. Skogen	Interim Chancellor
Rebecca Duben	Executive Assistant to the Chancellor
Dr. Sonia Cowen	Interim Vice Chancellor for Academic and Student Affairs
Laura Glatt	Vice Chancellor for Administrative Affairs
Dr. Lisa Feldner	Vice Chancellor for Information Technology and Institutional Research
Julie Evans	General Counsel
Linda Donlin	Director of Communications and Media Relations
Murray Sagsveen	Chief of Staff/NDUS Ethics Officer

UNDERWRITER

Piper Jaffray & Co.
Minneapolis, Minnesota

FINANCIAL ADVISOR

Fieldman, Rolapp & Associates
Irvine, California

BOND COUNSEL

Arntson Stewart Wegner PC
Fargo, North Dakota

SUMMARY INFORMATION

The following is a summary of certain information contained in this Official Statement. The summary is not comprehensive or complete and is qualified in its entirety by reference to the remainder of the Official Statement. Undefined capitalized terms used below are defined in APPENDIX C hereto or elsewhere in this Official Statement.

- The Board.** The State Board of Higher Education of the State of North Dakota. See “STATE BOARD OF HIGHER EDUCATION.”
- The University.** North Dakota State University, a state-supported institution of higher education with its main campus at Fargo, North Dakota. See “NORTH DAKOTA STATE UNIVERSITY.”
- Series 2014A Bonds.** . . \$8,340,000 Housing and Auxiliary Facilities Revenue Refunding Bonds, Series 2014A to be issued by the Board in book-entry form in denominations of \$5,000 or any integral multiple thereof. See “THE SERIES 2014A BONDS.”
- Payments.** Interest accrues on the Series 2014A Bonds at the rates set forth on the inside cover page hereof and is scheduled to be paid on April 1 and October 1 of each year (commencing October 1, 2014). Principal will be payable on April 1 in the years and amounts set forth on the inside cover page. So long as DTC is the registered owner of the Series 2014A Bonds, payment of principal and interest will be made directly to DTC. See “THE SERIES 2014A BONDS–Book-Entry Only System.”
- Redemption and Prepayment.** As more fully described herein, the Series 2014A Bonds are subject to redemption prior to maturity as follows: (i) Series 2014A Bonds maturing in 2025 and thereafter shall be subject to optional redemption prior to their stated maturities on April 1, 2024, and any date thereafter at a Redemption Price equal to the principal amount thereof to be redeemed plus accrued interest, and (ii) extraordinary optional redemption due to the occurrence of certain events of casualty or condemnation at a Redemption Price equal to the principal amount thereof to be redeemed plus accrued interest. See “THE SERIES 2014A BONDS–Redemption Provisions.”
- Security for the Series 2014A Bonds.** . . The Series 2014A Bonds are secured by and payable, on a parity basis with certain other Bonds issued or to be issued under the Indenture, from Pledged Revenues which consist of (i) Net Housing and Auxiliary Facilities System Pledged Revenues, (ii) the Pledged Fees, and (iii) investment earnings derived from funds and accounts created under the Indenture. The Series 2014A Bonds have a claim on Pledged Revenues on a parity with those issued in 2005, 2006, 2007, 2009 and 2012. The Board has covenanted to issue no additional bonds with a claim on Pledged Revenues senior to that of the Series 2014A Bonds. The Series 2014A Bonds are not secured by a debt service reserve. The Series 2014A Bonds are not general obligations of the State of North Dakota or the Board, and are not payable from any revenues or assets of the Board, except as pledged pursuant to the Indenture. The Board has no taxing power. See “SECURITY FOR THE SERIES 2014A BONDS.”
- Purpose.** Proceeds of the Series 2014A Bonds, together with other available funds, will be used to (i) refund the outstanding North Dakota State University Housing and Auxiliary Facilities Revenue Bonds, Series 2004, and (ii) pay the costs of issuance.
- Parity Bonds.** The Series 2014A Bonds are issued on a parity basis with the following bonds previously issued by the Board: North Dakota State University Housing and Auxiliary Facilities Revenue Bonds, Series 2005; North Dakota State University Housing and Auxiliary Facilities Revenue Bonds, Series 2006A; North Dakota State University Housing and Auxiliary Facilities Revenue Refunding Bonds, Series 2006B; North Dakota State University Housing and Auxiliary Facilities Revenue Bonds, Series 2007; North Dakota State University Housing and Auxiliary Facilities Revenue Bonds, Series 2009; and North Dakota State University Housing and Auxiliary Facilities Revenue Refunding Bonds, Series 2012.

- Tax Exemption.** The Series 2014A Bonds are generally exempt from federal and North Dakota income taxes. Interest on the Series 2014A Bonds is not a preference item for purposes of the alternative minimum tax. The Series 2014A Bonds have not been designated as “qualified tax-exempt obligations.” See “TAX MATTERS.”
- Trustee.** U.S. Bank National Association, St. Paul, Minnesota.
- Rating.** The Series 2014A Bonds are rated “Aa3” by Moody’s Investors Service (“Moody’s”) and “AA-” by Standard & Poor’s Ratings Services, a division of McGraw Hill Companies, Inc. (“S&P”).

OFFICIAL STATEMENT

STATE BOARD OF HIGHER EDUCATION OF THE STATE OF NORTH DAKOTA

\$8,340,000 NORTH DAKOTA STATE UNIVERSITY HOUSING AND AUXILIARY FACILITIES REVENUE REFUNDING BONDS SERIES 2014A

INTRODUCTORY STATEMENT

The following is a brief introduction as to certain matters discussed elsewhere in this Official Statement and is qualified in its entirety as to such matters by such discussion and the text of the actual documents described or referenced.

General

The State Board of Higher Education of the State of North Dakota (the “Board”) is issuing its North Dakota State University Housing and Auxiliary Facilities Revenue Refunding Bonds, Series 2014A, in the aggregate principal amount of \$8,340,000 (the “Series 2014A Bonds”) pursuant to an Indenture of Trust dated as of August 1, 2004, and a Supplemental Indenture of Trust dated as of February 1, 2014 (collectively, the “Indenture”), between the Board and U.S. Bank National Association, St. Paul, Minnesota, as Trustee (the “Trustee”). Proceeds of the Series 2014A Bonds, together with other available funds, will be used to (i) refund the outstanding North Dakota State University Housing and Auxiliary Facilities Revenue Bonds, Series 2004, and (ii) pay the costs of issuance of the Series 2014A Bonds.

Brief descriptions of the Board, the University, the Housing and Auxiliary Facilities System (the “System”) and the Series 2014A Bonds are included in this Official Statement. The form of the Continuing Disclosure Agreement is included as APPENDIX A to this Official Statement. The Annual Financial Report of the North Dakota University System for the year ended June 30, 2013, is included as APPENDIX B to this Official Statement. Summaries of certain provisions of the Indenture are included in APPENDIX C to this Official Statement. All references herein to such documents are qualified in their entirety by reference to such documents, and references herein to the Series 2014A Bonds are qualified in their entirety by reference to the form thereof included in the Indenture and the information with respect thereto included in such documents, all of which are available upon request from the Financial Advisor during the period of the offering and thereafter for inspection in the office of the Trustee. All information relating to the Board, the University and the System has been furnished by the Board and the University.

All capitalized terms used herein, not defined in the text of this Official Statement, are defined under the caption “SUMMARY OF INDENTURE—Certain Definitions” in APPENDIX C to this Official Statement.

Limited Obligations of the Board

The Series 2014A Bonds are not general obligations of the State of North Dakota, the Board or the University. The Series 2014A Bonds are payable solely and exclusively from the Pledged Revenues derived from the System and funds held by the Trustee pursuant to the Indenture. No Bondholder may assert a valid claim against any other assets of the Board or the University. The Board has no taxing power.

THE SERIES 2014A BONDS

Description of the Series 2014A Bonds

The Series 2014A Bonds will be initially dated the date of delivery, will bear interest at the rates and will mature, subject to the redemption provisions described below, in the amounts and on the dates set forth on the inside cover page of this Official Statement. Interest on the Series 2014A Bonds will be payable on October 1, 2014, and semiannually thereafter on April 1 and October 1 (the “Interest Payment Dates”) of each year thereafter until maturity or redemption of the Series 2014A Bonds. The Series 2014A Bonds are issuable as fully registered bonds in denominations of \$5,000 or any integral multiple thereof.

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2014A Bonds. The Series 2014A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered Series 2014A Bond certificate will be issued for each maturity as set forth on the inside cover page of this Official Statement each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Participants”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants’ accounts, thereby limiting the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Series 2014A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2014A Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2014A Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2014A Bonds, except in the event that use of the book-entry system for the Series 2014A Bonds is discontinued.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2014A BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN AND IN THE INDENTURE TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE SERIES 2014A BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2014A BONDS.

To facilitate subsequent transfers, all Series 2014A Bonds deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of Series 2014A Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2014A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2014A Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Series 2014A Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Series 2014A Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Series 2014A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2014A Bonds will be made to DTC. DTC’s practice is to credit Direct Participants’ accounts on payable date in accordance with their respective holdings shown on DTC’s records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in

bearer form or registered in “street name,” and will be the responsibility of such Participants and not of DTC, the Trustee, or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Board or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

NEITHER THE BOARD NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES, WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE SERIES 2014A BONDS.

DTC may discontinue providing its services as securities depository with respect to the Series 2014A Bonds at any time by giving reasonable notice to the Board or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2014A Bond certificates are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2013 Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the Board believes to be reliable, but the Board takes no responsibility for the accuracy thereof.

Redemption Provisions

Optional Redemption. The Series 2014A Bonds maturing in the years 2025 and thereafter are subject to redemption at the option of the Board on April 1, 2024, and any date thereafter at a redemption price of par plus accrued interest. Redemption may be in whole or in part, and if in part, in such order as the Board shall determine. If less than all Series 2014A Bonds of a maturity are called for redemption, the Board will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant’s interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. The Board shall cause notice of the call for redemption to be mailed to the registered owners of any Series 2014A Bonds to be redeemed at their addresses as they appear on the bond register at least thirty (30) days prior to the designated redemption date.

Extraordinary Redemption. In the event of damage, destruction or condemnation of any of the facilities which are part of the System, Outstanding Bonds may be redeemed by the Board, in whole or in part, on any date for which timely notice of redemption can be given, at a Redemption Price equal to the principal amount to be redeemed, plus accrued interest to the redemption date in an amount equal to any insurance or condemnation proceeds deposited with the Trustee for the purpose of redemption.

Notices of Redemption; Provisions Relating to Redemption.

(a) In the event any of the Bonds are called for redemption, the Trustee shall give notice, in the name of the Board, of redemption (i) to the respective Owners of the Bonds designated for redemption at their addresses as shown on the registration books of the Trustee, and (ii) to Moody’s (if the Bonds are then rated by Moody’s) and to S&P (if the Bonds are then rated by S&P). Each notice of redemption shall state (A) the date of such notice and date of mailing thereof to Owners of Bonds to be redeemed, (B) the Bonds to be redeemed, including the CUSIP numbers of Bonds to be redeemed, the original issue date for the Bond, and the interest rates and maturity dates for the Bonds to be redeemed, (C) the redemption date, (D) the Redemption Price and the place or places where amounts due upon such redemption will be payable (which shall be the address of the Principal Office of the Trustee); (E) where less than all of the Bonds are to be redeemed, the CUSIP numbers of the Bonds of such maturity, and if part of the principal portions of the Bonds are to be redeemed only, the principal portions of the Bonds so to be redeemed. Each such notice shall also state that on the redemption date designated in the notice, and upon the satisfaction of any condition stated therein, there will become due and payable on each of the Bonds, the Redemption Price thereof (which shall equal the principal amount thereof to the redemption date and premium, if any, payable in connection therewith), and in case any Bond is to be redeemed in part only, the specified portion of the principal amount to be redeemed and that from and after such redemption date interest thereon shall cease to accrue and shall require that each Bond being redeemed, in whole or in part, be surrendered at the address of the Trustee specified in the notice. Each notice of redemption shall be given by mail by the Trustee, at the expense of the Board, not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption to the Owners of the Bonds to be redeemed. If a notice of redemption shall not be conditional, or

if the conditions of a conditional notice of redemption shall have been satisfied, then upon presentation and surrender of the Bonds so called for redemption at the place or places of payment, such Bonds shall be redeemed.

(b) Any Bonds which have been duly selected for redemption and which are deemed to be paid in accordance with the Indenture shall cease to bear interest on the specified redemption date.

(c) Neither the failure of any Owner to receive any notice of redemption nor any defect in any such notice shall affect the validity of the proceedings for such redemption or the cessation of accrual of interest from and after the applicable redemption date as provided in the Indenture.

(d) Bonds to be redeemed as provided in the Indenture which are not delivered by the Owners thereof to the Trustee on the date on which such Bonds are to be redeemed shall nonetheless be deemed to have been delivered by the Owners thereof for redemption and to have been redeemed from Funds prescribed therefor. The principal amount of Bonds redeemed shall be paid to the Owner as of the Record Date next preceding the date of redemption of such Bonds if such date of redemption is an interest payment date in the same manner as if such Bonds were not being redeemed. If the date of redemption is not an interest payment date, such principal amount shall be paid to the Owner in whose name such Bond is registered on the Business Day next preceding such date of redemption.

Outstanding Housing and Auxiliary Facilities Bonds

On the date of issue of the Series 2014A Bonds, the Board will also have six prior series of Bonds outstanding pursuant to an Indenture of Trust dated as of August 1, 2004, as supplemented (the "Parity Bonds"). The Parity Bonds have an equal and ratable claim on the Pledged Revenues with the Series 2014A Bonds. The Parity Bonds are described below:

<u>Parity Bonds</u>	<u>Maturity Date</u>	<u>Original Principal</u>	<u>2/1/14 Balance</u>
Housing and Auxiliary Facilities Revenue Bonds, Series 2005	04/01/2035	\$18,700,000	\$16,615,000
Housing and Auxiliary Facilities Revenue Bonds, Series 2006A	04/01/2036	9,990,000	8,680,000
Housing and Auxiliary Facilities Revenue Refunding Bonds, Series 2006B	04/01/2029	2,845,000	2,420,000
Housing and Auxiliary Facilities Revenue Bonds, Series 2007	04/01/2037	12,000,000	10,950,000
Housing and Auxiliary Facilities Revenue Bonds, Series 2009	04/01/2039	26,245,000	24,750,000
Housing and Auxiliary Facilities Revenue Refunding Bonds, Series 2012	04/01/2027	<u>5,730,000</u>	<u>5,410,000</u>
Total Parity Bonds:		\$75,510,000	\$68,825,000

The Series 2005 Bonds were issued to finance the cost of renovation and expansion of Memorial Union. The Series 2006A Bonds were issued to finance the construction of an addition to the Wellness Center for the University community. The Series 2006B Bonds were issued to advance refund the callable portion of the Series 1999 Bonds which were issued to finance the construction of the Wellness Center. The Series 2007 Bonds were issued to construct and equip student apartments and renovate an administration building. The Series 2009 Bonds were issued to construct and equip student apartments and construct an addition to and renovate the West Dining Center. The Series 2012 Bonds were issued to refund the Series 2002 Bonds which were issued to finance the construction of a residence hall. The Series 2014 Bonds are being issued to refund the Series 2004 Bonds which were issued to finance the construction of Bison Court, a 120-bed student apartment facility and related facilities. The Series 2005 Bonds, the Series 2006A Bonds, the Series 2006B Bonds, the Series 2007 Bonds, the Series 2009 Bonds and the Series 2012 Bonds are secured by and payable, on a parity basis, with the Series 2014A Bonds from Pledged Revenues. (See Table 6 for the Annual Debt Service on the Series 2014A Bonds and the Parity Bonds.)

Additional Bonds

The Board has reserved the right to issue Additional Bonds as more fully described herein under the caption "SUMMARY OF INDENTURE-Additional Bonds" in APPENDIX C hereto. With certain exceptions, debt service coverage tests must be met before Additional Bonds can be issued.

In connection with the issuance of Additional Bonds, the Indenture will be supplemented and any such Additional Bonds issued by the Board under the Indenture would be secured in the same manner as, and would rank on a parity, as to the payment of the Debt Service Requirements thereof, with the Outstanding Series 2005 Bonds, Series 2006A Bonds, Series 2006B Bonds, Series 2007 Bonds, Series 2009 Bonds, Series 2012 Bonds and Series 2014A Bonds.

The Board and the University have reserved the right, as shall be determined from time to time by the Board and the University, whether or not in connection with the issuance of Additional Bonds, to pledge additional revenues received by the Board and the University to the payment of Bonds then Outstanding and any Additional Bonds proposed to be issued.

SECURITY FOR THE SERIES 2014A BONDS

Limited Obligations

The Series 2014A Bonds (as to payment of the principal thereof, premium, if any, and interest thereon) are special, limited obligations of the Board and are issued on a parity basis with the Board's Outstanding Series 2005 Bonds, Series 2006A, Series 2006B, Series 2007, Series 2009 Bonds and Series 2012 Bonds (collectively, the "Parity Bonds"). The Debt Service Requirements of the Parity Bonds, the Series 2014A Bonds, and that of any Additional Bonds, are payable exclusively from the Pledged Revenues which consist of (i) the Net Housing and Auxiliary Facilities System Pledged Revenues, (ii) the Pledged Fees, and (iii) the investment income derived from the various funds and accounts created under the Indenture, all of which sources of income are herein described and are pledged under and by the express provisions of the Indenture.

The Series 2014A Bonds are not obligations, general, special or otherwise, of the State of North Dakota, do not constitute a debt, legal, moral or otherwise, of the State of North Dakota, and are not enforceable against the State of North Dakota, nor shall payment thereof be enforceable out of any funds of the Board or the University other than the Pledged Revenues pledged for the payment of the Debt Service Requirements thereof by the Indenture. The Indenture does not pledge or mortgage any property constituting any part of the University.

Provisions of the Indenture Relating to Security for Bonds

Pledged Revenues. The pledge of the Pledged Revenues in the Indenture will not prohibit the University or the Board from applying the Pledged Revenues in such manner and to such purposes as they deem appropriate, so long as there is no default under the terms of the Indenture with respect to the payments of the Debt Service Requirements of the Parity Bonds, the Series 2014A Bonds and any Additional Bonds. The Board has covenanted that the Debt Service Requirements on the Parity Bonds, the Series 2014A Bonds and any Additional Bonds hereafter authorized to be issued and from time to time are equally and ratably secured by the lien created on such Pledged Revenues and shall not be entitled to any priority one over the other in the application of the Pledged Revenues regardless of the time or times of the issuance of the Parity Bonds, the Series 2014A Bonds and any Additional Bonds. "Pledged Revenues" generally include (a) the Net Housing and Auxiliary Facilities System Pledged Revenues, (b) the Pledged Fees, and (c) the earnings on all funds and accounts created under the Indenture, as supplemented (excluding any Escrow Funds and the Rebate Fund). The Net Housing and Auxiliary Facilities System Pledged Revenues are defined under the Indenture as the amount by which the Gross System Revenues of the Housing and Auxiliary Facilities System exceeds the Operation and Maintenance Expenses of the Housing and Auxiliary Facilities System, exclusive of General Allocated Administrative Expenses (as such terms are defined in the Indenture). Under the Indenture, the General Allocated Administrative Expenses are paid only after the required deposit of Pledged Revenues in the Debt Service Fund.

The "Operation and Maintenance Expenses" of the Housing and Auxiliary Facilities System generally include all current expenses and costs of operation, maintenance, repair and replacement with respect to the Housing and Auxiliary Facilities System and which may include expenses not annually recurring. See the caption "SUMMARY OF THE INDENTURE—Certain Definitions" in APPENDIX C hereto.

Repair and Replacement Fund. The Indenture provides for the discretionary establishment, funding and maintenance of the Repair and Replacement Fund by the University. On the Closing Date for the Series 2014A Bonds there will be a total of \$1,525,000 on deposit in the Repair and Replacement Fund which is to be held by the University in accordance with the provisions of the Indenture. No additional funds will be deposited in the Repair and Replacement Fund in connection with the issuance of the Series 2014A Bonds. Funds on deposit in the Repair and Replacement Fund may be used for the purpose of paying, with respect to the Housing and Auxiliary Facilities System, the cost of unusual or extraordinary maintenance or repairs or the cost of any renewals, renovations or replacements, or the cost of planning, development, construction and operation of the Housing and Auxiliary Facilities System, or the cost of any replacement of furnishings, furniture and equipment, to the extent the same are not paid as part of the ordinary and normal expenses of the operation of the Housing and Auxiliary Facilities System and for various other lawful purposes described in the Indenture. However, to the extent of any deficiency in the Debt Service Fund, funds on deposit in the Repair and Replacement Fund shall be transferred immediately to eliminate the deficiency in the Debt Service Fund. The Indenture provides that in the event the balance in the Repair and Replacement Fund shall ever be less than the Repair and Replacement Reserve Requirement, the Board and the University shall deposit to the Repair and Replacement Fund not less than annually by June 30, commencing in the Fiscal Year such deficiency arises and in each year thereafter, from the Revenue Fund and from other available revenues, if any, and after making provision for payment of the Operation and

Maintenance Expenses of the Housing and Auxiliary Facilities System and for payment of debt service on Outstanding Bonds, monies sufficient to replenish the Repair and Replacement Fund in five equal annual installments until there is on deposit in the Repair and Replacement Fund, an amount equal to or greater than the Repair and Replacement Reserve Requirement for Bonds then Outstanding. The Indenture further provides that nothing in the Indenture is to be construed to limit, and shall not limit, the right of the Board and the University to deposit such additional moneys in the Repair and Replacement Fund from time to time, as the Board and the University may determine, or to increase or decrease the amount of the Repair and Replacement Reserve Requirement from time to time, provided, however, that if the amount of the Repair and Replacement Reserve Requirement shall be decreased, adequate provision shall be made or shall have been made by the Board and the University for maintaining the Housing and Auxiliary Facilities System in good repair and operating condition. See the caption “SUMMARY OF INDENTURE–Repair and Replacement Fund” in APPENDIX C hereto.

Rate Covenant. In the Indenture, the Board covenants that it will establish and maintain, so long as any of the Bonds remain Outstanding, such rental rates, fees and charges for the Housing and Auxiliary Facilities System, and such rules as are required with respect thereto to assure maximum occupancy and/or utilization and optimum use of the same and the services afforded thereby, to pay Operation and Maintenance Expenses thereof and to provide sufficient Pledged Revenues for payment of the Debt Service Requirements of the Parity Bonds, the Series 2014A Bonds and any Additional Bonds Outstanding under the Indenture and to fund any deficiencies that may have occurred in the Repair and Replacement Fund. See the caption “SUMMARY OF INDENTURE–Rate Covenant” in APPENDIX C hereto.

INVESTMENT CONSIDERATIONS

General

There are a number of factors affecting institutions of higher education in general, including the University, that could have an adverse effect on the University’s financial position and its ability to make the payments required under the Indenture. These factors include, but are not limited to, the continuing rising costs of providing higher education services; competition for students from other institutions of higher education; the failure to maintain or increase in the future the funds obtained by the University from other sources, including gifts and contributions from donors, grants or appropriations from governmental bodies and income from investment of endowment funds; adverse results from the investment of endowment funds; increasing costs of compliance with federal or State regulatory laws or regulations, including, without limitation, laws or regulations concerning environmental quality, work safety and accommodating the physically challenged; changes in federal governmental policy relating to the reimbursement of overhead costs of government contracts; any unionization of the University’s work force with consequent impact on wage scales and operating costs of the University; and legislation or regulations which may affect student aid and other program funding. The University cannot assess or predict the ultimate effect of these factors on its operations or financial results of operations.

No Mortgage, Lien or Security Interests Secure the Series 2014A Bonds

The Series 2014A Bonds are not secured by a mortgage, lien or security interest on or in any of the funds, buildings or other assets of the University other than the funds established by the Indenture; provided, however, that the Rebate Fund established in the Indenture will not secure payment of the Series 2014A Bonds or the Parity Bonds. See “SECURITY FOR THE SERIES 2014A BONDS–Limited Obligations.” The owners of the Series 2014A Bonds may not look to any funds, buildings or other assets of the University, other than the Pledged Revenues, for payment of debt service on the Series 2014A Bonds.

Under the Indenture, the University is permitted to incur other debt which may be on a parity with the lien of the Series 2014A Bonds. See “SUMMARY OF INDENTURE–Additional Bonds” in Appendix C hereto. Debt service on all parity lien bonds of the University will be payable from Pledged Revenues on a pro rata basis. Accordingly, to the extent that future obligations are issued on a parity with the lien of the Series 2014A Bonds, the security for the Series 2014A Bonds may be diluted.

Risks Related to University Operations

The ability of the University to meet its payment obligations under the Indenture will depend upon the continued availability to the University of revenues from a variety of sources sufficient to meet such obligations, the University’s operating expenses, debt service on other debt, extraordinary costs or expenses which may occur and other costs and expenses. Revenues and expenses of the University will be affected by future events and conditions relating generally to, among other things, the ability of the University to provide educational programs to attract and retain sufficient numbers of students during the time that the Series 2014A Bonds remain outstanding, demographic changes that may affect the number of students who will be attracted to and enroll at the University, the ability of the Board to direct, manage and operate the University, the University’s ability to control expenses, the University’s ability to maintain or increase rates for tuition and other fees without adversely affecting

enrollment, the ability of the University to attract and retain quality faculty members for its educational programs, the investment of the University's endowment and other funds, continued State support of the University and its programs, governmental assistance for student financial aid, and grants and contracts from governmental bodies, agencies and others. No assurances can be given that these or other sources of revenues will be adequate to meet the expenses of the University.

The University operates in a competitive market for students with other educational institutions. The University draws its students primarily from within the states of North Dakota and Minnesota but it must compete for the available students within those states and is working to attract additional out-of-state students. See "NORTH DAKOTA STATE UNIVERSITY—Student Enrollment."

Future revenues and expenses of the University will be subject to conditions which may differ from current conditions to an extent that cannot be determined at this time. Descriptions of the University's current operations are contained in "ADMINISTRATION'S DISCUSSION AND ANALYSIS OF OPERATIONS."

Additional Bonds

As mentioned above, the Board has the right, subject to specified conditions in the Indenture, to issue additional Parity Bonds payable from the Pledged Revenues on a parity with the lien of the Series 2014A Bonds. The Board has covenanted not to issue additional bonds having a lien on the Pledged Revenues which is senior to the Series 2014A Bonds.

Undertaking to Provide Ongoing Disclosure

The University has entered into an undertaking (the "Undertaking") for the benefit of the holders of the Bonds to send certain financial information and operating data to the Electronic Municipal Market Access System maintained by the Municipal Securities Rulemaking Board and to provide notice to the Municipal Securities Rulemaking Board of certain events, pursuant to the requirements of Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. Part 240, § 240.15c2-12) (the "Rule"). The University has complied with all of its previous undertakings under the Rule. The failure by the University to comply with the Undertaking will not constitute an Event of Default under the Indenture (although Bondholders will have any available remedy at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2014A Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2014A Bonds and their market price. See "CONTINUING DISCLOSURE" herein and "CONTINUING DISCLOSURE AGREEMENT" in APPENDIX A hereto.

Special, Limited Obligations; Uncertainty of Pledged Revenues

The Series 2014A Bonds are special, limited obligations of the Board payable and collectible solely out of the Pledged Revenues, which are pledged for that purpose to the extent provided in the Indenture. The registered owners of the Series 2014A Bonds may not look to any general or other fund for the payment of the principal of, premium, if any, or interest on the Series 2014A Bonds, except the Pledged Revenues. The payment of the Series 2014A Bonds will not be secured by an encumbrance, mortgage or other pledge of any property, except the Pledged Revenues. The Series 2014A Bonds will not constitute or become a debt or indebtedness of the State or the Board within the meaning of any constitutional or statutory provision or limitation and will not be considered or held to be general obligations of the Board, but will constitute its special, limited obligations. The Indenture also permits the issuance of additional parity bonds subject to certain conditions and subordinate lien bonds.

Future Facilities Utilization

The amount of Pledged Revenues available for the payment of operation and maintenance expenses and the payment of debt service on the Series 2014A Bonds will be affected by the future levels of enrollment and utilization of the University's facilities and the rates and charges that the Board can reasonably impose in connection with the use of such facilities. The availability of alternative facilities at competitive rates and an increase in distance learning opportunities may have an adverse impact on the level of utilization of the facilities and on the ability of the Board to adjust fees and rates in the future. Several private apartment buildings have been constructed near the campus during the past several years and additional private developments are planned. In addition, private student apartments have been constructed near the downtown campus. University enrollment has increased in each year from 2000 through 2013, except for a slight decrease in 2011. There is no assurance that such trends will continue and that in the near term enrollment will not materially increase or decrease.

Secondary Market

There is no guarantee that a secondary market will develop for the Bonds. Consequently, prospective purchasers of the Bonds should be prepared to hold their Bonds to the maturity date.

Future Changes in Laws

Various State laws and constitutional provisions apply to the operation of the University, the imposition, collection and pledging of the Pledged Revenues and the financing of the Board's operations in general. Other State and federal laws, constitutional provisions and regulations apply to the obligations created by the issuance of the Bonds. There is no assurance that there will not be any change in, interpretation of or addition to applicable laws, provisions and regulations which would have a material effect, directly or indirectly, on the Board. See "NORTH DAKOTA STATE BOARD OF HIGHER EDUCATION –Proposed Constitutional Amendment" herein.

Damage or Destruction of Facilities

The Board insures the University's facilities against certain risks. There can be no assurance that the amount of insurance required to be obtained with respect to the University's facilities will be adequate or that the cause of any damage or destruction to the University's facilities will be as a result of a risk which is insured. Further, there can be no assurance of the ongoing creditworthiness of the insurance companies from which the Board obtains insurance policies. Damage or destruction of the University's facilities may impair the Board's ability to generate sufficient Pledged Revenues.

Environmental Regulation

The University's facilities are subject to various federal, State and local laws and regulations governing health and the environment. In general, these laws and regulations could result in liability to the Board as the owner of the University's facilities for remediating adverse environmental conditions on or relating to the University's facilities, whether arising from preexisting conditions or conditions arising as a result of the activities conducted in connection with the ownership and operation of the University's facilities. Costs incurred by the Board with respect to environmental remediation or liability could adversely impact its financial condition and its ability to own and operate the University's facilities and its ability to produce Pledged Revenues.

Book-Entry

Persons who purchase the Bonds through broker-dealers become creditors of the broker-dealer with respect to the Bonds. Records of the investor's holding are maintained only by the broker-dealer and the investor. In the event of the insolvency of the broker-dealer, the investor would be required to look to the broker-dealer's estate, and to any insurance maintained by the broker-dealer, to make good the investor's loss.

Risk of Loss from Nonpresentment upon Redemption

The rights of the registered owners of the Series 2014A Bonds to receive interest will terminate on the date, if any, on which the Series 2014A Bonds are to be redeemed pursuant to a call for redemption, notice of which has been given under the terms of the Indenture.

Enforceability of Remedies

The remedies available upon an Event of Default under the Indenture are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing laws and judicial decisions the remedies provided for under the Indenture may not be readily available or may be limited. The Series 2014A Bonds may be subject to general principles of equity which may permit the exercise of judicial discretion; are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State; are subject, in part, to the provisions of the United States Bankruptcy Code and other applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; and are subject to the exercise by the United States of America of the powers delegated to it by the federal constitution. The various legal opinions to be delivered concurrently with the delivery of the Series 2014A Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Series 2014A Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Forward-Looking Statements

This Official Statement (particularly the information contained under “INVESTMENT CONSIDERATIONS”) contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “intend,” “expect” and similar expressions identify forward-looking statements. Any forward looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should beware that there are likely to be differences between forward-looking statements and actual results; those differences could be material.

THE REFUNDING PLAN

The proceeds of the Series 2014A Bonds, together with funds held in the debt service reserve fund for the Series 2004 Bonds, will be used to effect a current refunding of the Series 2004 Bonds maturing on April 1 in the years 2015 through 2034, on April 1, 2014 (the “Redemption Date”), and pay the costs of issuance of the Series 2014A Bonds. In addition, the University will deposit with the paying agent for the Series 2004 Bonds, on or before the date of issue of the Series 2014 Bonds, funds sufficient to pay principal amount of the Series 2004 Bond maturing on April 1, 2014, and all of the interest accruing on the Series 2004 Bonds to the Redemption Date. Consequently, on the date of issue of the Series 2014A Bonds, the Series 2004 Bonds will be defeased under the Indenture.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the issuance of the Series 2014A Bonds are as follows:

Sources

Par Amount	\$8,340,000.00
Net Premium	108,914.40
2004 Debt Service Fund	<u>455,326.25</u>
Total Sources	<u><u>\$8,904,240.65</u></u>

Uses

Refunding of Series 2004 Bonds	\$8,710,326.25
Costs of Issuance Account ⁽¹⁾ :	<u>193,914.40</u>
	<u><u>\$8,904,240.65</u></u>

⁽¹⁾Includes the underwriter’s discount and other transaction costs.

NORTH DAKOTA STATE BOARD OF HIGHER EDUCATION

The Board, a constitutional body of the State of North Dakota, is responsible for the management of the institutions of higher education of the State of North Dakota, including the University. The Board includes seven citizen members appointed by the Governor who serve four-year terms and one student appointed by the Governor for a one-year term. A non-voting faculty advisor is selected by the Council of College Faculties and a non-voting staff advisor is selected by the North Dakota University System Staff Senate. The Board exercises jurisdiction over the financial, educational and other policies of the University and over its relations with State and federal government agencies. Execution of plans and policies, together with the internal government and administration of the University, is the responsibility of the President, faculty, and other officers of the University.

The eleven institutions under the governance of the Board are the University of North Dakota, North Dakota State University, Dickinson State University, Mayville State University, Minot State University, Valley City State University, Dakota College at Bottineau, North Dakota State College of Science at Wahpeton, Lake Region State College, Williston State College,

and Bismarck State College. The Board also oversees the North Dakota State University Extension Service and Agricultural Research Stations, Northern Crops Institute, State Forest Service and the Upper Great Plains Transportation Institute.

The Board appoints a Chancellor to serve as the chief executive of the Board and the North Dakota University System.

The offices of the Board are located in the State Capitol in Bismarck, North Dakota.

Proposed Constitutional Amendment

The North Dakota Legislature adopted a concurrent resolution proposing an amendment to the North Dakota Constitution that would replace the State Board of Higher Education with a three member commission of higher education. The commission members would be appointed by the Governor and confirmed by the Senate. Each commission member would serve a four-year term and could be reappointed to three consecutive terms. The commission would have full executive responsibility for the management and operation of the University System and would hire a president for each institution. The proposed Constitutional amendment will be submitted to the electors at the November 4, 2014, general election.

NORTH DAKOTA STATE UNIVERSITY

North Dakota State University of Agriculture and Applied Science, established in 1890, is a comprehensive land grant institution of higher education whose mission is to serve the people of North Dakota and surrounding area through instruction at the undergraduate and graduate levels, and through research and service. The University offers programs of study and research conducted in the Colleges of: Agriculture, Food Systems and Natural Resources; Engineering; Human Development and Education; Pharmacy, Nursing and Allied Sciences; Arts, Humanities and Social Sciences; Science and Mathematics; University Studies; Business; and the Graduate School and Interdisciplinary Studies.

As the land grant institution of North Dakota, the University continues to stress agriculture, science, technology, and professional studies in its modern context, but in keeping with the original land grant mandate, it also promotes studies and scholarly activity in the arts and humanities. Consistent with its land grant mandate, the University has an obligation to serve the people of the State, and therefore promotes active programming of off-campus educational services.

The main Agricultural Experiment Station is located on the University campus, with a well-developed network of branch agricultural research stations located throughout the State. The Cooperative Extension Service is a comprehensive public service unit of the University, with staff members serving every county in North Dakota.

The University is a member of the Tri-College University, a voluntary consortium of the University, Minnesota State University, Moorhead and Concordia College, Moorhead, Minnesota, which makes possible the provision of additional educational opportunities, resources and activities to students and faculty at the University.

The University is a member of the Association of Public and Land-Grant Universities and is accredited by the North Central Association of Colleges and Schools. Individual colleges and schools are accredited in their respective fields or approved by their respective professional organizations and agencies.

The University is located in Fargo, North Dakota, a city of approximately 110,000 on the Red River of the North separating North Dakota and Minnesota. The campus includes 115 buildings (3.83 million net usable square feet) on 258 acres. See APPENDIX E: Map of North Dakota State University Campus.

In the Fall of 2013, the faculty, extension and research staff numbered 2,103; non-instructional staff, administrators and part-time employees numbered 4,135. No employees of the University are represented by any unions and the University believes its employee relations are satisfactory.

The University's revenues for the fiscal year ended June 30, 2013, were \$407,712,052 of which about 33% was derived from State general fund appropriations. Research is performed in many departments of the University with major research efforts in the areas of polymers and coatings, nano technology, agriculture, biological chemistry and microelectronics. Direct expenditures for research exceeded \$87,786,969 in fiscal year 2013.

Financial Statements of the North Dakota University System for the fiscal year ended June 30, 2013, are included in APPENDIX B.

Administration of the University

The current executive officers of the University are:

Dean L. Bresciani, Ph.D., President. Dr. Dean Bresciani was named North Dakota State University's 14th President on May 24, 2010. He brought a 30-year career of leadership in the academic, administrative and political aspects of higher education drawn from eight previous universities, three of which were members of the prestigious American Association of Universities (AAU). A native of Napa, California, Dr. Bresciani previously served as the Vice President for Student Affairs at Texas A&M University, and in a similar role at the University of North Carolina-Chapel Hill. He has held faculty positions at the University of Nebraska-Kearney, North Carolina State University, and the University of North Carolina, leading to full professor rank at Texas A&M University. Dr. Bresciani earned his bachelor's degree in sociology from Humboldt State University; master's degree in college student personnel from Bowling Green State University; and doctorate in higher education finance, with a doctoral minor in economics, from the University of Arizona.

J. Bruce Rafert, Ph.D., Provost. J. Bruce Rafert is Provost at North Dakota State University, serving from July 2011 until present. Prior to coming to the University, Dr. Rafert served as Vice Provost and Dean of the graduate school at Clemson University, as well as Dean of Graduate Studies at Michigan Technological University and Chair of the Department of Physics at Michigan Tech. Dr. Rafert also represented Florida Institute of Technology to the Spaceport Florida Authority, served as Florida Institute of Technology liaison to the Florida Governor's Commission on Space, and led in the initial concept development of the current space research and space lift capability of the State, including development of the Spaceport Florida Authority, and the Florida Space Institute located at Cape Canaveral Air Force Station. He also previously served as Professor of Physics and Space Sciences at the Florida Institute of Technology (1984-1995), Director of the Center for Space Science Research, Acting Executive Director and founder of the Space Research Institute and was co-founder of the Florida Space Institute. Dr. Rafert was selected as Florida Institute of Technology's first Researcher of the Year 1988-89 and Florida Institute of Technology's Teacher of the Year 1986-87. He was the founding Director of the Southeastern Association for Research in Astronomy at Kitt Peak National Observatory, 1990-93, and also served as Chief Scientist and Florida Institute of Technology Subcontract Administrator for Orion International Corporation at the US Air Force Malabar Site Test Facility. He also served as Senior Scientist at the Phillips Laboratory, 1992-94 (all items while serving as Professor of Physics and Space Sciences). Dr. Rafert is the Technical and Scientific founder of the U.S. Air Force Hyperspectral Imaging Program and was the Principle Investigator of the optical design team that built the hyperspectral sensor flown in orbit on MightySat II.1 (world's first orbiting Hyperspectral system).

Kenneth F. Grafton, Ph.D., Vice President for Agricultural Affairs. Dr. Grafton was appointed the interim Vice President for Agriculture and University Extension in August 2011 and the Vice President for Agricultural Affairs in December 2011. He has been with the University since 1980, bringing over 30 years of higher education experience to the position. Dr. Grafton served on the faculty of the Department of Plant Sciences, and also has served as associate dean of the Graduate School. He became director of the North Dakota Agricultural Experiment Station in 2002 and the Dean of the College of Agriculture, Foods Systems and Natural Resources in 2005, and is currently serving in both capacities in conjunction with the role of Vice President. Dr. Grafton earned his bachelor's degree in Agriculture and master's degree in Plant Breeding and Genetics from The Ohio State University, and doctorate in Plant Breeding and Genetics from the University of Missouri.

Bruce A. Bollinger, Vice President for Finance and Administration. Mr. Bollinger was appointed Vice President for Finance and Administration in July 2010, after serving as the interim Vice President. He is responsible for the oversight of the division which is comprised of the departments of purchasing, facilities management, university police and safety, human resources, payroll, budget, financial services and the student loan service center. Prior to his appointment, Mr. Bollinger served in several financial management roles during his 26 years of service to the University, most recently as the director of the Agriculture Budget Office and Agriculture Facilities. His tenure also includes positions as the director of the offices of Restricted Fund Accounting and Cost Accounting and as the assistant to the Controller. He earned a bachelor's degree with majors in Accounting and Business Administration and a master's degree in Business Administration from North Dakota State University.

Eveadean M. Myers, J.D., Vice President Division of Equity, Diversity and Global Outreach. Ms. Myers has served as the Vice President of the Division of Equity, Diversity and Global Outreach since 2008. Previously she served as the executive director and chief diversity officer for the University's Office of Equity and Diversity which oversees campus wide efforts to create a campus community actively committed to inclusion and pluralism. The office handles matters related to equity, diversity, and equal opportunity/affirmative action for the whole institution. Ms. Myers is a past member of the Board of Directors for the American Association for Affirmative Action and also served as national membership chair. She has twice received the President's Award from the organization. Currently, Ms. Meyers serves on the American Council on Education's Women's Network Executive Council, is a Board Member of the National Association for Diversity Officers in Higher Education (NADOHE), and is a member of the Diversity Network Advisory Committee. She also recently completed the Fulbright

International Education Administrators Program in Japan which provided in-depth knowledge about Japan's higher education system as well as networking opportunities with U.S. and international colleagues.

Before coming to the University, Ms. Myers was the associate director of Affirmative Action/Equal Opportunity and Diversity at Iowa State University, Ames, for 10 years. She earned a bachelor's degree from Iowa State University and a juris doctorate from the University of Iowa College of Law. She also founded Morrison Myers Consulting, Ames, which manages litigation and conducts investigations in the areas of civil rights, discrimination and sexual harassment. She previously managed litigation for the Minneapolis-based Pillsbury Co. law department for five years.

Marc Wallman, Interim Vice President for Information Technology. Mr. Wallman was named Interim Vice President for Information Technology, effective February 1, 2012. Prior to his appointment he was Assistant Vice President of Enterprise and Computing Infrastructure in that division. As Interim Vice President, Mr. Wallman is responsible for overseeing the Information Technology Division, working with centralized and departmental information technology, and assisting University administration with technology issues.

