

**The accompanying financial statements and report are intended for the original recipient. They must be presented in their entirety and may not be modified in any manner.**





**CONSOLIDATED REVENUE BOND REPORT  
AND SUPPLEMENTAL SCHEDULES**

**June 30, 2015**



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MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
June 30, 2015

Montana State University is a multi-campus institution with campuses located in Bozeman, Billings, Great Falls and Havre, Montana.

In January 1994, the Montana Board of Regents of Higher Education approved and adopted a proposal to administratively consolidate the various state higher education units into two systems, the Montana State University system and the University of Montana system. The units of Montana State University include:

- Montana State University Bozeman;
- Montana State University Billings, formerly referred to as “Eastern Montana College”, and the associated City College, formerly referred to as the College of Technology, also located in Billings;
- Montana State University Northern, formerly referred to as “Northern Montana College” in Havre; and
- Great Falls College MSU, formerly referred to as “Great Falls College of Technology”

**Revenue Bond Indentures:**

- Series A 1993 – November 9, 1993, Refunding & Construction Revenue Bonds
- Series D 1996 – August 15, 1996, Facilities Refunding Revenue Bonds
- Series B 1996 – October 1, 1996, Facilities Construction Revenue Bonds
- Series E 1998 – June 1, 1998, Stadium Phase II Project
- Series F 1998 – June 1, 1998, Information Technology Project Facilities Improvement Revenue Bonds
- Series G 2003 – October 15, 2003, Facilities Refunding Revenue Bonds
- Series H 2004 – October 13, 2004, Chemistry Research Facility
- Series I 2004 – November 23, 2004, Facilities Refunding Revenue Bonds
- Series J 2005 – July 21, 2005, Facilities Improvement Revenue Bonds
- Series K 2006 – August 17, 2006, Facilities Refunding Revenue Bonds
- Series L 2008 – June 26, 2008, Facilities Refunding Revenue Bonds
- Series M 2011 – October 26, 2011, Facilities Improvement Revenue Bonds
- Series N 2012 – October 17, 2012, Facilities Refunding Revenue Bonds
- Series O 2012 – October 17, 2012, Taxable Facilities Refunding Revenue Bonds
- Series A 2013 – December 31, 2013, Facilities Improvement Revenue Bonds
- Series B 2014 – January 31, 2014, Facilities Improvement Revenue Bonds

**Issuance of Additional Bonds:**

Additional Parity Bonds may be issued under the Indenture if certain conditions are met. The most significant condition to be met is that the Net Pledged Revenues of the Additional Facilities to be constructed or financed with the proceeds of the Additional Bonds, when added to the estimated annual Net Pledged Revenue of the then existing Student Housing System Facilities then under construction, shall equal at least 1.20 times the combined Average Annual Debt Service Requirements for all Parity Bonds the outstanding and the Additional Bonds proposed to be issued.

**SECTION I: CONSOLIDATED REVENUE BOND AUDIT**

## INDEPENDENT AUDITORS' REPORT

Board of Regents of Higher Education  
State of Montana  
Helena, Montana

We have audited the accompanying consolidated schedules as outlined in Section I of the table of contents regarding Montana State University (the University) as of and for the year ended June 30, 2015 with comparative totals for 2014.

**Management's Responsibility for the Consolidated Schedules**

Management is responsible for the preparation and fair presentation of these consolidated schedules 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 consolidated schedules that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated schedules based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated schedules, 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 consolidated schedules 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 consolidated schedules.

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



**Opinion**

In our opinion, the consolidated schedules present fairly, in all material respects, the balances of the accounts on hand at June 30, 2015 and 2014 and the results of transactions pertaining to these revenue bond accounts for the fiscal years then ended, in accordance with accounting principles generally accepted in the United States of America.

**Other Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated schedules. The introduction section has not been subjected to the auditing procedures applied in the audit of the consolidated schedules and, accordingly, we do not express an opinion or provide any assurance on it.

The consolidated schedule of University revenues, expenses and changes in net position for the year ended June 30, 2015, has been prepared by management. This consolidated schedule has not been subjected to the auditing procedures applied in the audit of the consolidated schedules and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink that reads "Anderson Zurmuehlen & Co. P.C." in a cursive, flowing script.