Mr. Wallman joined the University's Information Technology Division in 2002 as a Senior Systems Administrator. In 2006, he became the Director of Information Technology Infrastructure Services. In 2008, he also assumed the role of Assistant Vice President for Enterprise and Computing Infrastructure. Before joining the University, he worked in the central information technology department at the University of California at Berkeley. Mr. Wallman earned a bachelor's degree in physics from Luther College in Decorah, Iowa, a master's degree in computer science from North Dakota State University and a master's degree in theology from Luther Seminary in St. Paul, Minnesota.

Kelly A. Rusch, Ph.D., Vice President for Research and Creative Activity. Dr. Rusch was hired as Vice President for Research and Creative Activity at the University in June 2013. Dr. Rusch began work at the University in late September, succeeding Dr. Philip Boudjouk, who held the position since March 2000 when it was first established. Dr. Rusch's role is to foster, facilitate, coordinate and advance research and economic development at the University.

Dr. Rusch earned her bachelor's degree in biology and chemistry at the University of Wisconsin-LaCrosse, and her master's degree and doctorate in civil engineering with an emphasis on environmental engineering at Louisiana State University. Dr. Rusch joined the University from Louisiana State University where she was on the Civil and Environmental Engineering faculty since 1993. She also served in numerous leadership roles, including Associate Dean for Research and Diversity in the College of Engineering, Interim Department Chair of Construction Management and Industrial Engineering, Co-Chair of the Commission on the Status of Women and Director of the Institute for Ecological Infrastructure Engineering.

While at Louisiana State University, Dr. Rusch secured more than \$15 million in research as a principal or co-principal investigator for research in the areas of microorganism system design, surface water quality, industrial waste stabilization and re-use, decentralized wastewater treatment and engineering education. Her current research focuses on microalgal-cyanobacterial biofuels and bioproducts. Her work in the microorganism realm has led to two pending patents, and her overall research has resulted in more than 120 refereed and technical papers and more than 165 conference and invited talks. She is a current member of the board of directors and past president of the Aquacultural Engineering Society.

Prakash Mathew, Vice President for Student Affairs. Mr. Mathew is currently serving as the Vice President for Student Affairs at the University after serving over 35 years in the Student Affairs profession. He provides leadership in the Student Affairs profession at the state, regional, and national level. He currently serves on the Executive Committee for the Council of Student Affairs, Association of Public and Land-Grant Universities (APLU). Mr. Mathew has received numerous awards from national and University organizations, including the NDSU Blue Key Doctor of Service Award and the NASPA Pillar of the Profession. Mr. Mathew earned a bachelor's degree in agriculture and rural sociology from the University of Allahabad, India, and a master's degree in counseling and guidance from North Dakota State University.

Laura McDaniel, Assistant Vice President for University Relations. Ms. McDaniel has been with University Relations since 1989, serving in several capacities such as the director of Publications, director of University News and Publications, director of Marketing Communication and as the Executive Director of Marketing Communication prior to her appointment as the assistant vice president. Ms. McDaniel has a bachelor's degree in News/Editorial Journalism from the University of North Dakota and a master's degree in Speech Communication from North Dakota State University. Her previous work experience also includes news reporting and corporate communication.

The Academic Year

The academic year is divided into two semesters, each approximately 16 weeks in length: the first, beginning near the end of August and ending prior to Christmas; the second, beginning in mid-January and extending to mid-May. A Summer Session begins in May and concludes in August. The University's Summer Session offers a variety of courses, workshops, institutes and special programs of various lengths.

ACT Test Scores

The following table shows the University's mean ACT scores for freshmen for the past five academic years.

<u>Fall Semester</u>	<u>ACT Score</u>	<u>National Average</u>
2008-2009	23.2	21.1
2009-2010	23.5	21.1
2010-2011	23.7	21.0
2011-2012	23.8	21.1
2012-2013	23.7	21.1

Source: Office of Vice President of Student Affairs

Faculty

The following table shows University employees who are 18 years of age, whose services are not limited in duration, who are filling an approved and regularly funded position, are employed at least 20 hours per week and at least 20 weeks each year of employment and are eligible to receive benefits.

	<u>Benefitted Employees</u>			
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Staff	1,817	1,878	1,822	1,847
Faculty	<u>720</u>	<u>684</u>	<u>692</u>	<u>726</u>
Total	2,537	2,562	2,514	2,573

No employees of the University are represented by any unions and the University believes its employee relations are satisfactory.

The following table presents the number of full-time faculty members, percentage tenured, and the student/faculty ratio for the past five academic years.

<u>Academic Year</u>	<u>Full Time Faculty Members</u>	<u>Percentage of Faculty Tenured or Tenure Track</u>	<u>Total Student/Total Faculty Ratio</u>
2008-2009	612	73.2%	18:1
2009-2010	647	71.3%	18:1
2010-2011	633	75.5%	18:1
2011-2012	630	79.0%	18:1
2012-2013	643	77.9%	18:1

Student Enrollment

The following table, based on Fall semester registrations, shows enrollments for the past ten academic years as well as enrollments projected by the University for the next three years.

TABLE 1
STUDENT ENROLLMENT

<i><u>Historical</u></i>					
<u>Fall Semester</u>	<u>Undergraduate</u>	<u>Professional</u>	<u>Graduate</u>	<u>Total</u>	<u>FTE*</u>
2004	10,549	—	1,477	12,026	10,079
2005	10,496	—	1,603	12,099	10,132
2006	10,596	—	1,662	12,258	10,890
2007	10,751	—	1,776	12,527	11,221
2008	11,061	350	1,818	13,229	11,794
2009	11,733	353	2,103	14,189	12,576
2010	11,977	346	2,084	14,407	12,708
2011	11,911	342	2,146	14,399	12,606
2012	11,988	344	2,111	14,443	12,703
2013	11,948	346	2,335	14,629	12,797

*Total Full Time (FT) and FT Equivalent of Part Time

<i><u>Projected</u></i>				
<u>Fall Semester</u>	<u>Undergraduate</u>	<u>Professional</u>	<u>Graduate</u>	<u>Total</u>
2014	12,038	349	2,385	14,772
2015	12,113	351	2,430	14,894
2016	12,178	352	2,470	15,000

Source: Current enrollment – University Registrar
Projected enrollment – University Office of the Vice President of Student Affairs

During the Fall semester of 2013, approximately 39.4% of the students attending the University were North Dakota residents. Approximately 53.1% of the students came from other states (of whom approximately 84.7% came from Minnesota), and approximately 7.5% came from foreign countries.

Even though the University is yielding the highest percentage of high school graduates from the State of North Dakota, the overall proportion of out of state students continues to increase by a higher percentage. As the University faces the future, it expects to recruit more non-resident students since the population of college-ready prospective students is expected to outstrip the capacity of many states to provide access. Many University programs, particularly in engineering, pharmacy, and business are expected to be attractive to out of state students. The University's enrollment management operation continues to receive attention from the top levels of the University, and has received additional funding for student recruitment.

Applications, Acceptances and Enrollments

<u>Fall Semester</u>	<u>Applications</u>	<u>Acceptances</u>	<u>Matriculants</u>	<u>% Acceptance</u>	<u>% Matriculation</u>
2009	5,646	4,473	2,459	79%	55%
2010	5,720	4,400	2,400	77%	55%
2011	5,096	4,383	2,420	86%	55%
2012	5,562	4,647	2,441	84%	53%
2013	5,812	4,888	2,553	84%	52%

Source: Per Annual Moody's Survey and NDSU Registrar's Website

Tuition and Fees

The University charges tuition based upon state of residence. Undergraduate Resident tuition is charged to students from North Dakota or those who meet other qualifications for resident tuition according to North Dakota University System policy. Undergraduate Non-Resident tuition is assessed at 267% of the resident rate. The State of North Dakota has various agreements with higher education consortiums to assess tuition rates that are less than the non-resident rate to students from participating states and provinces. Contiguous, Midwest Student Exchange Program (MSEP), and Western Undergraduate Exchange (WUE)

tuition is charged to undergraduates at 150% of the Resident rate. (See below for participating states/provinces.) Minnesota Reciprocity tuition is charged to students from Minnesota at the average Minnesota State Colleges and Universities (MnSCU) four-year campus resident rate, as determined by the State of Minnesota. Mandatory fees charged to students are not residency-based. They are charged to all students, regardless of residency, and are capped at 12 credits. Fees for the 2013-2014 school year are \$1,204.

<u>Fiscal Year</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
In-State Undergraduate Tuition and Fees	\$6,410	\$6,661	\$7,175	\$7,233	\$7,540

Contiguous: South Dakota, Montana, Saskatchewan, and Manitoba.

MSEP: Illinois, Indiana, Kansas, Michigan, Missouri, Nebraska, and Wisconsin.

WUE: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

Graduate tuition is also residency-based. Resident, Contiguous, and Minnesota Reciprocity rates are assessed to students meeting the same requirements as undergraduates. Non-Resident tuition is assessed at 267% of Resident tuition.

<u>Fiscal Year</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
In-State Graduate Tuition and Fees	\$6,805	\$7,070	\$7,620	\$7,678	\$8,000

General Fund Appropriations for the University by North Dakota Legislature

<u>Fiscal Year</u>	<u>Salaries, Operating and Equipment</u>	<u>Capital Improvements</u>	<u>Yearly Grand Total</u>	<u>Biennial Total</u>
2015	\$71,574,185		\$71,574,185	\$171,193,784
2014	68,767,355	\$30,852,244**	99,619,599	
2013	77,445,495	1,993,813	79,439,308	133,875,595
2012	48,235,092	6,201,194*	54,436,286	
2011	54,470,160	9,425,072*	63,895,232	125,996,580
2010	54,835,385	7,265,963*	62,101,348	
2009	55,197,103	5,591,680*	60,788,783	110,952,354
2008	47,046,090	3,117,481	50,163,571	
2007	41,761,958	258,497	42,020,455	86,793,615
2006	43,299,070	1,474,090	44,773,160	
2005	38,154,841	706,168	38,861,009	79,749,610
2004	40,182,433	706,168	40,888,601	
2003	40,226,452	992,388	41,218,840	80,543,682
2002	38,579,702	745,140	39,324,842	

*Figure includes state funding for Minard Hall Project: \$17,500,000

**Figure includes state funding for STEM Building Project: \$28,120,000

Unexpended FY14 Capital Improvements will be carried over to FY15

Source: University Office of Finance and Administration

ADMINISTRATION'S DISCUSSION

North Dakota State University has experienced success in recent years that outpaces not only its own progress over the past decade, but now leads the state in most measures of college and university performance. Just two years ago, the University broke in to the National Science Foundation's "Top 100" rankings of research universities nationwide. The University was the first and remains the only North Dakota university to achieve that distinction. Its research productivity over the past three annual reporting periods has exceeded previous productivity, by substantial margins, and at a time when most research universities around the nation are by similar proportions in a declining state of productivity. The University received further scholarly distinction when the Carnegie Commission on Higher Education moved the University to its elite "Research University-Very High Research" category with the top 108 private and public research universities in the nation. As with the National Science Foundation ranking, the University is the first and remains the only North Dakota university so ranked. Students are taking note of that success. The University's fall 2013 enrollment is the 12th record fall enrollment overall and the freshman class is the second largest in

University history with 2,553 students, up 4.6% from fall 2012. Additionally, the University enrolls more North Dakota high school graduates than any other college or university in the State, and entering freshmen have some of the highest ACT and GPA scores in campus history.

At the same time that enrollment, research and scholarly productivity are increasing at record levels, so is the impact of the University throughout the local and statewide region. The importance and increasing level of its partnerships with other public colleges and universities in North Dakota is a key to success on that front. Most obvious is the growing relationship between the University and the University of North Dakota. The potentials of that relationship started with the collaborative development and initiation of a graduate program in public health. The two universities also collaboratively implemented a shared undergraduate entrepreneurship program which is similarly addressing emerging state needs. This growing cooperation has most recently been demonstrated by a shared bid and successfully establishing one of the few FAA locations in the nation for research and development of unmanned aircraft navigation. Those initiatives would not have been practical for either university to initiate independently, and exemplify the advantages and potential impact when North Dakota's two research universities work together to solve critical state needs.

The University's long-standing Tri-College arrangement – the oldest such consortium in the country – is another example of collaboration among colleges and universities. Tri-College brings together three local institutions: Concordia College, Minnesota State University-Moorhead and the University, for a course exchange program serving over 27,000 students. The University also collaborates with and supports the North Dakota State College of Science, both with their main campus in Wahpeton, and their growing presence in Fargo. North Dakota State College of Science is an important element to North Dakota post-secondary education. Together they provide one of North Dakota's best pipelines of trained workers and leaders of the economy. In an example on the other side of the state, the University's prospering Research and Extension Center in Dickinson has become a central feature of that community. In an additional role as faculty, the center's staff also make possible the undergraduate programs in agriculture and natural resource management at Dickinson State University.

Success has even extended to co-curricular areas of achievement. The University's athletic teams, over the past several years, have reached NCAA Division-I league and national championship levels in soccer, volleyball, golf, softball, cross country, track and football, while being recognized for the academic performance of its students athletes, who meet and exceed many of their peers. For the past three years, University athletics has ranked in the top 100 in men's and women's sports programs for the Capital One Cup, which recognizes the best in Division I college athletics programs in the country. That story, and the national attention it focuses on the University, is an exciting one from which the University is increasingly benefitting.

The combination of the above factors does more than bring increasingly positive attention to the University. The best students, not only in North Dakota but throughout the nation, see the University in the same light as the nation's finest, as do the best faculty, researchers, entrepreneurs and business leaders, all of whom are as a result increasingly being drawn to North Dakota. That infusion of the "best and the brightest" brings with it new resources that contribute to North Dakota's demographic and economic future success.

FINANCIAL OPERATIONS OF THE UNIVERSITY

Financial information related to the University for the years ended June 30, 2013, 2012 and 2011, is set forth below. In addition, the audited financial statements for the year ended June 30, 2013, of the Board, which include all eleven institutions, are attached hereto as APPENDIX B.

North Dakota State University
Statement of Assets
Fiscal Years Ended June 30, 2013, 2012 and 2011

ASSETS	<u>2013</u>	<u>2012</u>	<u>2011</u>
	Per Audit	Per Audit	Per Audit
Current Assets:			
Cash and Cash Equivalents	\$ 34,321,276	\$ 22,248,069	\$ 19,104,059
Short-term Investments	11,604,743	8,304,750	2,453,025
Accounts Receivable, net	5,614,676	5,505,059	4,676,499
Due from Other NDSU Institutions	1,261,288	-	-
Due from Component Units	1,228,466	597,706	2,217,412
Due from State General Fund	9,148,768	17,049,913	12,544,787
Grants and Contracts Receivable, net	19,664,958	17,041,130	22,791,161
Inventories	1,734,982	2,066,337	1,972,710
Notes Receivable, net	1,477,005	1,470,460	1,458,622
Other Assets	375,103	457,417	272,705
Total Current Assets	<u>\$ 86,431,265</u>	<u>\$ 74,740,841</u>	<u>\$ 67,490,980</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	\$ 3,990,449	\$ 6,597,177	\$ 11,571,538
Restricted Investments	4,845,584	6,053,393	10,103,695
Endowment Investments	366,782	370,698	367,944
Notes Receivable, net	5,237,625	5,287,044	5,248,755
Other Long-term Investments	65,691,735	49,881,259	47,260,035
Unamortized Bond Discount and Cost of Issuance	2,448,619	2,573,123	2,815,887
Due from Component Units	933,256	1,220,300	-
Capital Assets, net	331,886,213	315,461,631	299,992,500
Total Noncurrent Assets	<u>\$ 415,400,263</u>	<u>\$ 387,444,625</u>	<u>\$ 377,360,354</u>
Total Assets	<u>\$ 501,831,528</u>	<u>\$ 462,185,466</u>	<u>\$ 444,851,334</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 17,881,636	\$ 9,346,571	\$ 12,888,488
Accrued Payroll	10,309,141	9,869,336	9,576,766
Deferred Revenue	7,598,788	7,966,920	4,336,655
Deposits	1,417,883	1,188,830	1,044,445
Long-term Liabilities – Current Portion			
Payable to Component Units	2,164,237	2,283,681	1,879,915
Payable to Others	3,848,854	3,669,474	3,963,856
Total Current Liabilities	<u>\$ 43,220,539</u>	<u>\$ 34,324,812</u>	<u>\$ 33,690,125</u>
Noncurrent Liabilities:			
Payable to Others	\$ 8,767	\$ 25,716	\$ 48,915
Long-term Liabilities			
Payable to Component Units	41,445,666	43,609,903	44,489,310
Payable to Others	97,823,106	99,217,766	106,366,569
Total Noncurrent Liabilities	<u>\$ 139,277,539</u>	<u>\$ 142,853,385</u>	<u>\$ 150,904,794</u>
Total Liabilities	<u>\$ 182,498,078</u>	<u>\$ 177,178,197</u>	<u>\$ 184,594,919</u>
NET ASSETS			
Invested in Capital Assets, net of related debt	\$ 205,711,923	\$ 193,282,993	\$ 177,148,436
Restricted for:			
Nonexpendable:			
Scholarships and Fellowships	368,855	372,771	370,017
Expendable:			
Scholarships and Fellowships	207,910	123,053	200,622
Research	6,551,544	8,549,270	9,448,019
Instructional Department Uses	1,062,310	1,723,898	1,092,274
Loans	7,032,635	7,057,463	7,101,729
Capital Projects	43,772	27,901	323,341
Debt Service	10,128,295	5,021,691	5,945,026
Unrestricted	88,226,206	68,848,229	58,626,953
Total Net Assets	<u>\$ 319,333,450</u>	<u>\$ 285,007,269</u>	<u>\$ 260,256,417</u>

North Dakota State University
Statement of Revenues, Expenses, and Other Changes in Net Assets
Fiscal Years Ended June 30, 2013, 2012 and 2011

REVENUES	2013 Per Audit	2012 Per audit	2011 Per Audit
Operating Revenues:			
Student Tuition and Fees	\$ 100,397,231	\$ 96,268,445	\$ 88,520,912
Federal Grants and Contracts	46,538,383	53,578,855	62,875,204
State Grants and Contracts	7,259,487	9,195,960	6,365,517
Private Grants and Contracts	10,287,622	9,372,488	9,629,053
Sales and Services of Educational Departments	23,606,398	21,448,147	18,704,427
Auxiliary Enterprises	46,082,125	45,071,208	43,120,108
Other Operating Revenue	953,672	761,115	697,822
Total Operating Revenues	<u>\$ 235,124,918</u>	<u>\$ 235,696,218</u>	<u>\$ 229,913,043</u>
EXPENSES			
Operating Expenses:			
Salaries and Wages	\$ 241,842,660	\$ 233,120,287	\$ 229,476,898
Operating Expenses	83,779,808	74,437,588	70,891,189
Data Processing	5,119,033	4,102,429	4,733,873
Depreciation Expense	19,746,928	18,901,210	18,847,583
Scholarships and Fellowships	4,909,822	5,370,497	7,185,029
Cost of Sales and Services	10,606,034	10,536,285	10,403,114
Total Operating Expenses	<u>\$ 366,004,285</u>	<u>\$ 346,468,296</u>	<u>\$ 341,537,686</u>
Operating Income (Loss)	<u>\$ (130,879,367)</u>	<u>\$ (110,772,078)</u>	<u>\$ (111,624,643)</u>
NONOPERATING REVENUES (EXPENSES)			
State Appropriations	\$ 127,388,181	\$ 91,679,136	\$ 97,500,691
Federal Appropriations	5,127,259	7,325,897	5,646,298
Federal Grants and Contracts	11,157,031	11,742,071	13,572,764
Gifts	9,231,214	9,772,784	8,942,480
Investment Income	2,013,833	1,753,531	3,312,224
Interest on Capital Assets – related debt	(5,885,244)	(6,776,674)	(6,650,373)
Gain/(Loss) on Capital Assets	(16,020)	(685,406)	(122,598)
Insurance Proceeds	4,404	175,861	71,635
Tax Revenues	88,727	107,850	201,801
Other Nonoperating Revenues Over (Under) Expenses	(51,533)	(30,971)	(2,020,148)
Net Operating Revenues	<u>\$ 149,057,852</u>	<u>\$ 115,064,079</u>	<u>\$ 120,454,774</u>
Income (Loss) Before Capital Grants, Gifts & Transfers	<u>\$ 18,178,485</u>	<u>\$ 4,292,001</u>	<u>\$ 8,830,131</u>
State Appropriations – Capital Assets	\$ 6,631,793	\$ 12,656,970	\$ 21,714,103
Transfer from Building Authority	(285,142)	(284,492)	(283,491)
Capital Grants and Gifts	10,260,010	8,086,373	2,119,373
Total Other Revenues (Expenses)	<u>\$ 16,606,661</u>	<u>\$ 20,458,851</u>	<u>\$ 23,549,985</u>
Increase (Decrease) in Net Assets	<u>\$ 34,785,146</u>	<u>\$ 24,750,852</u>	<u>\$ 32,380,116</u>
NET ASSETS			
Net Assets – Beginning of Year	\$ 285,007,269	\$ 260,256,417	\$ 227,903,765
Prior Period Adjustment – Transfer of SITS to NDUSO	-	-	(1,959,547)
Prior Period Adjustment – Adjusting Useful Lives of Assets	(458,965)	-	1,932,083
Net Assets – End of Year	<u>\$ 319,333,450</u>	<u>\$ 285,007,269</u>	<u>\$ 260,256,417</u>

SITS (System Information Technology Services) was removed from FY 2011 audited figures and reported under the ND University System Office.

UNIVERSITY INDEBTEDNESS

The following table sets forth the principal amount as of June 30, 2013, of all outstanding obligations of the University.

TABLE 2
UNIVERSITY INDEBTEDNESS

BONDS PAYABLE	<u>Maturity Date</u>	<u>Original Issue</u>	<u>June 30, 2013 Balance</u>
<u>Housing and Auxiliary System Revenue Bonds:</u>			
2004 Bison Court Replacement	4-1-2034	\$ 10,350,000	\$ 8,505,000*
2005 Memorial Union Addition	4-1-2035	18,700,000	16,615,000
2006A Wellness Center Addition	4-1-2036	9,990,000	8,680,000
2006B Wellness Center Refunding (1999)	4-1-2029	2,845,000	2,420,000
2007 Living Learning Center East/Ceres Hall	4-1-2037	12,000,000	10,950,000
2009 Niskanen Apartments/WDC	4-1-2039	26,245,000	24,750,000
2012A Living Learning Center Refunding	4-1-2032	5,730,000	5,410,000
Subtotal - NDSU:		\$ 85,860,000	\$ 77,330,000
*Refunded by Series 2014A Bonds			
<u>NDSU Research & Tech Park, Inc.:</u>			
2007A Research 1 - refunding issue	4-1-2022	4,535,000	3,850,000
2007B Research 2 - refunding issue	4-1-2032	17,715,000	17,090,000
Subtotal - NDSU Research & Tech Park, Inc.:		\$ 22,250,000	\$ 20,940,000
NDSU Total:		\$ 108,110,000	\$ 98,270,000
<u>NDSU Development Foundation:</u>			
President's House	9-30-2038	900,000	829,510
Subtotal - NDSU Development Foundation		\$ 900,000	\$ 829,510
Grand Total – Bonds Payable		\$ 109,010,000	\$ 99,099,510

CAPITAL LEASES PAYABLE

<u>Lessee</u>	<u>Asset Description</u>	<u>Maturity Date</u>	<u>6/30/2013 Capital Lease Payable Balance Due</u>
<u>Equipment:</u>			
Wells Fargo	File Servers	12-10-13	\$ 4,156
Wells Fargo	Maxxum 125 MFD Loader	07-30-14	16,288
Wells Fargo	Analytical Instruments	01-28-15	40,542
Wells Fargo	New Case 440 Skid Steer	01-17-15	9,345
Wells Fargo	John Deere 444 K 2011 Loader	09-01-14	29,101
Wells Fargo	2007 Case IH MX245 MFD Tractor	08-11-15	29,338
Wells Fargo	Almaco Model SPC2 B Combine	01-31-14	79,894
Wells Fargo	Truax FLEXII Drill, Model FLXII-812RD	03-15-17	17,146
Wells Fargo	Zurn 150 Demo Plot Combine	08-01-16	62,949
Wells Fargo	New Holland Long Reach Cab	07-31-15	84,226
Wells Fargo	GMI Gas Analyzer	08-15-13	11,318
Wells Fargo	Zurn 150 Plot Combine	09-15-16	79,757
NDSU Development Foundation	Aircraft	07-01-17	1,121,281**
Subtotal Equipment:			\$ 1,585,341

**Paid October 21, 2013

Infrastructure:

Wells Fargo	Athletic Field Turf	10-15-16	<u>\$ 275,318</u>
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Buildings or Leasehold Improvements:

Cityscapes	Security Office Fit-up	06-01-14	49,974
Cityscapes	Bookstore Fit-up	06-01-14	39,195
Bank of America	Energy Savings Performance Contract	06-24-26	6,854,458
NDSU Development Foundation	Equine Science Center	10-01-24	2,885,000***
NDSU Development Foundation	Fargodome	10-10-20	2,063,622
NDSU Development Foundation	Renaissance Hall	10-01-30	5,210,000
NDSU Development Foundation	Barry Hall & Klai Hall	12-01-36	<u>11,390,000</u>
Subtotal Buildings:			<u>\$ 28,492,249</u>

Grand Total – Capital Leases - All Asset Categories:

\$ 30,352,908

***Paid November 4, 2013.

THE HOUSING AND AUXILIARY FACILITIES SYSTEM

The Facilities

Under the Indenture, the income-producing Housing and Auxiliary Facilities System from which a portion of the Pledged Revenues are derived after payment of Operation and Maintenance Expenses from Gross System Revenues of the Housing and Auxiliary Facilities System, are set forth below. The Housing and Auxiliary Facilities System on the campus of the University is under the control of the Vice President for Student Affairs. The System is composed of the following facilities:

Housing. The University currently has 15 residence hall facilities, with capacity to house 3,269 students. The System also includes the following apartment complexes for undergraduate students, graduate students, and families: University Village Apartments has 246 units; Bison Court has 103 units; and Niskanen Apartments has 182 units.

Dining Facilities. The University currently has three dining centers: Union Buffet, West Dining Center and Residence Dining Center. These units combined have a capacity to serve over 8,000 students per day. There are over ten retail operations, most of which are located in the Memorial Union. These operations include Pizza Express, Hoagie Hutt, Marketplace Grille, Panda Express, Union Coffee Shop, Minard Coffee Shop, Burgers at the U, Taco Shop, “Get Chopped” or Not, and Barry Hall Coffee Shop. A full-service catering operation served approximately 3,800 meals catered for 2013. Baking and commissary operations are located in the lower level of West Dining Center.

Parking Facilities. The parking facilities have a total capacity of 8,477 vehicles. The facilities consist of 86 separate locations. Of the total number of parking spaces managed, 5,301 are dedicated to student parking, 2,020 are dedicated to faculty/staff parking and the balance for time zone, metered, reserved and fleet parking.

Memorial Union. The Memorial Union was dedicated in 1953, and additions were constructed in 1958, 1964, 1989 and 2005. The Memorial Union contains twenty meeting and event spaces including a 300-seat theater, the NDSU Bookstore, Bison Connection, Dining Services, Copy Shop, Graphic Services, Hair Salon, US Bank, Art Gallery, International Programs, Coffee Shop, Multicultural Student Services, the Spectrum student newspaper, Student Government and Student Life Offices. The Memorial Union also provides leadership development programs, campus programming, various services to over 300 student organizations, as well as multiple community service opportunities. Recreational activities provided by the Memorial Union include bowling and billiards, rental equipment for camping, canoeing, kayaking, skiing and outdoor game equipment.

Wallman Wellness Center. The 108,534 square foot Wallman Wellness Center was constructed on the west edge of the campus in 2001 and expanded in 2007 and 2010. The Center houses Student Wellness Administration, Disability Services, Student Affairs Assessment, Student Health Service and the Wellness Center. Included in the Wellness Center portion of the facility are strength and cardiovascular equipment, a group exercise studio, a personal training studio, a suspended running track, three basketball courts, a multipurpose activity court, four racquetball courts, a climbing wall, a martial arts room, a cycling room, locker rooms and child care service. The childcare service, which accommodates up to 32 children at any one time, includes play/activity areas, a nursing/lactating room, a quiet crib room space, kitchen, and outdoor play space. The Student Health portion of the facility includes a clinic, lab, pharmacy and radiology service.

Utilization

The following table sets forth the number of students accommodated in the University's housing facilities. The information provided is for the Fall semester in the calendar years shown.

TABLE 3
FACILITY UTILIZATION

<u>Historical Occupancy Data</u>								
	2009		2010		2011		2012	
	#	%	#	%	#	%	#	%
Residence Halls	3,274	98.5%	3,274	98.9%	3,269	99.6%	3,269	97.9%
Apartments	349	97.9%	531	96.8%	531	96.6%	531	98.7%
<u>Projected Occupancy Data</u>								
	2013		2014		2015		2016	
	#	%	#	%	#	%	#	%
Residence Halls	3,268	100.0%	3,268	100.0%	3,268	100.0%	3,268	100.0%
Apartments	525	98.9%	531	95.0%	531	95.0%	531	95.0%

Fees and Charges

For the 2013-2014 academic year, residence hall charges for housing range from \$3,306 to \$3,794 per student per academic year, with rates varying on the basis of single or double occupancy. Rent for apartment units ranges from \$460 to \$1,040 per month for unfurnished studio, one-, two- or three-bedroom apartments. The charge for board during the 2013-2014 academic year is \$1,718 per semester for the 5-day meal plan and \$1,898 per semester for the 7-day meal plan. Currently, 2,841 students are on the 7-day plan and 291 students are on the 5-day plan. University policy requires most freshman students reside on campus and purchase a meal plan.

Sources of Pledged Revenues

Payment of the Debt Service Requirements of the Parity Bonds, the Series 2014A Bonds and any Additional Bonds issued under the Indenture in the future, are secured by a pledge of the Pledged Revenues. The Pledged Revenues consist of (a) the Net Housing and Auxiliary Facilities System Pledged Revenues, consisting of all moneys received by the Board and the University from the ownership and operation of the Housing and Auxiliary Facilities System (the "Gross System Revenues," as defined in the Indenture), after payment of the Operation and Maintenance Expenses of the Housing and Auxiliary Facilities System; (b) the Pledged Fees; and (c) the earnings on all Funds and Accounts created under the Indenture (excluding the Rebate Fund).

The Gross System Revenues received by the University from the Housing and Auxiliary Facilities System will be first applied each year to payment of Operation and Maintenance Expenses of the Housing and Auxiliary Facilities System (excluding General Allocated Administrative Expenses), the remaining Net Housing and Auxiliary Facilities System Pledged Revenues, together with the other Pledged Revenues, will be applied to payment of the Parity Bonds, the Series 2014A Bonds and any Additional Bonds then Outstanding, then to payment of General Allocated Administrative Expenses and to making up deficiencies in the Repair and Replacement Fund, if any. The Indenture provides that after making the foregoing deposits and payments, the Board and the University may use the balance of the Pledged Revenues accounted for in the Revenue Fund and/or deposited to and held in the Repair and Replacement Fund (as permitted by the Indenture) for (i) redemption or open market purchase of Outstanding Bonds for cancellation prior to maturity, (ii) refinancing, refunding, or advance refunding of any Outstanding Bonds, (iii) maintenance, renovation, improvement, expansion, or cost of operation of the Housing and Auxiliary Facilities System, (iv) planning, development, purchase, construction or operation of Additional Facilities, the revenues of which are pledged as part of the Pledged Revenues under the Indenture, or (v) for any lawful capital expenditures as the Board or the University may direct.

Pledged Fees

The Pledged Fees include the following: Wellness Center bond retirement fee of \$94.40 per semester for full time students and Memorial Union bond retirement fee of \$46.40 per semester for full-time students. These fees were approved by a vote of the student body. In addition, students, faculty and staff who own or operate a motor vehicle on campus pay a parking

fee of \$155.00 per year and will pay a parking fee of \$155.00 next year. The following table sets forth information relating to the Pledged Fees for each of the last five years.

TABLE 4
PLEDGED FEES

	<i>Actual</i>			<i>Projected</i>		
<u>Pledged Fees</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Memorial Union Fees	\$1,201,984	\$1,190,045	\$1,204,928	\$1,204,928	\$1,204,928	\$1,204,928
Wellness Center Fees	2,082,538	2,061,869	2,463,065	3,237,696	3,270,073	3,302,773
Parking Fees	<u>1,289,318</u>	<u>1,555,327</u>	<u>1,577,313</u>	<u>1,608,859</u>	<u>1,641,036</u>	<u>1,673,857</u>
Totals:	\$4,573,840	\$4,807,241	\$5,245,306	\$6,051,483	\$6,116,037	\$6,181,558

Indebtedness

The following table sets forth the outstanding Bonds payable from the Pledged Revenues of the System.

TABLE 5
SYSTEM BONDS BY ISSUE

<u>Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Outstanding Principal</u>
2005 Memorial Union	2035	3.50-4.50%	\$ 16,615,000
2006A Wellness Center Addition	2036	4.25-5.00%	8,680,000
2006B Wellness Center Refunding	2029	4.00-5.00%	2,420,000
2007 LLC East/Ceres Hall	2037	4.50-5.00%	10,950,000
2009 Niskanen Apartments/WDC	2039	1.80-5.00%	24,750,000
2012A Refunding Bonds	2027	2.00-3.00%	5,410,000
2014A Refunding Bonds	2034	2.00-3.75%	<u>8,340,000</u>
Total Parity Bonds			\$ 77,165,000

Debt Service on System Bonds

The following table sets forth for each fiscal year ending June 30, the estimated amounts payable from Pledged Revenues which are required for the payment of principal of and interest on the Parity Bonds and the Series 2014A Bonds.

TABLE 6
SYSTEM DEBT - ANNUAL DEBT SERVICE

Fiscal Year	Parity Bonds							Total
	2005 Memorial Union	2006A Wellness Center	2006B Refunding 1999 Bonds	2007 Residence Hall	2009 Niskanen Apartments & West Dining	2012A Refunding 2002 Bonds	2004/2014A Refunding 2004 Bonds	
2014	1,195,025.00	631,037.50	221,050.00	772,087.50	1,715,862.50	457,656.26	660,652.50	5,653,371.26
2015	1,195,262.50	631,475.00	221,718.76	781,287.50	1,720,112.50	455,956.26	579,795.21	5,585,607.73
2016	1,189,650.00	631,487.50	222,043.76	789,587.50	1,718,762.50	459,156.26	583,987.50	5,594,675.02
2017	1,193,400.00	631,075.00	222,156.26	791,987.50	1,721,962.50	457,156.26	582,487.50	5,600,225.02
2018	1,191,087.50	630,237.50	221,906.26	788,343.76	1,718,762.50	460,056.26	585,887.50	5,596,281.28
2019	1,192,925.00	628,975.00	221,437.50	788,093.76	1,719,762.50	462,756.26	580,687.50	5,594,637.52
2020	1,188,700.00	626,943.76	220,750.00	787,093.76	1,719,762.50	460,256.26	585,337.50	5,588,843.78
2021	1,193,625.00	629,475.00	224,000.00	785,343.76	1,722,262.50	457,656.26	584,537.50	5,596,900.02
2022	1,192,275.00	630,975.00	221,750.00	787,843.76	1,718,012.50	459,956.26	583,437.50	5,594,250.02
2023	1,194,862.50	626,800.00	219,250.00	784,343.76	1,722,262.50	461,068.76	577,037.50	5,585,625.02
2024	1,196,175.00	627,175.00	221,500.00	785,093.76	1,714,512.50	461,450.00	580,487.50	5,586,393.76
2025	1,196,212.50	631,875.00	218,250.00	784,843.76	1,715,262.50	461,075.00	583,487.50	5,591,006.26
2026	1,199,975.00	630,675.00	224,750.00	783,593.76	1,719,012.50	465,450.00	581,887.50	5,605,343.76
2027	1,200,325.00	628,800.00	220,500.00	781,343.76	1,720,512.50	458,350.00	578,987.50	5,588,818.76
2028	1,204,100.00	630,762.50	226,000.00	778,093.76	1,719,337.50		575,237.50	5,133,531.26
2029	1,201,075.00	631,800.00	225,750.00	778,843.76	1,721,362.50		580,612.50	5,139,443.76
2030	1,206,475.00	631,375.00		778,343.76	1,718,862.50		579,750.00	4,914,806.26
2031	1,209,850.00	630,000.00		776,593.76	1,719,225.00		582,775.00	4,918,443.76
2032	1,211,200.00	631,500.00		778,593.76	1,719,475.00		580,100.00	4,920,868.76
2033	1,215,525.00	631,750.00		774,093.76	1,721,975.00		581,250.00	4,924,593.76
2034	1,217,600.00	630,750.00		773,343.76	1,721,475.00		581,000.00	4,924,168.76
2035	1,217,425.00	628,500.00		773,512.50	1,717,975.00			4,337,412.50
2036		630,000.00		777,293.76	1,718,150.00			3,125,443.76
2037				779,456.26	1,719,650.00			2,499,106.26
2038					1,722,212.50			1,722,212.50
2039					1,715,575.00			1,715,575.00
Total:	\$26,402,750.00	\$14,493,443.76	\$3,552,812.54	\$18,759,056.44	\$44,702,100.00	\$6,438,000.10	\$12,289,422.71	\$126,637,585.55

System Financial Information and Debt Service Coverage

Table 7 presents certain financial information and debt service coverage for the System for fiscal years ended June 30, 2011 through 2013, and projected financial information and debt service coverage for fiscal years ending June 30, 2014, 2015 and 2016. The table reflects the flow of Pledged Revenues under the Indenture and excludes General Allocated Administrative Expenses in calculating debt service coverage. The financial information for the University's Housing and Auxiliary Facilities System is not presented separately in the audited financial statements of the Board attached as APPENDIX B. However, the historical activity of the System is included in the University's financial statements, which are included in the audited financial statements of the Board. Each institution, including the University, is required to provide its financial statements and other reports related to the System to the Board on a regular basis. The Board consolidates the financial statements and the consolidated financial statements are then audited by independent auditors. Each institution also conducts internal control audits independently. See "FINANCIAL OPERATIONS OF THE UNIVERSITY."

The assumptions below related to the financial projections should be read in their entirety. Such assumptions are based on present circumstances and information currently available. Further, such information may be incomplete and may not necessarily disclose all material facts that might affect the University. Accordingly, prospective investors should carefully evaluate the assumptions in the light of the circumstances then prevailing. In addition, projections are only for the three fiscal years ending June 30, 2016, and consequently do not cover the entire period during which the Series 2014A Bonds may be outstanding. The financial projections have not been examined, reviewed, or compiled by independent certified public accountants. The Financial Advisor and Underwriter make no representations or warranties regarding the pro forma financial projections and disclaim any responsibility therefore. Actual results may vary, possibly significantly, from these projections and

such variance could be material and adversely affect the revenues available for payment of debt service on the Series 2014A Bonds. See “INVESTMENT CONSIDERATIONS” herein.

Projections in Table 7, System Income Statement, include the following assumptions:

- 4% average annual increase in revenues related to housing;
- 1% average annual increase in revenues related to Bookstore;
- 3% average annual increase in revenues related to Dining;
- 3% average annual increase in revenues related to Wellness Center;
- 2% average annual increase in revenues related to Memorial Union;
- 2% average annual increase in revenues related to Parking;
- 3% average annual increase in expenses related to the System; and
- 100% occupancy of all residence halls and apartments.

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TABLE 7
SYSTEM INCOME STATEMENT
(FISCAL YEARS ENDED/ENDING JUNE 30)

	<u>Actual</u>			<u>Projected</u>		
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Gross System Revenues:						
Sales & Services	\$ 41,422,665	\$ 42,386,275	\$ 44,207,461	\$ 45,406,074	\$ 46,643,733	\$ 47,921,818
Pledged Fees	4,573,840	4,807,241	5,245,306	6,051,483	6,116,037	6,181,559
Debt Service Grants	<u>24,408</u>	<u>24,408</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Gross System Revenues:	\$ 46,020,913	\$ 47,217,924	\$ 49,452,767	\$ 51,457,557	\$ 52,759,770	\$ 54,103,377
Operating & Maintenance Costs:						
Cost of Goods Sold	\$ 12,807,616	\$ 13,022,368	\$ 13,368,675	\$ 13,769,735	\$ 14,182,827	\$ 14,608,312
Salaries	13,528,124	13,590,868	14,319,541	14,749,127	15,191,601	15,647,349
Operating Expenses	<u>7,242,850</u>	<u>7,493,088</u>	<u>7,733,930</u>	<u>7,965,948</u>	<u>8,204,926</u>	<u>8,451,074</u>
Total Operating & Maintenance Costs:	\$ 33,578,590	\$ 34,106,324	\$ 35,422,146	\$ 36,484,810	\$ 37,579,354	\$ 38,706,735
Net System Revenues:	<u>\$ 12,442,323</u>	<u>\$ 13,111,600</u>	<u>\$ 14,030,621</u>	<u>\$ 14,972,747</u>	<u>\$ 15,180,416</u>	<u>\$ 15,396,642</u>
Debt Service on Senior Bonds:						
Principal	\$ 900,000	\$ 930,000	\$ 0	\$ 0	\$ 0	\$ 0
Interest	<u>389,810</u>	<u>354,460</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Debt Service on Senior Bonds:	<u>\$ 1,289,810</u>	<u>\$ 1,284,460</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Debt Service Coverage on Senior Bonds (Net System Revenues divided by total Debt Service):	9.65	10.21	N/A	N/A	N/A	N/A
Debt Service on Parity Bonds:						
Principal	\$ 1,595,000	\$ 1,670,000	\$ 2,060,000	\$ 2,145,000	\$ 2,265,000	\$ 2,670,000
Interest	<u>3,572,428</u>	<u>3,514,064</u>	<u>3,591,613</u>	<u>3,508,371</u>	<u>3,320,607</u>	<u>3,635,300</u>
Total Debt Service on Parity Bonds:	<u>\$ 5,167,428</u>	<u>\$ 5,184,064</u>	<u>\$ 5,651,613</u>	<u>\$ 5,653,371</u>	<u>\$ 5,585,607</u>	<u>\$ 6,305,300</u>
Debt Service Coverage on Parity Bonds (Net System Revenues divided by total Debt Service):	1.93	2.03	2.48	2.65	2.72	2.44
Pledged Revenues available for Subordinate Debt:	<u>\$ 5,796,530</u>	<u>\$ 4,072,122</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Debt Service on Subordinate Bonds (Minard):						
Principal	\$ 65,000	\$ 2,450,000	\$ 0	\$ 0	\$ 0	\$ 0
Interest	<u>123,555</u>	<u>120,955</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Debt Service on Subordinate Bonds:	<u>\$ 188,555</u>	<u>\$ 2,570,955</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Debt Service Coverage on all Senior, Parity & Subordinate Bonds (Net System Revenues divided by total Debt Service):	1.87	1.45	N/A	N/A	N/A	N/A

Auxiliary System Includes: Residence Life, Dining Services, Bookstore, Parking, Wellness Center, and Memorial Union.