Butte, Montana  
January 29, 2016

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
CONSOLIDATED SCHEDULE OF PLEDGED FUND REVENUES AND EXPENSES  
For the Years Ended June 30, 2015 and 2014

	Years Ended June 30,	
	2015	2014
Housing Operating Revenues		
Residence halls & food services	\$ 36,420,261	\$ 34,730,243
Family & graduate housing	4,131,548	4,200,429
Total housing operating revenues	<u>40,551,809</u>	<u>38,930,672</u>
Housing Operating Expenses		
Residence halls & food services	24,893,536	24,860,828
Family & graduate housing	2,660,099	2,738,736
Total housing operating expenses	<u>27,553,635</u>	<u>27,599,564</u>
Net revenue from housing operations	<u>12,998,174</u>	<u>11,331,108</u>
Other net pledged operating revenue	<u>-</u>	<u>26,647</u>
Other Revenues		
Facility & administrative cost recoveries	1,380,027	1,388,104
Facilities events revenues	3,205,020	3,002,755
Gross parking revenue	2,250,641	2,155,927
Student fees	9,406,659	9,016,393
Land grant income	3,572,401	3,375,355
Investment income (realized)	777,720	678,902
Museum rent	300,000	300,000
MSU bookstore lease	400,121	409,739
MSU Alumni Foundation contribution to debt service	<u>3,039,053</u>	<u>-</u>
Total other revenues	<u>24,331,642</u>	<u>20,327,175</u>
Trustee, advisory & audit fees	<u>(97,576)</u>	<u>(114,568)</u>
Net pledged revenues available for debt service	37,232,240	31,570,362
Less University G&A recharges	<u>(2,963,626)</u>	<u>(2,297,279)</u>
Net pledged revenue less G&A recharges	<u>\$ 34,268,614</u>	<u>\$ 29,273,083</u>

See Accompanying Notes to Schedule.

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
CONSOLIDATED SCHEDULE OF PLEDGED FUND ACTIVITY AND BALANCES  
As of and For the Year Ended June 30, 2015

	<u>Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Renewal &amp; Replacement Fund</u>	<u>Construction Fund</u>	<u>Total</u>
<b>Net Position, July 1, 2014</b>	\$ 21,879,747	\$ 5,865,022	\$ 24,082,661	\$ 36,088,418	\$ 87,915,848
<b>Increases:</b>					
Distribution of net revenues	33,532,079	3,385,830	398	313,933	37,232,240
Other increases	-	-	121	39	160
Subordinate loan proceeds	-	-	860,154	-	860,154
Transfers in from other programs	163,350	-	2,020	-	165,370
Inter-fund transfers-in	308,537	12,876,704	3,757,134	-	16,942,375
Total increases	<u>34,003,966</u>	<u>16,262,534</u>	<u>4,619,827</u>	<u>313,972</u>	<u>55,200,299</u>
<b>Decreases:</b>					
Bond principal	-	9,590,000	-	-	9,590,000
Bond interest	-	6,378,871	-	-	6,378,871
Bond premium, issue costs & other	-	44,894	-	-	44,894
Construction & Renewal and Replacement	-	-	12,416,750	16,606,111	29,022,861
Unrealized loss on non-hedging derivative	-	115,428	-	-	115,428
University G&A recharges	2,963,626	-	-	-	2,963,626
Non-housing losses in pledged funds	574,618	-	-	-	574,618
Inter-fund transfers-out	16,924,593	4,985	1,671	11,126	16,942,375
Transfers to other programs	10,321,240	4,142	361,268	-	10,686,650
Total decreases	<u>30,784,077</u>	<u>16,138,320</u>	<u>12,779,689</u>	<u>16,617,237</u>	<u>76,319,323</u>
<b>Net Position, June 30, 2015</b>	<u>\$ 25,099,636</u>	<u>\$ 5,989,236</u>	<u>\$ 15,922,799</u>	<u>\$ 19,785,153</u>	<u>\$ 66,796,824</u>
<b>Accounted For By:</b>					
Cash and cash equivalents	\$ 22,347,721	\$ 5,123,841	\$ 2,136,164	\$ 141,327	\$ 29,749,053
Interest receivable	674	13,479	27	29,097	43,277
Accounts receivable, net of allowance	987,185	-	-	-	987,185
Investments:					
Short-term	-	-	6,410,747	11,716,894	18,127,641
Cash equivalents	2,518,300	18,486	3,912,175	797,187	7,246,148
Long-term	1,899,712	1,278,686	4,070,172	7,760,322	15,008,892
Inventories	853,451	-	-	-	853,451
Loan receivable	-	288,466	-	-	288,466
Deferred outflows	-	4,585,081	-	-	4,585,081
Unearned revenues	(1,701,378)	-	-	-	(1,701,378)
Accounts payable	(567,134)	-	(606,486)	(659,674)	(1,833,294)
Accrued expenses	(38,761)	-	-	-	(38,761)
Deposits payable	(85,390)	-	-	-	(85,390)
Derivative financial instruments, at fair value	-	(4,605,263)	-	-	(4,605,263)
Bond interest payable	-	(713,540)	-	-	(713,540)
Compensated absences	(1,114,744)	-	-	-	(1,114,744)
Total net position	<u>\$ 25,099,636</u>	<u>\$ 5,989,236</u>	<u>\$ 15,922,799</u>	<u>\$ 19,785,153</u>	<u>\$ 66,796,824</u>