Projections include proposed Aquatic Center addition to Wellness Center.

UNIVERSITY RETIREMENT PLANS OR OTHER POST-EMPLOYMENT BENEFITS

Retirement Benefits

The North Dakota University System (the “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 will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50% of the employee’s accrued normal retirement benefit, or monthly payments in an amount equal to the employees’ accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to the 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% 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 equal to 2.0% of their final average salary for each year of service beginning when the sum of age and years of credited service equal or exceed 85, or at normal retirement age (65). The plan permits early retirement at ages 55-64, with three or more years of service.

Funding Policy. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. This state statute requires that a percentage of the participant’s salary be contributed to the plan by either the employee or by the employer under a “salary reduction” agreement. The rate was 5% through December 31, 2012, increased to 6% on January 1, 2013. The University System has implemented a salary reduction agreement and is currently contributing 4% of the employees share. Through December 31, 2012, the University System was required to contribute 5.12% of each participant’s salary as the employer’s share. The rate was increased to 6.12% on January 1, 2013. In addition to the 6.12% employer contribution the employer is required to contribute 1.14% of each participating employee’s gross wage to a prefunded retiree health insurance program. The required contributions are determined using an entry age normal actuarial funding method and are included in state statute.

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, 2013, 2012 and 2011, were \$9,176,857, \$8,009,288 and \$7,302,659, respectively.

The University’s portion of required and actual contributions to NDPERS for the Fiscal years ending June 30, 2012 and 2013, were \$2,959,921 and \$3,244,304, respectively.

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.

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. Beginning, January 1, 2013, all contributions in classes I and II increased by 1% for participant contributions and for institution contributions.

Employment Class	Years of Service	Contributions by the Participant	Contributions by the Institution
I	0 thru 10	3.5%	11.5%
	over 10	4.0%	12.0%
II	0 thru 2	2.5%	6.5%
	3 thru 10	3.5%	11.5%
	over 10	4.0%	12.0%
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 Code. All contributions are applied as premiums to retirement annuity contracts owned by the participant. The University System has no further liability once annual contributions are made. The University System contributed \$35,644,345 and \$31,486,688 to TIAA-CREF during the fiscal years ending June 30, 2013 and 2012, respectively.

The University contributed \$11,733,735 and \$12,736,273 to TIAA-CREF during the Fiscal Years ending June 30, 2012 and 2013, respectively.

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% of covered compensation.

There are approximately 846 retired University System employees receiving these benefits and 3,302 active employees with retiree health credit. The University System's actual and required contributions for the fiscal years ending June 30, 2013, 2012 and 2011, were \$1,087,684, \$1,032,872 and \$1,028,414, respectively.

The University's portions of these amounts were \$347,092, \$345,431 and \$332,192 for the Fiscal Years ending June 30, 2013, 2012 and 2011.

As of June 30, 2013, there was \$75.6 million in net assets available for benefits under the state retiree health insurance credit plan. The actuarially accrued liability was \$114.1 million and the underfunded actuarially accrued liability was \$48.1 million at June 30, 2013.

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 University System office professional staff, presidents, executive deans, vice president, provosts, deans, and other officers responsible for a major unit of an institution who report directly to a president, vice president, provost, or executive dean who are members of TIAA-CREF, TFFR, or TIRF. During the fiscal year ended June 30, 2013, 14 employees elected early retirement.

The University paid five employees under early retirement agreements in 2012. Payments totaled \$28,393 in 2012 for health and life insurance.

Under the Tenured (Contract) Purchase Option, the employee is eligible for payment of up to 100% 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, 2013, 30 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 \$420,492 over the term of the new contracts. Amounts payable to employees at June 30, 2013, for outstanding contract buyouts and future health and life premiums, adjusted for projected health insurance premium increases and discounted to the present were \$565,724, assuming health insurance premium increases ranging from 7% to 15% and a discount rate of 0.05%.

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, 2013, six University System employees participated in this option.

Severance Agreements. In fiscal year 2013, institutions paid \$930,162 to three employees under separate employment separation agreements.

The University paid \$4,877 to one employee under employment separation agreements for the year ended June 30, 2013.

UNIVERSITY INSURANCE COVERAGE

The Board 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 Board. 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 Board also participates in the North Dakota Fire and Tornado Fund and State Bonding Fund. The Board 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 Board with blanket 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 Board 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 except for rain event and flood damages at NDSU and UND.

Source: North Dakota University System Annual Financial Reports

Information provided in this report was obtained from the North Dakota State University Office of Vice President for Finance and Administration, unless otherwise stated.

STATE OF NORTH DAKOTA ECONOMIC AND DEMOGRAPHIC INFORMATION

Population

Based on figures from the US Census Bureau, the population of the State of North Dakota for the past three census years and an estimate for 2012 is presented in the following table.

<u>Population</u>	
2012 (Est.)	699,628
2010	672,591
2000	642,200
1990	638,800

Labor Force Statistics

The following table presents annual average unemployment statistics for the State of North Dakota and for the United States for the years 2007 through 2012.

	<u>Unemployment Statistics</u>	
	<u>United States</u>	<u>North Dakota</u>
2012	8.1%	3.1%
2011	8.9%	3.5%
2010	9.6%	3.8%
2009	9.3%	4.1%
2008	5.8%	3.1%
2007	4.6%	3.1%

Current Economic Conditions

North Dakota has a strong economy. Its unemployment rate was 3.1% in July 2013, as compared to the national rate of 8.1%. It also had the lowest unemployment in the country every month from July 2008 to July 2013. Moreover, the State has had a continuous budget surplus since the economic downturn in 2008.¹ A large part of the State's economic performance can be traced to the development of new oil fields, including the Bakken Formation. Since 2006, when these new oil fields became targets for new drilling technologies, the State has moved from being the nation's 9th largest oil producing state to the 2nd largest.²

¹ Source: <http://economix.blogs.nytimes.com/2011/08/19/the-north-dakota-miracle>.

² Source: <http://www.instituteforenergyresearch.org/2011/10/19/11042>.

APPROVAL OF LEGAL PROCEEDINGS

On the date for delivery of the Series 2014A Bonds, Bond Counsel, Arntson Stewart Wegner PC, Fargo, North Dakota, will deliver their opinion, dated the date thereof, that the Series 2014A Bonds and the Indenture are valid and legally binding on the Board, enforceable in accordance with their terms and with regard to the tax-exempt status of interest on the Series 2014A Bonds under existing laws. A Special Assistant Attorney General for the State of North Dakota and General Counsel for the Board will issue the opinion that the Indenture is a valid and legally binding agreement of the Board, enforceable in accordance with its terms. The foregoing opinions will be generally qualified to the extent that the enforceability of the respective instruments may be limited by laws, decisions and equitable principles affecting remedies and by bankruptcy or insolvency or other laws, decisions and equitable principles affecting creditors' rights generally.

TAX MATTERS

Bond Counsel is of the opinion that under existing law, interest on the Series 2014A Bonds is not includable in the gross income of the Owners thereof for federal income tax purposes and consequently is exempt from present federal income taxes based on gross income. If there is continuing compliance with the requirements of the Internal Revenue Code of 1986, as amended (the "Code") as described in the following paragraph, Bond Counsel is of the opinion that interest on the Series 2014A Bonds will continue to be exempt from present federal income taxes based on gross income. Bond Counsel is of the further opinion that interest on the Series 2014A Bonds does not constitute an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income but is includable in calculating adjusted current earnings of corporations.

The Code contains certain requirements that must be satisfied from and after the date of issuance of the Series 2014A Bonds in order to preserve the exemption from federal income taxes of interest on the Series 2014A Bonds. These requirements include, but are not limited to, provisions which prescribe yield and other limits relative to the investment of the proceeds of the Series 2014A Bonds and other amounts and provisions which require that certain investment earnings be rebated periodically to the federal government. The Board has covenanted in the Indenture to comply with the requirements of the Code relating to the exemption from federal income taxes of interest on the Series 2014A Bonds.

In rendering its opinion, Bond Counsel will rely upon a certificate of the Board with respect to certain material facts solely within the Board's knowledge relating to the application of the proceeds of the Series 2014A Bonds and the use of the property financed with such proceeds.

In the event that the Board fails to comply with the requirements of the Code, interest on the Series 2014A Bonds may become subject to federal income taxation retroactively to the date of issuance. In such event, the Indenture does not provide that any additional interest or penalties will be paid to the owners of the Series 2014A Bonds.

In addition to the foregoing, in the opinion of Bond Counsel, interest on the Series 2014A Bonds is exempt from present State of North Dakota income taxes.

Except as summarized above, Bond Counsel expresses no opinion with respect to the income tax treatment of the Series 2014A Bonds, or the collateral federal income tax consequences to certain taxpayers as a result of ownership of the Series 2014A Bonds. Prospective purchasers of the Series 2014A Bonds should be aware that ownership of tax-exempt obligations may have collateral federal income tax consequences for certain taxpayers, including financial institutions, certain subchapter S corporations with substantial passive income and subchapter C earnings and profits, United States branches of foreign corporations, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Such prospective purchasers should consult their tax advisors as to any possible collateral consequences from their ownership of the Series 2014A Bonds.

The Series 2014A Bonds will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

Proposed Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in Congress and in the state that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Series 2014A Bonds or otherwise prevent holders of the Series 2014A Bonds from realizing the full benefit of the tax exemption of interest on the Series 2014A Bonds. Further, such proposals may impact the marketability or market value of the Series 2014A Bonds simply by being proposed. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Series 2014A Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Series 2014A Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2014A Bonds would be impacted thereby.

The above is not a comprehensive list of all federal or state tax consequences which may arise from the receipt or accrual of interest on the Series 2014A Bonds. The receipt or accrual of interest on the Series 2014A Bonds may otherwise affect the federal or state income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items of income or deductions. Bond Counsel expresses no opinion regarding any such consequences. All

prospective purchasers of the Series 2014A Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Series 2014A Bonds.

RATINGS

The Series 2014A Bonds have been rated “Aa3” by Moody’s Investors Service (“Moody’s”) and “AA-” by Standard & Poor’s Ratings Services, a division of McGraw Hill Companies, Inc. (“S&P”). Such ratings reflect only the views of Moody’s and S&P at the time such ratings were given, and the Board makes no representation as to the appropriateness of such ratings. An explanation of the significance of such ratings may be obtained only from Moody’s and S&P. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of the rating agencies, circumstances so warrant. A downward revision or withdrawal of the ratings may have an adverse effect on the marketability or market price of the Series 2014A Bonds. The Board has not undertaken to maintain the ratings on the Series 2014A Bonds.

FINANCIAL ADVISOR

The Board has retained Fieldman, Rolapp & Associates, of Irvine, California, as financial advisor (the “Financial Advisor”) in connection with the issuance of the Series 2014A Bonds. The Financial Advisor has not been engaged to prepare the Official Statement, nor has it undertaken to independently verify the accuracy of information contained in the Official Statement. The Financial Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing tax-exempt securities or other public securities.

LITIGATION

There is no litigation pending seeking to restrain or enjoin the issuance or delivery of the Series 2014A Bonds or questioning or affecting the legality of the Series 2014A Bonds or the proceedings and authority under which the Series 2014A Bonds are to be issued, including no litigation pending which in any manner questions the undertaking of the financing by the Board or the validity or enforceability of the Indenture.

FINANCIAL STATEMENTS

Certain financial information relating to the University is included in the audited financial statements of the North Dakota University System for the fiscal year ended June 30, 2013, audited by the North Dakota Office of the State Auditor, and attached as APPENDIX B to this Official Statement.

UNDERWRITING

The Series 2014A Bonds will be purchased from the Board by Piper Jaffray & Co., Minneapolis, Minnesota (the “Purchaser”). The Purchaser has agreed to purchase the Series 2014A Bonds at a price of \$8,363,975.00 (reflecting the par amount of the Series 2014A Bonds of \$8,340,000.00, plus the net original issue premium of \$108,914.40, less the Underwriter’s discount of \$84,939.40). The Purchaser shall purchase all Series 2014A Bonds and the obligation to make such purchase is subject to certain terms and conditions and the approval of certain legal matters by counsel and certain other conditions.

Subject to applicable law and prevailing market conditions, the Purchaser expects to maintain a secondary market in the Series 2014A Bonds after the initial offering. However, no guarantee can be made that such a market will develop or be maintained by the Purchaser or others. Thus, purchasers should be prepared to hold their Bonds to maturity or prior redemption.

CONTINUING DISCLOSURE

The University has covenanted for the benefit of Bondholders and the beneficial owners of the Series 2014A Bonds to provide certain financial information and operating data relating to the University and the System by not later than 180 days after the end of its fiscal year (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events not later than ten (10) business days after the occurrence of the event. The Annual Report and the notices of certain events will be filed by the Trustee on behalf of the University with the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board (“EMMA”). For a description of the specific nature of the information to be contained in the Annual Report or the notices of certain events, see APPENDIX A: “THE CONTINUING DISCLOSURE AGREEMENT.” These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5). The University is in compliance with all of its prior continuing disclosure undertakings as required by SEC Rule 15c2-12(b)(5).

MISCELLANEOUS

The foregoing summaries do not purport to be comprehensive or definitive and all references to the documents summarized are qualified in their entirety by reference to each such document. All references to the Series 2014A Bonds are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the aforesaid documents. Copies of these documents are available for inspection during the period of the offering at the offices of Fieldman, Rolapp & Associates, Irvine, California, and thereafter at the principal office of the Trustee. All information relating to the Board and the University has been derived from information provided by the Board and the University. The Financial Advisor and the Underwriter make no representations or warranties as to the accuracy or completeness of the information in the Appendices. The Board has approved this Official Statement and has authorized its use and distribution.

STATE BOARD OF HIGHER EDUCATION OF THE STATE OF NORTH DAKOTA

By: /s/ Larry C. Skogen
Interim Chancellor

APPENDIX A

Continuing Disclosure Agreement

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CONTINUING DISCLOSURE AGREEMENT

between

**NORTH DAKOTA STATE UNIVERSITY
on behalf of the
STATE BOARD OF HIGHER EDUCATION
OF THE STATE OF NORTH DAKOTA**

and

U.S. BANK NATIONAL ASSOCIATION

**STATE BOARD OF HIGHER EDUCATION
OF THE STATE OF NORTH DAKOTA**

**\$8,340,000
NORTH DAKOTA STATE UNIVERSITY
HOUSING AND AUXILIARY FACILITIES REVENUE REFUNDING BONDS
SERIES 2014A**

Dated as of February 1, 2014

**This Instrument Drafted By:
Arntson Stewart Wegner PC
3101 Broadway North, Suite B
Fargo, North Dakota 58102**

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the “Disclosure Agreement”) is made and entered into as of February 1, 2014, by **NORTH DAKOTA STATE UNIVERSITY** (the “University”), on behalf of the State Board of Higher Education of the State of North Dakota (the “Board”), and **U.S. BANK NATIONAL ASSOCIATION**, St. Paul, Minnesota (the “Trustee”), in connection with the issuance by the Board of \$8,340,000 North Dakota State University, Housing and Auxiliary Facilities Revenue Refunding Bonds, Series 2014 (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust dated as of August 1, 2004, between the Board and the Trustee (the “Original Indenture”), as supplemented by the Supplemental Indenture of Trust dated as of February 1, 2014, between the Board and the Trustee (the “Supplemental Indenture” and, together with the Original Indenture, the “Indenture”), between the Board and the Trustee. Pursuant to Section 8.17 of the Original Indenture, the University and the Trustee covenant and agree as follows:

SECTION 1. PURPOSE OF THE DISCLOSURE AGREEMENT. This Disclosure Agreement is being executed and delivered by the University and the Trustee for the benefit of the Bondholders and in order to assist the Participating Underwriters in complying with the Rule (defined below).

SECTION 2. DEFINITIONS. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the University pursuant to and as described in, Sections 3 and 4(a) of this Disclosure Agreement.

“Disclosure Representative” shall mean the Vice President for Finance and Administration of the University or his or her designee, or such other person as the University shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean the Trustee acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the University and which has filed with the Dissemination Agent a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“Participating Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Repository” shall mean the Electronic Municipal Market Access system maintained by the Municipal Securities Rulemaking Board or any other nationally recognized municipal securities information repository recognized from time to time by the Securities and Exchange Commission for purposes of the Rule.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. PROVISION OF ANNUAL REPORTS.

(a) The University shall, or shall cause the Dissemination Agent to, not later than one hundred eighty (180) days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2014, provide to the Repository an Annual Report which is consistent with the requirements of Section 4(a) of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the University shall provide the Annual Report to the Dissemination Agent. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4(c) of this Disclosure Agreement; provided, that the financial statements of the Board may be submitted separately from the balance of the Annual Report.

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a) of this Section for providing the Annual Report to the Repository, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the University to determine if the University is in compliance with subsection (a) of this Section.

(c) The Dissemination Agent shall transmit the Annual Report to the Repository and file a report with the University certifying that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided.

SECTION 4. CONTENT OF ANNUAL REPORTS.

(a) The University's Annual Report shall contain or incorporate by reference the following:

- (i) unaudited financial statements of the University,
- (ii) updated information contained in Tables 1 through 8 of the Official Statement relating to the Bonds dated February 13, 2014.

(b) At the same time as the Annual Report described in subsection (a) of this Section is to be filed, or if not then available within thirty (30) days after they are available, the University shall also provide to the Dissemination Agent the audited financial statements of the North Dakota University System prepared in accordance with generally accepted accounting principles or noting any changes from generally accepted accounting principles.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements, which have been filed with the Repository or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Board shall clearly identify each such other document so incorporated by reference.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of the Board or other State agencies, which have been submitted to the Repository.

SECTION 5. REPORTING OF LISTED EVENTS.

(a) The University shall also provide in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of any of the following events of which the Disclosure Representative or designee shall have actual knowledge:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties (the Bond issue has no debt service reserves);
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties (the Bond issue has no credit enhancements);
- (v) Substitution of credit or liquidity providers, or their failure to perform (the Bond issue has no credit or liquidity providers);
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of Owners of the Bonds;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds;
- (xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar events of the University;

(xiii) The consummation of a merger, consolidation or acquisition involving the University or the sale of all or substantially all of the assets of the University, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Unless otherwise required by law, the University shall provide notices of Specified Events required by this Section to the Repository.

(c) Unless otherwise required by law and subject to technical and economic feasibility, the University shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the University's information.

SECTION 6. TERMINATION OF REPORTING OBLIGATION. The University's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. DISSEMINATION AGENT. The University may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Vice President for Finance and Administration of the University shall be the Dissemination Agent.

SECTION 8. AMENDMENT; WAIVER. Notwithstanding any other provision of this Disclosure Agreement, the University and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the University) and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the University and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule.

SECTION 9. ADDITIONAL INFORMATION. Nothing in this Disclosure Agreement shall be deemed to prevent the University from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the University chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the University shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. DEFAULT. In the event of a failure of the University or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the request of the Holders of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds, shall), or any Bondholder, including beneficial owners, may seek mandate or specific performance by court order, to cause the University or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the University or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. DUTIES, IMMUNITIES AND LIABILITIES OF DISSEMINATION AGENT. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the University agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review or verify any information provided to it by the University or to determine the materiality of a Listed Event and shall not be deemed to be acting in any fiduciary capacity for the University, the Bond owners or any other party. The Dissemination Agent shall have no responsibility for the University's failure to report to the Dissemination Agent a Listed Event. The obligations of the University under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. BENEFICIARIES. This Disclosure Agreement shall inure solely to the benefit of the Board, the University, the Dissemination Agent, the Participating Underwriter, and Holders, including beneficial owners, from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. COUNTERPARTS. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the University and the Dissemination Agent have caused this Disclosure Agreement to be executed by their duly authorized officers, all as of the date first above written.

NORTH DAKOTA STATE UNIVERSITY

By: _____
Vice President for Finance
and Administration

U.S. BANK NATIONAL ASSOCIATION

By: _____
Its: _____

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APPENDIX B

**Financial Statements of the Board
for the period ended June 30, 2013**

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ANNUAL FINANCIAL REPORT

June 30, 2013



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NORTH DAKOTA UNIVERSITY SYSTEM

ANNUAL FINANCIAL REPORT

Fiscal Year Ended
JUNE 30, 2013

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



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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, and the aggregate discretely presented component units of the North Dakota University System as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the North Dakota University System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units, which represent 100% of the assets, and revenues of the aggregate discretely presented component unit opinion unit. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 22 to the financial statements, the State of North Dakota adopted the provisions of GASB 60 *Accounting and Financial Reporting for Service Concession Arrangements*, GASB 61 *The Financial Reporting Entity: Omnibus*, GASB 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and GASB 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The opinion is not modified with the implementation of these GASB statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that

collectively comprise the North Dakota University System's basic financial statements. The Combining Statement of Net Position, Combining Statement of Revenues, Expenses, and Changes in Net Position, Combining Statement of Cash Flows, Statement of Net Position – Non-Major Component Units, Statement of Revenues, Expenses, and Changes in Net Position – Non-Major Component Units and Schedule of Bonds Payable – Primary Institution are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Statement of Net Position, Combining Statement of Revenues, Expenses, and Changes in Net Position, Combining Statement of Cash Flows, Statement of Net Position – Non-Major Component Units, Statement of Revenues, Expenses, and Changes in Net Position – Non-Major Component Units and Schedule of Bonds Payable – Primary Institution is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors the Combining Statement of Net Position, Combining Statement of Revenues, Expenses, and Changes in Net Position, Combining Statement of Cash Flows, Statement of Net Position – Non-Major Component Units, Statement of Revenues, Expenses, and Changes in Net Position – Non-Major Component Units and Schedule of Bonds Payable – Primary Institution is fairly stated, in all material respects, in relation to the basic financial statements 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 do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2013 on our consideration of the North Dakota University System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the North Dakota University System's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota

December 10, 2013

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NORTH DAKOTA UNIVERSITY SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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, 2013. 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.

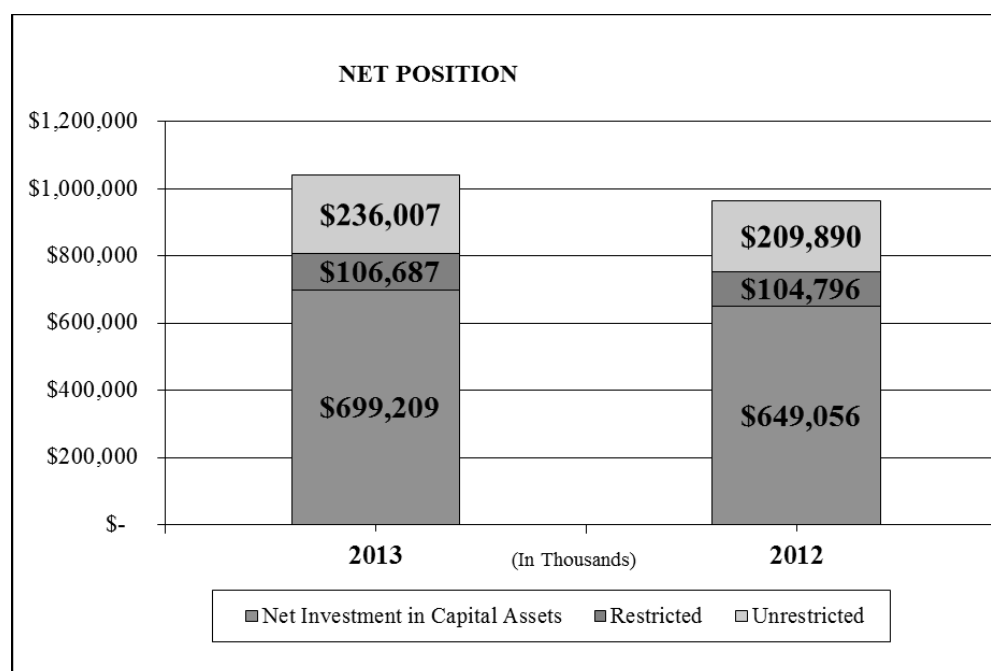
This discussion provides an overview of the financial position of the System for the year ended June 30, 2013 and should be read in conjunction with the accompanying financial statements and notes to the financial statements. The financial statements, notes, and this discussion and analysis are the responsibility 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 \$1.5 billion and total liabilities of \$428.4 million, resulting in a net position total of \$1.042 billion (an increase of \$78.2 million over the previous 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 were flat compared to FY12. Total operating expenses increased 3 percent.

Total net position was \$1.042 billion at June 30, 2013 and \$963.7 million at June 30, 2012. The following graph illustrates the net position breakdown for fiscal years ending June 30, 2013 and 2012:



MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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

USING THIS ANNUAL REPORT

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

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

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

STATEMENT OF NET POSITION

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

The following table shows the Condensed Statement of Net Position at June 30, 2013 and 2012:

	June 30 (in Thousands)		Dollar Change	Percent Change
	2013	2012		
Current assets	\$ 291,617	\$ 260,916	\$ 30,701	12%
Capital assets, net	983,820	960,433	23,387	2%
Other noncurrent assets	194,844	178,310	16,534	9%
Total assets	<u>\$ 1,470,281</u>	<u>\$ 1,399,659</u>	<u>\$ 70,622</u>	<u>5%</u>
Current liabilities	\$ 115,482	\$ 106,277	\$ 9,205	9%
Noncurrent liabilities	312,895	329,640	(16,745)	-5%
Total liabilities	<u>\$ 428,378</u>	<u>\$ 435,917</u>	<u>\$ (7,540)</u>	<u>-2%</u>
Invested in capital assets	\$ 699,209	\$ 649,056	\$ 50,153	8%
Restricted	106,687	104,796	1,891	2%
Unrestricted	236,007	209,890	26,117	12%
Total net position	<u>\$ 1,041,903</u>	<u>\$ 963,742</u>	<u>\$ 78,162</u>	<u>8%</u>
Current Ratio				
(current assets to current liabilities)	<u>2.5</u>	<u>2.5</u>		
Primary Reserve Ratio				
(expendable net position to operating expenses)	<u>0.31</u>	<u>0.29</u>		

Total assets increased \$70.6 million during fiscal year 2013 to a total of \$1.470 billion. Cash and equivalents increased \$213.2 thousand and investments increased \$25.6 million. Grants and contracts receivables increased \$382.9 thousand. Net capital assets increased \$53.4 million for net additions to property and equipment less depreciation expense, as discussed in a later section of this MD&A.

Total liabilities decreased \$7.5 million during fiscal year 2013 to a total of \$428.4 million. Accounts payable and accrued liabilities increased \$4.5 million due primarily to timing of billings. Long-term liabilities decreased \$16.7 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, 2013 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 position increased \$78.2 million during fiscal year 2013 as a result of the year's activity.

The primary reserve ratio (calculated by dividing expendable and unrestricted net position by operating expenses), measures the ability of the System to continue operating at current levels, within current restrictions, without future revenues. Proof of an adequate reserve ratio is often required to secure long-term financing. The System's primary reserve ratio at June 30, 2013 is 0.31 to 1, which indicates in an emergency situation, the System could continue its current operations for approximately 14 weeks.

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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

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

The following table shows a Condensed Statement of Revenues, Expenses and Changes in Net Position for the fiscal years ended June 30, 2013 and 2012:

	June 30 (in Thousands)		Dollar	Percent
	2013	2012	Change	Change
Operating revenues	\$ 653,993	\$ 656,440	\$ (2,447)	0%
Operating expenses	1,067,196	1,034,658	32,538	3%
Operating loss	(413,203)	(378,218)	(34,985)	9%
Nonoperating revenues, net of expenses	429,211	388,157	41,054	11%
Income before capital grants, gifts, and transfers	16,008	9,939	6,070	61%
Capital appropriations, grants and gifts	68,806	57,794	11,012	19%
Transfers	(6,166)	(6,140)	(26)	0%
Increase in net position	\$ 78,648	\$ 61,593	\$ 17,056	28%

Tuition and Fees Funding Ratio

(tuition and fees to operating expenses)

27%	27%
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Net Income Margin (increase in net position to total revenue)

6.7%	5.5%
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From June 30, 2012, operating expenses increased 3 percent and operating loss increased 9 percent. Net income margin, calculated by dividing increase in net position by total revenue, is a measure of current year financial status. The System's net income margin for fiscal year 2013 is 6.7 percent. A positive margin is good, as it signifies the System is not spending more than it is taking in.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

Revenues

The following table shows revenues by source for the fiscal years ended June 30, 2013 and 2012:

	June 30 (in Thousands)		Dollar	Percent
	2013	2012	Change	Change
Operating revenues				
Student tuition and fees	\$ 289,265	\$ 279,042	\$ 10,223	4%
Grants and contracts	170,845	190,662	(19,816)	-10%
Sales and services of education departments	79,550	73,701	5,848	8%
Auxiliary enterprises	113,148	111,530	1,618	1%
Other	1,186	1,505	(319)	-21%
Total operating revenues	<u>\$ 653,993</u>	<u>\$ 656,440</u>	<u>\$ (2,446)</u>	<u>0%</u>
Nonoperating revenues, capital gifts and grants				
State Appropriations	\$ 364,097	\$ 321,967	\$ 42,131	13%
Federal appropriations	5,127	7,326	(2,199)	-30%
Federal grants and contracts	40,110	42,997	(2,887)	-7%
Gifts	24,201	24,239	(37)	0%
Investment income	6,326	4,074	2,252	55%
Insurance proceeds	338	278	61	22%
Tax revenues	3,113	2,794	320	11%
Gain on sale of capital assets	521	-	521	0%
State appropriations-capital assets	48,941	36,583	12,358	34%
Capital grants & gifts	19,866	21,211	(1,345)	-6%
Total nonoperating revenues, capital gifts and grants	<u>\$ 512,640</u>	<u>\$ 461,469</u>	<u>\$ 51,174</u>	<u>11%</u>
Total Revenues	<u><u>\$ 1,166,633</u></u>	<u><u>\$ 1,117,909</u></u>	<u><u>\$ 48,728</u></u>	<u><u>4%</u></u>

Tuition and fee revenues increased 4 percent from fiscal year 2012. Grant and contract revenues (included in operating revenues) decreased 10 percent in fiscal year 2012. Within this total, federal grants and contracts revenue decreased \$22.2 million and state grants and contracts revenue decreased \$1.2 million while private grants and contracts increased \$3.6 million.

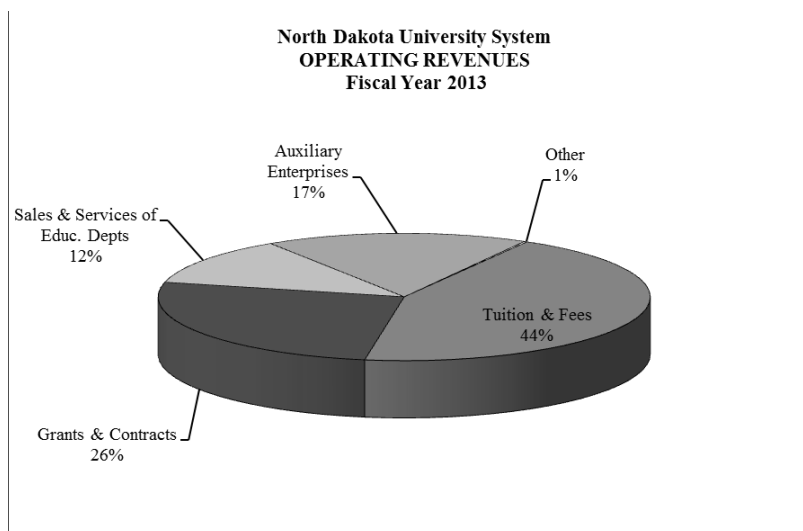
Revenues from auxiliary enterprises such as housing, bookstore and foodservice increased 1.5 percent from fiscal year 2012.

State appropriations, excluding capital assets, increased 13 percent over fiscal year 2012. Investment income increased 55 percent from fiscal year 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS

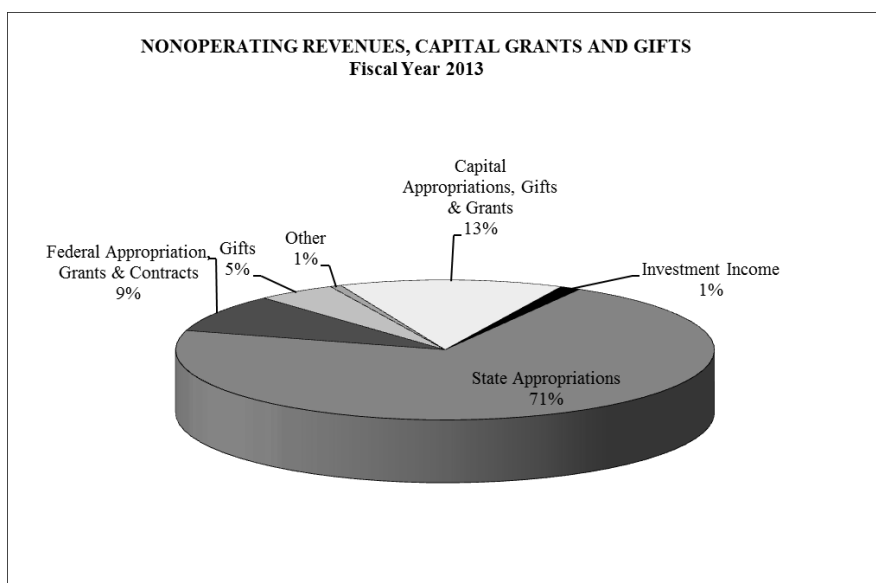
JUNE 30, 2013

The following graph depicts sources of operating revenues for fiscal year 2013:



In fiscal year 2013, tuition and fees accounted for 44 percent of operating revenues, an increase of 1 percent from the previous fiscal year.

The following chart depicts sources of nonoperating revenues, capital grants and gifts for fiscal year 2013:



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

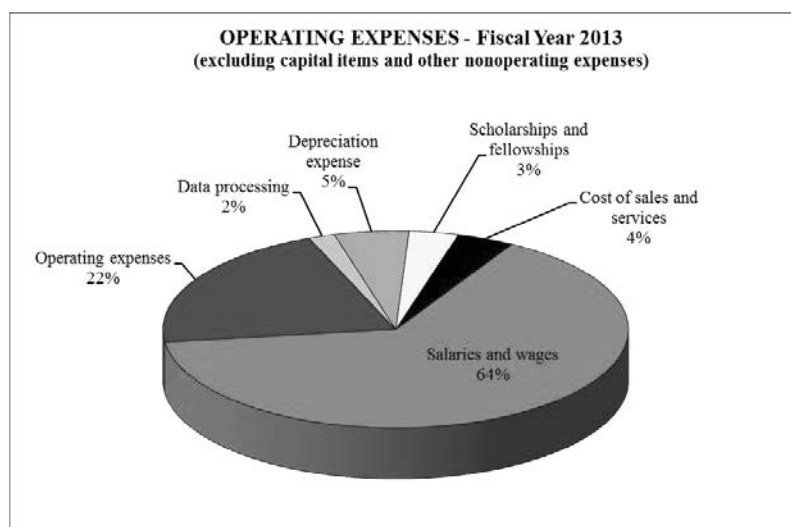
Expenses

The following table shows expenses by natural classification for the fiscal years ended June 30, 2013 and 2012:

	June 30 (in Thousands)		Dollar	Percent
	2013	2012	Change	Change
Operating expenses				
Salaries and wages	\$ 689,410	\$ 665,604	\$ 23,806	4%
Operating expenses	224,077	224,401	(324)	0%
Data processing	19,345	13,524	5,822	43%
Depreciation expense	55,179	53,104	2,074	4%
Scholarships and fellowships	36,544	36,951	(408)	-1%
Cost of sales and services	42,642	41,073	1,569	4%
Total operating expenses	<u>\$ 1,067,197</u>	<u>\$ 1,034,657</u>	<u>\$ 32,539</u>	<u>3%</u>
Nonoperating expenses				
Interest on capital asset related debt	\$ 14,271	\$ 15,361	\$ (1,090)	-7%
Loss on sale of capital assets	-	299	(299)	-100%
General and special grant expenditures	42	-	42	100%
Other nonoperating, net	310	-	310	100%
Total nonoperating expenses	<u>\$ 14,623</u>	<u>\$ 15,660</u>	<u>\$ (1,037)</u>	<u>-7%</u>
Total expenses	<u><u>\$ 1,081,820</u></u>	<u><u>\$ 1,050,317</u></u>	<u><u>\$ 31,502</u></u>	<u><u>3%</u></u>

Salaries and wages expense for the System increased 4 percent in fiscal year 2013 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 was flat in fiscal year 2013. Scholarships and fellowships expense decreased 1 percent.

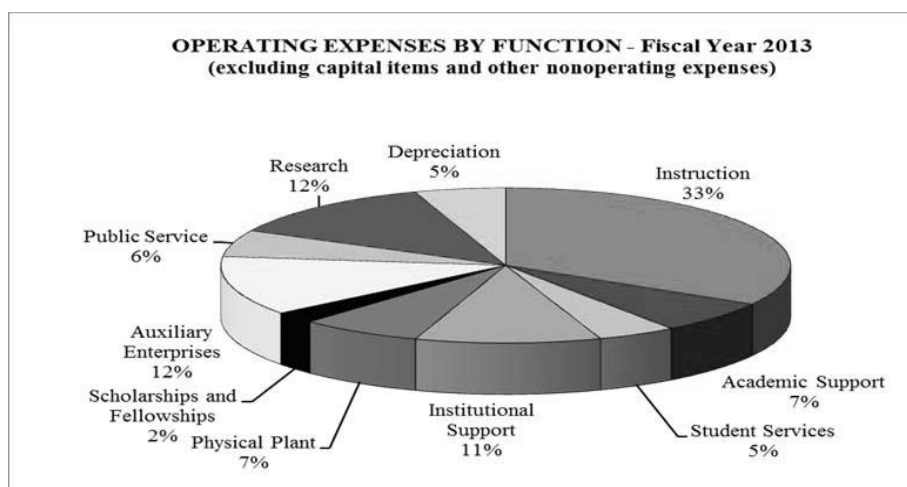
The allocation of operating expenses among the natural classification categories has not changed significantly from fiscal year 2012. The following chart depicts the uses of operating funds according to natural classification for fiscal year 2013:



MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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 2013:



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 Position (SRECNP) because of the inclusion of noncash items, such as depreciation expense, on the SRECNP. Also, the SRECNP 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, 2013

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, 2013 and 2012 is shown below:

	June 30 (in Thousands)	
	2013	2012
Cash flows from operating activities	\$ (344,568)	\$(311,181)
Cash flows from noncapital financing activities	442,172	394,428
Cash flows from capital and related financing activities	(78,020)	(55,893)
Cash flows from investing activities	(19,371)	(14,093)
Increase in cash and cash equivalents during the year	<u>\$ 213</u>	<u>\$ 13,260</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 2013 was \$371.6 million. If this figure is added to the cash flows from operating activities, the result is a positive cash flow of \$27.0 million.

CAPITAL ASSET AND LONG-TERM LIABILITIES HIGHLIGHTS

CAPITAL ASSETS

On June 30, 2013, the System had \$983.8 million invested in net capital assets, as reflected in the following table, which represents a net increase of \$53.4 million or 6 percent during the fiscal year.

	June 30 (in thousands)	
	2013	2012
Land	\$ 15,540	\$ 16,105
Land improvements/infrastructure	187,356	170,510
Buildings	1,051,783	1,014,544
Furniture, fixtures, and equipment	283,410	272,071
Library materials	108,033	105,769
Construction in progress	129,021	96,895
Capitalized software	23,350	22,825
Other intangibles	1,845	1,431
Total	<u>\$ 1,800,338</u>	<u>\$ 1,700,150</u>
Total accumulated depreciation and amortization	<u>(816,518)</u>	<u>(769,717)</u>
Capital assets, net	<u>\$ 983,820</u>	<u>\$ 930,433</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Total additions to depreciable capital assets in fiscal year 2013 were \$48.1 million. Construction in progress for other projects underway totaled \$129.0 million at June 30, 2013. Some of the major projects, and their estimated project costs, include:

- Student Union Addition and Renovation at BSC - \$9.0 million
- Science/Library Renovation and Education Addition at MaSU - \$5.2 million
- Agassiz Hall Renovation at MaSU - \$3.8 million
- Wellness Center at MiSU - \$12.8 million
- Geothermal conversion at MiSU - \$16.2 million
- Press Box at MiSU - \$4.0 million
- Bisek Hall Remodel at NDSCS - \$10.5 million
- Forkner Hall Remodel at NDSCS - \$5.0 million
- Riley Hall Remodel at NDSCS - \$4.0 million
- Research Greenhouse Complex – Phase III at NDSU - \$9.4 million
- Minard Hall at NDSU - \$22.9 million
- Bison Sports Arena at NDSU - \$35.4 million
- InnerCore System at NDSU - \$3.7 million
- Expansion of Research Building #1 at NDSU - \$9.0 million
- IT Facility at UND - \$16.8 million
- Wilkerson Addition at UND - \$29.0 million
- Indoor Athletic Practice Facility at UND - \$19.5 million
- Rhoades Science Building renovation at VCSU - \$10.3 million
- New residence hall at WSC - \$9.9 million
- Workforce Training Center at WSC - \$6.7 million

Outstanding commitments for these and other capital projects as of June 30, 2013 totaled \$22.5 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, 2013, the System had \$330.9 million in bonds and other long-term obligations outstanding, compared to \$343.3 million on June 30, 2012, as represented in the following table:

	June 30 (in thousands)	
	2013	2012
Bonds Payable	\$ 222,588	\$ 224,923
Notes Payable	10,518	11,408
Capital Leases	61,796	73,211
Special Assessments	3,968	3,966
Compensated Absences	32,078	29,783
Total Debt	<u>\$ 330,947</u>	<u>\$ 343,291</u>
 Viability Ratio (expendable net assets to L-T debt)	 <u>1.0</u>	 <u>0.9</u>

Long-term liabilities added in fiscal year 2013 totaled approximately \$32.3 million, including: revenue bonds totaling \$26.4 million for new construction and renovation projects, \$3.2 million in new capital leases for purchase of capital assets, \$283 thousand in new special assessments for campus improvements and \$2.4 million

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

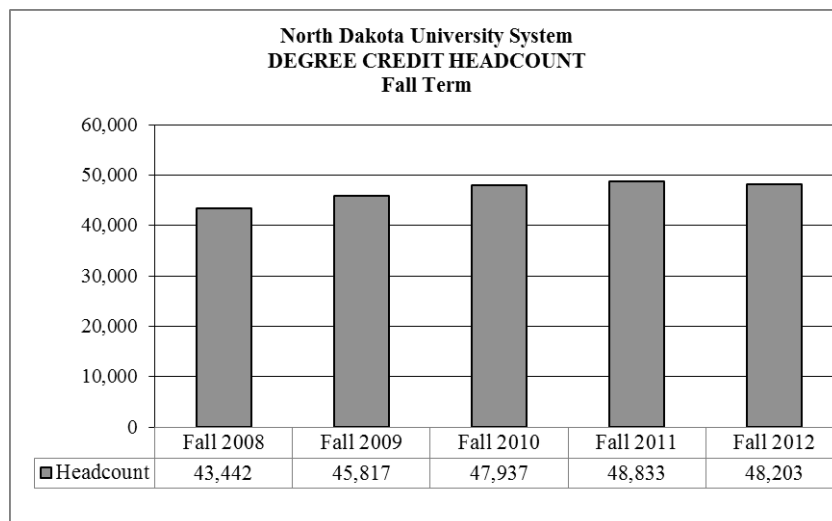
in other long-term obligations. Total debt retired in fiscal year 2013 was \$44.6 million, consisting primarily of capital lease payments of \$14.6 million, bond payments of \$28.7 million and other regularly scheduled principal payments. At June 30, 2013, \$63.5 million of revenue is pledged as security for outstanding revenue bonds.