See Accompanying Notes to Schedule.

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
NOTES TO CONSOLIDATED SCHEDULES  
June 30, 2015 and 2014

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

**Reporting Entity**

In January of 1994, the Montana Board of Regents of Higher Education approved the restructuring of the Montana State University System to merge four separate institutions. The accompanying financial schedules represent the pledged revenue fund activities of the Bozeman, Billings and Northern campuses. The Great Falls College - Montana State University does not have any bonded indebtedness and is not reflected in the accompanying schedules unless otherwise noted.

The University follows U.S. generally accepting accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Boards (GASB) pronouncements, including the provisions of the following GASB pronouncements for the years ended June 30, 2015 and 2014:

For the year ended June 30, 2015, management implemented *Statement No. 68, Accounting and Financial Reporting for Pensions*—an amendment of GASB Statement No. 27, in the presentation of its consolidated University-wide financial statements. Because MSU does not allocate the liability at the individual fund level, no pension liability is included in the accompanying schedules for estimated unfunded pension costs related to employees paid from pledged funds.

The Montana University System is a legal and financial component unit of the State of Montana and is governed by the Board of Regents of Higher Education. The Governor appoints board members.

**Fund Accounting**

The accounts of the University are maintained in accordance with the principles of fund accounting wherein resources are classified for accounting purposes into funds that are identified by the limitations and restrictions placed on their use. Separate accounts are maintained for each fund; however, in the accompanying financial schedules, the accounts related to the pledged revenue of all revenue bonds have been combined into a single fund group for presentation purposes. The schedules are not intended to present the financial activity for all the accounts in the fund or all of the accounts of the University.

The Schedule of Pledge Fund Activity and Balances are accounted for in the following four funds:

- Revenue Fund
- Debt Service Fund
- Renewal and Replacement Fund
- Construction Fund

These funds are more fully described in the bond indenture.

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
NOTES TO CONSOLIDATED SCHEDULES (CONTINUED)  
June 30, 2015 and 2014

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable and Allowance for Uncollectible Amounts**

Accounts receivable reported by the pledged funds consist of fees charged to students and auxiliary enterprise services provided to students, faculty and staff. In accordance with University policy, revenue and receivables reported in the pledged revenue funds are recorded within the funds net of management's estimate of uncollectible accounts based on historical experience. The allowance is carried in the University's general operating fund with other University receivables.

**Investments**

Investments consist of amounts managed by the Bond Trustee and cash on hand invested through the Montana State Board of Investments Trust Fund Bond pool (TFBP). All investments are recorded at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments*. This pronouncement establishes fair value standards for investments in debt securities, which includes U.S. Treasury Obligations. Ordinary income derived from investments is accounted for in the fund owning such investments. All gains and losses from the sale or disposition of investments are included in investment income. Concentration of credit risk and interest rate risk is disclosed in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

**Cash and Cash Equivalents Policy**

The University considers its unrestricted, highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Certain funds on deposit with trustees, as well as funds invested in the Short Term Investment Pool with the Montana Board of Investments are considered cash equivalents.

**Derivative Financial Instruments**

The University has implemented GASB Statement No. 53, *Accounting and Reporting for Derivative Instruments*. Under this standard, derivative financial instruments are reported at fair value and are classified as either hedging derivative instruments if determined to be effective under the standard or as investments. Note 4 more fully discloses the nature and value of the derivative financial instruments held by the pledged funds.

**Inventories**

Inventories primarily consist of textbooks, school and food service supplies and are valued according to the first in-first out (FIFO) basis at cost.

**Unearned Revenues**

Unearned revenues include amounts received from student fees and certain auxiliary activities prior to the end of the fiscal year but related to events occurring in the subsequent accounting period.

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
NOTES TO CONSOLIDATED SCHEDULES (CONTINUED)  
June 30, 2015 and 2014

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Inflows and Outflows**

GASB Statement No. 63 amended the definitions of certain assets and liabilities, resulting in reclassifying certain items previously reported as assets to deferred outflows of resources, and certain items previously reported as liabilities to deferred inflows of resources. As applied to the pledged funds, deferred outflows are limited to the accumulated change in the fair value of the derivative financial instrument classified as a hedging instrument, as more fully disclosed in Note. 4. Deferred inflows and outflows reported in the University-wide financial statements include additional activity related to its capital assets, debt and liabilities which are not reported in a schedule limited to consolidated pledged fund activity and balances.

**Compensated Absences**

Eligible University employees earn a minimum of 8 hours sick and 10 hours annual leave for each month worked. Eligible employees may accumulate annual leave up to twice their annual accrual, while sick leave may accumulate without limitation. Twenty-five percent of accumulated sick leave earned after July 1, 1971 and 100% of accumulated annual leave, if not used during employment, is paid upon termination.

**Scholarship Support**

Residence hall and food service expenses reported in the schedule of pledged fund revenue and expenses include scholarship support. Scholarship support is computed as the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. For the fiscal years ended June 30, 2015 and 2014, scholarship support included in the pledged funds amounted to \$313,223 and \$361,060, respectively.

**Other Net Pledged Operations**

Other net pledged operations consist of other auxiliary services on the campuses of MSU Northern and MSU Billings for which the net revenues are pledged for bond retirement, including the campus bookstores. Because these operations generated a net loss in the fiscal year ended June 30, 2015, and on the Billings campus in the year ended June 30, 2014, such operations are not reflected in the accompanying Schedule of Pledged Fund Revenues and Expenses for those years.

**NOTE 2. PLEDGED REVENUE SOURCES**

The following sources of income are pledged to the payment of bonds:

- 1) Net Revenues of the Student Housing System Facilities
  - a) Residence Halls, including all Food Service thereof;
  - b) Family and Graduate Housing;

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
NOTES TO CONSOLIDATED SCHEDULES (CONTINUED)  
June 30, 2015 and 2014

**NOTE 2. PLEDGED REVENUE SOURCES (CONTINUED)**

- 2) Land Grant Income:
  - a) Two federal grants totaling 140,000 acres for the Bozeman campus;
  - b) One federal grant totaling 31,727 acres for the Billings campus;
- 3) All lease rentals derived from the lease of the Museum of the Rockies;
- 4) All money received by the University which is collected each semester from all part-time and full-time (12 credits) student, designated as:

	Fall 2014		
	Bozeman	Billings	Northern
Student building fee - all students	\$ 45.00	\$ 141.00	\$ 125.20
Additional nonresident student building fee	\$ 94.20	\$ 62.40	\$ 51.10
Health and physical education building fee	\$ 19.20	\$ -	\$ -
Student Union O&M fee	\$ 39.00	\$ 50.00	\$ 47.04
Academic Building R & R fee	\$ 12.20	\$ -	\$ -
Health and physical education weight room O&M fee	\$ 0.40	\$ -	\$ -
Fieldhouse fee	\$ 8.40	\$ -	\$ -
Student facilities enhancement project fee	\$ 55.80	\$ -	\$ -
Student athletic fee	\$ 75.75	\$ -	\$ -