The viability ratio, calculated by dividing expendable net position by long-term debt, measures the System's ability to retire long-term debt using available current resources. The System's viability ratio at June 30, 2013 of 1 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.

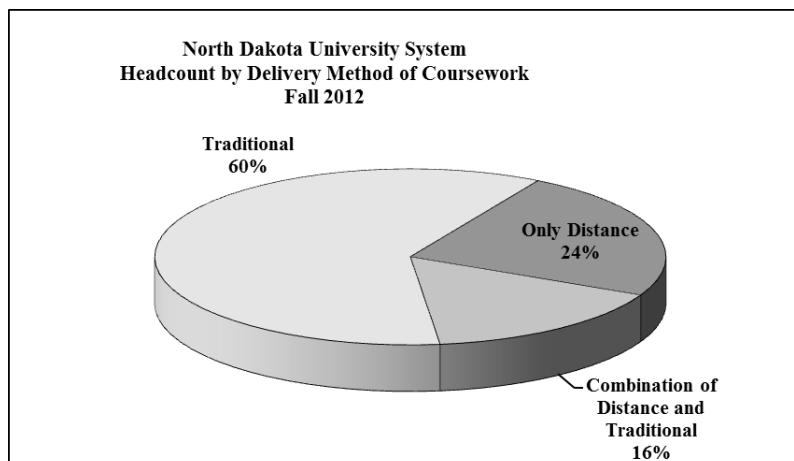
OTHER HIGHLIGHTS

STUDENT ENROLLMENTS

Annual FTE enrollment for fall 2012 was 38,703, a decrease of 1 percent over the previous fall enrollment. Annual Headcount enrollment for fall 2012 was 48,203. Degree credit headcount for the University System for the last five fall terms is as follows:



Traditional learning comprised 60% of total headcount while Distance Only coursework made up 24%. Combination of traditional and distance made up 16% of headcount, as noted in the graph below:



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 robin.putnam@ndus.edu or State Capitol - 10th Floor, 600 E. Boulevard, Bismarck, ND 58505-0230.

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2013

STATEMENT OF NET POSITION

	Primary Institutions
ASSETS	
Current assets	
Cash and cash equivalents	\$ 106,331,339
Investments	77,826,782
Accounts receivable, net	24,870,833
Receivable from component units	7,884,446
Due from State General Fund	14,657,050
Grants & contracts receivables, net	40,478,662
Inventories	8,384,669
Notes receivable, net	8,100,810
Other assets	3,082,374
Total current assets	<u>\$ 291,616,965</u>
Noncurrent assets	
Restricted cash and cash equivalents	\$ 17,068,453
Restricted investments	10,939,463
Endowment investments	15,967,313
Notes receivable, net	28,853,377
Other long-term investments	116,590,934
Unamortized bond discount & cost of issuance	4,050,844
Due from component units	953,256
Other noncurrent assets	420,000
Capital assets, net	983,820,407
Total noncurrent assets	<u>1,178,664,047</u>
Total assets	<u>\$ 1,470,281,012</u>
Deferred Outflows of Resources	\$ -
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	\$ 35,803,399
Payable to component units	269,032
Accrued payroll	32,883,102
Unearned revenue	19,141,711
Deposits	6,534,625
Long-term liabilities--current portion	
Due to Component Units	2,961,660
Due to Others	17,888,951
Total current liabilities	<u>115,482,480</u>
Noncurrent liabilities	
Other noncurrent liabilities	\$ 2,798,508
Long-term liabilities	
Due to Component Units	53,803,414
Due to Others	256,293,191
Total noncurrent liabilities	<u>312,895,113</u>
Total liabilities	<u>\$ 428,377,593</u>
Deferred Inflows of Resources	\$ -
NET POSITION	
Invested in capital assets	\$ 699,209,394
Restricted for:	
Nonexpendable:	
Scholarships and fellowships	15,698,471
Expendable:	
Scholarships and fellowships	2,701,107
Research	10,206,854
Institutional	13,873,311
Loans	44,959,657
Capital projects	43,772
Debt service	18,765,228
Other	438,808
Unrestricted	236,006,817
Total net position	<u>\$ 1,041,903,419</u>

NORTH DAKOTA UNIVERSITY SYSTEM

FINANCIAL STATEMENTS

JUNE 30, 2013

STATEMENT OF NET POSITION

	Component Units
ASSETS	
Current assets	
Cash and cash equivalents	\$ 57,829,021
Investments	51,047,119
Accounts receivable, net	1,752,828
Receivable from Primary Institution	3,194,029
Unconditional promises to give, net of allowance	12,167,660
Inventories	1,347,130
Other assets	4,910,566
Total current assets	<u>\$ 132,248,353</u>
Noncurrent assets	
Restricted cash and cash equivalents	\$ 6,353,822
Investments	
Investments, net of current portion	302,213,481
Investments, temporarily restricted	1,290,204
Investments, permanently restricted	4,114,303
Investments held in trust	30,582,347
Beneficial interest in trust	15,895,820
Charitable gift annuity investments	4,766,388
Investments held under split-interest agreements	1,761,279
Charitable remainder trust account investments	21,095,697
Endowment investments	9,681,996
Real estate and equipment held for investment, net of accumulated depreciation	27,289,325
Other long-term investments	7,933,827
Total investments	<u>\$ 426,624,667</u>
Contracts for deed and notes receivable, net of current portions	\$ 1,234,213
Long term pledges receivable/ unconditional promises to give	52,906,111
Other receivables	173,749
Due from Primary Institution-Capital Leases	53,720,495
Notes receivable, net	7,106,885
Other noncurrent assets	1,837,255
Capital assets, net	148,665,792
Total noncurrent assets	<u>698,622,989</u>
Total assets	<u>\$ 830,871,342</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	\$ 4,198,708
Payable to Primary Institution	14,155,217
Accrued payroll	1,022,028
Current portion of gift annuities and life income agreements	3,046,321
Deferred revenue	9,849,281
Other current liabilities	1,909,695
Long-term liabilities--current portion	13,847,401
Total current liabilities	<u>48,028,651</u>
Noncurrent liabilities	
Deposits	\$ 26,351,174
Gift annuities and life income agreements, net of current portion	17,351,911
Obligations under split-interest agreement	6,922,463
Other noncurrent liabilities	166,012
Long-term liabilities	91,339,093
Total noncurrent liabilities	<u>142,130,653</u>
Total liabilities	<u>\$ 190,159,304</u>
Net Position	
Temporarily restricted	\$ 123,119,442
Nonexpendable:	
Permanently restricted	329,876,006
Net investment in property and equipment	68,282,309
Unrestricted	119,434,281
Total net position	<u>\$ 640,712,038</u>
Total liabilities and net position	<u>\$ 830,871,342</u>

See Notes to Financial Statements

NORTH DAKOTA UNIVERSITY SYSTEM

FINANCIAL STATEMENTS

JUNE 30, 2013

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Primary Institution
OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of \$60,249,664 and bad debt allowance of \$1,598,387)	\$ 289,264,752
Federal grants and contracts	118,308,559
State grants and contracts	16,913,120
Nongovernmental grants and contracts (net of bad debt allowance of \$129,181)	35,622,611
Sales and services of educational departments (net of bad debt allowance of \$178,642)	79,550,613
Auxiliary enterprises (net of scholarship allowances of \$6,163,112 and bad debt allowance of \$462,698)	113,147,824
Other (net of bad debt allowance of \$39,251)	1,185,772
Total operating revenues	<u>\$ 653,993,251</u>
OPERATING EXPENSES	
Salaries and wages	\$ 689,410,036
Operating expenses	224,077,153
Data processing	19,345,492
Depreciation expense	55,178,707
Scholarships and fellowships	36,543,561
Cost of sales and services	42,641,721
Total operating expenses	<u>\$ 1,067,196,670</u>
Operating income (loss)	<u>\$ (413,203,419)</u>
NONOPERATING REVENUES (EXPENSES)	
State appropriations	\$ 364,097,197
Federal appropriations	5,127,259
Federal grants and contracts (net of bad debt allowance of \$40,636)	40,109,824
Gifts	24,201,500
Endowment Investment income (net of investment expense of \$42,726)	6,325,947
Interest on capital asset-related debt	(14,271,216)
Gain (loss) on disposal of capital assets	521,492
Insurance proceeds	338,319
Tax revenues	3,113,418
General and special grant expenditures	(42,105)
Other nonoperating revenues (expenses) (net of bad debt allowance of \$364,462)	(310,258)
Net nonoperating revenues (expenses)	<u>\$ 429,211,377</u>
Income before capital grants, gifts, and transfers	<u>\$ 16,007,958</u>
State appropriations-capital assets	\$ 48,940,729
Transfers to from Building Authority	(6,166,330)
Capital grants and gifts	19,865,857
Increase in net position	<u>\$ 78,648,214</u>
NET POSITION	
Net position--beginning of year, as restated	<u>\$ 963,255,205</u>
Net position--end of year	<u>\$ 1,041,903,419</u>

NORTH DAKOTA UNIVERSITY SYSTEM**FINANCIAL STATEMENTS****JUNE 30, 2013**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Component Units
Support and Revenue	
Gift and contributions	\$ 61,436,270
Investment income	22,784,356
Net realized and unrealized gains (losses) on investment securities	14,836,433
Program and event income	59,040,828
Other income	15,300,277
Total support and revenue	<u>\$ 173,398,164</u>
Expenses	
Program services	\$ 39,370,520
Supporting services	71,888,828
Impairment Loss	5,905,202
Fundraising expense	3,742,965
Total operating expenses	<u>\$ 120,907,515</u>
 Change in split-interest agreement	 <u>\$ 3,975,462</u>
 Change in Net Position	 \$ 56,466,111
Net Position Beginning of Year, as restated	<u>\$ 584,245,927</u>
Net Position, End of Year	<u><u>\$ 640,712,038</u></u>

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2013

STATEMENT OF CASH FLOWS

	Primary Institution
CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees	\$ 289,668,305
Grants and contracts	171,550,454
Payments to suppliers	(275,524,162)
Payments to employees	(685,016,597)
Payments for scholarships and fellowships	(36,543,561)
Loans issued to students	(5,131,303)
Collection of loans to students	5,726,492
Auxiliary enterprise charges	113,423,085
Sales and service of educational departments	75,860,943
Cash received/(paid) on deposits	(518,049)
Other receipts (payments)	1,936,673
Net cash used by operating activities	<u>\$ (344,567,720)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	\$ 371,572,837
Federal appropriations	4,228,545
Grants and gifts received for other than capital purposes	64,144,619
Grants given for other than capital purposes	(42,105)
Direct lending receipts	200,540,709
Direct lending disbursements	(200,394,668)
Agency fund cash increase/(decrease)	(991,472)
Tax revenues	3,113,418
Net cash flows provided by noncapital financing activities	<u>\$ 442,171,883</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from issuance of debt	\$ 26,978,391
Transfers to Building Authority	(6,166,330)
Capital appropriations	50,739,886
Capital grants and gifts received	16,003,186
Proceeds from sale of capital assets	32,020
Purchases of capital assets	(109,916,349)
Insurance proceeds	358,517
Principal paid on capital debt and lease	(27,391,702)
Deposits with capital debt payment trustees	(15,815,000)
Interest paid on capital debt and lease	(12,842,423)
Net cash used by capital and related financing activities	<u>\$ (78,019,804)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	\$ 48,188,193
Interest on investments	8,421,224
Purchase of investments	(75,980,583)
Net cash provided by investing activities	<u>\$ (19,371,166)</u>
Net increase (decrease) in cash	\$ 213,193
CASH - BEGINNING OF YEAR	<u>123,186,599</u>
CASH - END OF YEAR	<u><u>\$ 123,399,792</u></u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (413,203,419)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	
Depreciation expense	55,178,707
Other nonoperating revenues (expenses)	(2,367,581)
Change in assets and liabilities	
Accounts receivable adjusted for interest receivable	(3,701,391)
Due from Other NDUS institutions	
Grant & contract receivables	412,355
Inventories	(230,185)
Notes receivable	1,857,545
Other assets	3,195,825
Accounts payable and accrued liabilities adjusted for interest payable	7,045,887
Accrued payroll	2,094,491
Compensated absences	2,298,946
Deferred revenue	2,312,341
Deposits	538,759
Net cash provided (used) by operating activities	<u><u>\$ (344,567,720)</u></u>
SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS	
Assets acquired through capital lease	\$ 853,509
Assets acquired through special assessment	60,807
Expenses paid by capital lease/special assessments	1,876,291
Gifts of capital assets	1,562,453
Net increase (decrease) in value of investments	197,846
Total non-cash transactions	<u><u>\$ 4,550,906</u></u>

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2013

STATEMENT OF NET POSITION- MAJOR COMPONENT UNITS

FASB BASIS	BSC Foundation June 30, 2013	DSU Foundation June 30, 2013	NDSU Development Foundation December 31, 2013	NDSU Research & Technology Park June 30, 2013	UND Aerospace Foundation June 30, 2013
Assets					
Current assets					
Cash and cash equivalents	\$ 497,857	\$ 1,306,106	\$ 17,374,284	\$ 2,083,797	\$ 12,285,353
Investments	-	7,864,064	16,757,181	-	8,272,628
Accounts receivable, net	21,848	-	-	51,744	1,615,715
Receivable from Primary Institution	114,072	-	-	-	-
Unconditional promises to give, net of allowance	162,674	1,289,372	5,414,203	2,500	-
Inventories	-	7,332	-	-	92,824
Other assets	40,037	-	1,875,653	23,792	286,705
Total current assets	<u>\$ 836,488</u>	<u>\$ 10,466,874</u>	<u>\$ 41,421,321</u>	<u>\$ 2,161,833</u>	<u>\$ 22,553,225</u>
Noncurrent assets					
Restricted cash and cash equivalents	\$ -	\$ 16,318	\$ -	\$ -	\$ -
Investments:					
Investments, net of current portion	8,155,626	-	101,641,987	-	-
Investments, temporarily restricted	-	-	-	-	-
Investments, permanently restricted	-	-	-	-	-
Investments held in trust	4,118,517	-	-	-	-
Beneficial interest in trust	1,555,349	-	-	-	-
Charitable gift annuity investments	-	-	-	-	-
Investments held under split-interest agreement	-	1,761,279	-	-	-
Charitable remainder trust account investments	-	-	-	-	-
Endowment investments	-	-	-	-	-
Real estate and equipment held for investment, net of accumulated depreciation	187,517	-	45,050,789	-	-
Other long-term investments	91,632	-	-	-	1,040,000
Total investments	<u>\$ 14,108,641</u>	<u>\$ 1,777,597</u>	<u>\$ 146,692,776</u>	<u>\$ -</u>	<u>\$ 1,040,000</u>
Contracts for deed and notes receivable, net of current portions	\$ -	\$ -	\$ 1,234,213	\$ -	\$ -
Long term pledges receivable/unconditional promises to give	600,829	892,329	17,478,807	9,909	-
Other receivables	-	-	-	-	-
Receivable from Primary Institution	1,738,090	-	-	-	-
Notes receivable, net	-	-	-	6,490,000	-
Other noncurrent assets	153,165	372,764	485,185	386,391	82,924
Capital assets, net	<u>11,377,536</u>	<u>11,294,211</u>	<u>3,650,836</u>	<u>25,186,786</u>	<u>22,953,020</u>
Total noncurrent assets	<u>\$ 27,978,261</u>	<u>\$ 14,336,901</u>	<u>\$ 169,541,817</u>	<u>\$ 32,073,086</u>	<u>\$ 24,075,944</u>
Total assets	<u>\$ 28,814,749</u>	<u>\$ 24,803,775</u>	<u>\$ 210,963,138</u>	<u>\$ 34,234,919</u>	<u>\$ 46,629,169</u>
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	\$ 415,220	\$ 206,041	\$ 2,854,552	\$ 217,611	\$ 338,007
Payable to Primary University	-	-	1,641,230	-	874,176
Accrued payroll	-	86,506	-	27,919	445,037
Current portion of gift annuities and life income agreements	223,735	-	803,873	-	-
Deferred revenue	-	-	113,000	-	7,584,818
Other current liabilities	-	1,283,619	217,915	-	-
Long-term liabilities-current portion	212,419	2,897,213	1,488,091	1,038,291	507,690
Total current liabilities	<u>\$ 851,374</u>	<u>\$ 4,473,379</u>	<u>\$ 7,118,661</u>	<u>\$ 1,283,821</u>	<u>\$ 9,749,728</u>
Noncurrent liabilities					
Deposits	-	-	-	-	-
Gift annuities and life income agreements, net of current portion	2,687,025	-	-	-	-
Obligations under split-interest agreement	-	863,331	6,059,132	-	-
Other noncurrent liabilities	166,012	-	-	-	-
Long-term liabilities	<u>1,989,743</u>	<u>8,523,045</u>	<u>23,779,419</u>	<u>27,087,525</u>	<u>3,301,785</u>
Total noncurrent liabilities	<u>\$ 4,842,780</u>	<u>\$ 9,386,376</u>	<u>\$ 29,838,551</u>	<u>\$ 27,087,525</u>	<u>\$ 3,301,785</u>
Total liabilities	<u>\$ 5,694,154</u>	<u>\$ 13,859,755</u>	<u>\$ 36,957,212</u>	<u>\$ 28,371,346</u>	<u>\$ 13,051,513</u>
NET POSITION					
Temporarily restricted	\$ 545,705	\$ 521,690	\$ 48,524,994	\$ 12,409	\$ 6,500,000
Nonexpendable:					
Permanently restricted:	13,417,679	10,939,581	95,240,552	-	-
Net investment in property and equipment	-	-	-	-	-
Unrestricted	9,157,211	(517,251)	30,240,380	5,851,164	27,077,656
Total net position	<u>23,120,595</u>	<u>10,944,020</u>	<u>174,005,926</u>	<u>5,863,573</u>	<u>33,577,656</u>
Total liabilities and net position	<u>\$ 28,814,749</u>	<u>\$ 24,803,775</u>	<u>\$ 210,963,138</u>	<u>\$ 34,234,919</u>	<u>\$ 46,629,169</u>

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2013

STATEMENT OF NET POSITION - MAJOR COMPONENT UNITS - Continued

FASB BASIS	RE Arena, Inc UND Arena Services, Inc. UND Sports					
	UND Alumni	Facilities, Inc.	Total Major Component Units	Non-major Component Units	Reclassifications	Total Component Units
	Association & UND	Arena Holdings Charitable LLC & Affiliates				
	Foundation June 30, 2013	31-May-13				
ASSETS						
Current assets						
Cash and cash equivalents	\$ 4,775,530	\$ 6,592,794	\$ 44,915,721	\$ 12,913,300	\$ -	\$ 57,829,021
Investments	-	-	32,893,873	18,153,246	-	51,047,119
Accounts receivable, net		696,017	2,385,324	168,558	(801,054)	1,752,828
Due from Primary Institution		-	114,072	65,139	3,014,818	3,194,029
Unconditional promises to give, net of allowance	4,882,074	-	11,750,823	416,837		12,167,660
Inventories		1,233,200	1,333,356	13,774		1,347,130
Other assets	2,191,479	129,510	4,547,176	388,191	(24,801)	4,910,566
Total current assets	\$ 11,849,083	\$ 8,651,521	\$ 97,940,345	\$ 32,119,045	\$ 2,188,963	\$ 132,248,353
Noncurrent assets						
Restricted cash and cash equivalents	\$ -	\$ 5,479,426	\$ 5,495,744	\$ 858,078	\$ -	\$ 6,353,822
Investments:						
Investments, net of current portion	162,784,717	-	272,582,330	29,631,151	-	302,213,481
Investments, temporarily restricted	-	-	-	1,290,204	-	1,290,204
Investments, permanently restricted	-	-	-	4,114,303	-	4,114,303
Investments held in trust	26,351,174	-	30,469,691	112,656	-	30,582,347
Beneficial interest in trust	13,327,602	-	14,882,951	1,012,869	-	15,895,820
Charitable gift annuity investments	4,766,388	-	4,766,388	-	-	4,766,388
Investments held under split-interest agreement	-	-	1,761,279	-	-	1,761,279
Charitable remainder trust account investment	21,095,697	-	21,095,697	-	-	21,095,697
Endowment investments	-	-	-	9,681,996	-	9,681,996
Real estate and equipment held for investment, net of accumulated depreciation	-	-	45,238,306	4,720,922	(22,669,903)	27,289,325
Other long-term investments	6,145,493	-	7,277,125	656,702		7,933,827
Total investments	\$ 234,471,071	\$ -	\$ 398,073,767	\$ 51,220,803	\$ (22,669,903)	\$ 426,624,667
Contracts for deed and notes receivable, net of current portions						
	\$ -	\$ -	\$ 1,234,213	\$ -	\$ -	\$ 1,234,213
Long term pledges						
receivable/unconditional promises to give	33,450,050	-	52,431,924	474,187	-	52,906,111
Other receivables	8,591,386	-	8,591,386	-	(8,417,637)	173,749
Due from Primary Institution-Capital Leases		-	1,738,090	531,480	51,450,925	53,720,495
Notes receivable, net	163,223	-	6,653,223	453,662		7,106,885
Other noncurrent assets	-	-	1,480,429	356,826		1,837,255
Capital assets, net	13,745,014	68,282,309	156,489,712	14,703,702	(22,527,622)	148,665,792
Total noncurrent assets	\$ 290,420,744	\$ 73,761,735	\$ 632,188,488	\$ 68,598,738	\$ (2,164,237)	\$ 698,622,989
Total assets	\$ 302,269,827	\$ 82,413,256	\$ 730,128,833	\$ 100,717,783	\$ 24,726	\$ 830,871,342
				\$ -		
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities	\$ 884,412	\$ 1,690,421	\$ 6,606,264	\$ 1,329,096	\$ (3,736,652)	\$ 4,198,708
Payable to Primary University	-	2,011,702	4,527,108	3,120,286	6,507,823	14,155,217
Accrued payroll	462,566		1,022,028			1,022,028
Current portion of gift annuities and life income agreements						
	1,978,290	-	3,005,898	40,423		3,046,321
Deferred revenue	-	4,202,314	11,900,132	695,594	(2,746,445)	9,849,281
Other current liabilities		-	1,501,534	408,161		1,909,695
Long-term liabilities--current portion	776,513	498,288	7,418,505	6,428,896		13,847,401
Total current liabilities	\$ 4,101,781	\$ 8,402,725	\$ 35,981,469	\$ 12,022,456	\$ 24,726	\$ 48,028,651
Noncurrent liabilities						
Deposits	26,351,174	-	26,351,174	-	-	26,351,174
Gift annuities and life income agreements, net of current portion						
	14,344,156	-	17,031,181	320,730	-	17,351,911
Obligations unders split-interest agreement	-	-	6,922,463	-	-	6,922,463
Other noncurrent liabilities	-	-	166,012			166,012
Long-term liabilities	8,503,784	3,015,345	76,200,646	15,138,447	-	91,339,093
Total noncurrent liabilities	\$ 49,199,114	\$ 3,015,345	\$ 126,671,476	\$ 15,459,177	\$ -	\$ 142,130,653
Total liabilities	\$ 53,300,895	\$ 11,418,070	\$ 162,652,945	\$ 27,481,633	\$ 24,726	\$ 190,159,304
NET POSITION						
Temporarily restricted						
	\$ 55,425,932	\$ -	\$ 111,530,730	\$ 11,588,712	\$ -	\$ 123,119,442
Nonexpendable:						
Permanently restricted	166,223,942	-	285,821,754	44,054,252	-	329,876,006
Net investment in property and equipment	-	68,282,309	68,282,309	-	-	68,282,309
Unrestricted	27,319,058	2,712,877	101,841,095	17,593,186		119,434,281
Total net position	248,968,932	70,995,186	567,475,888	73,236,150	-	640,712,038
Total liabilities and net position	\$ 302,269,827	\$ 82,413,256	\$ 730,128,833	\$ 100,717,783	\$ 24,726	\$ 830,871,342

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2013

STATEMENT OF REVENUES, EXPENSES and CHANGES IN NET POSITION, MAJOR COMPONENT UNITS

	BSC	DSU	NDSU	NDSU	UND
	Foundation	Foundation	Development	Research &	Aerospace
	June 30, 2013	June 30, 2013	Foundation	Technology	Foundation
	June 30, 2013	June 30, 2013	December 31, 2012	Park	June 30, 2013
Support and revenue					
Gifts and contributions	\$ 1,197,244	\$ 2,276,148	\$ 16,875,506	\$ 1,285,769	\$ 1,569,129
Investment income	946,769	299,693	4,382,650	-	385,643
Net realized and unrealized					
gains (losses) on investment securities	840,160	293,816	10,040,821	-	-
Program and event income	46,801	238,879	-	33,100	35,870,777
Other income	329,447	1,092,743	1,076,822	2,636,779	557,403
Total support and revenue	<u>\$ 3,360,421</u>	<u>\$ 4,201,279</u>	<u>\$ 32,375,799</u>	<u>\$ 3,955,648</u>	<u>\$ 38,382,952</u>
Expenses					
Program Services	\$ 1,288,205	\$ 1,682,054	\$ 10,878,896	\$ 847,922	\$ 321,292
Supporting services	791,298	2,184,708	8,610,490	1,693,039	32,339,996
Impairment Loss					
Fund raising expense	92,427	298,303	-	-	-
Total expenses	<u>\$ 2,171,930</u>	<u>\$ 4,165,065</u>	<u>\$ 19,489,386</u>	<u>\$ 2,540,961</u>	<u>\$ 32,661,288</u>
Change in split-interest agreement	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Net Position	<u>\$ 1,188,491</u>	<u>\$ 36,214</u>	<u>\$ 12,886,413</u>	<u>\$ 1,414,687</u>	<u>\$ 5,721,664</u>
Net Position, Beginning of Year, as Restated	<u>\$ 21,932,104</u>	<u>\$ 10,907,805</u>	<u>\$ 161,119,513</u>	<u>\$ 4,448,886</u>	<u>\$ 27,855,992</u>
Net Position, End of Year	<u><u>\$ 23,120,595</u></u>	<u><u>\$ 10,944,019</u></u>	<u><u>\$ 174,005,926</u></u>	<u><u>\$ 5,863,573</u></u>	<u><u>\$ 33,577,656</u></u>

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2013

STATEMENT OF REVENUES, EXPENSES and CHANGES IN NET POSITION, MAJOR COMPONENT UNITS

	UND Alumni Association & UND Foundation June 30, 2013	RE Arena, Inc UND Arena Services, Inc. UND Sports Facilities, Inc. Arena Holdings Charitable LLC & Affiliates May 31, 2013	Total Major Component Units	Non-Major Component Units	Total Component Units
Support and revenue					
Gifts and contributions	\$ 27,803,533	\$ -	\$ 51,007,329	\$ 10,428,941	\$ 61,436,270
Investment income	15,165,841	-	21,180,596	1,603,760	22,784,356
Net realized and unrealized gains (losses) on investment securities	-	-	11,174,797	3,661,636	14,836,433
Program and event income	6,908,565	8,350,281	51,448,403	7,592,425	59,040,828
Other income	-	1,421,544	7,114,738	8,185,539	15,300,277
Total support and revenue	<u>\$ 49,877,939</u>	<u>\$ 9,771,825</u>	<u>\$ 141,925,863</u>	<u>\$ 31,472,301</u>	<u>\$ 173,398,164</u>
Expenses					
Program Services	\$ 14,731,266	\$ 1,124,201	\$ 30,873,836	\$ 8,496,684	\$ 39,370,520
Supporting services	2,365,124	9,364,505	57,349,160	14,539,668	71,888,828
Impairment Loss	-	-	-	5,905,202	5,905,202
Fund raising expense	2,844,282	-	3,235,012	507,953	3,742,965
Total expenses	<u>\$ 19,940,672</u>	<u>\$ 10,488,706</u>	<u>\$ 91,458,008</u>	<u>\$ 29,449,507</u>	<u>\$ 120,907,515</u>
Change in split-interest agreement	<u>\$ 3,975,462</u>	<u>\$ -</u>	<u>\$ 3,975,462</u>	<u>\$ -</u>	<u>\$ 3,975,462</u>
Change in net position	<u>\$ 33,912,729</u>	<u>\$ (716,881)</u>	<u>\$ 54,443,317</u>	<u>\$ 2,022,794</u>	<u>\$ 56,466,111</u>
Net Position, Beginning of Year, as Restated	<u>\$ 215,056,203</u>	<u>\$ 71,712,067</u>	<u>\$ 513,032,570</u>	<u>\$ 71,213,357</u>	<u>\$ 584,245,927</u>
Net Position, End of Year	<u>\$ 248,968,932</u>	<u>\$ 70,995,186</u>	<u>\$ 567,475,887</u>	<u>\$ 73,236,151</u>	<u>\$ 640,712,038</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

The North Dakota State Board of Higher Education (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

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. Governmental Accounting Standards Board Statement No. 61 amends the requirements established by GASB Statement No. 14 and GASB Statement No. 39 for inclusion of component units in the financial reporting entry. GASB Statement No. 61 requires a financial benefit or burden relationship in addition to a fiscal dependency.

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

The component units' financial statements are presented under Financial Accounting Standards Board (FASB) standards. As such, certain amounts reported on the primary institution financial statements (receivables from and payables to component units) are not reflected on the component units' financial statements. A reclassification column has been added to the consolidating component unit's net asset

NOTES TO THE FINANCIAL STATEMENTS

statement to reflect material inter-entity balances between the primary institutions and the component units. Certain other amounts have been reclassified for consistent presentation. Detailed component unit financial statements may be obtained at the respective addresses listed below.

Blended Component Units

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

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

North Dakota University System Foundation is considered a blended component unit. Although it is a legally separate, non-profit 501(c)(3) organization, NDUS Foundation is reported as if it were part of the primary institution because its sole purpose is to support the NDUS. Some members of the 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 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 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

NOTES TO THE FINANCIAL STATEMENTS

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 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 Foundation, 230 Eighth Ave West, 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. In fiscal year 2012, the foundation changed their fiscal year end from June 30 to December 31. Foundation financial statements and footnote disclosures are presented as of December 31, 2012. 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.

NDSU Research & Technology Park, Inc., is a nonprofit organization established in 1999 to promote an economic environment dedicated to applied research and technology discovery for the benefit of NDSU, its faculty and staff and students and the citizens of North Dakota. The majority of the Park's board of directors (7 of 10) works in private industry. Vacancies are filled by a majority vote of the board. Officers of NDSU fill the remaining three positions. The President of NDSU serves as president of the board of directors and has control over final building plans for any new building at the Park. Complete financial statements for NDSU Research & Technology Park, Inc. may be obtained at the entity's administrative office at 1854 NDSU Research Circle North, Fargo, ND 58102.

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

NOTES TO THE FINANCIAL STATEMENTS

The **Alumni Association of the University of North Dakota** and the **UND Foundation** are nonprofit organizations utilizing a common board of directors and administration organized exclusively for the benefit of the University of North Dakota ("UND"). The administrative offices for the organizations are maintained on the University of North Dakota Campus.

The Alumni Association of the University of North Dakota was incorporated in 1915 and the UND Foundation was incorporated in 1978 to replace the Alumni Association Development Fund. The Foundation receives, holds and manages contributions from alumni and private sources and engages in development activities on behalf of UND. The Alumni Association of the University of North Dakota is organized to keep alumni connected to each other and to UND and to support the growth and enrichment of the University. The organizations are supported primarily through donor contributions and earnings on investments.

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 whom are alumni of UND, and 4 ex-officio members that are officers of UND. Complete combined financial statements for the Alumni Association of the University of North Dakota and UND Foundation, may be obtained at the entity's administrative offices at 3501 University Ave Stop 8157, Grand Forks, ND 58202-8157.

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

Non-major Component Units

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 two ex-officio members that are officers 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.

NOTES TO THE FINANCIAL STATEMENTS

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 3rd 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 11 voting members manages the foundation. Two are ex-officio appointments from the Board of Regents and the Alumni Association, and three are ex-officio members who are employees of MiSU. Complete financial statements for Minot State University Development Foundation may be obtained at the entity's administrative office at 500 University Avenue West, Minot, ND 58707.

North Dakota State College of Science Foundation was established to act primarily as a fund-raising organization to supplement the resources that are available to NDSCS. The foundation is managed by a 19 member board of directors comprised of leading citizens, both alumni and friends of the college as well as six ex-officio members that are officers/employees of NDSCS. Complete financial statements 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 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, Suite 124, 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

NOTES TO THE FINANCIAL STATEMENTS

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 Team Makers, Dept 1200, PO Box 6050, Fargo ND 58108-6050.

University of North Dakota Center for Innovation Foundation has a mission to foster entrepreneurship statewide as well as support the Center for Innovation and the Department of Entrepreneurship within the College of Business and Public Administration. The Foundation is governed by a board of directors comprised of seven voting members, two non-voting trustee emeritus, and four non-voting members who are officers of UND plus the Director of the Center for Innovation. Complete financial statements for the Center for Innovation Foundation 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 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 University of North Dakota Research Foundation may be obtained at the entity's administrative office at 4201 James Ray Drive, 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 18th 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

NOTES TO THE FINANCIAL STATEMENTS

for use in connection with specific programs at NDSU are the responsibility of the university. As of June 30, 2013, Tri-College University had net position of approximately \$568,410 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 0.3% each in total assets and less than 0.5% each in total revenues when compared to total assets and revenues of the primary institution. Separate boards of directors control these entities. In addition, the college or university does not exercise financial or administrative control over these entities and/or the entities' relationship with the primary institutions is not significant enough to warrant inclusion in the reporting entity's financial statements. The related organizations at June 30, 2013 were:

BSC:	National Alumni Association 1255 Schafer Street PO Box 5587 Bismarck, ND 58506-5587	DSU:	The Blue Hawk Booster Club 24 2 nd Street W Dickinson, ND 58601-5128
MaSU:	Mutual Aid Corporation 330 3 rd 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 NDSU 4H Foundation FLC 219, Dept 7280 PO Box 6050 Fargo, ND 58108	UND:	EERC Foundation Energy & Environmental Research Center University of North Dakota 5 North 23 rd Street, Stop 9018 Grand Forks, ND 58202-9018 Law School Foundation 215 Centennial Drive Stop 9003 Grand Forks, ND 58502-9003 The Fellows of the University of North Dakota 264 Centennial Drive Twamley Hall Grand Forks, ND 58502
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

NOTES TO THE FINANCIAL STATEMENTS

Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, and Statement No. 35, Basic Financial Statements - and Management’s Discussion and Analysis - for Public Colleges and Universities, issued in June and November, 1999, as amended by GASB Statement Nos. 36, 37 and 38. The System follows the “business-type activities” (BTA) reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the System’s activities.

BASIS OF ACCOUNTING

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

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

UNRESTRICTED NET POSITION

Unrestricted net position 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,

NOTES TO THE FINANCIAL STATEMENTS

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 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

NOTES TO THE FINANCIAL STATEMENTS

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.

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

NOTES TO THE FINANCIAL STATEMENTS

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

Depreciation and intangible amortization is calculated using the straight-line method over the following estimated useful lives for the System and its component units. All 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.

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

NOTES TO THE FINANCIAL STATEMENTS

NET POSITION

Net position are classified according to external donor restrictions or availability of assets for satisfaction of University System obligations. Restricted Net Position represent funds that have been restricted for specific purposes by donors or granting agencies for scholarships and fellowships, instructional department uses, loan funds, debt service and other. Unrestricted Net Position 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 POSITION

	Primary Institution
Net position, beginning of the year, as previously reported	\$ 963,741,792
Prior period adjustments:	
Correction of error	(458,965)
Other	(27,622)
Net position, beginning of the year, as restated	<u>\$ 963,255,205</u>

USE OF ESTIMATES

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

New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities." This statement defines deferred inflows and outflows and is effective for periods beginning after December 15, 2012.

In March 2012, the GASB issued Statement No. 66, "Technical Corrections-2012, an amendment of GASB Statements No. 10 and No. 62." The statement is effective for periods beginning after December 15, 2012.

In June 2012, the GASB issued Statement No. 67, "Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25." The statement is effective for periods beginning after June 15, 2013.

In June 2012, the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27." The statement is effective for periods beginning after June 15, 2014.

NOTES TO THE FINANCIAL STATEMENTS

In January 2013, the GASB issued Statement No. 69, "Government Combinations and Disposals of Government Operations." This statement is effective for periods beginning after December 15, 2013.

In April, 2013, the GASB issued Statement No. 70, "Accounting and Financial Guarantees." This statement is effective for periods beginning after June 15, 2013.

The effect these statements will have on future 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 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 Position as follows:

NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2013	
	Carrying Amount	Bank Balance
Cash Deposits at the Bank of North Dakota	\$ 113,923,286	\$ 130,366,593
Cash Deposits at institutions other than the Bank of North Dakota	9,251,536	10,775,126
Certificates of Deposit at the Bank of North Dakota	187,923,170	187,923,170
Certificates of Deposit at institutions other than the Bank of North Dakota	462,984	462,984
Total Bank Deposits	<u>\$ 311,560,975</u>	<u>\$ 329,527,873</u>
 Add: Cash on Hand/Petty Cash	 \$ 224,970	
 Less: Amts. credit risked as deposits but reported as investments	 \$ (188,386,153)	
 Cash & Cash Equivalents per Statement of Net Position	 <u>\$ 123,399,792</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, 2013, \$326.9 million of the System's bank balance of \$329.5 million was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 320,574,762
Uninsured and collateral held by pledging bank not in system's name	\$ 6,281,989

Investments

Investments are reported at fair value (market) and reported on the Statement of Net Position as of June 30, 2013, as follows:

Investment Type	Market Value	Maturities			
		Less than 1 year	1 year to 5 years	6 years to 10 years	More than 10 years
US Treasuries	\$ 79,989	\$ 12,673	\$ 67,316	\$ -	\$ -
Corporate Bonds	26,178	-	26,178	-	-
Mutual Bond Funds	5,476,979	919,031	632,630	3,925,319	-
Guaranteed Investment Contracts	266,543	-	-	-	266,543
Money Market Mutual Funds	6,454,070	6,454,070	-	-	-
Other	541,209	466,851	74,358	-	-
Subtotal	<u>\$ 12,844,968</u>	<u>\$ 7,852,625</u>	<u>\$ 800,482</u>	<u>\$ 3,925,319</u>	<u>\$ 266,543</u>
Stocks	1,107,543				
Certificates of Deposit - BND	187,923,170				
Certificates of Deposit - non-BND	462,984				
Equity Mutual Funds	13,162,184				
Other	5,823,643				
Total Investments per the Statement of Net assets	<u>\$ 221,324,492</u>				

NOTES TO THE FINANCIAL STATEMENTS

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Per NDCC the system is limited to investing funds with the Bank of North Dakota, with the exception of gifts governed by an endowment agreement. Accordingly, the system does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from changing interest rates. 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, 2013, the system's debt portfolio (excluding US Treasuries and US Agencies) included Standard & Poor's quality ratings as follows:

Investment Type	Credit Quality Rating						Not Rated
	AAA	AA	A	BBB	BB	B	
Corporate Bonds	\$ -	\$ -	\$ 26,178	\$ -	\$ -	\$ -	\$ -
Mutual Bond Funds	-	2,951,627	630,241	646,723	-	959,598	288,790
Guaranteed Investment Contracts	-	266,543	-	-	-	-	-
Money market mutual funds	6,400,812	-	15,092	-	-	-	38,166
Other	-	24,311	-	-	-	-	516,898
Total	\$ 6,400,812	\$ 3,242,481	\$ 671,511	\$ 646,723	\$ -	\$ 959,598	\$ 843,854

NOTE 3 – RECEIVABLES

Receivables at June 30, 2013 consist of the following amounts:

	Current	NonCurrent	Total
Student & General	\$ 30,301,523		\$ 30,301,523
Interest Receivable	382,584		382,584
Allowance for doubtful Accts	(5,813,274)		(5,813,274)
Accounts Receivable, net	<u>\$ 24,870,833</u>		<u>\$ 24,870,833</u>
Grants & Contracts Receivable	36,811,958		36,811,958
Appropri. Rec. - Other	-		-
Due from Other State Agencies	3,666,704		3,666,704
Allowance for Doubtful G&C Rec	-		-
Grants & Contracts Receivable, net	<u>\$ 40,478,662</u>		<u>\$ 40,478,662</u>
Student	9,738,996	34,990,010	44,729,006
Others	-	-	-
Allowance for Doubtful Notes	(1,638,186)	(6,136,632)	(7,774,818)
Notes Receivable, net	<u>\$ 8,100,810</u>	<u>\$ 28,853,377</u>	<u>\$ 36,954,188</u>

NOTE 4 – ENDOWMENT FUNDS

The endowment funds reported herein are institutional funds under the terms of the gift instrument and are not wholly expendable by the institution. NDCC Section 59-21 the Uniform Prudent Management of

NOTES TO THE FINANCIAL STATEMENTS

Institutional Funds Act (UPMIFA) applies to the investment of endowments governed by a gift instrument. NDUS SBHE policy 810 stipulates endowment funds shall be invested according to the intent of the donor provided such intent is consistent with applicable laws. Absent terms expressing donor intent in a gift instrument, NDUS institution officers initially shall deposit the funds in institution accounts at the Bank of North Dakota. Thereafter, the funds may be invested according to NDCC 59-21. Subject to the intent of the donor, NDUS institution officers are delegated authority to manage and invest these institutional funds as provided by UPMIFA. NDCC Section 59-21-02.5a(7) applies to standard of conduct in the administration of powers to make and retain investments. It states that in managing and investing an institutional fund, the needs of the institution and the fund to make distributions and to preserve capital must be considered. Given the flexibility in NDCC 59-21-02, campuses have differing policies with respect to spending investment income and net appreciation on endowment funds. UND changed investment managers in September 2013, the University of North Dakota Foundation is the investment manager for UND endowments. The payout is calculated using the average balance of the last four quarters multiplied by 4 percent. MiSU allows for 5.0 percent of the three year average market value of the assets to be expended; 4.5 percent for scholarships and 0.5 percent for administrative expense. MaSU, NDSU, VCSU and WSC give departments authority to spend all investment income earned on the endowment funds. Net appreciation on investments is available for expenditure and consists of the following at June 30, 2013:

<u>Reflected in net position as:</u>		
Mayville State University	\$ 3,223	Expendable scholarships & fellowships
Minot State University	54,473	Expendable scholarships & fellowships
Total NDUS	<u>\$ 57,696</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 Land Department and proceeds for the fiscal year ended June 30, 2013 are approximately \$107.9 million and \$1.91 million, respectively.