- 5) Gross revenue derived from MSU Bozeman Parking Operations, and from a space lease agreement with the MSU Bookstore, a private non-profit corporation;
- 6) Proceeds of the Series A – 1993, Series B – 1996, Series D – 1996, Series E – 1998, Series F – 1998, Series G – 2003, Series H – 2004, Series I – 2004, Series J – 2005, Series K – 2006, Series L – 2008 Bonds; Series M – 2011 Bonds, Series N and O – 2012 Bonds, Series A – 2013 Bonds and Series B – 2014 Bonds;
- 7) Earnings on any funds or accounts created under the Indenture (excluding the escrow accounts as defined in the Indenture), including earnings on any Construction Funds covered by the Indenture;
- 8) Certain events revenue, including specified Bozeman Athletics events;
- 9) Limited indirect cost recovery payments relative to the Series H-2004 and Series N-2012 debt service;
- 10) Net revenue from Northern bookstore and Billings rentals, bookstore, student union and parking operations;
- 11) Payments by the counterparties to interest rate exchange agreements.

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
NOTES TO CONSOLIDATED SCHEDULES (CONTINUED)  
June 30, 2015 and 2014

**NOTE 3. INVESTMENT BALANCES**

The University holds investments as described below, including derivative financial instruments which are more fully described in Note 4. The following are required disclosures regarding credit and interest rate risk associated with financial instruments other than derivatives. Note 4 includes required disclosures of risk related to derivatives.

**Permitted Investments**

Under the Master Indenture, permitted investments include US Treasury obligations or other fully guaranteed US agency instruments, general obligation bonds of a US municipality or state, certificates of deposit or fully insured deposit accounts, shares of a registered and properly rated money market fund or state-sponsored investment pool, and guaranteed investment contracts approved by the respective bond insurer. The University's pledged fund investments comply with this provision.

**Concentration of Credit Risk**

The University holds investments in two investment pools managed by the Montana Board of Investments: the Short-Term Investment Pool (STIP) and the Trust Fund Investment Pool (TFIP). Bond proceeds from Series 2013 A are invested temporarily in Guaranteed Investment Contracts (GICs) until needed for construction projects. Credit risk and policies related to these pools is disclosed in the University's consolidated 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. The TFIP investment policy does not formally address interest rate risk.

The State of Montana has selected the effective duration method to disclose interest rate risk. The University's investments are categorized to disclose interest rate and credit risk as of June 30, 2015. Credit risk reflects the security quality rating, by investment security type, as of the June 30 report date. Interest rate risk is disclosed using effective duration. Unrated securities are denoted as NR. Although STIP and TFIP investments have been rated by investment security type, they have not been rated by an NRSRO.

The following is required disclosure regarding interest rate risk associated with these investments:

Security Type	Moody's Credit Quality Rating at June 30, 2015	Effective Duration (Years) at June 30, 2015
TFIP	not rated	5.39
US Bank Money Market	P-1	N/A
CMS Interest Rate Swap	A3	20.42
GICs	A2	0.377



MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
NOTES TO CONSOLIDATED SCHEDULES (CONTINUED)  
June 30, 2015 and 2014