NOTE 5 – CAPITAL AND INTANGIBLE ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

NOTES TO THE FINANCIAL STATEMENTS

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	\$ 16,104,607	\$ -	\$ 565,000	\$ -	\$ 15,539,607
Construction in progress	96,895,376	62,880,425	61,190	(30,693,540)	129,021,071
Total non-depreciable capital assets	\$ 112,999,983	\$ 62,880,425	\$ 626,190	\$ (30,693,540)	\$ 144,560,678
Land improvements/infrastructure	\$ 170,510,489	\$ 10,778,579	\$ 441,553	\$ 6,508,941	\$ 187,356,456
Buildings	1,014,544,243	13,133,376	54,542	24,159,445	1,051,782,522
Furniture, fixtures, and equipment	272,070,740	19,482,582	8,168,925	25,154	283,409,551
Intangibles:					
Computer Software	22,825,054	752,211	226,925	-	23,350,340
Websites	788,219	49,485	-	-	837,704
Other	642,409	364,998	-	-	1,007,407
Library materials	105,768,589	3,505,698	1,240,853	-	108,033,434
Total depreciable capital assets	\$ 1,587,149,743	\$ 48,066,929	\$ 10,132,798	\$ 30,693,540	\$ 1,655,777,414
Less accumulated depreciation and amortization					
Land improvements/infrastructure	\$ 79,397,019	\$ 4,724,561	\$ 208,738	\$ 543,706	\$ 84,456,548
Buildings	436,156,497	24,553,813	20,292	(543,706)	460,146,312
Furniture, fixtures, and equipment	160,377,372	19,402,543	6,742,260	-	173,037,655
Intangibles					
Computer Software	12,465,006	1,694,148	165,447	-	13,993,707
Websites	172,610	162,056	-	-	334,666
Other	106,054	24,355	-	-	130,409
Library materials	81,042,006	4,617,236	1,240,854	-	84,418,388
Total accumulated depreciation and amortization	\$ 769,716,564	\$ 55,178,712	\$ 8,377,591	\$ -	\$ 816,517,685
Total depreciable capital assets, net	\$ 817,433,179	\$ (7,111,782)	\$ 1,755,207	\$ 30,693,540	\$ 839,259,729
Capital assets, net	\$ 930,433,162	\$ 55,768,642	\$ 2,381,397	\$ -	\$ 983,820,407

Construction in progress for the year ended June 30, 2013 was as follows:

	Amount Authorized	Expended (CIP Asset)	Expended (Non capitalized)	Authorized Balance
Bismarck State College	\$ 14,957,300	\$ 5,445,620	\$ 719,682	\$ 8,791,998
Dakota College of Bottineau	700,000	57,413	190,636	451,951
Dickinson State University	146,344	10,652	199	135,493
Lake Region State College	-	-	-	-
Mayville State University	9,908,328	8,921,045	373,735	613,548
Minot State University	36,640,219	21,512,085	489,694	14,638,440
North Dakota State College of Science	19,500,000	15,835,501	-	3,664,499
North Dakota State University	81,271,340	38,586,423	123,319	42,561,598
University of North Dakota	80,780,085	19,249,879	-	61,530,206
Valley City State University	10,500,000	9,088,279	-	1,411,721
Williston State College	16,713,267	10,314,176	-	6,399,091
North Dakota University System Office	-	-	-	-
Total NDUS	\$ 271,116,883	\$ 129,021,073	\$ 1,897,265	\$ 140,198,545

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30, 2013:

Accounts Payable	31,007,816
Due to other state agencies	1,259,201
Due to Other Funds	73,773
Sales Tax Payable	16,135
Accrued Interest	2,602,467
Contractor Payable/Retainage	835,769
Other liabilities	8,237
Total Payables & Accrued Liabilities	35,803,399

NOTE 7 – LONG-TERM LIABILITIES

The changes in long-term liabilities during fiscal year 2013 are as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Noncurrent Portion
Bonds Payable	\$ 203,057,738	\$ 19,985,817	\$ 27,475,838	\$ 195,567,717	\$ 11,332,523	\$ 184,235,194
Bonds Payable to Component Units	21,865,000	6,405,000	1,250,000	27,020,000	1,335,000	25,685,000
Notes Payable	10,929,832	-	890,568	10,039,264	531,347	9,507,917
Notes Payable to Component Units	478,356	-	-	478,356	38,139	440,217
Capital Leases	36,287,715	2,798,825	6,557,526	32,529,014	3,908,800	28,620,214
Capital Leases with Component Units	36,923,443	356,998	8,013,725	29,266,716	1,588,521	27,678,195
Special Assessments	3,966,131	283,176	281,426	3,967,881	265,321	3,702,560
Compensated Absences	29,782,747	2,429,728	134,207	32,078,268	1,850,960	30,227,308
Total	\$ 343,290,962	\$ 32,259,544	\$ 44,603,290	\$ 330,947,216	\$ 20,850,611	\$ 310,096,605

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 Position, Restricted for Debt Service.

The summary of outstanding obligations of the campuses, as of June 30, 2013 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	\$ 11,400,000	2.0 - 5.35%	\$ 10,580,000
Lake Region State College	1,050,000	3.0-5.125%	450,000
Mayville State University	6,465,000	1.55 - 6.63%	5,107,533
Minot State University	17,299,000	0 - 6.60%	13,905,000
North Dakota State College of Science	9,000,000	3.76 - 5.5%	9,000,000
North Dakota State University	108,695,000	1.5 - 6.5%	98,270,000
University of North Dakota	101,420,000	0.75 - 5.0%	65,695,316
Valley City State University	9,425,000	2.8 - 7.05%	8,755,000
Williston State College	2,046,000	3.0% - 6.9%	9,021,000
North Dakota University System	14,200,000	4.28%	1,803,868
Total Bonds Payable	\$ 281,000,000		\$ 222,587,717

Industrial Commission Bonds

For the 2011-2013 biennium, the North Dakota University System Office received an appropriation of \$12.2 million to act as the fiscal agent for the campuses on bond payments to the Industrial Commission. Of this total, \$417,250 is special funds, which is the amount the campuses pay as local match. During fiscal year 2013, the North Dakota University System Office paid \$5.88 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.

University of North Dakota

In fiscal year 2013, the University of North Dakota issued \$17.36 million of Housing and Auxiliary Facilities Revenue Refunding Bonds (Series 2013) with an interest rate ranging from 2.0 percent to 5.0 percent. The bonds were used to call \$17.6 million of outstanding Series 2002 and 2004 Housing and Auxiliary Facilities Revenue bonds. The University advanced refunded the 2004 bonds and current refunded the 2002 bonds to reduce its total debt service payments over the next 21 years by approximately \$1.9 million and to obtain an economic gain (difference of the present values of the debt service payments of the old and new debt) of approximately \$1.4 million.

NOTES TO THE FINANCIAL STATEMENTS

Scheduled Maturities of Bonds Payable

Fiscal Year	Principal	Interest	Total
2014	\$ 12,667,522	\$ 9,978,766	\$ 22,646,288
2015	7,213,860	9,731,859	16,945,719
2016	7,502,927	9,473,112	16,976,039
2017	7,787,193	9,184,865	16,972,058
2018	8,081,296	8,870,445	16,951,741
2019 - 2023	43,910,233	38,888,604	82,798,837
2024 - 2028	48,562,413	28,807,332	77,369,745
2029 - 2033	51,329,753	16,996,239	68,325,992
2034 - 2038	28,737,520	5,846,862	34,584,382
2039 - 2043	6,795,000	731,038	7,526,038
	<u>\$ 222,587,717</u>	<u>\$ 138,509,122</u>	<u>\$ 361,096,839</u>

NOTE 9 – NOTES PAYABLE

Energy Performance Contracts

Dakota College of Bottineau, Dickinson State University, Mayville State University and Williston State College have individual notes payable to GE Capital Public Finance, Inc., for energy improvements through a performance contract. Lake Region State College has a note with Banc of America Public Capital Corp. Details of the notes are as follows:

Institution	Original Balance	Maturity Date	Interest Rate	Outstanding Balance June 30, 2013
Dakota College of Bottineau	378,067	August 2013	4.27%	11,523
Dickinson State University	21,765	July 2016	9.90%	10,949
Lake Region State College	4,881,045	June 2027	3.27%-5.15%	4,633,785
Mayville State University	7,280,185	August 2012 - December 2024	4.97% - 5.25%	5,383,007
Williston State College	500,000	September 2023	5.00%	478,356
Total Notes Payable	\$ 13,061,062			\$ 10,517,620

NOTES TO THE FINANCIAL STATEMENTS

Scheduled Maturities of Notes Payable

Fiscal Year	Principal	Interest	Total
2014	\$ 569,486	\$ 493,331	\$ 1,062,817
2015	595,010	468,643	1,063,653
2016	642,327	442,513	1,084,840
2017	688,378	414,120	1,102,498
2018	741,608	383,691	1,125,299
2019 - 2023	4,629,091	1,366,994	5,996,085
2024 - 2028	2,651,720	267,223	2,918,943
	<u>\$ 10,517,620</u>	<u>\$ 3,836,515</u>	<u>\$14,354,135</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 2043.

Carrying Value of Assets Held Under Capital Leases		
	Carrying Value	Accumulated Depreciation
Land improvements/infrastructure	\$ 560,015	\$ 134,206
Buildings	69,565,923	12,189,249
Furniture, fixtures, and equipment	29,907,264	16,275,017
Total	<u>\$ 100,033,202</u>	<u>\$ 28,598,472</u>

Scheduled Maturities of Capital Leases

Fiscal Year	Principal	Interest	Total
2014	\$ 5,497,319	\$ 2,674,878	\$ 8,172,197
2015	5,124,804	2,411,295	7,536,099
2016	4,768,427	2,184,714	6,953,141
2017	4,741,191	1,962,585	6,703,776
2018	6,200,067	1,754,135	7,954,202
2019 - 2023	14,791,370	6,118,546	20,909,916
2024 - 2028	9,177,760	3,453,626	12,631,386
2029 - 2033	6,413,161	2,002,490	8,415,651
2034 - 2038	4,306,794	666,199	4,972,993
2039 - 2043	774,837	100,817	875,654
	<u>\$ 61,795,730</u>	<u>\$ 23,329,285</u>	<u>\$ 85,125,015</u>

NOTES TO THE FINANCIAL STATEMENTS

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		Total
	Principal	Interest	
2014	\$ 265,321	\$ 185,022	\$ 450,343
2015	263,827	172,494	436,321
2016	259,103	160,069	419,172
2017	254,501	147,965	402,466
2018	237,464	136,224	373,688
2019 - 2023	1,069,485	523,148	1,592,633
2024 - 2028	747,058	313,665	1,060,723
2029 - 2033	603,129	155,849	758,978
2034 - 2038	267,993	19,849	287,842
	<u>\$ 3,967,881</u>	<u>\$ 1,814,285</u>	<u>\$ 5,782,166</u>

Compensated Absences

The compensated absences liability of the institutions at June 30, 2013 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, 2013 and 2012 totaled \$32,078,268 and \$29,782,747, 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 will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50 percent

NOTES TO THE FINANCIAL STATEMENTS

of the employee's accrued normal retirement benefit, or monthly payments in an amount equal to the employees' accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to the 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 equal to 2.0% of their final average salary for each year of service beginning when the sum of age and years of credited service equal or exceed 85, or at normal retirement age (65). The plan permits early retirement at ages 55-64, with three or more years of service.

Funding Policy

Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. This state statute requires that a percentage of the participant's salary be contributed to the plan by either the employee or by the employer under a "salary reduction" agreement. The rate was 5% through December 31, 2012 increased to 6% on January 1, 2013. The NDUS has implemented a salary reduction agreement and is currently contributing 4% of the employees share. Through December 31, 2012, the NDUS was required to contribute 5.12% of each participant's salary as the employer's share. The rate was increased to 6.12% on January 1, 2013. In addition to the 6.12% employer contribution the employer is required to contribute 1.14% of each participating employee's gross wage to a prefunded retiree health insurance program. The required contributions are determined using an entry age normal actuarial funding method and are included in state statute.

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, 2013, 2012 and 2011 were \$9,176,857, \$8,009,288 and \$7,302,659, respectively.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Funding Policy

The plan requires employee and employer contributions be based on a classification system and years of service based on the schedule shown below. Beginning January 1, 2013, all contributions made by the participant and the institution increased by 1% for employment classes I and II. This increase is also included in the schedule below.

Employment Class	Years of Service	Contributions by the Participant	Contributions by the Institution
I	0 thru 10	3.5%	11.5%
	over 10	4.0%	12.0%
II	0 thru 2	2.5%	6.5%
	3 thru 10	3.5%	11.5%
	over 10	4.0%	12.0%
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 \$35,644,345 and \$31,486,688 to TIAA-CREF during the fiscal years ending June 30, 2013 and 2012, 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 credit actuarial cost method) at 1.14 percent of covered compensation.

There are approximately 846 retired University System employees receiving these benefits and 3,302 active employees with retiree health credit. The University System's actual and required contributions for the fiscal years ending June 30, 2013, 2012 and 2011 were \$1,087,684, \$1,032,872 and \$1,028,414, respectively.

As of June 30, 2013 there was \$75.6 million in net position available for benefits under the state retiree health insurance credit plan. The actuarially accrued liability was \$114.1 million and the unfunded actuarially accrued liability was \$48.1 million at June 30, 2013.

NOTES TO THE FINANCIAL STATEMENTS

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 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, 2013, 14 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, 2013, 30 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 \$420,492 over the term of the new contracts. Amounts payable to employees at June 30, 2013 for outstanding contract buyouts and future health and life premiums, adjusted for projected health insurance premium increases and discounted to the present were \$565,724, assuming health insurance premium increases ranging from 7 percent to 15 percent and a discount rate of 0.05 percent.

Under the Phased Retirement Option, retirement is over a period of time. The percentage of workload each year is negotiated. The 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, 2013, six University System employees participated in this option.

Severance Agreements

In fiscal year 2013, institutions paid \$930,162 to three employees under separate employment separation agreements.

NOTE 14 – CONSTRUCTION COMMITMENTS AND FINANCING

The campuses have contracted for various construction projects as of June 30, 2013. Estimated costs To complete the various projects and the sources of anticipated funding are as follows:

NOTES TO THE FINANCIAL STATEMENTS

Campus	Contracts Awarded	Expended Through 6/30/2013	Total Cost To Complete	Funding for Remaining Costs			
				Federal Sources	State Sources	Institutional Funds	Other Sources
BSC	\$ 8,058,935	\$ 965,297	\$ 7,093,638	-	-	-	\$ 7,093,638
DCB	594,005	564,305	29,700	-	29,700	-	-
DSU	129,472	10,652	118,820	-	118,820	-	-
LRSC	-	-	-	-	-	-	-
MaSU	9,008,328	8,983,516	24,812	-	-	5,473	19,339
MiSU	4,073,596	3,553,453	520,143	-	311,222	200,690	8,231
NDSCS	18,031,788	15,584,811	2,446,977	-	1,093,264	-	1,353,713
NDSU	70,609,373	64,743,366	5,866,007	493,069	1,881,569	1,896,455	1,594,914
UND	20,858,699	14,765,652	6,093,047	-	2,668,843	3,424,204	-
VCSU	8,043,893	7,825,921	217,972	-	217,972	-	-
WSC	9,039,948	8,999,948	40,000	-	-	-	40,000
Total	<u>\$ 148,448,037</u>	<u>\$ 125,996,921</u>	<u>\$ 22,451,116</u>	<u>\$ 493,069</u>	<u>\$ 6,321,390</u>	<u>\$ 5,526,822</u>	<u>\$ 10,109,835</u>

NOTE 15 –COMPONENT UNIT TRANSACTIONS

MAJOR COMPONENT UNITS

Investments

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

As of June 30, 2013, 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	\$ 198,149	\$ 85	\$ 5,986	\$ 96,434	\$ 95,644
US Agencies	57,130	-	56,569	-	561
Corporate Bonds	4,933,546	270,441	4,439,853	223,252	-
Mutual Bond Funds	66,768,482	13,150,576	21,089,587	16,800,711	15,727,608
Money Market Mutual Funds	3	3	-	-	-
Other	358,090	51,599	128,360	178,131	-
Subtotal	<u>\$ 72,315,400</u>	<u>\$ 13,472,704</u>	<u>\$ 25,720,355</u>	<u>\$ 17,298,528</u>	<u>\$ 15,823,813</u>
Equity Mutual Funds	\$ 190,002,603				
Trust Funds	-				
Investment in Real Estate	54,797,711				
Commodity Hedge and Limited Partnerships	33,060,146				
Stocks	22,230,622				
Certificate of Deposits	11,614,267				
Other	46,946,891				
Total Investments per the Statement of Net Position	<u>\$ 430,967,640</u>				

Interest Rate Risk

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.

NOTES TO THE FINANCIAL STATEMENTS

Custodial Credit Risk

As of June 30, 2013, the major component units had no investments that were uninsured and not registered in the name of the component unit.

Capital Assets

Capital asset activity for the major component units for the year ended June 30, 2013 was as follows:

	Beginning Balance-Restated	Additions	Retirements	Transfers	Ending Balance
Land	\$ 3,623,056	\$ 19,245	\$ -	\$ -	\$ 3,642,301
Construction in progress	13,073,750	241,106	9,115,927	(3,957,823)	241,106
Total non-depreciable capital assets	\$ 16,696,806	\$ 260,351	\$ 9,115,927	\$ (3,957,823)	\$ 3,883,407
Land improvements/infrastructure	\$ 1,247,796	\$ 186,987	\$ -	\$ -	\$ 1,434,783
Buildings	163,254,302	16,868,162	1,483,168	3,957,823	182,597,119
Furniture, fixtures, and equipment	39,838,499	5,751,453	4,103,290	-	41,486,662
Total depreciable capital assets	\$ 204,340,597	\$ 22,806,602	\$ 5,586,458	\$ 3,957,823	\$ 225,518,564
Less accumulated depreciation					
Land improvements/infrastructure	\$ 545,596	\$ 66,162	\$ -	\$ -	\$ 611,758
Buildings	50,220,811	4,025,535	-	-	54,246,346
Furniture, fixtures, and equipment	16,787,445	3,415,368	2,148,658	-	18,054,155
Total accumulated depreciation	\$ 67,553,852	\$ 7,507,065	\$ 2,148,658	\$ -	\$ 72,912,259
Total depreciable capital assets, net	\$ 136,786,745	\$ 15,299,537	\$ 3,437,800	\$ 3,957,823	\$ 152,606,305
Capital assets, net	\$ 153,483,551	\$ 15,559,888	\$ 12,553,727	\$ -	\$ 156,489,712

BONDS PAYABLE

Bonds payable for the major component units at June 30, 2013 was as follows:

Issue	June 30, 2013		
	Maturity Date	Interest Rate	Balance Outstanding
BSC Foundation	2012-2032	4.5 - 5.25%	\$ 1,852,162
Dickinson State University Foundation	2017-2024	1.0 - 6.0%	4,694,571
NDSU Development Foundation	2018-2038	0.85 - 5.19%	22,590,917
NDSU Research & Technology Park, Inc.	2032	4.0 - 4.75%	20,940,000
UND Alumni Foundation	2013-2027	0.75 - 4.15%	9,280,297
Total Component Unit Bonds Payable			\$ 59,357,947

NOTES TO THE FINANCIAL STATEMENTS

Scheduled Maturities of Bonds Payable

Fiscal Year	Principal	Interest	Total
2013	\$ 1,066,544	\$ 798,742	\$ 1,865,286
2014	3,239,755	2,312,645	5,552,400
2015	3,104,962	2,201,012	5,305,974
2016	3,223,625	2,086,559	5,310,184
2017	3,349,924	1,966,411	5,316,335
2018	5,606,927	1,839,481	7,446,408
2019 - 2023	16,610,299	6,672,712	23,283,011
2024 - 2028	12,665,205	3,561,854	16,227,059
2029 - 2033	8,525,965	1,412,744	9,938,709
2034 - 2038	1,964,741	164,643	2,129,384
	<u>\$ 59,357,947</u>	<u>\$ 23,016,803</u>	<u>\$ 82,374,750</u>

NOTES PAYABLE

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

	June 30, 2013	
	Interest Rate	Balance Outstanding
BSC Foundation	1.25%	\$ 350,000
DSU Foundation	4.05 - 5.5%	\$ 6,724,995
NDSU Development Foundation	2.77 - 6.86%	2,474,442
NDSU Research & Tech Park, Inc.	3.0%	315,000
UND Aerospace Foundation	0.25 - 5.8%	2,159,981
RE, Arena, Inc	3.0%	3,513,633
Total Component Unit Notes Payable		<u>\$ 15,538,051</u>

Scheduled Maturities of Notes Payable

Fiscal Year	Principal	Interest	Total
2014	\$ 4,137,415	\$ 575,620	\$ 4,713,035
2015	1,765,674	437,720	2,203,394
2016	2,554,526	355,035	2,909,561
2017	1,542,590	288,393	1,830,983
2018	4,510,175	176,006	4,686,181
2019 - 2023	1,027,671	26,067	1,053,738
	<u>\$ 15,538,051</u>	<u>\$ 1,858,841</u>	<u>\$ 17,396,892</u>

NOTES TO THE FINANCIAL STATEMENTS

Scheduled Maturities of Capital Leases

Fiscal Year	Principal	Interest	Total
2014	\$ 49,913	\$ 77,118	\$ 127,031
2015	51,567	74,773	126,340
2016	54,024	72,315	126,339
2017	56,599	69,741	126,340
2018	59,296	67,044	126,340
2019 - 2023	341,656	290,041	631,697
2024 - 2028	431,201	200,496	631,697
2029 - 2033	544,215	87,482	631,697
2034 - 2038	61,715	1,454	63,169
	<u>\$ 1,650,186</u>	<u>\$ 940,464</u>	<u>\$ 2,590,650</u>

Reconciliation of Receivable to and Payable From Primary Institution

A reconciliation of the receivables to and payables from balances between the Component Units and the Universities is as follows:

Primary University Due from Component Units - Current	\$ 7,884,446	Primary University Due to Component Units - Current	\$ 269,032
Primary University Due from Component Units - Non-Current	953,256	Primary University Long Term Liability to Component	
Total Due from Component Units	\$ 8,837,702	Unit - Current Portion	2,961,660
Timing Differences:		Primary University Long Term Liability to Component Unit	
Transactions with Component Units having fiscal year ends other than June 30th	6,572,214	- Non-Current Portion	53,803,414
Transactions in transit at June 30, 2013	(1,254,699)	Total Due to Component Units	\$57,034,106
Component Unit Payable to Primary University	<u>\$ 14,155,217</u>	Timing Differences:	
		Transactions with Component Units having fiscal year ends other than June 30th	17,885
		Transactions in transit at June 30, 2013	(137,467)
		Total Receivable from Primary University	<u>\$56,914,524</u>
		Receivable from Primary University - Current	\$ 3,194,029
		Receivable from Primary University - Non Current	53,720,495
			<u>\$56,914,524</u>

NOTES TO THE FINANCIAL STATEMENTS

BEGINNING NET POSITION RESTATEMENTS

Net position, beginning of the year, as previously reported	\$ 582,919,049
Prior period adjustments:	
Correction of error	<u>1,326,876</u>
Net position, beginning of the year, as restated	<u>\$ 584,245,925</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 foundation's financial statements include this transaction as a receivable from BSC and a long-term liability. BSC's financial statements include the capitalized asset and a long-term liability due to BSC Foundation.

	<u>BSC</u>	<u>BSC Foundation</u>
NECE Building	\$ 6,541,322	\$ 15,846,116
Accumulated Depreciation	<u>(726,080)</u>	<u>(1,422,087)</u>
Net Value of NECE Building	<u>\$ 5,815,242</u>	<u>\$ 14,424,029</u>

Dickinson State University and Dickinson State University Foundation

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:

\$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 15th. The payments in 2010 will be interest only, with the first principal payment due in January of 2011.

NOTES TO THE FINANCIAL STATEMENTS

\$4,200,000 million bond with a variable rate of interest, currently 0.95%. 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. As of July 15th 2013 this bond was paid in full.

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 2007A and 2007B bonds. During the year ended June 30, 2011, the Series 2000 bonds were repaid in full with the funds held in escrow from the Series 2007A bond refinancing. During the fiscal year ended June 30, 2012, the Series 2002 bonds were repaid in full with the funds held in escrow from the Series 2007A bond refinancing.

The audited financial statements of RTP for fiscal year 2013 report these transactions as an operating lease and report the related capital assets and related debt as assets and debt of RTP.

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

During fiscal 2013, NDSU and the RTP entered into renewed agreements, whereby NDSU leases the Research Buildings #1 and #2 for an annual rent of \$628,943 and \$1,525,963, respectively, through June 30, 2022. NDSU directly pays the utility costs under these agreements. The annual rent will be re-adjusted by mutual agreement every two years. These agreements are subject to funding and legislative appropriations.

Other Transactions

During fiscal 2013 NDSU made other payments to the RTP that were unrelated to the building leases for Research #1 & #2. These payment consist of the following: 1) \$28,242 for an operating lease for lab space in the RTP's Appareo Building, 2) \$65,707 for defeasance escrow settlement (including

NOTES TO THE FINANCIAL STATEMENTS

trustee & appraisal fees) for repurchase of equipment originally purchased from Series 2000 & 2002 bond proceeds., 3) \$131,222 for grant sub-awards. Also, during fiscal 2013, the RTP paid NDSU a total of \$32,613 as reimbursement of NDSU operating expenses.

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 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 \$333,568 in fiscal year 2013 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, reflected as "Due to Component Units" by NDSU, of \$2,885,000 as of June 30, 2013. 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 2013, the Development Foundation paid the debt service and other fees on behalf of NDSU in the amount of \$337,991.

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, reflected as "Due to Component Units" by NDSU, of \$2,063,622 as of June 30, 2013. 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

NOTES TO THE FINANCIAL STATEMENTS

Development Foundation transferred nearly the entire ownership of the building to 650 NP Avenue, LLC and Kilbourne Design Group, LLC, for a five-year period in order to achieve tax credits that would ultimately reduce the cost of the building to NDSU. During the five-year tax credit period, NDSU leased the building from the two LLCs, with the lease payments composed of interest and fees. With the five-year tax credit period ending December 31, 2010 (as extended), and the ownership was transferred back to the 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 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 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. NDSU paid the Development Foundation \$432,785 in fiscal year 2013 under this agreement. As of June 30, 2013 the outstanding balance on the bonds, reflected as "Due to Component Units" by NDSU, is \$5,210,000.

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 2013, NDSU made \$322,919 of debt service payments 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. As of June 30, 2013 the outstanding balance on the lease, reflected as "Due to Component Units" by NDSU, is \$1,121,280.

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

NOTES TO THE FINANCIAL STATEMENTS

costs incident to ownership of the property. The property is included with property in the financial statements and the bonds have been recorded as a direct obligation of the Foundation. Ownership of the property will transfer to NDSU when the bonds are repaid in full. The bonds are guaranteed by the Foundation. This property is leased to NDSU for rental equal to the sum of the semi-annual interest only payments on the variable term bonds plus the semi-annual principal and interest payments on the fixed-rate bonds for the term of the bonds, plus all the costs incurred by the Foundation incident to ownership of the property.

In May 2012, the NDSU Development Foundation refinanced the original bonds issued in November 2007. As a result new leases were executed. Under the terms of the new leases, NDSU pays and recognizes a liability for entire amount of the previously issued bonds, including the portion originally planned to be paid from the collections of pledges. During fiscal 2013, NDSU paid \$934,576 to the NDSU Development Foundation under the new leases for debt service, property taxes and insurance on Barry Hall & Klai Hall. During fiscal 2013, the Foundation paid \$93,544 to NDSU from the collection of pledges. NDSU has an option to acquire the property upon full payment of the bonds. As of June 30, 2013 the outstanding balance on the bonds, reflected as "Due to Component Units" by NDSU, is \$11,390,000 and the portion payable by the Foundation to NDSU for the collection of pledges is recognized by NDSU as a current & non-current "Due from Component Units" for \$1,233,256.

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 \$829,510 at December 31, 2012. 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). The bonds are an obligation of the NDSU Development Foundation, therefore are only reflected as bonds payable on the books of the Foundation. The bonds are not included in NDSU's liabilities.

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 by NDSU under these agreements as of June 30, 2013 totaled \$480,998. 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.

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

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 \$20.0 million in fiscal year 2013. The \$20.0 million UND Aerospace Foundation paid UND includes aircraft rental, flight repairs, fuel of \$12.0 million, room and board of \$698,000, tuition and fees of \$3.2 million, and salaries of \$4.0 million. 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.

NOTES TO THE FINANCIAL STATEMENTS

UND reimbursed the Foundation for air service and hangar, CRJ, 360-degree tower and aircraft rental of \$1.0 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, 2013, the Foundation has recorded accounts payable to UND of \$874,000 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. A balloon payment of \$1,011,392 is due on July 6, 2023. For the first 15 years of the sublease, UND will pay the Foundation monthly minimum payments.

The rate is adjusted annually based upon changes to the ground lease payments to the Grand Forks Regional Airport Authority. The fiscal year 2013 monthly rate increased from \$12,881 to \$12,902 on January 2013. Of the monthly lease payment, \$10,529 is recorded as payment on principal and interest, the remaining amount is recorded as an operating lease payment, this is the portion that relates to ground lease payments. 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 Engelstad Arena (REA), which was constructed in 2001 for the benefit of UND athletics. UND and RE Arena, Inc enter into an operating agreement. 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: (1) 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 (2) if RE Arena Inc. collects 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. If UND collects sponsorship revenue, the amount is applied towards RE Arena Inc.'s obligation to pay UND. The UND Athletic Department maintains institutional control of all marketing activities and sponsorship sales as outlined in the NCAA constitution. In addition, UND and RE Arena, Inc. recognize the mutual benefit by UND Athletics and REA in collaborating on marketing and sales functions for the UND enterprise.

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. Revenue and expense arrangements for all other UND events held at the arena will be negotiated on an event-by-event basis. For fiscal year 2013, the transactions in relation to the contractual relationship are as follows:

NOTES TO THE FINANCIAL STATEMENTS

- Gross tickets sales were \$4,078,304 of which UND recognized revenue of \$1,957,586 and expenses of \$2,120,718. REA recognized net revenue of \$2,203,968, a difference of \$83,250 due to trade allocations.
- Gross ticket sales for the next athletic season year are recorded by REA as payable to primary university and unearned revenue at gross; the amount is \$2,746,445. UND also records at gross with an unearned revenue amount in current liabilities.
- UND recognizes sponsorship (advertising) revenue at net of \$391,125, while REA recognizes at gross and expenses for the amount allocated to UND.
- REA owes UND fiscal year 2013 net income allocation of \$550,000.
- REA paid UND \$941,981 for utilities and maintenance staff.

RE Arena Inc. fiscal year end is May 31; UND year end is June 30. If numbers differ between entity financial statements, it is because of timing differences due to different year-end dates.

University of North Dakota and UND Foundation

The UND 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 department of the School of Medicine and Health Sciences at UND. The interest rate is fixed at 4.15% until 2018. Principal balance outstanding at June 30, 2013 is \$2,943,507. 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, 2013.

On July 24, 2002, UND Foundation issued lease revenue bonds of \$8,595,000 on behalf of UND to, 1) finance the construction of an office building for EERC, 2) renovate the current EERC building, 3) finance capitalized interest, and 4) pay cost of issuance of the bonds. On October 18, 2012, the UND Foundation issued Taxable Refunding Lease Revenue Bonds, Series 2012 in the amount of \$6,405,000 to refund its outstanding Lease Revenue Bonds, Series 2002. The Foundation also amended the related lease agreement with UND. The bonds bear an interest rate of 0.75% to 4.20% and mature in 2027. The lease revenue bond has a balance of \$6,080,000 at June 30, 2013. 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.

In 2008, the Foundation issued bonds to finance the UND School of Medicine construction of the Human Patient Simulation Center. The facility is being leased to UND for a period of 5 years for a total amount of \$206,810 which is equivalent to finance the costs of construction. In fiscal year 2013, the organizations received \$41,362 with the remaining annual lease payments of \$41,362 expected in fiscal years 2014 through 2015.

Other transaction details include

- Foundation pays UND gifts for scholarships and other expenses totaling \$8.3 million.
- Foundation pays UND for services such as telecom, facilities, catering, and printing, totaling \$283,253.

NOTES TO THE FINANCIAL STATEMENTS

- UND pays the Foundation for database, campaign, giving support, alumni review advertising and support, totaling \$1,068,000.
- UND pays the Foundation on an operating lease for space in the Gorecki Center of \$260,168.
- UND pays for Athletics event coordination totaling \$30,000.

At the end of the fiscal year, UND owes the Foundation \$9,965 excluding lease revenue bonds and the Foundation owes UND \$13,691.

NON-MAJOR COMPONENT UNITS

North Dakota State University and NDSU 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. Once NDSU's share of the revenue distribution has been determined, the monies are transferred from the NDSU Research Foundation to NDSU.

During fiscal 2013, the NDSU Research Foundation distributed license fee and royalty revenue of \$790,028 to NDSU. The Research Foundation recognizes an operating expense and NDSU recognizes operating revenue (Sales & Services of Educational Departments) because of this revenue distribution.

North Dakota State College of Science and North Dakota State College of Science Foundation

For the year ended June 30, 2013, NDSCS paid the foundation \$174,000 for the rental of the Skills & Technology Training Center building.

University of North Dakota and University of North Dakota Research Foundation

For the year ended June 30, 2013, UND paid the foundation \$250,000 per a contract and \$192,929 rent for research space for grant-funded projects.

University of North Dakota and University of North Dakota Center for Innovation Foundation

For the year ended June 30, 2013, UND received \$154,106 in gifts from the Foundation, \$240,628 in grant funding, \$75,000 in contract services and \$22,261 for facility services.

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 \$95,886 during fiscal year 2013.

Williston State College and Williston State College Foundation

In FY2012, WSC and the foundation entered into an arrangement whereby the foundation lent WSC \$500,000 for a dormitory geothermal heating project. The note has an eleven year term and a 5 percent fixed annual interest rate.

NOTES TO THE FINANCIAL STATEMENTS

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, 2013 is \$198,800. There were no on-behalf payments made as contributions to a pension plan for which the System is not legally responsible.

NOTE 17 – PLEDGED REVENUES

The following table provides the pledged future revenue information for the System's bond obligations at June 30, 2013:

Pledged Revenue Required for Future Principal and Interest on Existing Bonds	\$	381,830,789			
Term of Commitment	ranging from December 1, 2017 to June 30, 2040				
Percentage of Revenue Pledged	17%				
				% of Pledged Revenue to Recognized Revenue	
Current Year Pledged Revenue, by source:	Pledged Revenue	Recognized Revenue			
Net revenues from auxiliaries	\$	52,702,008	\$	113,147,824	47%
Student Fees		10,540,375		289,264,752	4%
Other		261,191		24,140,316	1%
Total	\$	63,503,574	\$	426,552,892	15%
Current Year Principal and Interest Paid	\$	14,913,114			

NOTE 18 – FUNCTIONAL EXPENSE CLASSIFICATION

The System reports operating expenses using the "natural classification" on the Statement of Revenues, Expenses and Changes in Net Position. Operating expenses for the year ending June 30, 2013, using the "functional classification" are presented below:

NOTES TO THE FINANCIAL STATEMENTS

Operating Expenses	
Instruction	\$ 356,065,442
Academic Support	72,544,679
Student Services	47,440,917
Institutional Support	112,202,240
Physical Plant	73,832,337
Scholarships and Fellowships	25,687,829
Auxiliary Enterprises	131,947,999
Public Service	59,476,000
Research	132,820,520
Depreciation	55,178,707
Total	<u>\$ 1,067,196,670</u>

NOTE 19 – OPERATING LEASES

The campuses are obligated under certain leases for equipment and facility rental, which are accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the resulting expenditures are recognized as incurred. Lease expenditures for the year ended June 30, 2013, amounted to \$6.3 million.

Future minimum lease payments at June 30, 2013 are as follows:

Fiscal Year	Future Minimum Lease Payments
2014	\$ 3,501,844
2015	2,964,622
2016	2,419,086
2017	2,194,383
2018	1,903,643
2019 - 2023	2,158,131
2024 - 2028	726,371
2029 - 2033	726,371
2034 - 2038	287,077
	<u>\$ 16,881,528</u>

NOTE 20 – CONTINGENCIES

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

In the normal course of its activities, the institutions of the University System are party to various legal actions. Because, in the opinion of management and counsel, the risk of material loss in excess of insurance coverage for these items is remote, the outcome of the legal proceedings and claims is not

NOTES TO THE FINANCIAL STATEMENTS

expected to have a material effect on the financial position of the University System. Therefore, an estimated liability has not been recorded.

Minard Hall

Minard Hall is the largest academic facility located in the historical district on NDSU's campus. Legislative appropriations were approved for the 2007-09 and 2009-11 biennia for the renovation and an addition to Minard Hall. Original authorized funding for the project is \$18,000,000: \$17,500,000 general funds and \$500,000 special/local funds.

Minard Hall experienced an unprecedented partial collapse of the north wall in the early morning hours of December 27, 2009. The partial collapse of Minard Hall's North wall, during the construction of the legislatively approved addition, resulted in a delay in the completion of the project, increased costs for construction and legal expenses, as well as numerous other issues, such as relocation of faculty, staff, and classroom space. Since that time NDSU has been periodically updating the State Board of Higher Education and the Legislative Assembly's Budget Section, as information becomes available.

In November & December of 2011, the State Board of Higher Education and Legislative Assembly's Budget Section approved NDSU to incur additional costs of \$4,874,300 due to the collapse. The State Board of Higher Education approved a \$4,874,300 increase with the intent that up to this amount (less any recovered from insurance or legal action) be ultimately funded by a state general fund deficiency appropriation per NDCC 48-01-2-25. The Budget Section's approval indicated the additional funding come from insurance proceeds, legal settlements, and other available funds.

As of June 30, 2013, total costs charged to the Minard Hall project are \$20,747,453. This total is comprised of the following: \$16,765,331 for construction costs on Phase I, II, III (\$18,000,000 legislative authority) and \$3,982,122 for collapse related costs (\$4,874,300 budget section authority). As of the reporting date for the fiscal 2013 financials, NDSU is pursuing litigation against multiple parties in order to recoup the damages incurred as a result of the collapse.

NOTE 21 – RISK MANAGEMENT

The University System is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The following are programs established by the state to address some of these risks and loss exposures.

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

RISK MANAGEMENT FUND

The Risk Management Fund (N.D.C.C. ch. 32-12.2) was established by the 1995 North Dakota Legislature as a result of a court decision that eliminated the State's sovereign immunity. The Risk Management Division of the Office of Management and Budget administers the Fund.

The Fund provides liability coverage and defense of a claim/lawsuit brought against the state of North Dakota, its agencies and employees acting within the scope of employment. The coverage amounts are \$250,000 per person and \$1,000,000 per occurrence.

NOTES TO THE FINANCIAL STATEMENTS

The Fund is a risk retention pool that is funded by contributions paid by all State agencies. The contributions are calculated by an actuary based on various factors, including the agency's loss history and number of full-time employees.

NORTH DAKOTA FIRE AND TORNADO AND STATE BONDING FUND

The University System also participates in the North Dakota Fire and Tornado Fund and State Bonding Fund. The University System pays an annual premium to the Fire and Tornado Fund to cover property damage to personal property. Replacement cost coverage is determined in consultation with the Fire and Tornado Fund. The State Bonding Fund currently provides the University System with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

Risk Management Workers Compensation Program

The Risk Management Workers Compensation Program (N.D.C.C. § 65-04-03.1) was established by the 2001 North Dakota Legislature and created a single workers compensation account for all state agencies. This cross agency program is designed to save premium dollars through a deductible program while enhancing recovery of injured employees. The program is administered by the Risk Management Division of the Office of Management and Budget.

Workers compensation provides money and medical benefits to an employee who has an injury as a result of an accident, injury or occupational disease on-the-job. The question of negligence or fault is usually not at issue.

Workforce Safety & Insurance (WSI) continues to determine the level of compensation an injured worker and his or her care provider are entitled to receive; and will determine experience rates, dividends, assessments, and the premiums payable by State entities for workers compensation coverage. Effective July 1, 2001, workers compensation premiums are paid to the Risk Management Division rather than to WSI.

NOTE 22 – ASBESTOS SETTLEMENT

During fiscal year 1999, the University System settled an asbestos lawsuit against W.R. Grace & Co. The Chancellor has designated the dollars for asbestos related projects at the campuses. The designated amount for NDSU and UND at June 30, 2013 is \$292,282 and \$1,036,566, respectively.