**NOTE 3. INVESTMENT BALANCES (CONTINUED)**

**Interest Rate Risk (Continued)**

Schedule of Cash Equivalents and Investments	Type of Instrument	Date Acquired	Interest Rate	Maturity Date	Cost	Unrealized Gain/(Loss)	Fair Value
<b>Revenue Funds:</b>							
Revenue & Fee Accounts	Cash equivalents	Various	Variable	N/A	\$ 2,518,300	\$ -	\$ 2,518,300
	Trust Fund Investment Pool	Various	Variable	N/A	<u>1,899,712</u>	<u>-</u>	<u>1,899,712</u>
	Sub-Total				<u>4,418,012</u>	<u>-</u>	<u>4,418,012</u>
<b>Debt Service Fund:</b>							
Debt Service Accounts	CMS Interest Rate Swap	July 2006	N/A	11/15/2034	-	1,278,686	1,278,686
	Money Market	Various	Variable	N/A	<u>18,486</u>	<u>-</u>	<u>18,486</u>
	Sub-Total				<u>18,486</u>	<u>1,278,686</u>	<u>1,297,172</u>
<b>Construction Fund:</b>							
Construction Accounts	Money Market	Various	Variable	N/A	797,187	-	797,187
	Guranteed Investment Contract Short Term	March 2014	0.675	06/30/2015	11,716,894	-	11,716,894
	Guranteed Investment Contract Long Term	March 2014	0.675	12/01/2016	<u>7,760,322</u>	<u>-</u>	<u>7,760,322</u>
	Sub-Total				<u>20,274,403</u>	<u>-</u>	<u>20,274,403</u>
<b>Renewal &amp; Replacement Fund:</b>							
R&R Reserve	Money Market	Various	Variable	N/A	3,912,175	-	3,912,175
	Guranteed Investment Contract Short Term	March 2014	0.675	06/30/2015	6,410,747	-	6,410,747
	Guranteed Investment Contract Long Term	March 2014	0.675	12/01/2016	<u>4,070,172</u>	<u>-</u>	<u>4,070,172</u>
	Sub-Total				<u>14,393,094</u>	<u>-</u>	<u>14,393,094</u>
Totals - All Funds					<u>\$ 39,103,995</u>	<u>\$ 1,278,686</u>	<u>\$ 40,382,681</u>

**NOTE 4. DERIVATIVE FINANCIAL INSTRUMENTS**

**Description**

The University has two interest rate swaps as of June 30, 2015 and 2014. Interest rate swaps are classified as hedging derivative instruments if the instruments meet the criteria of paragraph 27 (a) and (b) of Governmental Accounting Standards Board Statement Number 53, or as investment derivative instruments if they do not. The following table summarizes the interest rate swaps outstanding as of June 30, 2015:

Derivative Description	Trade Date	Effective Date	Termination Date	Counterparty
\$25.75 million fixed payer swap	03/10/2005	07/21/2005	11/15/2035*	Deutsche Bank AG
\$25.25 million basis swap	12/19/2006	11/15/2007	11/15/2035	Morgan Stanley Capital Services Inc.

\*Counterparty may opt out in 2016

As of June 30, 2015, the fixed payer swap is classified as a hedging derivative instrument under Statement No. 53, whereas the basis swap is an investment derivative instrument because there is no identified financial risk being hedged by the basis swap that can be expressed in terms of exposure to adverse changes in cash flows or fair values.

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
NOTES TO CONSOLIDATED SCHEDULES (CONTINUED)  
June 30, 2015 and 2014

**NOTE 4. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

**Description (Continued)**

Statement No. 53 includes four methods for evaluating hedge effectiveness; a governmental entity may use any of the evaluation methods outlined in the Statement and is not limited to using the same method from period to period. The four methods described in Statement No. 53 are: consistent critical terms, synthetic instrument, dollar-offset, and regression analysis. In addition, Statement No. 53 permits a governmental entity to use other quantitative methods that are based on “established principles of financial economic theory.” The fixed payer swap passes the established criteria using the regression analysis methodology.

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. The option value was estimated using a trinomial option pricing model. Incorporating market volatility data, the trinomial model calculates all possible changes in the value of the underlying swap for each future cash flow period (up, down or unchanged) to form a trinomial tree. This tree is used to calculate the current value of the option.

On September 10, 2010, the Series J bonds were converted to index bonds. While in index mode the interest rate is reset weekly at a rate of SIFMA plus a fixed spread. The spread is based on the long-term, unenhanced rating assigned to the issuer; the spread was 0.65% as of June 30, 2015. The dependent variable in the regression is the interest rates of the hedged cash flows; the independent variable is the floating rates due under the hedging derivative. The counterparty to the fixed payer swap has the right to terminate the swap at \$-0- on December 14, 2016 (a European option).