NOTE 23 – Flood Damages

Minot State University experienced significant flooding in FY 2011. As a result, Minot State University received a deficiency appropriation from the Emergency Commission in June 2013 for \$51,696 under the provisions of NDCC 54-16-13. Minot State incurred expenses of \$703,111 related to damage of which \$97,618 is expected to be reimbursed by FEMA.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 24 – DEFICIT NET POSITION BALANCES > \$100,000

As of June 30, 2013 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>
Lake Region State College	00500	The Energy Performance Contract	\$ 246,527
			\$ 246,527
Minot State University	10229	Beaver Lodge	\$ 211,055
	10232	University Heights Housing	681,348
	10241	Scoreboard Advertising	138,804
	24100	Flood 2011	144,878
			\$ 1,176,085
North Dakota State School of Science	18010, 20, 30, 40	Outreach	\$ 129,163
			\$ 129,163
North Dakota State University	28100	Barry Hall Finishing and Minard Building Collapse	\$ 5,039,348
		Total NDSU	\$ 5,039,348
University of North Dakota	22364	EERC Cost of Litigation	\$ 945,875
	21546	EERC Fiscal Year End Carryover	1,145,893
	21220	Bismarck Center for Family Medicine	420,463
	21223	Bismarck Center for Family Medicine-Pharmacy	245,169
	21430	Citation Cost Center Aerospace	230,741
		Total UND	\$ 2,988,141
Williston State College	10595	Men's Basketball	\$ 105,243
	10605	Men's Baseball	131,628
	10615	Men's Hockey	244,564
	25098	Nursing Program Fee	147,699
	35100	Capital Projects	1,445,327
	35105	Capital Projects	184,500
		Total WSC	\$ 2,258,961
North Dakota University System Office	30010	Administration	\$ 939,142
			\$ 939,142
Total University System			<u>\$ 12,777,367</u>

LAKE REGION STATE COLLEGE

The deficit is the result of a timing difference between the note payable payment and the initiation of external sales of excess electricity which did not begin until February 2013. LRSC expects the deficit balance to be eliminated each year throughout the year and then be recreated at the end of each June due to the timing difference between the loan payment date and the production of the revenue used to make the payments.

NOTES TO THE FINANCIAL STATEMENTS

MINOT STATE UNIVERSITY

The deficit in the Beaver Lodge and University Height Housing funds represents the recording of a payable to a local fund for the payment of debt. The payable is offset by a corresponding receivable in the local fund. As revenue is collected from Beaver Lodge and University Heights, the cash will be transferred to the local fund to repay the debt.

Fund 24100-Flood 2011 was used to capture expenses associated with emergency and restorative work caused by the flood of 2011 and not reimbursed by FEMA. This deficit has been partially covered through a deficiency appropriation from the 2013 legislative session (\$52,745) with the balance to be requested in the 2015 session.

Fund 10241 – Scoreboard Advertising had a deficit balance of \$138,804. Funds from advertising contracts will be used to offset the purchase cost and installation of the scoreboard. Annual advertising revenue will continually reduce the fund net asset deficit each year until FY20, when it is expected to reach a positive balance.

NORTH DAKOTA STATE SCHOOL OF SCIENCE

NDSCS has a deficit fund balance in its Outreach activity of \$129,163 as of June 30, 2013. The department is in the process of analyzing and reorganizing the Outreach structure and activities to subsequently reduce costs and increase revenues. NDSCS will continue to monitor this activity.

NORTH DAKOTA STATE UNIVERSITY

Barry Hall Finishing Costs – The deficit is the result of paying furniture, IT equipment and landscaping costs on the Barry Hall project in fiscal 2010. Original NDSU plans were to pay for these costs through a lease agreement with the NDSU Development Foundation. During a 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 implemented a plan to repay the deficit over 5 years. Paying for these costs using inter-fund borrowing in this manner results in interest savings and keeps the university's long-term debt down. During FY13 NDSU made the annual \$530,000 installment payment. The deficit is in line with the deficit reduction plan for Barry Hall approved by the State Board of Higher Education on May 5, 2011.

Minard Hall Building Collapse Related Costs – The costs are related to the additional project authorization of \$4,874,300 approved by the State Board of Higher Education. The costs include collapse related change orders, department relocation, forensic and legal costs. These costs were initially covered from the original \$18,000,000 general and special fund authority, until January 2013, when that authority was insufficient to cover the Phase I, II, III base project costs and the collapse related costs. In January 2013 the collapse related costs were entirely redistributed to a local capital improvement fund, formally creating this deficit. NDSU has recorded a deficit fund balance, as approved by the SBHE, in order to accrue the collapse related costs of the project. Additional information regarding the Minard Hall Building Collapse is disclosed in footnote 19, Contingencies.

NOTES TO THE FINANCIAL STATEMENTS

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. A settlement agreement has been signed and a deficit reduction plan has been implemented. A monthly payment of \$19,979 is made and the prediction is it will be paid off in 4.7 years or 56 months. The maximum time needed to cover the deficit was just over 9 years and is in line with the previously reported deficit reduction plan. The intent is still to bring the deficit to zero as quickly as possible.

Fund 21546 – EERC Fiscal year End Carryover - As a result of the significant, worldwide economic crisis, starting in late 2008, the Energy & Environmental Research Center (EERC) has encountered a decrease in funding opportunities, which has decreased its overall awards and expenditures, resulting in a year-end deficit of approximately \$1,145,000 for FY13. It is anticipated that an additional deficits may occur in FY14. The budget will be eliminated through reduced overhead budgets and a \$375,000 transfer from one-time carryover dollars from tuition collections.

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 8th Circuit court ruled in favor of Medicare in May 2011 and has declined a rehearing. A 2nd Group appeal has been discontinued. The deficit will be reduced through increased patient care revenue and responsible management of operating expenses. In addition, the SMHS will continue to work with the teaching hospitals to improve their hospital billing to Medicare for resident time spent in hospital service. The SMHS will eliminate this deficit entirely by June 30, 2015. Analysis of the Bismarck hospitals accounts receivables is a cooperative effort of the financial officers of the SMHS, UND and the Bismarck hospitals. Adjustments to the hospital's accounts receivables will continue to be made as new data becomes available.

Fund 21223 – The Bismarck Center for Family Medicine Pharmacy is a new business venture of the SMHS. The Bismarck Pharmacy opened in July 2012. There is an expected start-up deficit with the Bismarck Pharmacy that will extend into FY15. It is expected that the Bismarck CFM Pharmacy will steadily increase revenues and become profitable by FY15.

Fund 21430 - With funding for many of the federal projects for the Citation Research jet on hold until the federal budget is resolved, several measures have been implemented to reduce expenditures in this area. To minimize the resulting deficit in the Citation cost center, personnel have been temporarily reassigned to other functions and vacant positions have not been filled. In addition to a significant rate increase, the department is currently seeking bridge funding from various sources.

WILLISTON STATE COLLEGE

Fund 25098-Nursing Program Fee - In FY13 simulation labs were built which have resulted in a negative cash balance of \$147,699. Fee revenue will be used over the next 3 years to reinstate a positive fund balance.

NOTES TO THE FINANCIAL STATEMENTS

Athletics:

Fund 10595 - Men's Basketball – Deficit: \$105,243

Fund 10605 - Men's Baseball – Deficit: \$131,628

Fund 10615 – Men's Hockey – Deficit: \$244,564

The successes of the college's athletic programs have resulted in significant increases in FY13, primarily due to travel expenditures. The College plans to eliminate the deficit by June 30, 2016 through student fees and current and future fundraising revenue

Capital Projects:

Fund 35100 - Deficit: \$1,445,327

Fund 35105 Deficit: \$ 184,500

Funds will be transferred and appropriate entities will be billed to resolve the deficit by June 30, 2015.

NORTH DAKOTA UNIVERSITY SYSTEM OFFICE

Fund 30010- Administration – The deficit of \$939,142 resulted from an accrual of \$926,243 to record the severance liability incurred for the former NDUS Chancellor and \$56,532 for the former NDUS General Counsel. The liability related to the former Chancellor includes salary, payroll taxes, retirement contributions, health and life insurance and long-term disability through June 30, 2015. The liability related to the former General Counsel is for health insurance premiums. The vast majority of the deficit will be eliminated by June 30, 2015. Funds have been set aside during the 13-15 biennium to cover contractual agreements.

NOTE 25 – Subsequent Events

NORTH DAKOTA STATE UNIVERSITY

Sale of Airplane and Lease Payoff

On October 21, 2013, a closing was held where NDSU sold an airplane and paid off the related lease payable through the NDSU Development Foundation. The airplane's sales price was \$1,350,000 and the lease payoff was \$1,088,753 (including \$28,972 interest). After deducting a \$1,000 closing fee, the cash proceeds of \$260,247 were sent to NDSU and are being held in local unrestricted funds. Both the capital asset and related debt will be removed from NDSU's general ledger in fiscal 2014.

Early Retirement of 2003 Equine Science Center Debt

On November 4, 2013, NDSU used the 10 year call provision in the Series 2003 lease revenue bond indenture to pay off the remaining bonds in the amount of \$2,695,984. These bonds were issued through the NDSU Development Foundation in 2003 to construct the Equine Science Center and have been treated like a capital lease on NDSU's records. This debt will be removed from NDSU's general ledger in fiscal 2014.

UNIVERSITY OF NORTH DAKOTA

In November 2013, UND issued up to \$8.3 million in revenue bonds to finance the purchase of the Hamline Square. Hamline Square is a 77 unit apartment complex built by a private developer located on University land. The purchase was finalized in November 2013. In fiscal year 2013, the building was recorded in the UND financial statements as a capital asset and capital lease liability, in fiscal year 2014, the asset will remain on our financial statements and the debt will move from a capital lease liability to a bonds payable liability.

NOTES TO THE FINANCIAL STATEMENTS

In September 2013, UND entered into a financing agreement for the purchase of a 50,000 square foot research building owned by the UND Research Foundation. The loan is \$9,800,000, amortized for 10 years at 5.38% with a balloon payment of \$7.4 million on September 1, 2013.

UND has authorization to issue up to \$29 million in revenue bonds to finance an addition and/or renovation of Wilkerson Hall. The preliminary timeframe would be to issue the bonds by May 2014.

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NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

COMBINING STATEMENT OF NET POSITION

	North Dakota University System Office	Bismarck State College	Dakota College at Bottineau	Dickinson State University	Lake Region State College
ASSETS					
Current assets					
Cash and cash equivalents	\$ 12,153,464	\$ 6,202,294	\$ 1,187,313	\$ 4,867,129	\$ 2,458,815
Investments	-	3,561,000	-	9,655,000	-
Accounts receivable, net	2,133,918	660,395	291,919	441,326	520,218
Receivable from component units	-	53,088	-	-	-
Receivable from other NDUS institutions	-	5,765	-	65,689	42,868
Due from State General Fund	2,027,082	11,996	-	103,918	97,869
Grants & contracts receivables, net	-	1,513,819	486,704	303,115	636,510
Inventories	-	903,087	168,562	388,969	313,764
Notes receivable, net	-	103,956	44,476	227,381	77,144
Other assets	4,827	505,998	39,512	98,665	25,834
Total current assets	<u>\$ 16,319,291</u>	<u>\$ 13,521,398</u>	<u>\$ 2,218,486</u>	<u>\$ 16,151,192</u>	<u>\$ 4,173,022</u>
Noncurrent assets					
Restricted cash and equivalent	\$ -	\$ 5,865,315	\$ -	\$ -	\$ 48,534
Restricted investments	-	405,000	-	-	105,000
Endowment investments	-	-	-	-	-
Notes receivable, net	-	374,220	160,483	818,929	258,563
Other long-term investments	-	-	-	-	-
Unamortized bond discount and cost of issuance	-	237,614	-	-	-
Receivable from component units	-	-	-	-	-
Capital assets, net	8,299,167	39,463,713	5,772,103	32,926,037	10,707,278
Total noncurrent assets	<u>8,299,167</u>	<u>46,345,862</u>	<u>5,932,586</u>	<u>33,744,966</u>	<u>11,119,375</u>
Total assets	<u>\$ 24,618,458</u>	<u>\$ 59,867,260</u>	<u>\$ 8,151,072</u>	<u>\$ 49,896,158</u>	<u>\$ 15,292,397</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows	\$ -	\$ -	\$ -	\$ -	\$ -
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

COMBINING STATEMENT OF NET POSITION

	North Dakota University System Office	Bismarck State College	Dakota College at Bottineau	Dickinson State University	Lake Region State College
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	\$ 3,812,871	\$ 1,326,619	\$ 25,723	\$ 1,059,527	\$ 350,362
Payable to component units	-	24,977	-	-	-
Accrued payroll	1,024,177	1,487,410	209,742	972,982	488,102
Unearned revenue	-	637,030	45,868	24,984	432,999
Deposits	2,123,826	472,926	(74,558)	(14,994)	241,372
Long-term liabilities - current portion					
Payable to component units	-	114,072	-	-	-
Due to others	1,956,257	527,064	25,413	37,681	368,968
Total current liabilities	<u>8,917,131</u>	<u>4,590,098</u>	<u>232,188</u>	<u>2,080,180</u>	<u>1,881,803</u>
Noncurrent liabilities					
Other noncurrent liabilities	\$ 554,426	\$ 114,062	\$ (105)	\$ 41,195	\$ -
Long term liabilities					
Payable to component units	-	1,738,089	-	-	-
Due to others	1,441,613	11,932,261	271,768	564,362	5,308,681
Total noncurrent liabilities	<u>1,996,039</u>	<u>13,784,412</u>	<u>271,663</u>	<u>605,557</u>	<u>5,308,681</u>
Total liabilities	<u>\$ 10,913,170</u>	<u>\$ 18,374,510</u>	<u>\$ 503,851</u>	<u>\$ 2,685,737</u>	<u>\$ 7,190,484</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows	\$ -	\$ -	\$ -	\$ -	\$ -
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION					
Net investment in capital assets	\$ 6,396,971	\$ 31,770,331	\$ 5,637,000	\$ 32,915,088	\$ 5,474,389
Restricted for:					
Nonexpendable:					
Scholarships and Fellowships	-	-	-	-	-
Expendable:					
Scholarships and Fellowships	-	222,623	13,757	9,993	3,777
Research	-	-	-	-	50,604
Institutional	-	22,504	419,348	77,663	-
Loans	-	520,905	249,750	1,231,013	360,846
Capital projects	-	-	-	-	-
Debt service	-	524,800	-	-	-
Other	128,253	-	-	-	-
Unrestricted	<u>7,180,064</u>	<u>8,431,587</u>	<u>1,327,366</u>	<u>12,976,664</u>	<u>2,212,297</u>
Total net position	<u>\$ 13,705,288</u>	<u>\$ 41,492,750</u>	<u>\$ 7,647,221</u>	<u>\$ 47,210,421</u>	<u>\$ 8,101,913</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

COMBINING STATEMENT OF NET POSITION - Continued

	Mayville State University	Minot State University	North Dakota State College of Science	North Dakota State University	University of North Dakota
ASSETS					
Current assets					
Cash and cash equivalents	\$ 3,255,196	\$ 16,667,652	\$ 10,291,805	\$ 34,321,276	\$ 13,014,636
Investments	475,000	1,852,400	371,477	11,604,743	48,610,426
Accounts receivable, net	581,590	845,519	1,572,234	5,614,676	11,408,851
Receivable from component units	22,109	447,772	-	1,228,466	5,532,731
Receivable from other NDUS institutions	26,514	85,132	129,391	1,261,288	796,955
Due from State General Fund	-	161,501	541,924	9,148,768	1,868,395
Grants & contracts receivables, net	236,302	1,285,909	1,586,370	19,664,958	13,134,167
Inventories	247,748	-	345,261	1,734,982	4,020,658
Notes receivable, net	168,282	626,717	354,018	1,477,005	4,827,940
Other assets	99,751	92,380	-	375,103	1,764,943
Total current assets	<u>\$ 5,112,492</u>	<u>\$ 22,064,982</u>	<u>\$ 15,192,480</u>	<u>\$ 86,431,265</u>	<u>\$ 104,979,702</u>
Noncurrent assets					
Restricted cash and equivalent	\$ 161,242	\$ 4	\$ 4,151,304	\$ 3,990,449	\$ -
Restricted investments	356	1,129,535	-	4,845,584	3,660,440
Endowment investments	17,000	1,249,009	-	366,782	13,505,465
Notes receivable, net	393,072	2,256,066	1,273,157	5,237,625	17,382,086
Other long-term investments	-	-	-	65,691,735	50,899,199
Unamortized bond discount and cost of issuance	100,951	270,545	240,084	2,448,619	428,252
Receivable from component units	-	420,000	-	-	-
Capital assets, net	<u>24,724,464</u>	<u>80,135,460</u>	<u>32,649,706</u>	<u>331,886,214</u>	<u>362,532,369</u>
Total noncurrent assets	<u>25,397,085</u>	<u>85,480,619</u>	<u>38,314,251</u>	<u>415,400,264</u>	<u>448,407,811</u>
Total assets	<u>\$ 30,509,577</u>	<u>\$ 107,545,601</u>	<u>\$ 53,506,731</u>	<u>\$ 501,831,529</u>	<u>\$ 553,387,513</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows	\$ -	\$ -	\$ -	\$ -	\$ -
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

COMBINING STATEMENT OF NET POSITION - Continued

	Mayville State University	Minot State University	North Dakota State College of Science	North Dakota State University	University of North Dakota
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	\$ 266,110	\$ 1,134,764	\$ 888,931	\$ 17,881,636	\$ 8,568,102
Payable to component units	-	1,000	-	-	243,055
Accrued payroll	731,494	2,406,359	1,585,782	10,309,141	12,188,247
Unearned revenue	130,738	1,238,983	286,703	7,598,788	8,303,648
Deposits	196,460	565,209	192,791	1,417,883	3,291,863
Long-term liabilities - current portion					
Payable to component units	-	-	-	2,164,237	610,879
Due to others	856,057	400,320	393,785	3,848,854	6,346,733
Total current liabilities	<u>2,180,859</u>	<u>5,746,635</u>	<u>3,347,992</u>	<u>43,220,539</u>	<u>39,552,527</u>
Noncurrent liabilities					
Other noncurrent liabilities	\$ (11,234)	\$ -	\$ 4,017	\$ 8,767	\$ 2,079,578
Long term liabilities					
Payable to component units	-	-	-	41,445,666	10,132,775
Due to others	10,701,476	14,794,653	10,149,916	97,823,107	87,585,932
Total noncurrent liabilities	<u>10,690,242</u>	<u>14,794,653</u>	<u>10,153,933</u>	<u>139,277,540</u>	<u>99,798,285</u>
Total liabilities	<u>\$ 12,871,101</u>	<u>\$ 20,541,288</u>	<u>\$ 13,501,925</u>	<u>\$ 182,498,079</u>	<u>\$ 139,350,812</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows	\$ -	\$ -	\$ -	\$ -	\$ -
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION					
Net investment in capital assets	\$ 13,660,983	\$ 66,334,869	\$ 28,423,895	\$ 205,711,923	\$ 266,490,000
Restricted for:					
Nonexpendable:					
Scholarships and Fellowships	17,524	1,250,229	900	368,855	13,505,465
Expendable:					
Scholarships and Fellowships	5,793	686,542	-	207,910	1,352,964
Research	-	4,330	-	6,551,544	3,600,376
Institutional	42,267	860,693	111,927	1,062,310	10,047,823
Loans	588,253	3,203,852	3,824,220	7,032,635	27,019,795
Capital projects	-	-	-	43,772	-
Debt service	113,723	916,249	-	10,128,295	3,660,441
Other	-	-	-	-	-
Unrestricted	3,209,933	13,747,549	7,643,864	88,226,206	88,359,837
Total net position	<u>\$ 17,638,476</u>	<u>\$ 87,004,313</u>	<u>\$ 40,004,806</u>	<u>\$ 319,333,450</u>	<u>\$ 414,036,701</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

COMBINING STATEMENT OF NET POSITION- Continued

	Valley City State University	Williston State College	Eliminations	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,019,727	\$ (107,968)		\$ 106,331,339
Investments	1,696,736	-		77,826,782
Accounts receivable, net	746,529	192,709	(139,051)	24,870,833
Receivable from component units	113,129	487,151		7,884,446
Receivable from other NDUS institutions	34,120	4,871	(2,452,593)	-
Due from State General Fund	180,375	515,222		14,657,050
Grants & contracts receivables, net	229,317	1,401,491		40,478,662
Inventories	159,466	102,172		8,384,669
Notes receivable, net	147,224	46,667		8,100,810
Other assets	75,361	-		3,082,374
Total current assets	<u>\$ 5,401,984</u>	<u>\$ 2,642,315</u>	<u>\$ (2,591,644)</u>	<u>\$ 291,616,965</u>
Noncurrent assets				
Restricted cash and equivalent	\$ 2,571,705	\$ 279,900		\$ 17,068,453
Restricted investments	266,590	526,958		10,939,463
Endowment investments	776,857	52,200		15,967,313
Notes receivable, net	531,229	167,947		28,853,377
Other long-term investments	-	-		116,590,934
Unamortized bond discount and cost of issuance	149,329	175,450		4,050,844
Receivable from component units	-	-		420,000
Capital assets, net	<u>20,828,713</u>	<u>33,895,183</u>		<u>983,820,407</u>
Total noncurrent assets	<u>25,124,423</u>	<u>35,097,638</u>	<u>-</u>	<u>1,178,664,047</u>
Total assets	<u>\$ 30,526,407</u>	<u>\$ 37,739,953</u>	<u>\$ (2,591,644)</u>	<u>\$ 1,470,281,012</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows	\$ -	\$ -		\$ -
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

COMBINING STATEMENT OF NET POSITION- Continued

	Valley City State University	Williston State College	Eliminations	Total
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	\$ 196,709	\$ 770,068	\$ (478,023)	\$ 35,803,399
Payable to component units	-	-		269,032
Accrued payroll	938,917	540,749		32,883,102
Unearned revenue	339,007	102,963		19,141,711
Deposits	166,956	90,205	(2,135,314)	6,534,625
Long-term liabilities - current portion				
Payable to component units	-	72,472		2,961,660
Due to others	2,879,132	248,687		17,888,951
Total current liabilities	<u>4,520,721</u>	<u>1,825,144</u>	<u>(2,613,337)</u>	<u>\$ 115,482,480</u>
Noncurrent liabilities				
Other noncurrent liabilities	\$ -	\$ 7,802		\$ 2,798,508
Long term liabilities				
Payable to component units	-	486,884		53,803,414
Due to others	6,638,756	9,080,666		256,293,191
Total noncurrent liabilities	<u>6,638,756</u>	<u>9,575,352</u>	<u>-</u>	<u>312,895,113</u>
Total liabilities	<u>\$ 11,159,477</u>	<u>\$ 11,400,496</u>	<u>\$ (2,613,337)</u>	<u>\$ 428,377,593</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows	\$ -	\$ -		\$ -
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION				
Net investment in capital assets	\$ 11,925,341	\$ 24,468,604	\$ -	\$ 699,209,394
Restricted for:				
Nonexpendable:				
Scholarships and Fellowships	498,762	56,736		15,698,471
Expendable:				
Scholarships and Fellowships	197,748	-		2,701,107
Research	-	-		10,206,854
Institutional	656,051	572,725		13,873,311
Loans	682,174	246,214		44,959,657
Capital projects	-	-		43,772
Debt service	2,852,052	569,668		18,765,228
Other	310,555	-		438,808
Unrestricted	<u>2,244,247</u>	<u>425,510</u>	<u>21,693</u>	<u>236,006,817</u>
Total net position	<u>\$ 19,366,930</u>	<u>\$ 26,339,457</u>	<u>\$ 21,693</u>	<u>\$ 1,041,903,419</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	North Dakota University System Office	Bismarck State College	Dakota College of Bottineau	Dickinson State University	Lake Region State College	Mayville State University	Minot State University
OPERATING REVENUES							
Student tuition and fees (net of scholarship allowance \$1,598,387)	\$ 5,953,785	\$ 11,557,145	\$ 1,269,331	\$ 7,190,994	\$ 3,688,708	\$ 4,078,772	\$ 13,900,069
Federal grants and contracts	614,669	2,807,709	223,714	1,020,451	754,825	2,992,837	5,671,745
State grants and contracts	202,288	1,930,077	332,377	151,036	590,256	20,000	1,382,889
Nongovernmental grants and contracts (net of bad debt allowance of \$129,181)	31,408	14,519	6,243	-	8,224	143,126	333,594
Sales and services of educational departments (net of bad debt allowance of \$178,642)	3,427,874	3,072,623	163,020	488,869	775,501	658,925	1,212,640
Auxiliary enterprises (net of scholarship allowance of \$6,163,112 and bad debt allowance of \$462,698)	-	4,275,812	1,123,340	3,285,640	1,478,198	2,430,531	4,171,767
Other (net of bad debt allowance of \$39,251)	-	7,847	6,217	82,722	(8,585)	26,804	72,839
Total operating revenues	<u>\$ 10,230,024</u>	<u>\$ 23,665,732</u>	<u>\$ 3,124,242</u>	<u>\$ 12,219,712</u>	<u>\$ 7,287,127</u>	<u>\$ 10,350,995</u>	<u>\$ 26,745,543</u>
OPERATING EXPENSES							
Salaries	14,138,966	25,597,842	5,081,739	17,751,096	9,602,744	11,656,643	35,805,438
Operating expenses	8,360,851	10,081,977	1,997,046	7,440,203	3,240,374	3,599,914	11,617,916
Data processing	5,466,374	531,541	107,479	343,455	358,200	194,648	408,683
Depreciation	1,389,540	1,963,518	294,541	1,594,850	738,842	1,071,637	3,211,672
Scholarships and fellowships	20,066,499	2,566,512	381,613	607,054	392,946	617,359	1,417,196
Costs of sales and services	-	2,104,189	198,132	639,686	581,782	826,069	2,152
Total operating expenses	<u>\$ 49,422,230</u>	<u>\$ 42,845,579</u>	<u>\$ 8,060,550</u>	<u>\$ 28,376,344</u>	<u>\$ 14,914,888</u>	<u>\$ 17,966,270</u>	<u>\$ 52,463,057</u>
Operating income (loss)	<u>\$ (39,192,206)</u>	<u>\$ (19,179,847)</u>	<u>\$ (4,936,308)</u>	<u>\$ (16,156,632)</u>	<u>\$ (7,627,761)</u>	<u>\$ (7,615,275)</u>	<u>\$ (25,717,514)</u>
NONOPERATING REVENUES (EXPENSES)							
State appropriations	51,273,330	14,153,140	3,242,845	11,873,105	4,662,614	6,543,702	19,061,906
Federal appropriations	-	-	-	-	-	-	-
Federal grants and contracts, (net of bad debt allowance of \$40,636)	-	3,902,311	1,055,704	1,789,714	1,372,418	1,375,830	3,362,463
Gifts	-	1,039,612	217,781	930,899	593,438	720,778	1,674,621
Endowment and Investment Income (net of investment expense of \$42,726)	23	26,376	17,515	36,445	10,268	108,191	152,146
Interest on capital asset related debt	(66,458)	(536,343)	(8,272)	(3,162)	(211,259)	(652,535)	(852,047)
Gain (loss) on capital assets	-	11,052	-	26,300	-	(504)	11,940
Insurance proceeds	-	-	-	14,953	-	26,129	-
Tax revenues	-	-	-	-	-	227,591	-
General and special grant expenditures	(4,367,105)	-	-	-	-	-	-
Other nonoperating revenue (expenses) (net of bad debt allowance of \$364,462)	548,171	(229,682)	(6,051)	88	65	(492,917)	5,589
Net nonoperating revenues (expenses)	<u>\$ 47,387,961</u>	<u>\$ 18,366,466</u>	<u>\$ 4,519,522</u>	<u>\$ 14,668,342</u>	<u>\$ 6,427,544</u>	<u>\$ 7,856,265</u>	<u>\$ 23,416,618</u>
Income (loss) before capital grants, gifts and transfers	\$ 8,195,755	\$ (813,381)	\$ (416,786)	\$ (1,488,290)	\$ (1,200,217)	\$ 240,990	\$ (2,300,896)
State appropriations - capital assets	\$ -	\$ 3,507,191	\$ 682,412	\$ 290,487	\$ 97,869	\$ 41,775	\$ 5,717,509
Transfer to building authority	(5,881,188)	-	-	-	-	-	-
Inter-Institutional Transfers	(1,310,872)	-	-	-	-	-	-
Capital grants and gifts	-	1,181,588	-	32,483	78,497	-	1,520,348
Total other revenue	<u>(7,192,060)</u>	<u>4,688,779</u>	<u>682,412</u>	<u>322,970</u>	<u>176,366</u>	<u>41,775</u>	<u>7,237,857</u>
Increase (decrease) in net position	<u>\$ 1,003,695</u>	<u>\$ 3,875,398</u>	<u>\$ 265,626</u>	<u>\$ (1,165,320)</u>	<u>\$ (1,023,851)</u>	<u>\$ 282,765</u>	<u>\$ 4,936,961</u>
NET POSITION							
Net position-beginning of year, as restated	\$ 12,701,593	\$ 37,617,352	\$ 7,381,595	\$ 48,375,741	\$ 9,125,764	\$ 17,355,711	\$ 82,067,352
Net position-end of year	<u>\$ 13,705,288</u>	<u>\$ 41,492,750</u>	<u>\$ 7,647,221</u>	<u>\$ 47,210,421</u>	<u>\$ 8,101,913</u>	<u>\$ 17,638,476</u>	<u>\$ 87,004,313</u>

NORTH DAKOTA UNIVERSITY SYSTEM

SUPPLEMENTARY INFORMATION

JUNE 30, 2013

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	North Dakota State College of Science	North Dakota State University	University of North Dakota	Valley City State University	Williston State College	Eliminations	Total
OPERATING REVENUES							
Student tuition and fees (net of scholarship allowance \$1,598,387)	\$ 8,051,150	\$ 100,397,231	\$ 126,584,059	\$ 5,602,656	\$ 1,184,780	\$ (193,928)	\$ 289,264,752
Federal grants and contracts	869,817	46,538,383	59,528,979	941,451	1,017,604	(4,673,625)	118,308,559
State grants and contracts	898,157	7,259,487	8,212,207	91,713	1,729,803	(5,887,170)	16,913,120
Nongovernmental grants and contracts (net of bad debt allowance of \$129,181)	28,500	10,287,622	24,642,412	252,500	(84,876)	(40,661)	35,622,611
Sales and services of educational departments (net of bad debt allowance of \$178,642)	3,173,213	23,606,398	44,716,461	378,113	3,035,913	(5,158,937)	79,550,613
Auxiliary enterprises (net of scholarship allowance of \$6,163,112 and bad debt allowance of \$462,698)	4,832,004	46,082,125	41,303,921	2,349,418	2,086,380	(271,312)	113,147,824
Other (net of bad debt allowance of \$39,251)	169,760	953,672	645,695	13,090	(30,780)	(753,509)	1,185,772
Total operating revenues	\$ 18,022,601	\$ 235,124,918	\$ 305,633,734	\$ 9,628,941	\$ 8,938,824	\$ (16,979,142)	\$ 653,993,251
OPERATING EXPENSES							
Salaries	25,905,013	241,842,660	279,024,002	13,904,548	9,051,580	47,765	689,410,036
Operating expenses	10,339,214	83,779,808	85,430,148	5,299,677	3,780,833	(10,890,808)	224,077,153
Data processing	910,116	5,119,033	5,336,331	368,603	242,710	(41,681)	19,345,492
Depreciation	2,211,952	19,746,928	21,226,366	914,005	814,856		55,178,707
Scholarships and fellowships	1,088,435	4,909,822	7,102,249	716,773	430,456	(3,753,353)	36,543,561
Costs of sales and services	746,196	10,606,034	25,675,834	465,749	801,166	(5,268)	42,641,721
Total operating expenses	\$ 41,200,926	\$ 366,004,285	\$ 423,794,930	\$ 21,669,355	\$ 15,121,601	\$ (14,643,345)	\$ 1,067,196,670
Operating income (loss)	\$ (23,178,325)	\$ (130,879,367)	\$ (118,161,196)	\$ (12,040,414)	\$ (6,182,777)	\$ (2,335,797)	\$ (413,203,419)
NONOPERATING REVENUES (EXPENSES)							
State appropriations	17,260,009	127,388,181	94,597,428	8,883,349	5,157,588		364,097,197
Federal appropriations	-	5,127,259	-	-	-		5,127,259
Federal grants and contracts, (net of bad debt allowance of \$40,636)	3,681,311	11,157,031	10,997,301	1,398,341	17,400		40,109,824
Gifts	648,869	9,231,214	9,079,588	1,110,358	921,852	(1,967,510)	24,201,500
Endowment and Investment Income (net of investment expense of \$42,726)	277,129	2,013,833	3,385,986	296,917	1,118		6,325,947
Interest on capital asset related debt	(358,187)	(5,885,244)	(4,832,886)	(280,137)	(584,686)		(14,271,216)
Gain (loss) on capital assets	(36,337)	(16,020)	508,899	24,688	(8,526)		521,492
Insurance proceeds	31,705	4,404	248,542	12,586	-		338,319
Tax revenues	-	88,727	2,797,100	-	-		3,113,418
General and special grant expenditures	-	-	-	-	-	4,325,000	(42,105)
Other nonoperating revenue (expenses) (net of bad debt allowance of \$364,462)	51,083	(51,533)	(99,555)	(123,433)	87,917	-	(310,258)
Net nonoperating revenues (expenses)	\$ 21,555,582	\$ 149,057,852	\$ 116,682,403	\$ 11,322,669	\$ 5,592,663	\$ 2,357,490	\$ 429,211,377
Income (loss) before capital grants, gifts and transfers	\$ (1,622,743)	\$ 18,178,485	\$ (1,478,793)	\$ (717,745)	\$ (590,114)	\$ 21,693	\$ 16,007,958
State appropriations - capital assets	\$ 8,745,974	\$ 6,631,793	\$ 14,358,173	\$ 6,354,292	\$ 2,513,254		\$ 48,940,729
Transfer to building authority	-	(285,142)	-	-	-		(6,166,330)
Inter-Institutional Transfers	(84,724)	-	1,395,596	-	-		-
Capital grants and gifts	729,279	10,260,010	5,553,639	-	510,013		19,865,857
Total other revenue	9,390,529	16,606,661	21,307,408	6,354,292	3,023,267	-	62,640,256
Increase (decrease) in net position	\$ 7,767,786	\$ 34,785,146	\$ 19,828,615	\$ 5,636,547	\$ 2,433,153	\$ 21,693	\$ 78,648,214
NET POSITION							
Net position-beginning of year, as restated	\$ 32,237,020	\$ 284,548,304	\$ 394,208,086	\$ 13,730,383	\$ 23,906,304	\$ -	\$ 963,255,205
Net position-end of year	\$ 40,004,806	\$ 319,333,450	\$ 414,036,701	\$ 19,366,930	\$ 26,339,457	\$ 21,693	\$ 1,041,903,419

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

COMBINING STATEMENT OF CASH FLOWS

	North Dakota University System Office	Bismarck State College	Dakota College of Bottineau	Dickinson State University	Lake Region State College	Mayville State University	Minot State University
CASH FLOWS FROM OPERATING ACTIVITIES							
Student tuition and fees	\$ 5,945,137	\$ 11,639,977	\$ 1,214,244	\$ 7,141,238	\$ 3,682,737	\$ 4,072,704	\$ 14,383,116
Grants and contracts	869,010	4,604,023	104,492	1,162,460	1,471,822	3,380,321	8,637,918
Payments to suppliers	(12,372,563)	(13,007,844)	(2,283,319)	(8,108,176)	(4,158,785)	(4,632,268)	(11,125,010)
Payments to employees	(13,008,357)	(25,492,416)	(5,046,607)	(17,845,338)	(9,506,025)	(11,698,118)	(35,477,611)
Payments for scholarships and fellowships	(20,066,499)	(2,566,512)	(381,613)	(607,054)	(392,946)	(617,359)	(1,417,196)
Loans issued to students	-	(137,155)	(31,583)	(242,092)	(62,150)	(92,825)	(399,197)
Collection of loans to students	-	88,150	43,202	187,795	54,968	80,715	476,107
Auxiliary enterprise charges	-	4,314,091	1,111,487	3,250,264	1,495,666	2,397,338	4,137,579
Sales and service of educational departments	1,702,929	2,906,038	309,469	455,580	781,198	620,835	1,923,611
Cash received/(paid) on deposits	(243,446)	65,268	44,291	(13,217)	(3,691)	5,871	(17,033)
Other receipts (payments)	(209,633)	(288,088)	(26,137)	129,060	(8,519)	69,749	(413,212)
Net cash provided (used) by operating activities	<u>\$ (37,383,422)</u>	<u>\$ (17,874,468)</u>	<u>\$ (4,942,074)</u>	<u>\$ (14,489,480)</u>	<u>\$ (6,645,725)</u>	<u>\$ (6,413,037)</u>	<u>\$ (19,290,928)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
State appropriations	\$ 51,155,381	\$ 14,153,140	\$ 3,242,845	\$ 11,873,105	\$ 4,952,614	\$ 6,543,702	\$ 19,061,906
Federal appropriations	-	-	-	-	-	-	-
Grants and gifts received for other than capital purposes	-	4,930,787	1,273,484	2,720,613	1,965,856	2,096,608	4,939,466
Grants given for other than capital purposes	(4,367,105)	-	-	-	-	-	-
Direct Lending Receipts	-	9,603,324	1,992,308	5,116,119	2,836,851	4,066,844	6,134,321
Direct Lending Disbursements	-	(9,648,843)	(1,992,308)	(5,094,406)	(2,681,975)	(4,019,829)	(6,108,993)
Agency fund cash increase/(decrease)	8,658	45,687	(70,791)	(97,417)	(354,809)	376	25,480
Tax revenues	-	-	-	-	-	227,591	-
Net cash flows provided (used) by noncapital financing activities	<u>\$ 46,796,934</u>	<u>\$ 19,084,095</u>	<u>\$ 4,445,538</u>	<u>\$ 14,518,014</u>	<u>\$ 6,718,537</u>	<u>\$ 8,915,292</u>	<u>\$ 24,052,180</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from issuance of debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers to Building Authority	(5,881,188)	-	-	-	-	-	-
Capital appropriations	-	3,976,410	682,412	1,035,028	4,830	111,976	6,607,305
Capital grants and gifts received	-	1,125,098	-	29,792	78,857	-	1,520,348
Proceeds from sale of capital assets	1	-	-	-	-	-	-
Purchases of capital assets	(627,028)	(5,523,248)	(824,398)	(1,057,195)	(5,085,864)	(554,498)	(9,432,228)
Insurance proceeds	-	-	-	14,953	-	26,129	-
Principal paid on capital debt and lease	(1,927,646)	(543,167)	(57,224)	(473,063)	(327,260)	(1,155,856)	(657,691)
Deposits with capital debt payment trustees	-	-	-	-	-	-	-
Interest paid on capital debt and lease	(80,519)	(529,530)	(8,272)	(8,862)	(211,262)	(652,355)	(847,931)
Net cash provided (used) by capital and related financing activities	<u>\$ (8,516,380)</u>	<u>\$ (1,494,437)</u>	<u>\$ (207,482)</u>	<u>\$ (459,347)</u>	<u>\$ (5,540,699)</u>	<u>\$ (2,224,604)</u>	<u>\$ (2,810,197)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sales and maturities of investments	\$ -	\$ 9,627,380	\$ -	\$ -	\$ -	\$ -	\$ (298,455)
Interest on investments	24	26,918	17,453	36,682	10,268	108,191	75,186
Purchase of investments	-	(3,336,000)	-	-	-	-	352,415
Net cash provided (used) by investing activities	<u>\$ 24</u>	<u>\$ 6,318,298</u>	<u>\$ 17,453</u>	<u>\$ 36,682</u>	<u>\$ 10,268</u>	<u>\$ 108,191</u>	<u>\$ 129,146</u>
Net increase (decrease) in cash	\$ 897,156	\$ 6,033,488	\$ (686,565)	\$ (394,131)	\$ (5,457,619)	\$ 385,842	\$ 2,080,201
CASH - BEGINNING OF YEAR	\$ 11,256,308	\$ 6,034,121	\$ 1,873,878	5,261,260	7,964,968	\$ 3,030,596	14,587,455
CASH - END OF YEAR	<u>\$ 12,153,464</u>	<u>\$ 12,067,609</u>	<u>\$ 1,187,313</u>	<u>\$ 4,867,129</u>	<u>\$ 2,507,349</u>	<u>\$ 3,416,438</u>	<u>\$ 16,667,656</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

COMBINING STATEMENT OF CASH FLOWS

	North Dakota University System Office	Bismarck State College	Dakota College of Bottineau	Dickinson State University	Lake Region State College	Mayville State University	Minot State University
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES							
Operating income (loss)	\$ (39,192,206)	\$ (19,179,847)	\$ (4,936,308)	\$ (16,156,632)	\$ (7,627,761)	\$ (7,615,275)	\$ (25,717,514)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	-	-	-	-	-	-	-
Depreciation expense	1,389,540	1,963,518	294,541	1,594,850	738,842	1,071,637	3,211,672
Other nonoperating revenues (expenses)	(208,278)	(12,460)	(6,154)	(28,848)	66	523	(4,040,169)
Change in assets and liabilities	-	-	-	-	-	-	-
Accounts receivable adjusted for interest receivable	(1,732,857)	(113,161)	88,222	(122,372)	16,297	(27,204)	729,413
Grant & contract receivables	20,645	(148,283)	(457,842)	(9,027)	118,517	224,357	1,249,690
Inventories	-	(191,896)	5,927	36,252	(55,196)	(8,944)	-
Notes receivable	-	(15,517)	29,327	(31,630)	21,942	12,542	195,440
Other assets	(1,354)	(273,966)	(26,200)	88,851	-	45,468	3,567,190
Accounts payable and accrued liabilities adjusted for interest payable	397,115	(186,452)	(39,571)	221,551	53,390	(56,784)	765,224
Accrued payroll	652,904	88,755	22	(37,492)	61,090	(24,781)	282,468
Compensated absences	477,705	16,671	35,110	(56,750)	35,630	(16,694)	45,358
Deferred revenue	-	112,902	26,561	24,984	(4,851)	(23,753)	437,333
Deposits	813,364	65,268	44,291	(13,217)	(3,691)	5,871	(17,033)
Net cash provided (used) by operating activities	<u>\$ (37,383,422)</u>	<u>\$ (17,874,468)</u>	<u>\$ (4,942,074)</u>	<u>\$ (14,489,480)</u>	<u>\$ (6,645,725)</u>	<u>\$ (6,413,037)</u>	<u>\$ (19,290,928)</u>
SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS							
Assets acquired through capital lease	\$ -	\$ -	\$ -	\$ -	\$ 149,103	\$ 144,768	\$ 138,775
Assets acquired through special assessment	-	-	-	-	-	-	-
Expenses paid by capital lease/special assessments	-	222,369	22,171	-	-	504,671	-
Gifts of capital assets	-	66,414	-	3,060	-	-	-
Net increases (decrease) in value of investments	-	-	-	-	-	-	37,993
Total non-cash transactions	<u>\$ -</u>	<u>\$ 288,783</u>	<u>\$ 22,171</u>	<u>\$ 3,060</u>	<u>\$ 149,103</u>	<u>\$ 649,439</u>	<u>\$ 176,768</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

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
CASH FLOWS FROM OPERATING ACTIVITIES							
Student tuition and fees	\$ 7,936,335	\$ 99,593,174	\$ 127,553,011	\$ 5,609,916	\$ 1,090,644	\$ (193,928)	\$ 289,668,305
Grants and contracts	1,046,922	62,874,990	94,276,844	1,380,977	2,342,131	(10,601,456)	171,550,454
Payments to suppliers	(11,803,514)	(90,318,547)	(115,288,007)	(6,292,453)	(4,571,433)	8,437,757	(275,524,162)
Payments to employees	(25,734,860)	(239,257,057)	(279,142,687)	(13,794,746)	(8,965,010)	(47,765)	(685,016,597)
Payments for scholarships and fellowships	(1,088,435)	(4,909,822)	(7,102,249)	(716,773)	(430,456)	3,753,353	(36,543,561)
Loans issued to students	(128,035)	(1,187,359)	(2,736,170)	(83,935)	(30,802)		(5,131,303)
Collection of loans to students	344,782	1,088,973	3,264,373	62,005	35,422		5,726,492
Auxiliary enterprise charges	4,804,245	46,249,843	41,598,654	2,316,134	2,019,096	(271,312)	113,423,085
Sales and service of educational departments	3,113,271	23,126,734	41,231,623	(222,752)	2,571,344	(2,658,937)	75,860,943
Cash received/(paid) on deposits	(136,398)	(35,026)	(150,527)	(14,110)	(20,031)		(518,049)
Other receipts (payments)	134,884	967,502	2,357,563	(90,756)	67,769	(753,509)	1,936,673
Net cash provided (used) by operating activities	<u>\$ (21,510,803)</u>	<u>\$ (101,806,595)</u>	<u>\$ (94,137,572)</u>	<u>\$ (11,846,493)</u>	<u>\$ (5,891,326)</u>	<u>\$ (2,335,797)</u>	<u>\$ (344,567,720)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
State appropriations	\$ 17,260,009	\$ 134,837,635	\$ 94,597,428	\$ 8,849,229	\$ 5,045,843		\$ 371,572,837
Federal appropriations	-	4,228,545	-	-	-		4,228,545
Grants and gifts received for other than capital purposes	4,330,180	20,388,245	19,939,423	2,508,699	1,040,461	(1,989,203)	64,144,619
Grants given for other than capital purposes	-	-	-	-	-	4,325,000	(42,105)
Direct Lending Receipts	9,403,058	53,747,818	98,246,289	7,540,217	1,853,560		200,540,709
Direct Lending Disbursements	(9,403,058)	(53,966,261)	(98,301,353)	(7,540,217)	(1,637,425)		(200,394,668)
Agency fund cash increase/(decrease)	(332,834)	(682,729)	176,894	30,340	259,673		(991,472)
Tax revenues	-	88,727	2,797,100	-	-		3,113,418
Net cash flows provided (used) by noncapital financing activities	<u>\$ 21,257,355</u>	<u>\$ 158,641,980</u>	<u>\$ 117,455,781</u>	<u>\$ 11,388,268</u>	<u>\$ 6,562,112</u>	<u>\$ 2,335,797</u>	<u>\$ 442,171,883</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from issuance of debt	\$ -	\$ -	\$ 24,413,391	\$ 2,565,000	\$ -		\$ 26,978,391
Transfers to Building Authority	-	(285,142)	-	-	-		(6,166,330)
Capital appropriations	8,411,680	7,083,484	13,249,520	7,063,987	2,513,254		50,739,886
Capital grants and gifts received	729,279	8,048,249	3,961,550	-	510,013		16,003,186
Proceeds from sale of capital assets	-	6,634	8,475	36,353	(19,443)		32,020
Purchases of capital assets	(15,718,209)	(35,433,770)	(24,584,513)	(7,360,890)	(3,714,508)		(109,916,349)
Insurance proceeds	31,705	4,404	268,740	12,586	-		358,517
Principal paid on capital debt and lease	(88,712)	(5,170,599)	(16,699,806)	(70,678)	(220,000)		(27,391,702)
Deposits with capital debt payment trustees	-	-	(15,720,000)	(95,000)	-		(15,815,000)
Interest paid on capital debt and lease	(362,940)	(5,681,523)	(3,689,433)	(473,253)	(296,543)		(12,842,423)
Net cash provided (used) by capital and related financing activities	<u>\$ (6,997,197)</u>	<u>\$ (31,428,263)</u>	<u>\$ (18,792,076)</u>	<u>\$ 1,678,105</u>	<u>\$ (1,227,227)</u>	<u>\$ -</u>	<u>\$ (78,019,804)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sales and maturities of investments	\$ 5,894,988	\$ 9,270,614	\$ 22,547,695	\$ 1,145,971	\$ -		\$ 48,188,193
Interest on investments	277,129	1,788,743	5,782,410	297,600	620		8,421,224
Purchase of investments	-	(27,000,000)	(44,918,352)	(1,078,646)	-		(75,980,583)
Net cash provided (used) by investing activities	<u>\$ 6,172,117</u>	<u>\$ (15,940,643)</u>	<u>\$ (16,588,247)</u>	<u>\$ 364,925</u>	<u>\$ 620</u>	<u>\$ -</u>	<u>\$ (19,371,166)</u>
Net increase (decrease) in cash	<u>\$ (1,078,528)</u>	<u>\$ 9,466,479</u>	<u>\$ (12,062,114)</u>	<u>\$ 1,584,805</u>	<u>\$ (555,821)</u>		<u>\$ 213,193</u>
CASH - BEGINNING OF YEAR	15,521,637	28,845,246	25,076,750	3,006,627	727,753		123,186,599
CASH - END OF YEAR	<u>\$ 14,443,109</u>	<u>\$ 38,311,725</u>	<u>\$ 13,014,636</u>	<u>\$ 4,591,432</u>	<u>\$ 171,932</u>	<u>\$ -</u>	<u>\$ 123,399,792</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

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
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES							
Operating income (loss)	\$ (23,178,325)	\$ (130,879,367)	\$ (118,161,196)	\$ (12,040,414)	\$ (6,182,777)	\$ (2,335,797)	\$ (413,203,419)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities							
Depreciation expense	2,211,952	19,746,928	21,226,366	914,005	814,856		55,178,707
Other nonoperating revenues (expenses)	(34,876)	(68,484)	2,066,615	(123,432)	87,916		(2,367,581)
Change in assets and liabilities							
Accounts receivable adjusted for interest receivable	(152,663)	(1,645,922)	(2,378,917)	(604,410)	(179,993)	2,422,176	(3,701,391)
Grant & contract receivables	(749,552)	(1,504,310)	1,893,245	95,314	(320,400)		412,355
Inventories	8,581	331,355	(356,159)	(105)	-		(230,185)
Notes receivable	285,395	42,875	1,305,296	(20,037)	31,912		1,857,545
Other assets	4,960	82,314	(354,743)	48,923	14,384		3,195,825
Accounts payable and accrued liabilities adjusted for interest payable	117,304	8,063,295	438,810	(219,804)	(86,017)	(2,422,176)	7,045,887
Accrued payroll	29,360	929,800	(24,595)	95,204	41,756		2,094,491
Compensated absences	140,793	1,655,803	(94,091)	14,598	44,813		2,298,946
Deferred revenue	(57,334)	1,474,144	452,324	7,775	(137,745)		2,312,341
Deposits	(136,398)	(35,026)	(150,527)	(14,110)	(20,031)		538,759
Net cash provided (used) by operating activities	<u>\$ (21,510,803)</u>	<u>\$ (101,806,595)</u>	<u>\$ (94,137,572)</u>	<u>\$ (11,846,493)</u>	<u>\$ (5,891,326)</u>	<u>\$ (2,335,797)</u>	<u>\$ (344,567,720)</u>
SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS							
Assets acquired through capital lease	\$ -	\$ 238,713	\$ 182,150	\$ -	\$ -		\$ 853,509
Assets acquired through special assessment	-	-	-	60,807	-		60,807
Expenses paid by capital lease/special assessments	-	-	1,127,080	-	-		1,876,291
Gifts of capital assets	-	-	1,492,979	-	-		1,562,453
Net increases (decrease) in value of investments	-	159,853	-	-	-		197,846
Total non-cash transactions	<u>\$ -</u>	<u>\$ 398,566</u>	<u>\$ 2,802,209</u>	<u>\$ 60,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,550,906</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

Statement of Net Position -- Non-major Component Units

	Dakota College of Bottineau Foundation June 30, 2013	Lake Region Community College Foundation June 30, 2013	MaSU Alumni Foundation June 30, 2013	MISU Development Foundation June 30, 2013	NDSCS Foundation June 30, 2013	NDSU Research Foundation June 30, 2013
Assets						
Current assets						
Cash and cash equivalents	\$ 247,434	\$ 55	\$ -	\$ 1,630,264	\$ 2,751,603	\$ 187,210
Investments	72,466	-	-	-	8,180,780	-
Accounts receivable, net	-	-	10,000	1,408	50,000	-
Receivable from Primary Institution	-	-	-	-	-	-
Unconditional promises to give, net of allowance	-	6,000	5,000	10,000	-	-
Inventories	-	-	-	-	-	-
Other assets	-	-	4,127	1,101	-	13,551
Total current assets	<u>\$ 319,900</u>	<u>\$ 6,055</u>	<u>\$ 19,127</u>	<u>\$ 1,642,773</u>	<u>\$ 10,982,383</u>	<u>\$ 200,761</u>
Noncurrent assets						
Restricted cash and cash equivalents	\$ -	\$ -	\$ 556,581	\$ -	\$ -	\$ 301,497
Investments:						
Investments, net of current portion	2,033,501	2,159,287	4,372,486	11,310,098	-	-
Investments, temporarily restricted	-	-	-	-	-	-
Investments, permanently restricted	-	-	-	-	-	-
Investments held in trust	-	-	-	-	-	-
Beneficial interest in trust	-	1,012,869	-	-	-	-
Endowment investments	-	2,376,575	-	-	-	4,499,678
Real estate and equipment held for investment, net of accumulated depreciation	-	-	-	-	-	-
Other long-term investments	52,195	-	-	-	-	150
Total investments	<u>\$ 2,085,696</u>	<u>\$ 5,548,731</u>	<u>\$ 4,372,486</u>	<u>\$ 16,031,020</u>	<u>\$ -</u>	<u>\$ 4,499,828</u>
Long term pledges receivable/unconditional promises to give	\$ -	\$ -	\$ 25,966	\$ 20,500	\$ -	\$ -
Notes receivable, net	-	-	-	421,112	-	-
Receivable from Primary Institution	-	-	-	-	-	-
Other noncurrent assets	-	-	88,815	-	-	-
Capital assets, net	-	-	8,828	-	1,905,171	-
Total noncurrent assets	<u>\$ 2,085,696</u>	<u>\$ 5,548,731</u>	<u>\$ 5,052,676</u>	<u>\$ 16,472,632</u>	<u>\$ 1,905,171</u>	<u>\$ 4,801,325</u>
Total assets	<u>\$ 2,405,596</u>	<u>\$ 5,554,786</u>	<u>\$ 5,071,803</u>	<u>\$ 18,115,405</u>	<u>\$ 12,887,554</u>	<u>\$ 5,002,086</u>
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 23,580.00	\$ 17,686.00	\$ 14,050.00	\$ 32,953
Payable to university	-	-	-	475,359	-	-
Current portion of gift annuities and life income agreements	-	-	-	39,493	-	-
Deferred revenue	-	-	-	-	47,500	-
Other current liabilities	-	-	-	-	-	-
Long-term liabilities--current portion	-	-	3,510	129,348	53,472	-
Total current liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,090</u>	<u>\$ 661,886</u>	<u>\$ 115,022</u>	<u>\$ 32,953</u>
Noncurrent liabilities						
Gift annuities and life income agreements, net of current portion	\$ -	\$ -	\$ -	\$ 299,262	\$ -	\$ -
Long-term liabilities	-	-	96,490	2,804,639	1,833,762	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>96,490</u>	<u>3,103,901</u>	<u>1,833,762</u>	<u>-</u>
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,580</u>	<u>\$ 3,765,787</u>	<u>\$ 1,948,784</u>	<u>\$ 32,953</u>
NET POSITION						
Temporarily restricted	\$ 115,599	\$ 1,418,339	\$ 1,873,607	\$ 358	\$ 987,975	\$ -
Nonexpendable:						
Permanently restricted	2,085,696	3,389,445	3,511,273	11,384,865	9,808,026	-
Unrestricted	204,301	747,002	(436,657)	2,964,395	142,769	4,969,133
Total net position	<u>\$ 2,405,596</u>	<u>\$ 5,554,786</u>	<u>\$ 4,948,223</u>	<u>\$ 14,349,618</u>	<u>\$ 10,938,770</u>	<u>\$ 4,969,133</u>
Total liabilities and net position	<u>\$ 2,405,596</u>	<u>\$ 5,554,786</u>	<u>\$ 5,071,803</u>	<u>\$ 18,115,405</u>	<u>\$ 12,887,554</u>	<u>\$ 5,002,086</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

Statement of Net Position -- Non-major Component Units - continued

	NDSU Team Makers Club December 31, 2011	UND Center for Innovation December 31, 2012	UND Research Foundation June 30, 2013	VCSU Foundation June 30, 2013	WSC Foundation June 30, 2013	Total Non-major Component
Assets						
Current assets						
Cash and cash equivalents	\$ 2,365,570	\$ 1,112,426	\$ 35,971	\$ 287,789	\$ 4,294,978	\$ 12,913,300
Investments	-	-	9,800,000	-	100,000	18,153,246
Accounts receivable, net	-	15,009	83,141	-	9,000	168,558
Receivable from Primary Institution	-	-	-	-	65,139	65,139
Unconditional promises to give, net of allowance	136,991	-	-	255,846	3,000	416,837
Inventories	5,073	8,701	-	-	-	13,774
Other assets	2,673	342,786	3,945	4,526	15,482	388,191
Total current assets	<u>\$ 2,510,307</u>	<u>\$ 1,478,922</u>	<u>\$ 9,923,057</u>	<u>\$ 548,161</u>	<u>\$ 4,487,599</u>	<u>\$ 32,119,045</u>
Noncurrent assets						
Restricted cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 858,078
Investments:						
Investments, net of current portion	1,750,292	-	-	-	8,005,487	29,631,151
Investments, temporarily restricted	-	-	-	1,290,204	-	1,290,204
Investments, permanently restricted	-	-	-	4,114,303	-	4,114,303
Investments held in trust	-	-	-	-	112,656	112,656
Beneficial interest in trust	-	-	-	-	-	1,012,869
Endowment investments	-	2,805,743	-	-	-	9,681,996
Real estate and equipment held for investment, net of accumulated depreciation	-	-	-	-	-	4,720,922
Other long-term investments	-	406,470	-	7,000	190,887	656,702
Total investments	<u>\$ 1,750,292</u>	<u>\$ 3,212,213</u>	<u>\$ -</u>	<u>\$ 5,411,507</u>	<u>\$ 8,309,030</u>	<u>\$ 51,220,803</u>
Long term pledges receivable/unconditional promises to	\$ -	\$ -	\$ -	\$ 424,721	\$ 3,000	\$ 474,187
Notes receivable, net	-	32,550	-	-	-	453,662
Receivable from Primary Institution	-	-	-	-	531,480	531,480
Other noncurrent assets	-	249,914	14,072	2,894	1,131	356,826
Capital assets, net	19,819	3,334,407	-	20,608	9,414,869	14,703,702
Total noncurrent assets	<u>\$ 1,770,111</u>	<u>\$ 6,829,084</u>	<u>\$ 14,072</u>	<u>\$ 5,859,730</u>	<u>\$ 18,259,510</u>	<u>\$ 68,598,738</u>
Total assets	<u>\$ 4,280,418</u>	<u>\$ 8,308,006</u>	<u>\$ 9,937,129</u>	<u>\$ 6,407,891</u>	<u>\$ 22,747,109</u>	<u>\$ 100,717,783</u>
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities	\$ 79,608	\$ 148,771	\$ 85,969	\$ 2,578	\$ 923,901	\$ 1,329,096
Payable to university	2,562,444	-	-	28,036	54,447	3,120,286
Current portion of gift annuities and life income agreements	-	-	-	930	-	40,423
Deferred revenue	15,773	611,230	21,091	-	-	695,594
Other current liabilities	345,787	25,000	37,320	54	-	408,161
Long-term liabilities--current portion	-	-	6,074,850	124,880	42,836	6,428,896
Total current liabilities	<u>\$ 3,003,612</u>	<u>\$ 785,001</u>	<u>\$ 6,219,230</u>	<u>\$ 156,478</u>	<u>\$ 1,021,184</u>	<u>\$ 12,022,456</u>
Noncurrent liabilities						
Gift annuities and life income agreements, net of current portion	\$ -	\$ -	\$ -	\$ 19,087	\$ 2,381	\$ 320,730
Long-term liabilities	65,632	166,534	3,356,021	272,058	6,543,311	15,138,447
Total noncurrent liabilities	<u>65,632</u>	<u>166,534</u>	<u>3,356,021</u>	<u>291,145</u>	<u>6,545,692</u>	<u>15,459,177</u>
Total liabilities	<u>\$ 3,069,244</u>	<u>\$ 951,535</u>	<u>\$ 9,575,251</u>	<u>\$ 447,623</u>	<u>\$ 7,566,876</u>	<u>\$ 27,481,633</u>
NET POSITION						
Temporarily restricted	\$ -	\$ 709,026	\$ 36,910	\$ 1,827,253	\$ 4,619,645	\$ 11,588,712
Nonexpendable:						
Permanently restricted	-	3,251,632	-	4,119,593	6,503,722	44,054,252
Unrestricted	1,211,174	3,395,813	324,968	13,422	4,056,866	17,593,186
Total net position	<u>\$ 1,211,174</u>	<u>\$ 7,356,471</u>	<u>\$ 361,878</u>	<u>\$ 5,960,268</u>	<u>\$ 15,180,233</u>	<u>\$ 73,236,150</u>
Total liabilities and net position	<u>\$ 4,280,418</u>	<u>\$ 8,308,006</u>	<u>\$ 9,937,129</u>	<u>\$ 6,407,891</u>	<u>\$ 22,747,109</u>	<u>\$ 100,717,783</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

Statement of Revenues, Expenses and Changes in Net Position -- Non-major Component Units

	Dakota College of Bottineau Foundation	Lake Region Community College Foundation	MaSU Alumni Foundation	MiSU Development Foundation	NDSCS Foundation	NDSU Research Foundation
Support and revenue						
Gifts and contributions	\$ 445,502	\$ 540,758	\$ 923,314	\$ 1,238,877	\$ 784,072	\$ 500,000
Investment income	-	97,349	131,814	248,216	284,719	104,195
Net realized and unrealized gains (losses) on investment securities	(3,111)	359,481	236,835	742,958	332,501	580,104
Program and event income	117,165	-	482,172	-	36,853	-
Other income	35,404	118,960	2,973	731,510	554,149	2,191,467
Total support and revenue	\$ 594,960	\$ 1,116,548	\$ 1,777,108	\$ 2,961,561	\$ 1,992,294	\$ 3,375,766
EXPENSES						
Program Services	\$ 121,613	\$ 278,252	\$ 957,554	\$ -	\$ 859,282	\$ -
Supporting services	78,333	237,069	43,832	1,724,198	650,370	2,087,842
Fund raising expense	-	41,925	61,143	-	-	-
Impairment Loss on property	-	-	-	-	-	-
Total expenses	\$ 199,946	\$ 557,246	\$ 1,062,529	\$ 1,724,198	\$ 1,509,652	\$ 2,087,842
Change in Net Position	\$ 395,014	\$ 559,302	\$ 714,579	\$ 1,237,363	\$ 482,642	\$ 1,287,924
Net Position, Beginning of Year	\$ 2,010,582	\$ 4,995,484	\$ 4,233,644	\$ 13,112,255	\$ 10,456,128	\$ 3,681,209
Net Position, End of Year	\$ 2,405,596	\$ 5,554,786	\$ 4,948,223	\$ 14,349,618	\$ 10,938,770	\$ 4,969,133

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

Statement of Revenues, Expenses and Changes in Net Position -- Non-major Component Units - continued

	NDSU Team Makers Club	UND Center for Innovation	UND Research Foundation	VCSU Foundation	WSC Foundation	Total
Support and revenue						
Gifts and contributions	\$ 3,150,757	\$ 1,616,329	\$ 182,381	\$ 546,376	\$ 500,575	\$ 10,428,941
Investment income	215,955	40,902	275	176,001	304,334	1,603,760
Net realized and unrealized gains (losses) on investment securities	-	256,627	-	683,435	472,806	3,661,636
Program and event income	360,918	112,842	-	125,227	6,357,248	7,592,425
Other income	18,477	358,320	959,298	415,941	2,799,040	8,185,539
Total suport and revenue	\$ 3,746,107	\$ 2,385,020	\$ 1,141,954	\$ 1,946,980	\$ 10,434,003	\$ 31,472,301
EXPENSES						
Program Services	2,520,163	1,807,096	-	650,170	1,302,555	8,496,685
Supporting services	400,730	386,470	1,993,273	252,227	6,685,324	14,539,668
Fund raising expense	50,405	-	-	354,480	-	507,953
Impairment Loss on property	-	-	5,905,202	-	-	5,905,202
Total expenses	\$ 2,971,298	\$ 2,193,566	\$ 7,898,475	\$ 1,256,877	\$ 7,987,879	\$ 29,449,508
Change in Net Position	\$ 774,809	\$ 191,454	\$ (6,756,521)	\$ 690,103	\$ 2,446,124	\$ 2,022,793
Net Position, Beginning of Year	\$ 436,365	\$ 7,165,017	\$ 7,118,399	\$ 5,270,165	\$ 12,734,109	\$ 71,213,357
Net Position, End of Year	\$ 1,211,174	\$ 7,356,471	\$ 361,878	\$ 5,960,268	\$ 15,180,233	\$ 73,236,150

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

SCHEDULE OF BONDS PAYABLE - Primary Institution

Issue	Original Balance	Interest Rate	Installments	Balance Outstanding
Bismarck State College				
2005 Housing & Auxiliary Facilities, due through 2030, collateralized by net revenues of housing & auxiliary system and College Fee, interest rate fixed.	\$ 4,400,000	3.4-5.35%	\$90,000 to \$710,000	\$ 3,580,000
2012 Housing & Auxiliary Facilities, due through 2033, collateralized by net revenues of housing & auxiliary system and College Fee, interest rate fixed.	\$ 7,000,000	2.0 - 4.0%	\$265,000 to \$475,000	7,000,000
Total BSC				<u>\$ 10,580,000</u>
Lake Region State College				
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	\$ 450,000
Total LRSC				<u>\$ 450,000</u>
Mayville State University				
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	\$ 1,832,533
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	3,275,000
Total MaSU				<u>\$ 5,107,533</u>
Minot State University				
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	\$ 4,180,000
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	9,725,000
Total MiSU				<u>\$ 13,905,000</u>
North Dakota State College of Science				
2012 Housing Facilities Revenue Bonds, due through 2037, fixed rate collateralized by net housing and auxiliary facilities pledged revenues.	\$ 9,000,000	3.76%	\$265,000 to \$545,000	\$ 9,000,000
Total NDSCS				<u>\$ 9,000,000</u>
North Dakota State University				
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	\$ 8,505,000
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	\$ 16,615,000
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	\$ 8,680,000
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	\$ 2,420,000
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	\$ 17,090,000
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	\$ 3,850,000

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

SCHEDULE OF BONDS PAYABLE - Primary Institution (continued)

Issue	Original Balance	Interest Rate	Installments	Balance Outstanding
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	\$ 10,950,000
2009 Housing & Auxiliaries Facilities Revenue Bonds, Maturity July 29, 2039, collateralized by Auxiliary revenue.	\$ 26,245,000	1.5-4.8%	\$ 1,715,000	\$ 24,750,000
2012 Housing & Auxiliaries Facilities Revenue Bonds, Maturity April 1, 2027, collateralized by housing and auxiliary revenue.	\$ 5,730,000	2.0-3.0%	\$ 5,730,000	\$ 5,410,000
Total NDSU				<u>\$ 98,270,000</u>
University of North Dakota				
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	\$ 485,000
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	\$ 39,455,000
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	\$ 1,214,000
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	\$ 2,080,000
2012 Housing & Auxiliaries Facilities Revenue Bonds, Maturity April 1, 2027, collateralized by housing and auxiliary revenue.	\$ 17,360,000	2-5%	\$220,000 to \$1,115,000	\$ 16,381,316
2012 EERC Revenue Bonds, maturity June 1, 2027, variable interest rate	\$ 6,405,000	0.75-4.2%	\$325,000 to \$540,000	\$ 6,080,000
Total UND				<u>\$ 65,695,316</u>
Valley City State University				
2003 Housing & Auxiliary Facilities Revenue Bonds due through 2033, collateralized by net housing and auxiliary facilities system, interest rate fixed.	\$ 3,430,000	2.8-7.05%	\$25,000 to \$380,000	\$ 2,785,000
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	\$ 3,405,000
2013 Housing & Auxiliary Facilities Revenue Bonds due through 2033, collateralized by net housing and auxiliary facilities system, interest rate fixed.	\$ 2,565,000	3-4%	\$40,000 to \$185,000	\$ 2,565,000
Total VCSU				<u>\$ 8,755,000</u>
Williston State College				
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	\$ 51,000
2010 Housing and Auxiliary Services, matures 2041	\$ 1,500,000	6.9%	\$150,000	\$ 8,970,000
Total WSC				<u>\$ 9,021,000</u>
North Dakota University System				
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	\$ 1,803,868
Total NDUS				<u>\$ 1,803,868</u>
Total Bonds Payable	<u>\$ 271,991,000</u>			<u>\$ 222,587,717</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

Financial Information for Revenue Producing Buildings (Unaudited)

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

	Bismarck State College	Dakota State College	Dickinson State University	Lake Region State College	Mayville State University	Minot State University
Operating Revenues	\$ 4,150,183	\$ -	\$ -	\$ 1,431,418	\$ 2,275,871	\$ 439,124
Operating Expenses	4,041,109	-	-	1,673,073	1,921,989	1,862,434
Net Operating Revenues	<u>\$ 109,074</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (241,655)</u>	<u>\$ 353,882</u>	<u>\$ (1,423,310)</u>
Non Operating Revenue	\$ 393,800	\$ -	\$ -	\$ 207,918	\$ 113,360	\$ 1,436,503
Investment Income	11,316	-	-	6,185		15,954
Debt Service Grants	-	-	-	8	53,209	210,249
Capitalized Interest	-	-	-	-	-	-
Net Revenue Available for Debt Retirement	<u><u>\$ 757,426</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 57,930</u></u>	<u><u>\$ 598,135</u></u>	<u><u>\$ 1,521,825</u></u>
Current year Debt Service Principal	\$ 115,000	\$ -	\$ -	\$ 80,000	\$ 140,000	\$ 290,000
Interest	<u>403,242</u>	<u>-</u>	<u>-</u>	<u>24,294</u>	<u>189,014</u>	<u>825,154</u>
Total Debt Service	<u><u>\$ 518,242</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 104,294</u></u>	<u><u>\$ 329,014</u></u>	<u><u>\$ 1,115,154</u></u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

Financial Information for Revenue Producing Buildings (Unaudited) - Continued

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

	North Dakota State College of Science	North Dakota State University	University of North Dakota	Valley City State University	Williston State College	Total
Operating Revenues	\$ 4,748,695	\$ 38,365,401	\$ 39,490,166	\$ 2,546,893	\$ 2,202,525	\$ 95,650,276
Operating Expenses	6,374,854	33,096,127	35,176,062	2,215,766	1,856,656	88,218,070
Net Operating Revenues	<u>\$ (1,626,159)</u>	<u>\$ 5,269,274</u>	<u>\$ 4,314,104</u>	<u>\$ 331,127</u>	<u>\$ 345,869</u>	<u>\$ 7,432,206</u>
Non Operating Revenue	\$ 2,382,254	\$ 3,455,820	\$ 3,025,120	\$ 470,772	\$ -	\$ 11,485,547
Investment Income	1,196	18,571	123,442	5,337	432	182,433
Debt Service Grants	-	8,914	-	101,664	249,317	623,361
Capitalized Interest	-	-	-	-	-	-
Net Revenue Available for Debt Retirement	<u><u>\$ 1,103,022</u></u>	<u><u>\$ 13,503,300</u></u>	<u><u>\$ 11,566,779</u></u>	<u><u>\$ 1,024,863</u></u>	<u><u>\$ 685,618</u></u>	<u><u>\$ 30,818,898</u></u>
Current year Debt Service Principal	\$ -	\$ 2,060,000	\$ 2,590,000	\$ 95,000	\$ 220,000	\$ 5,590,000
Interest	<u>335,197</u>	<u>3,571,803</u>	<u>2,806,369</u>	<u>384,346</u>	<u>577,743</u>	<u>9,117,162</u>
Total Debt Service	<u><u>\$ 335,197</u></u>	<u><u>\$ 5,631,803</u></u>	<u><u>\$ 5,396,369</u></u>	<u><u>\$ 479,346</u></u>	<u><u>\$ 797,743</u></u>	<u><u>\$ 14,707,162</u></u>

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APPENDIX C

Summary of Indenture

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SUMMARY OF INDENTURE

Certain Definitions

The following words and terms, as used in this Official Statement, shall have the following meanings, as defined in the Indenture, unless the context or use indicates another or different meaning or intent:

“Additional Bonds” means any bonds, notes, certificates, debentures or other evidences of indebtedness issued by the Board pursuant to the Indenture and the Supplemental Indentures which are authorized and secured by the Indenture and a Supplemental Indenture.

“Additional Facilities” means any real or personal property or other facilities (whether or not constituting part of the Housing and Auxiliary Facilities Systems) at the University financed by the Board under the provisions of the Indenture.

“Average Annual Debt Service” as of any date means, for each series of Outstanding Bonds, and any Subordinate Bonds, the aggregate of all future principal and interest to become due on the bonds of each such series in all years in which the interest thereon is payable and in which the principal thereof is to mature in accordance with the scheduled maturities, or the mandatory sinking fund requirements thereof divided by the number of such years; provided, however, that there shall be deducted from such principal and interest to become due the amount on deposit in any reserve fund with respect to the Outstanding Bonds or in any irrevocable escrow fund as of the date of such calculation.

“Board” means the State Board of Higher Education of the State of North Dakota.

“Bond Counsel” means an attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to the Tax-exempt nature of interest on bonds issued by states and their political subdivisions and familiar with and having expertise in connection with the transactions contemplated under and by the Indenture and the Bonds, which counsel shall be selected by the University, shall be acceptable to the Board and shall be duly admitted to the practice of law before the highest court of any state of the United States or the District of Columbia.

“Bond Year” for the purposes of the Indenture means the 12-month period commencing on the first day of April of any calendar year and ending on the 31st day of March of the next succeeding calendar year or such other period selected by the Board or the University.

“Bonds” means, collectively, the Series 2005 Bonds, the Series 2006A Bonds, the Series 2006B Bonds, the Series 2007 Bonds, the Series 2009 Bonds, the Series 2012 Bonds, the Series 2014A Bonds and any Additional Bonds, all as shall have been or shall be issued from time to time by the Board under the Indenture, and which are payable from Pledged Revenues in the manner expressly provided in the Indenture.

“Business Day” means a day on which banking business is transacted, but not including any day on which banks are authorized to be closed in the city in which the Trustee has its principal corporate office.

“Closing Date” means each date established and approved by the Board and the University as the date for the issuance and delivery of a series of Bonds hereunder in exchange for payment of the purchase price for such series of Bonds.

“Code” means the United States Internal Revenue Code of 1986, as amended.

“Combined Average Annual Debt Service” means the aggregate of the Average Annual Debt Service for each separate series of the Bonds Outstanding under the Indenture and any indenture supplemental hereto.

“Cost” or “Costs” or “Cost of Completion” or any phrase of similar import, in connection with (i) the Projects financed from the proceeds of Bonds, and any Additional Facilities financed under the Indenture or (ii) the refunding of any Bonds issued under the Indenture, means all costs and expenses which are properly chargeable thereto under generally accepted accounting principles or which are incidental to the financing, acquisition and construction of any such Projects, any Additional Facilities, or the refunding of any Bonds issued under the Indenture.

“Debt Service Requirements” means, with respect to any Bond Year, the principal of, premiums, if any, and the interest on the Bonds or other securities issued under the Indenture and which by the terms thereof and of the Indenture, are Outstanding and are payable from the Pledged Revenues.

“Default” and **“Event of Default”** mean with respect to any Default or Event of Default under the Indenture any occurrence or event specified in and defined by the Indenture.

“Depository” means The Depository Trust Company or any successor securities depository acting as Depository pursuant to the Indenture.

“Fiscal Year” means the 12-month period commencing on the first day of July of any calendar year and ending on the last day of June of the next succeeding calendar year.

“Funds” means the trust funds created and established by the Indenture.

“General Allocated Administrative Expenses” means all reasonable and necessary current expenses and assessments paid or accrued, consisting of indirect legal, administrative and other indirect and incidental expenses and assessments of various University departments and operations which are allocated on a pro rata or other basis to and as an expense of the Housing and Auxiliary Facilities System, but shall not include direct legal or overhead expenses or direct administrative assessments.

“Governmental Obligations” means direct general obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by the United States of America.

“Gross System Revenues” means all income and revenues derived directly or indirectly by the Board and the University from the operation and use of certain buildings, structures and facilities at the University classified by the Board and the University as the Housing and Auxiliary Facilities System, or any part thereof, including, without limitation, all rentals, fees, rates and other charges for the use of, or in connection with the Housing and Auxiliary Facilities System and subject to any existing pledges or other contractual limitations, such defined term includes all income, fees and other moneys derived from one, all or any combination of the following revenue sources, including, without limitation:

(a) student board and room fees and other fees, rates and charges and revenues pertaining thereto rendered by the Board and the University in the operation of the Housing and Auxiliary Facilities System; and

(b) any other services, contracts, investments and other miscellaneous unrestricted sources of income not hereinabove designated, whether presently realized or to be realized, and authorized to be accounted for by resolution of the Board in the Housing and Auxiliary Facilities System Funds and Accounts.

“Housing and Auxiliary Facilities System” means (a) all residence hall facilities now or hereafter located at the University which are classified as part of the Housing and Auxiliary Facilities System by the Board and the University, (b) all student family housing facilities now or hereafter located at the University which are classified as part of the Housing and Auxiliary Facilities System by the Board and the University, (c) all dining facilities which are classified as part of the Housing and Auxiliary Facilities System by the Board and the University, (d) revenue producing parking facilities, (e) student union and bookstore, (f) student wellness center, and (g) all existing and additional revenue producing Housing and Auxiliary Facilities heretofore or hereafter financed from the proceeds of bonds issued by the Board for such purpose and from the proceeds of Additional Bonds issued under the Indenture, whether resulting from improvements, enlargements, extensions, repairs or betterments thereto, or otherwise, from the operation of which or in connection with which facilities, Net System Revenues are derived; where the context so requires the term “Housing and Auxiliary Facilities” shall be deemed to be included within the definition of Additional Facilities which are financed from the proceeds of Additional Bonds issued under the Indenture.

“Indenture” means the Indenture of Trust dated as of August 1, 2004, between the Board and the Trustee and any indenture or indentures supplemental thereto or amendatory thereof entered into in accordance with the provisions of the Indenture.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns.

“Net System Revenues” means the Gross System Revenues, from time to time remaining after payment of the Operation and Maintenance Expenses, exclusive of General Allocated Administrative Expenses, it being the intent of the Indenture, that General Allocated Administrative Expenses shall be paid and accounted for as Operation and Maintenance Expenses subject to the deposit of Net System Revenues (together with other Pledged Revenues as required) in the Debt Service Fund in the manner set forth in the Indenture.

“Operation and Maintenance Expenses” or any phrase of similar import, shall mean with respect to the Housing and Auxiliary Facilities System and with respect to any Fiscal Year, the reasonable and necessary current expenses of the Board and the University, paid or accrued, of the maintenance, repair, replacement and operation, and shall include (except as limited by contract or otherwise limited by law), without limitation:

(a) Direct legal and overhead expenses and administrative assessments for the direct operation and administration of the Housing and Auxiliary Facilities System and any reasonable payment to retirement or pension funds;

(b) Fidelity bonds and insurance premiums pertaining to the Housing and Auxiliary Facilities System, or a reasonably allocable share of the premium for any blanket bond or policy pertaining to the Housing and Auxiliary Facilities System;

(c) The reasonable charges and expenses of the Trustee, Paying Agent and Registrar for the Bonds, and of any other paying agent, commercial bank, trust bank or other depository bank appertaining to any securities issued by the Board for the University and appertaining to the Housing and Auxiliary Facilities System;

(d) Contractual services, professional services, salaries, administrative expenses, costs of labor, including legal, architectural and engineering expenses, appertaining to the maintenance, repair, replacement and operation of the Housing and Auxiliary Facilities System;

(e) The costs incurred by the Board and the University in the collection of all or any part of the Gross System Revenues or the Pledged Fees;

(f) Any costs of utility services furnished to the Housing and Auxiliary Facilities System by the Board, the University or otherwise; and

(g) At the discretion of the Board and the University, reasonable allowances for the depreciation of furniture and equipment for the Housing and Auxiliary Facilities System;

BUT, the following expenses shall not be included as Housing and Auxiliary Facilities System Operation and Maintenance Expenses:

(i) any allowance for depreciation, except as otherwise provided in subparagraph (g) of this paragraph;

(ii) any expenses for extraordinary maintenance, repair or replacement or costs of reconstruction, improvements, extensions or betterments;

(iii) any accumulation of reserves for capital replacements to the Housing and Auxiliary Facilities System;

(iv) any reserves for operation, maintenance or repair of any Housing and Auxiliary Facilities System;

(v) any allowance for the redemption of any Bonds or any other securities evidencing, a loan or other obligation or the payment of any interest thereon;

(vi) any liabilities incurred in the acquisition or capital improvement of any properties pertaining to any Project or any existing Housing and Auxiliary Facilities System, or any combination thereof;

(vii) any deposits or transfers to the credit of the Repair and Replacement Fund; and

(viii) any other ground of legal liability not based on contract or in tort.

“Outstanding” or “Bonds Outstanding” mean all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except:

(a) Bonds canceled by the Board or by the Paying Agent or otherwise on the Board’s behalf after purchase in the open market or because of payment at or redemption prior to maturity pursuant to the provisions of the Indenture;

(b) Bonds paid or deemed to be paid pursuant to the provisions of the Indenture; and

- (c) Bonds in lieu of which others have been authenticated under the Indenture.

Notwithstanding anything herein to the contrary, any Bond paid from the proceeds of Bond Insurance shall remain Outstanding for all purposes under the Indenture.

“Owner” means the person or persons in whose name or names a Bond shall be registered on the books of the Trustee kept for that purpose in accordance with provisions of the Indenture.

“Permitted Investments” means, with respect to the Series 2014A Bonds, any of the following investments:

- (a) Governmental Obligations;
- (b) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (and, in the case of stripped securities, only those stripped securities stripped by the federal agency itself): U.S. Export-Import Bank (Eximbank), as to direct obligations or fully guaranteed certificates of beneficial ownership; Federal Financing Bank; Federal Housing Administration Debentures (FHA); General Services Administration, as to participation certificates; Government National Mortgage Association (GNMA or “Ginnie Mae”), as to mortgage-backed bonds, and GNMA-guaranteed pass-through obligations; U.S. Maritime Administration, as to Guaranteed Title XI financing; and U.S. Department of Housing and Urban Development (HUD), as to project notes, local authority bonds, new communities debentures-U.S. government guaranteed debentures, and U.S. public housing notes and bonds (as to U.S. government guaranteed public housing notes and bonds);
- (c) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following government agencies of the United States of America (non-full faith and credit agencies, and, in the case of stripped securities, only those stripped securities stripped by the federal agency itself): Federal Home Loan Bank System, as to senior debt obligations; Student Loan Marketing Association (SLMA or “Sallie Mae”), as to senior debt obligations; Resolution Funding Corp. (REFCORP) obligations; and Farm Credit System, as to consolidated system-wide bonds and notes;
- (d) direct and general obligations or of bonds or notes issued by, any state of the United States of America or any municipality or political subdivision of any such state, which obligations are rated in one of the two the highest rating categories of either S&P or Moody’s, or, upon the discontinuance of either or both of such services, any other nationally recognized rating service;
- (e) commercial paper which matures not more than 270 days after the date of purchase rated, at the time of purchase in the single highest classification, “A-1+” or better by S&P or “P-1” or better by Moody’s, or, upon the discontinuance of either or both of such services, any other nationally recognized rating service;
- (f) certificates of deposit secured at all times by collateral described in (a) and/or (b) above; provided that such certificates must be issued by commercial banks, savings and loan or mutual savings banks. Such collateral must be held by a third party and the owner must have a perfected security interest in the collateral;
- (g) certificates of deposit, savings accounts or deposit account which are fully insured by FDIC;
- (h) investment agreements, including guaranteed investment contracts, from a provider which has an unsecured, uninsured and unguaranteed obligation rating, of “Prime-1” or A3” or better by Moody’s and “A-1” or “A” or better by S&P, or upon discontinuance of either or both of such services, any other nationally recognized rating service;
- (i) obligations of any state of the United States, any political subdivision thereof or any agency or instrumentality thereof, if such obligations are secured by Governmental Obligations the principal of and interest on which will be sufficient to pay when due the principal and interest on such obligations;
- (j) shares in an investment company registered under the Federal Investment Company Act of 1940 whose shares are registered under the Federal Securities Act of 1933 and whose only investments are Governmental Obligations and repurchase agreements fully secured by Governmental Obligations;

(k) U.S. dollar denominated deposit accounts (including those with the Trustee and its affiliates), federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating, of “Prime-1” or A3” or better by Moody’s and “A-1” or “A” or better by S&P, or upon discontinuance of either or both of such services, any other nationally recognized rating service;

(l) deposits in the Bank of North Dakota which are fully guaranteed by the State; and

(m) money market funds rated “AAAm” or “AAAm-G” or better by S&P, which may include funds for which the Trustee or its affiliates provide investment advisory or other management services.

“Pledged Fees” means the fees so designated by the Board and the University, as set and authorized from time to time by the Board and the University, and which are assessed to and collected for the use of University facilities, including, but not limited to, Memorial Union revenue bond fees, Wellness Center fees and parking fees.

“Pledged Revenues” means:

(a) the Net System Revenues;

(b) all moneys received by the Board and the University from the fees designated as Pledged Fees by the Board and the University;

(c) proceeds of any Bonds deposited in the Debt Service Fund as capitalized interest;

(d) earnings on any Funds or Accounts created under the Indenture (excluding any escrow funds and the Rebate Fund as created and defined in the Indenture), including earnings on any Construction Funds created under or continued by the Indenture for any Project or any Additional Facilities if required to meet the rate maintenance covenant of the Indenture;

(e) any source or additional sources of revenues, fees and income which may be added from time to time to the Pledged Revenues under the provisions of the Indenture or any indenture amendatory thereof or supplemental thereto, including any revenues, fees, income or any other sources of monies which may be authorized from time to time by action of the Board.

“Principal Office of the Trustee” means the trust office of the Trustee in St. Paul, Minnesota, or such other address or shall be specified by the Trustee in a written notice filed with the Board and the University.

“Project” or “Projects” mean the construction, renovation, improvement, repair, replacement, furnishing and equipping of new and existing facilities comprising part of the Housing and Auxiliary Facilities System or other facilities at or for the University heretofore or hereafter financed with proceeds of bonds issued by the Board for the University, as described in the Indenture providing for and authorizing the issuance of such bonds.

“Purchaser” or “Underwriter” mean, for purposes of the Series 2014A Bonds, Piper Jaffray & Co., Minneapolis, Minnesota, the Underwriters purchasing the Series 2014A Bonds.

“Rating Agency” means Moody’s (if the Bonds are then rated by Moody’s), S&P (if the Bonds are then rated by S&P), and/or such other Rating Agency (if such Rating Agency is then nationally recognized and has a rating outstanding on the Bonds).

“Record Date” means (i) in the case of Bonds which are not held in Book-Entry form, the close of business on the 15th day of the calendar month next preceding any Interest Payment Date for Bonds, whether or not such 15th day is a Business Day and (ii) in the case of Bonds which are held in a Book-Entry System, the close of business on the Business Day preceding the Interest Payment Date.

“Redemption Price” means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion thereof) plus the applicable premium and interest, if any, payable upon redemption pursuant to the provisions of such Bond and the Indenture.

“Regulations” means the Income Tax Regulations promulgated or proposed by the Department of the Treasury pursuant to the Code from time to time.

“Repair and Replacement Reserve Requirement” means the amount, if any, required to be deposited and maintained in the Repair and Replacement Fund pursuant to the Indenture or the amount required by any Supplemental Indenture.

“S&P” means Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns.

“Series” means all Bonds of like designation authenticated and delivered on original issuance at the same time pursuant to the Indenture or a Supplemental Indenture and any Bond or Bonds thereafter delivered in lieu of or as substitution for any of such Bonds pursuant to the Indenture.

“Series 2014A Bonds” means the \$8,340,000 aggregate principal amount of the Board’s “North Dakota State University, Housing and Auxiliary Facilities Revenue Refunding Bonds, Series 2014A, created and authorized to be issued by the Board pursuant to the Indenture and a Supplemental Indenture.

“State” means the State of North Dakota, in the United States.

“Subordinate Bonds” means any additional bonds payable from Pledged Revenues having a lien thereon which is junior and inferior to the lien of the Bonds.

“Supplemental Indenture” means any agreement hereafter authorized and entered into between the Board and the Trustee which amends, modifies or supplements and forms a part of the Indenture.

“Tax-exempt” means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from gross income for federal income tax purposes; provided, however that such interest may be includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax under the Code.

“Trustee,” “Registrar” and “Paying Agent” mean U.S. Bank National Association, St. Paul, Minnesota, its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor at the time serving as successor trustee under the Indenture.

“University” means the institution of higher learning commonly known as North Dakota State University, a unit of the North Dakota University System, which is located in the City of Fargo, North Dakota.

“University Representative” means the Vice President for Finance and Administration of the University and any other person or persons at the time designated to act on behalf of the University by written certificate furnished to the Trustee containing the specimen signatures of such person or persons and signed on behalf of the Board by its duly authorized agent.

Additional Bonds

So long as no Event of Default has occurred and is continuing, one or more series of Additional Bonds may be issued, authenticated and delivered under the Indenture from time to time for one or more of the following purposes: (a) refunding or advance refunding, in whole or in part, any one or more series of Outstanding Bonds, or (b) financing, refinancing or reimbursement for the Cost of any Project or any Additional Facilities, and in each case obtaining additional funds to pay the Costs to be incurred in connection with the issuance of such Additional Bonds and to establish reserves and to pay capitalized interest with respect thereto to the extent required under or permitted by the Indenture.

Any Additional Bonds which bear interest at a fixed rate of interest shall be payable as to principal either semiannually on April 1 and October 1 of each year in which principal falls due or annually on April 1 or October 1 of each year in which principal falls due, and the term Bonds of such series of Additional Bonds, if any, which bear interest at a fixed rate of interest shall either have semiannual mandatory redemption on April 1 and October 1 or annual mandatory redemption on April 1 or October 1. Any Additional Bonds of such series of Additional Bonds which bear interest at a fixed rate of interest shall be payable as to interest semiannually on April 1 and October 1 of each year, except that the first installment of interest may be payable on either April 1 or October 1 and shall be for a period of not longer than twelve (12) months. Any Additional Bonds bearing interest at a variable rate of interest or Additional Bonds issued as capital appreciation bonds shall be payable as to interest and principal as shall be designated in the Supplemental Indenture providing for their issuance.

The Trustee shall have received the following documents or money or securities, as applicable, as of the Closing Date for any Additional Bonds:

- (a) A certified copy of the Supplemental Indenture authorizing the issuance of such Additional Bonds;
- (b) A copy, duly certified by the Secretary of the Board, of the resolution theretofore adopted by the Board authorizing the execution and delivery of such Supplemental Indenture and the issuance of such Additional Bonds;
- (c) A certificate of the University stating what Pledged Revenues of the Additional Facilities to be built or financed from the proceeds of the Additional Bonds and other Pledged Revenues are to be added as security or are pledged as additional security for the Additional Bonds and all other Outstanding Bonds under the Indenture;
- (d) A certificate of the University stating and confirming that the annual Pledged Revenues for the Fiscal Year preceding the issuance of the Additional Bonds have been equal to at least 1.10 times the Combined Average Annual Debt Service; such certificate may, to the extent deemed necessary by the University be prepared with the advice of and in consultation with the University's Certified Public Accountant and the final of such certificate shall be signed by the chief financial officer of the University;
- (e) A certificate of the University stating that the estimated Pledged Revenues to be received in each of the three (3) Fiscal Years following the completion of the construction of the Additional Facilities to be constructed or financed with the proceeds of the Additional Bonds (and if no Additional Facilities are to be financed and constructed, the three (3) Fiscal Years following the date of issuance of the Additional Bonds when added to the Pledged Revenues of the then existing Housing and Auxiliary Facilities System, including estimated Pledged Revenues from any Housing and Auxiliary Facilities System then under construction at the University, shall equal at least 1.10 times the Combined Average Annual Debt Service including the Additional Bonds proposed to be issued. Computation of the future Pledged Revenues (including the future Pledged Revenues of the Additional Facilities to be financed with the proceeds of the Additional Bonds) shall be based on actual Pledged Revenues for the Fiscal Year preceding the issuance of such Additional Bonds, as such Pledged Revenues may be adjusted to reflect the schedule of rates, fees and charges in effect or to become effective when the Additional Facilities (if any) become revenue-producing and after giving recognition and effect to anticipated changes in Operation and Maintenance Expenses of the Housing and Auxiliary Facilities System and Additional Facilities. The computation of estimates shall be made by the chief financial officer of the University, and such computation and certificate shall be conclusively presumed to be accurate in determining the right of the Board to authorize, issue and sell Additional Bonds on a parity with the Bonds then Outstanding;
- (f) A written request of the Board to the Trustee to authenticate and deliver such Additional Bonds;
- (g) An opinion of Bond Counsel to the effect that all requirements for the issuance of such Additional Bonds have been met and the issuance of such Additional Bonds will not result in the interest on any Tax-exempt Bonds Outstanding becoming includable in the gross income of the Owners thereof for purposes of federal income taxation;
- (h) A certificate of the Board containing such statements as may be reasonably necessary to show compliance with the requirements of the Indenture and any Supplemental Indenture; and
- (i) Such further documents, moneys and securities as are required by the provisions of the Indenture and the Supplemental Indentures providing for the issuance of such Series of Additional Bonds.

Nothing in the Indenture shall be construed so as to permit the issuance of bonds or other obligations, payable from the Pledged Revenues and having a lien on the Pledged Revenues superior to the lien of the Bonds on the Pledged Revenues, and which secures the payment of the Debt Service Requirements thereof. Nothing herein shall prevent the Board from issuing bonds or other obligations payable from such Pledged Revenues, and having a lien thereon junior and inferior to the lien thereon securing payment of the Debt Service Requirements of the Bonds.

Funds

Construction Fund. The Indenture provides for the establishment of a special trust Fund designated as the "Construction Fund—NDSU Housing And Auxiliary Facilities." So long as an Event of Default under the Indenture shall not have occurred and be continuing, moneys deposited in the Construction Fund shall be paid out by the Trustee in order to pay, or reimburse the University for the payment of, the Cost of the Project financed from the proceeds of the respective series of Bonds and the Costs of Additional Facilities financed from the proceeds of Additional Bonds authorized to be issued under the Indenture. Each disbursement made by the Trustee from the Construction Fund shall be made after the receipt by the Trustee of the written request of the University Representative stating the following:

(a) that the Trustee shall disburse sums from the Construction Fund in the manner specified by and at the direction of the University Representative to the person or entity designated in such written request, and that the amount set forth therein is justly due and owing and constitutes a Cost of a Project or of Additional Facilities; and

(b) that the amount remaining in the Construction Fund after such disbursement is made, together with the amount of unencumbered Pledged Revenues, if any, which the Board and the University reasonably estimate will be deposited in such Construction Fund during the period of construction of any Project, or Additional Facilities from the investment of moneys on deposit in such Construction Fund and in the other Funds established hereunder, will, together with any other monies lawfully available for payment of the Costs of a Project or Additional Facilities (as the case may be) and after payment of the amount requested in said request, be sufficient to pay the Cost of Completion for such Project, or such Additional Facilities, in accordance with the plans and specifications therefor then in effect; it being understood that no moneys from such Construction Fund may be expended unless, after giving effect thereto, the funds remaining in such Construction Fund, together with such other funds and income and lawfully available monies, are sufficient to pay the Cost of Completion for such Project, or such Additional Facilities, as the case may be.

Revenue Fund. The Indenture establishes a special trust Fund designated “Revenue Fund–NDSU Housing and Auxiliary Facilities.” For accounting purposes, the Revenue Fund may be comprised of separate Accounts as the University deems appropriate. All Gross System Revenues shall be deposited into the Revenue Fund and applied as set forth below under the caption “Application of Gross System Revenues.”

Debt Service Fund. The Indenture establishes a special trust Fund designated “Debt Service Fund–NDSU Housing and Auxiliary Facilities.” Moneys in the Debt Service Fund shall be expended solely as follows: (i) to pay the principal of Bonds as the same mature and become due or are mandatorily redeemed pursuant to the terms of the Indenture and to pay the interest on Bonds as the same become due; and (ii) to pay the principal of, redemption premium, if any, and accrued interest on the Bonds as the same become due upon optional redemption in advance of maturity.

Rebate Fund. The Indenture establishes a special trust fund designated “Rebate Fund – NDSU Housing and Auxiliary Facilities.” Moneys at any time deposited in the Rebate Fund shall be held by the Trustee in trust and applied to satisfy the Rebate Amount payable to the United States of America.

Repair and Replacement Fund. The Indenture establishes a special trust Fund designated “Repair and Replacement Fund–NDSU Housing and Auxiliary Facilities.” The Repair and Replacement Fund shall be held by the University and will be funded from monies and funds of the Board and the University available for such purpose. On the Closing Date of the Series 2014A Bonds there will be approximately \$1,525,000 on deposit in the Repair and Replacement Fund. All moneys in the Repair and Replacement Fund may be drawn on and used by the Board or the University for the following purposes: (i) paying, with respect to any facilities which are part of the Housing and Auxiliary Facilities System, the cost of unusual or extraordinary maintenance or repairs, (ii) paying the cost of any renewals, renovation, improvements, expansion or replacements to, or the cost of operation of, the Housing and Auxiliary Facilities System, (iii) paying the cost of planning, development, construction and operation of the Housing and Auxiliary Facilities System, the revenues and income of which shall constitute and be pledged as part of the Gross System Revenues under the Indenture, (iv) paying the cost of any replacement of furniture and equipment, to the extent the same are not paid as part of the ordinary and normal expense of the operation of the Housing and Auxiliary Facilities System, or (v) any other purpose authorized by the Indenture. However, in the event the funds in the Debt Service Fund shall be reduced below its requirements, funds on deposit in the Repair and Replacement Fund shall be transferred immediately to the Debt Service Fund to the extent required to eliminate the deficiency in such Fund. The Indenture further provides that the University may deposit additional moneys to the Repair and Replacement Fund from time to time as the Board and the University may determine, and that the Repair and Replacement Reserve Requirement may be increased or decreased from time to time at the discretion of the Board and the University.

Investment of Funds. Moneys held in the Construction Fund, the Debt Service Fund and the Rebate Fund shall, pursuant to direction of a University Representative, be invested and reinvested by the Trustee in Permitted Investments which mature or are subject to redemption by the owner thereof prior to the date such funds are expected to be needed. Such Permitted Investments shall be acquired by the Trustee in such manner as directed by the University Representative and such Permitted Investments shall be held by or under the control of the Trustee and shall be accounted for and deemed at all times a part of the Fund or Account in which such moneys are originally held, and the interest accruing thereon and any profit realized from such Permitted Investments shall be deemed hereunder to constitute part of the Pledged Revenues, shall be delivered when received to the Debt Service Fund (unless provided to the contrary with respect to any Fund or Account pursuant to the provisions of the Indenture) and shall be applied as required by the Indenture.

Application of Gross System Revenues

All Gross System Revenues shall be accounted for and maintained by the University in the Revenue Fund, and shall be expended and used only in the manner and order of priority specified below:

(a) As a first charge and lien on the Gross System Revenues, the Board and the University shall cause to be paid from time to time, as the Board and the University shall determine, the Operation and Maintenance Expenses of the Housing and Auxiliary Facilities System (exclusive of General Allocated Administrative Expenses) as the same become due and payable, and thereupon such expenses shall be promptly paid, and, subject to the making of the payments and deposits to pay debt service on the Bonds and any Subordinate Bonds, then to the payment of General Allocated Administrative Expenses, as the same become due and payable, whereupon such General Allocated Administrative Expenses shall be promptly paid.

(b) As a first charge and lien on the Pledged Revenues, including the Net System Revenues, the Board and the University shall, not later than two (2) Business Days prior to each principal and interest payment date for the Bonds transfer and deposit into the Debt Service Fund, from the Revenue Fund, sums which shall be sufficient, when added to the existing balance in the Debt Service Fund and to additional monies which may have theretofore been or shall then be deposited therein by the Board and the University, to pay the principal of, premium, if any, and interest on the Bonds promptly on each such payment date as the same become due and payable, including mandatory sinking fund payments of principal of Bonds.

(c) As a second charge and lien on the Pledged Revenues, including the Net System Revenues, the Board and the University shall, not later than two (2) Business Days prior to each principal and interest payment date for any Subordinate Bonds transfer and deposit into the debt service fund established for such Subordinate Bonds, from the Revenue Fund, sums which shall be sufficient, when added to the existing balance in the Debt Service Fund and to additional monies which may have theretofore been or shall then be deposited therein by the Board and the University, to pay the principal of, premium, if any, and interest on the Subordinate Bonds promptly on each such payment date as the same become due and payable, including mandatory sinking fund payments of principal of the Subordinate Bonds.

(d) As a third charge and lien on the Pledged Revenues in the event the balance in the Repair and Replacement Fund shall ever be less than the Repair and Replacement Reserve Requirement, the Board and the University shall deposit to the Repair and Replacement Fund not less than annually by June 30, commencing in the Fiscal Year such deficiency arises and in each year thereafter, from the Revenue Fund and from other available revenues, if any, after the payments required by paragraphs (a), (b) (c) and (d) above shall have been made, monies sufficient to replenish the Repair and Replacement Fund in five equal annual installments until there is on deposit in the Repair and Replacement Fund, an amount equal to or greater than the Repair and Replacement Reserve Requirement for Bonds then Outstanding. Subject to the provisions of the following paragraph (f), this provision is not intended to limit, and shall not limit, the right of the Board and the University to deposit such additional moneys in the Repair and Replacement Fund from time to time as the Board and the University may determine, or to increase or decrease the amount of the Repair and Replacement Reserve Requirement from time to time; provided, however, that if the amount of the Repair and Replacement Reserve Requirement shall be decreased, adequate provision shall be made or shall have been made for maintaining the Housing and Auxiliary Facilities System in good repair and operating condition.

(f) As a fourth charge and lien on the Pledged Revenues, the Board and the University shall deposit to the Rebate Fund, not less than every fifth Bond Year, the amounts required to be deposited thereto by the provisions of the Indenture and the amounts required to be deposited to the Rebate Fund shall be rebated to the United States of America in the manner required by the Indenture.

(g) Subject to making the foregoing required payments and deposits, the Board and the University may use the balance of the Pledged Revenues accounted for in the Revenue Fund and/or deposited to and held in the Repair and Replacement Fund for (i) redemption or open market purchase of Outstanding Bonds for cancellation prior to maturity, (ii) refinancing, refunding, or advance, refunding of any Outstanding Bonds, (iii) maintenance, renovation, improvement, expansion, furnishing, equipping and Operation and Maintenance Expenses, lawful capital repair or replacement expenditures to or for any Housing and Auxiliary Facilities System, any Additional Facilities or any other University properties or facilities, or (iv) planning, development, purchase, construction or operation of Additional Facilities or any other University properties the revenues of which are pledged as part of the Pledged Revenues under the Indenture, or for any lawful expenditures as the Board or the University may direct.

Covenants of Board

Rate Covenant. In the Indenture, the Board covenants that it will establish and maintain, so long as any of the Bonds remain Outstanding, such rental rates, fees and charges for the Housing and Auxiliary Facilities System, and such rules as are required with respect thereto, as shall be necessary to assure maximum occupancy and/or utilization and optimum use of the same and the services afforded thereby and as shall provide and generate sufficient Gross System Revenues from the Housing and Auxiliary Facilities System for payment of annual Operation and Maintenance Expenses of the Housing and Auxiliary Facilities System and, together with the other Pledged Revenues pledged by the Indenture, shall provide and generate sufficient Pledged Revenues, for payment of the Debt Service Requirements on the Bonds Outstanding and any Subordinate Bonds, to maintain the Repair and Replacement Fund in the minimum amounts required by the Indenture, and to make all other payments and charges as are required or permitted under the Indenture. Such charges pertaining to the Gross System Revenues shall be at least sufficient, together with all other Pledged Revenues, to pay in each Fiscal Year:

(a) *O & M Expenses.* An amount equal to the annual Housing and Auxiliary Facilities System Operation and Maintenance Expenses for such Fiscal Year, which are payable solely from the Gross System Revenues of the Housing and Auxiliary Facilities System;

(b) *Principal and Interest on Bonds.* An amount equal to not less than one hundred ten percent (110%) of the amount required to pay the principal of and the interest on the Outstanding Bonds, and any Additional Bonds which are payable from the Pledged Revenues in the corresponding Bond Year (excluding reserves therefor); and

(c) *Principal and Interest on Subordinate Bonds.* An amount equal to not less than one hundred ten percent (110%) of the amount required to pay the principal of and the interest on any Subordinate Bonds which are payable from the Pledged Revenues in the corresponding Bond Year (excluding reserves therefor); and

(d) *Deficiencies.* Any amounts required to meet then existing deficiencies or requirements pertaining to any Fund or Account created under the Indenture and relating to the Pledged Revenues or any part thereof, and the application of all or a portion thereof or any securities payable therefrom; but the foregoing rate maintenance covenant is subject to compliance by the Board with any legislation of the United States or the State (exclusive of any legislation the subject matter of which is the appropriation of any of the Gross System Revenues) or any regulation or other action taken by the federal government or any State agency or political subdivision of the State pursuant to such legislation (exclusive of any legislation the subject matter of which is the appropriation of any of the Gross System Revenues or the Pledged Revenues), in the exercise of the police power thereof for the public welfare, which legislation (exclusive of any legislation the subject matter of which is the appropriation of any of the Gross System Revenues or the Pledged Revenues), regulation or action limits or otherwise inhibits the amount of fees, rates and other charges due to the Board and the University for the use of or otherwise pertaining to all services rendered by the Housing and Auxiliary Facilities System or to the Gross System Revenues or the Pledged Revenues, including, without limitation, increases in the amounts of such charges. All of the Gross System Revenues of the Housing and Auxiliary Facilities System, including any revenues received from the University or the Board, shall be subject to distribution to the payment of Operation and Maintenance Expenses of the Housing and Auxiliary Facilities System and then together with the other Pledged Revenues, to payment of the Debt Service Requirements of the Outstanding Bonds and all other securities payable from Pledged Revenues, including reasonable reserves therefor, in the manner specifically set forth and provided in the Indenture.

(e) *Carry Over of Pledged Revenues.* In computing the amount required to meet and comply with the rate maintenance covenant required by paragraph (b) above, and in determining the sufficiency of fees, rates and charges of the Board and the University of services pertaining to the Housing and Auxiliary Facilities System and the Gross System Revenues, there shall be included the amount, if any, of Pledged Revenues carried over by the Board and the University from the previous Bond Year which are required to be deposited, and which are actually deposited with the Trustee by the Board and the University, to the Debt Service Fund and which are required to be applied to payment of principal of and interest on the Outstanding Bonds and any Additional Bonds payable from Pledged Revenues in the comparable Bond Year during which such deposit of excess Pledged Revenues is made by the Board and the University.

Bonds to Remain Tax-exempt. In the Indenture, the Board further covenants and agrees that it will not use, and will not consent to the use of, any of the property acquired out of any proceeds of Bonds in such manner as would result in loss of tax exemption of interest on Tax-exempt Bonds otherwise afforded under Section 103(a) of the Code.

Rules Concerning Housing and Auxiliary Facilities System. In the Indenture, the Board covenants that it will establish and enforce reasonable rules and regulations governing the use, collection and application of the Gross System Revenues and the

Pledged Revenues, that all compensation, salaries, fees and wages paid by it in connection with the operation, maintenance and repair of the Housing and Auxiliary Facilities System will be just and reasonable, that the Housing and Auxiliary Facilities System will at all times be maintained and operated in an efficient and economical manner, that the same will at all times be maintained in good repair and in sound operating condition and that all necessary repairs, renewals and replacements thereto and thereof will be made.

Payment of Debt Service Requirements and Operation and Maintenance Expenses. Notwithstanding any other provisions of the Indenture, nothing therein shall be construed to prevent the Board and the University from paying all or any part of the Operation and Maintenance Expenses of the Housing and Auxiliary Facilities System from any funds available to the Board and the University for such purpose, or from depositing any funds available to the Board for such purpose in the Debt Service Fund for the payment of the Debt Service Requirements of any Bonds issued under the provisions of the Indenture or for the redemption of any such Bonds.

Insurance. The Board covenants that the Housing and Auxiliary Facilities System, the Projects, and any Additional Facilities, will, to the extent lawfully and reasonably obtainable, be insured and at all times kept insured to the full insurable value thereof, in a responsible insurance company or companies authorized and qualified under the laws of the State to assume the risks thereof, against physical loss or damage however caused until the Bonds secured hereby and the interest thereon shall have been paid or provision for such payment shall have been made. The proceeds of such insurance shall be available for, and shall to the extent necessary be applied to, the repair, replacement or reconstruction of the damaged or destroyed property, and such proceeds not required for such repair, replacement or reconstruction shall be deposited with the Trustee to the credit of the Debt Service Fund. If the proceeds of such insurance shall not be sufficient, together with other available funds, to provide for the repair, replacement or reconstruction of the damaged or destroyed property to the extent that such property shall be returned substantially to its usefulness prior to such damage or destruction, such proceeds shall be deposited with the Trustee to the credit of the Debt Service Fund and shall be applied to redemption of all or part of the Bonds then Outstanding.

The Board further covenants in the Indenture that it will carry or cause to be carried insurance required to be carried by the State for construction contracts, and that any proceeds of such insurance shall be applied to the construction of each Project financed under the provisions of the Indenture, including any such Additional Facilities.

The Board further covenants that it will carry in a responsible insurance company or companies authorized and qualified under the laws of the State to assume the risks thereof, to the extent lawfully and reasonably obtainable, use and occupancy insurance on all housing facilities and dining facilities which from time to time constitute any part of the Housing and Auxiliary Facilities System or part of any Additional Facilities hereafter financed under the Indenture. Such insurance shall be in an amount determined by the Board to be sufficient to provide a normal income therefrom, covering loss of income from any part of such housing facilities and dining facilities by reason of necessary interruption, total or partial, in the use or occupancy thereof resulting from damage to or destruction of any part thereof however caused, with such exceptions as are ordinarily required by insurers carrying similar insurance; provided, however, that such insurance shall cover a period of suspension of not less than twelve (12) months and that such insurance may exclude loss during the first seven (7) days of any total or partial interruption of use or occupancy; and provided, further, that if at any time the Board shall be unable to obtain such use and occupancy insurance to the extent required by this paragraph, either as to the amount of such insurance or as to the risks covered thereby, it will not constitute an Event of Default under the provisions of the Indenture if the Board shall carry such insurance to the extent reasonably and lawfully obtainable. All policies providing use and occupancy insurance of the Housing and Auxiliary Facilities System shall be made payable to the University. Any proceeds of use and occupancy insurance shall be deposited by the University in the Revenue Fund and applied in accordance with the Indenture.

Events of Default

Under the provisions of the Indenture, each of the following events is declared to be an "Event of Default":

- (a) if payment of any installment of interest on any of the Bonds shall not be made when the same shall become due and payable; or
- (b) if payment of the principal of or the redemption premium, if any, on any of the Bonds shall not be made when the same shall become due and payable, either at maturity or by proceedings for redemption in advance of maturity or through failure to fulfill any payment to any Fund under the Indenture or otherwise; or
- (c) if the Board or the University shall for any reason be rendered incapable of fulfilling its or their obligations hereunder; or

(d) if an order or decree shall be entered, with the consent or acquiescence of the Board or the University, appointing a receiver or custodian for any of the Gross System Revenues or the Pledged Revenues or approving a petition filed against the Board or the University seeking reorganization of the Board or the University under the Federal bankruptcy laws or any other similar law or statute of the United States of America or any state thereof, or if any such order or decree, having been entered without the consent or acquiescence of the Board or the University, shall not be vacated or discharged or stayed on appeal within thirty (30) days after the entry thereof; or

(e) if any proceeding shall be instituted, with the consent or acquiescence of the Board or the University, for the purpose of effecting a composition between the Board or the University and its or their creditors or for the purpose of adjusting the claims of such creditors pursuant to any Federal or state statute now or hereafter enacted, if the claims of such creditors are or may be under any circumstances payable from Pledged Revenues; or

(f) if (i) the Board or the University is adjudged insolvent by a court of competent jurisdiction, or (ii) an order, judgment or decree be entered by any court of competent jurisdiction appointing, without the consent of the Board or the University, a receiver, trustee or custodian of the Board or the University or of the whole or any part of its or their property and any of the aforesaid adjudications, orders, judgments or decrees shall not be vacated or set aside or stayed within sixty (60) days from the date of entry thereof; or

(g) if the Board or the University shall file a petition or answer seeking reorganization, relief or any arrangement under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof; or

(h) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Board or the University or of the whole or any substantial part of the property of either the Board or the University, and such custody or control shall not be terminated within thirty (30) days from the date of assumption of such custody or control; or

(i) if the Board or the University shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture or any agreement supplemental thereof on the part of the Board or the University to be performed, other than as set forth in paragraphs (a), (b) and (c) above, and such Default shall continue for sixty (60) days after written notice specifying such Default and requiring the same to be remedied shall have been given to the Board or the University by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Owners of not less than twenty-five percent (25%) in, aggregate principal amount of the Bonds then Outstanding under the Indenture; or

(j) if an event of default shall occur and be continuing under the 1985 Resolution.

Remedies; Rights of Bondholders

Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy by suit at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Bonds then Outstanding or to enforce any obligations of the Board under the Indenture.

If an Event of Default shall have occurred, and if requested so to do by the Owners of twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding and indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Owners.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Owners hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any Event of Default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any Event of Default under the Indenture, whether by the Trustee or by the Owners, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon.

Rights of Bondholders to Direct Proceedings

Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings hereunder; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

Application of Money Upon Default

All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture shall after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee and the Board, be deposited in the Debt Service Fund and all moneys so deposited in the Debt Service Fund shall be applied as follows:

(a) Unless the principal of all the Bonds shall have become due and payable, all such moneys shall be applied:

First: To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

Second: To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, with interest on such Bonds from the respective dates upon which they become due, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds shall have become due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

Supplemental Indentures

The Board and the Trustee may, without the consent of, or notice to, any of the Owners, enter into an indenture or indentures supplemental to the Indenture, as shall not be inconsistent with the terms and provisions hereof, for any one or more of the following purposes:

(a) To provide for the issuance of Additional Bonds in accordance with the provisions of the Indenture;

(b) To cure any ambiguity or formal defect, omission, defective provision or inconsistency in the Indenture or to clarify any questions arising under the Indenture;

(c) To grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners or any of them;

(d) To confirm, as further assurance, any pledge of or lien on the Gross System Revenues or the Pledged Revenues or any other moneys, securities or funds subject to the lien of the Indenture or to subject to the Indenture additional Gross System Revenues, Pledged Revenues, or other revenues, properties, collateral or security; and

(e) To make any other change to or to modify, alter, amend or supplement the Indenture in any other respect which is not prejudicial or materially adverse to the interests of the Owners.

Exclusive of Supplemental Indentures set forth in paragraphs (a) through (e) above and subject to the terms and provisions contained in this paragraph, and not otherwise, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to (i) consent to and approve the execution by the Board and the Trustee of such other indenture or indentures supplemental to the Indenture as shall be deemed necessary and desirable by the Board for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture, or (ii) waive or consent to the taking by the Board of any action prohibited, or the omission by the Board of the taking of any action required, by any of the provisions of the Indenture or of any indenture supplemental hereto; provided, however, that nothing in the Indenture shall permit or be construed as permitting (a) an extension of the stated maturity or reduction in the principal amount of, or reduction in the rate of or extension of the time of paying of interest of, or reduction of any premium payable on the redemption of, any Bond, without the consent of the Owner of such Bond, or (b) a reduction in the amount or extension of the time of any payment required by any Fund established under the Indenture applicable to any Bonds without the consent of the Owners of all the Bonds which would be affected by the action to be taken, or (c) a reduction in the aforesaid aggregate principal amount of Bonds, the Owners of which are required to consent to any such waiver or Supplemental Indenture, or (d) any change in the funding or operation of the Repair and Replacement Fund, without the consent of the Owners of all the Bonds at the time Outstanding which would be affected by the action to be taken.

Discharge of Indenture

If the Board shall pay or cause to be paid, or there shall be otherwise paid or provision for payment made, to or for the Owners of the Bonds, the principal of and interest due or to become due thereon at the times and in the manner stipulated therein, and shall pay or cause to be paid to the Trustee all sums of moneys due or to become due according to the provisions hereof, then these presents and the estate and rights hereby granted shall cease, determine and be void, whereupon the Trustee shall cancel and discharge the lien of the Indenture, and release, assign and deliver unto the Board and the University any and all the estate, right, title and interest in and to any and all rights assigned or pledged to the Trustee, held by the Trustee, or otherwise subject to the lien of the Indenture, except moneys or securities held by the Trustee for the payment of the principal of and interest on the Bonds.

Any Bond shall be deemed to be paid within the meaning of the Indenture when payment of the principal of such Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in the Indenture, or otherwise), either (a) shall have been made or caused to have been made in accordance with the terms thereof, or (b) shall have been provided by irrevocably depositing with or for the benefit of the Trustee, in trust and irrevocably setting aside exclusively for such payment, (i) moneys sufficient to make such payment, or (ii) Governmental Obligations, maturing as to principal and interest in such amount and at such times (and not subject to early redemption prior to the respective maturities of such Governmental Obligations) as will insure the availability of sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the Trustee and any paying agent pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such times as a Bond shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Governmental Obligations.

Notwithstanding the foregoing, in the case of Bonds, which by their terms may be redeemed prior to their stated maturity, no deposit under the immediately preceding paragraph shall be deemed a payment of such Bonds as aforesaid until the Board shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions:

- (a) stating the date when the principal of each such Bond is to be paid, whether at maturity or on a redemption date (which shall be any redemption date permitted by the Indenture);
- (b) to call for redemption pursuant to the Indenture any Bonds to be redeemed prior to maturity pursuant to (a) hereof; and
- (c) to mail, as soon as practicable, in the manner prescribed by the Indenture, a notice to the Owners of such Bonds that the deposit required above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Indenture and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds as specified in (a) above.

Any moneys so deposited with the Trustee as provided above may at the direction of Board also be invested and reinvested in Governmental Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Governmental Obligations in the hands of the Trustee which is not required for the payment of the Bonds and interest thereon

with respect to which such moneys shall have been so deposited, shall be deposited in the Debt Service Fund as and when realized and collected for use and application as are other moneys deposited in that Fund.

No such deposit under the Indenture shall be made or accepted hereunder and no use made of any such deposit unless Trustee shall have received an opinion of Bond Counsel to the effect that such deposit and use would not cause the Bonds to be treated as arbitrage bonds within the meaning of Section 148 of the Code or in any manner cause the interest on the Bonds to become includable in the gross income of the recipients thereof for purposes of federal income taxation.

Notwithstanding any provision of any other provision of the Indenture to the contrary, all moneys or Governmental Obligations set aside and held in trust pursuant to the provisions of the Indenture for the payment of Bonds (including interest thereon) shall be applied to and used solely for the payment of the particular Bonds, (including interest thereon) with respect to which such moneys or Governmental Obligations have been so set aside in trust.

Anything in the Indenture to the contrary notwithstanding, if moneys or Governmental Obligations have been deposited or set aside with the Trustee pursuant to the Indenture for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment to the provisions of the Indenture relating to discharge of the Indenture shall be made without the consent of the Owner of each Bond affected thereby.

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APPENDIX D

Opinion of Bond Counsel

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February 27, 2014

State Board of Higher Education
Capitol Building, 10th Floor
600 East Boulevard Avenue
Bismarck, North Dakota 58505

Piper Jaffray & Co.
800 Nicollet Mall
Minneapolis, Minnesota 55402

**State Board of Higher Education
of the State of North Dakota**

**\$8,340,000
North Dakota State University
Housing and Auxiliary Facilities Revenue Refunding Bonds
Series 2014A**

We have acted as Bond Counsel to the State Board of Higher Education of the State of North Dakota (the “Issuer”) in connection with the issuance of \$8,340,000 North Dakota State University, Housing and Auxiliary Facilities Revenue Refunding Bonds, Series 2014A, dated the date hereof (the “Bonds”). In such capacity, we have examined such law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of North Dakota, including, particularly, Chapter 15-55 of the North Dakota Century Code and pursuant to a Bond Resolution duly adopted by the Issuer on November 21, 2013 (the “Resolution”), and an Indenture of Trust dated as of August 1, 2004, as supplemented by a Supplemental Indenture of Trust dated as of February 1, 2014 (together, the “Indenture”), between the Issuer and U.S. Bank National Association, St. Paul, Minnesota, as Trustee. Under the Indenture, the Issuer has pledged certain revenues (the “Revenues”) for the payment of the principal of and interest on the Bonds when due.

As to questions of fact material to our opinion, we have relied upon the representations of the Issuer contained in the Indenture and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, as of the date hereof and under existing law, as follows:

1. The Issuer is duly created and validly existing as a public instrumentality of the State of North Dakota, with the power to adopt the Resolution, perform the agreements on its part contained therein and in the Indenture and issue the Bonds.

2. The Resolution has been duly adopted by the Issuer and the Indenture has been duly authorized, executed and delivered by the Issuer and constitutes the valid and binding obligation of the Issuer enforceable upon the Issuer.

3. The Indenture creates a valid lien on the Revenues and other funds pledged for the security of the Bonds, on a parity with other bonds issued or to be issued under the Indenture.

4. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding limited obligations of the Issuer, payable solely from the Revenues and other funds provided therefor in the Indenture.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and is not taken into account in determining adjusted current earnings. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The interest on the Bonds is excluded from gross income for State of North Dakota income tax purposes.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

Sincerely,

ARNTSON STEWART WEGNER PC

APPENDIX E

Map of North Dakota State University Campus

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CAMPUS MAP NORTH DAKOTA STATE UNIVERSITY

N2 1	AES Greenhouse	R4 33	Johansen Hall (Seed Research, State Seed Dept.)	O9 70	Sudro Hall (Pharmacy, Nursing, Allied Sciences)
S9 2	Agricultural and Biosystems Engineering	R11 34	Katherine Kilbourne Burgum Family Life, 4-H Center (Education)	T6 71	Sugar Beet Research
S13 3	Alba Bales House (Equity and Diversity Center)	D2	Klai Hall (711 2nd Ave N) (Architecture, Landscape Architecture)	D1 72	Technology Incubator
T13 41	Alumni Center (McGovern Alumni Center)	S9 35	Ladd Hall (Chemistry)	V8 73	Thordarson Hall (Center for Distance Education)
K2 4	Animal Nutrition and Physiology Center/Safety Office	V10 36	Library	R7 74	Thorson Maintenance Center (Parking Office, Facilities Management, Telecommunications)
Q11 5	Architecture and Landscape Architecture	P8 37	Loftsgard Hall (Biochemistry, Plant Sciences)	T15 75	United Campus Ministry
V9 6	Askanase Hall (Theatre NDSU) (Reineke Fine Arts Center)	T7 38	Lord and Burnham Greenhouses	Q6 76	Van Es Hall (Microbiological Sciences, Vet Science)
U6 7	Auxiliary Enterprises (University Police)	R14 39	Lutheran Student Center	P7 77	Waldron Hall (Agriculture, Soil Testing Lab, Statistics)
D1	Barry, Richard H., Hall (811 2nd Ave N) (Business, Agribusiness and Applied Economics, Center for Global Initiatives, ND Trade Office, NDSU Bookstore ²)	R6 40	Maintenance Buildings	Q4 78	Wallman Wellness Center (Campus Recreation/Intramural, Disability Services, Student Health Service, YMCA of NDSU)
E3 8	Batcheller Technology Center	T13 41	McGovern, Harry D., Alumni Center	O8 79	Walster Hall (Agriculture)
P12 9	Bentson/Bunker Fieldhouse (Athletics, HNES, ROTC)	S11 42	Memorial Union (Bison Connection, Food Court, International Programs, Multicultural Programs, NDSU Bookstore)	M8 80	West Dining Center (Orientation and Student Success, ACE Tutoring)
I8 10	Biosciences Research Laboratory	U9 43	Minard Hall (Arts, Humanities and Social Sciences)	P7 81	Widakas Laboratory (Corn Seed House, Plant Sciences)
V9 11	Bison Block I	S8 44	Morrill Hall (Ag Communication, Agricultural Administration, Print and Copy Services)		
I12 12	Bison Sports Arena (Athletic Media Relations, Athletics)	U8 45	Music Education Building (Festival Concert Hall, Reineke Fine Arts Center)		
T13 13	Ceres Hall (Admission, Career Center, Cooperative Education, Counseling, Customer Account Services, Registration and Records, Student Financial Services, TRiO Programs)	T12 46	C.I. Nelson Building	HOUSING UNITS	
P10 14	Civil and Industrial Engineering	T7 47	Northern Crops Institute	M12 82	Bison Court
P10 15	Construction Management Engineering	S5 48	Northern Crops Science Laboratory (sugar beets, sunflowers)	V12 83	Burgum Hall
W10 16	Credit Union (Northland Educators)	U11 49	Old Main (Administration, Student Affairs, University Relations)	R12 84	Churchill Hall
W5 17	Criminal Justice and Public Policy	G4 50	Phoenix International	S11 85	Dinan Hall
I11 18	Dacotah Field	T5 51	Plant Sciences Greenhouse	N4 86	Living Learning Centers
P11 19	Dolve Hall (Mechanical Engineering)	U6 52	Potato Research-Pesticide Storage	D15 87	Niskanen Expansion
R9 20	Dunbar Laboratories (Chemistry)	U13 53	President's House	E14 88	Niskanen Hall
R11 21	E. Morrow Lebedeff Hall (Human Development and Education)	U11 54	Putnam Hall	N7 89	Pavek Hall
Q11 22	Ehly Hall (Architecture and Landscape Architecture)	D3	Renaissance Hall (650 NP Ave) (Architecture and Landscape Architecture, Tri-College, Visual Arts)	M10 90	Reed-Johnson Halls
Q10 23	Electrical and Computer Engineering	G6 55	Research I	M7 91	Seim Hall
Q10 24	Engineering Center	E6 56	Research II	M8 92	Sevrinson Hall
	Equine Center (3 miles west of campus on 19th Ave N)	E6 57	Research and Technology Park	N13 93	Stockbridge Hall
Q7 25	Gate City Bank Auditorium	N9 58	Residence Dining Center	N8 94	Thompson Hall
R9 26	Geosciences	T7 59	Residence Life Facility Services	F15 95	University Village
V14 27	Graduate Center	P5 60	Robinson Hall (Veterinary Technology)	N10 96	Weible Halls (North and South)
S7 28	Harris Hall (Cereal Science, Food Science)	F1 61	Sanford		
R7 29	Hastings Hall (Herbarium)	O5 62	Service Center, Pilot Plant	FRATERNITY AND SORORITY HOUSES	
T8 30	Heating Plant	A14 63	SGC Building (Distance and Continuing Education, Human Resources, Payroll, Family Studies Institute)	T15 97	Alpha Gamma Delta
S8 31	Hultz Hall (Animal Science, Entomology, Range Science)	J10 64	Shelly Ellig Indoor Track and Field Facility	R13 98	Alpha Gamma Rho
R8 32	Industrial Agriculture and Communications Center (Computer Network, Computer Science, Industrial Agriculture, Information Technology Services, Upper Great Plains Transportation Institute)	P8 65	Shepperd Arena	V15 99	Alpha Tau Omega
		A12 66	Skills and Technology Training Center	S14 100	Delta Upsilon
		T10 67	South Engineering (Physics)	V12 101	FarmHouse
		Q7 68	Stevens Hall (Natural Sciences)	S14 102	Kappa Alpha Theta
		W14 69	St. Paul's Chapel (Newman Center)	S14 103	Kappa Delta
				Q14 104	Kappa Psi Pharmaceutical Fraternity
				W6 105	Sigma Alpha Epsilon
				T14 106	Sigma Chi
				V11 107	Sigma Phi Delta
				V15 108	Sigma Nu
				W11 109	Tau Kappa Epsilon
				R13 110	Theta Chi

NDSU



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