Upon entering into the transaction, the University received consideration from the counterparty in the form of an off-market (lower) fixed swap rate. A portion of the consideration received was a result of the option being in-the-money at inception; that is, the option had intrinsic value as the cancelable swap’s fixed rate of 3.953% was lower than the at-market rate of 4.110% on the trade date. The remainder of the up-front consideration reflects the time value the counterparty pays for holding the option. To the University, the time value portion represents deferred investment revenue. The intrinsic value of the cancelable swap is considered a loan receivable for financial reporting purposes and is treated as an asset in the accompanying financial statements. Interest accrues to the balance of the asset each year and amortizes with each swap payment.

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
NOTES TO CONSOLIDATED SCHEDULES (CONTINUED)  
June 30, 2015 and 2014

**NOTE 4. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

**Description (Continued)**

The table below summarizes the reported balances as of and the derivative instrument activity during the years ended June 30, 2015 and 2014.

Type of derivative	Notional	Activity During 2015		Fair Value as of June 30, 2015	
		Classification	Amount	Classification	Amount
Cash flow hedge - Pay fixed interest rate swap	\$ 21,800,000	Interest expense	\$ 18,394	Loan receivable	\$ 288,466
		Investment income	\$ 162,064		
		Deferred outflow increase (decrease)	\$ 732,736	Derivative liability	\$ 4,605,263
Investment derivative - Basis swap	\$ 21,800,000	Investment income	\$ 279,557	Investment (excluding accrued interest)	\$ 1,278,686
Type of derivative	Notional	Activity During 2014		Fair Value as of June 30, 2014	
		Classification	Amount	Classification	Amount
Cash flow hedge - Pay fixed interest rate swap	\$ 22,475,000	Interest expense	\$ 20,145	Loan receivable	\$ 306,860
		Investment income	\$ 338,749		
		Deferred outflow increase (decrease)	\$ (15,972)	Derivative liability	\$ 4,034,590
Investment derivative - Basis swap	\$ 22,475,000	Investment income	\$ 339,870	Investment (excluding accrued interest)	\$ 1,556,177

The objective and terms of the University's hedging derivative outstanding as of June 30, 2015 is as follows:

Type	Objective	Notional amount (000s)	Effective Date	Termination Date	Cash (Paid)/ Received (000s)	Terms
Fixed payer swap	Hedge interest rate risk on Series J 2005 Bonds	\$21,800,000	7/21/2005	11/15/2035	-	Pay 3.953% Receive SIFMA

**Credit Risk**

It is the University's policy to enter into derivative agreements with highly rated counterparties. As of June 30, 2015, all interest rate swap counterparties are rated A2 and Baa1 by Moody's, and A+ and A- by Standard and Poor's. The University manages credit risk by requiring its counterparties to post collateral in certain events. The University is entitled to collateral from its fixed payer swap counterparty if the interest rate swap's fair value is greater than \$5 million and the counterparty is rated A+ or A, by S&P, or A1 or A2 by Moody's. If the counterparty to the fixed payer swap is rated A- or below, by S&P, or A3 or below by Moody's, the University is entitled to collateral up to 100% of the swap's fair value. The University is not required to post collateral. The University will continue to monitor counterparty credit risk.

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
NOTES TO CONSOLIDATED SCHEDULES (CONTINUED)  
June 30, 2015 and 2014

**NOTE 4. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

**Credit Risk (Continued)**

The University enters into derivative agreements with multiple counterparties to limit concentration of credit risk. Currently, the University has interest rate swaps with two different counterparties and each counterparty accounts for approximately 50% of outstanding notional. The University monitors counterparty credit risk on an ongoing basis.

**Interest Rate Risk**

Interest payments on variable rate debt will typically increase as interest rates increase. The University believes it has significantly reduced interest rate risk by entering into a pay-fixed, receive floating interest rate swap. As interest rates increase, net swap payments decrease so that changes in hedged variable-rate debt interest payments, attributable to SIFMA, are largely offset by the net swap payments.

**Basis Risk**

The variable-rate cash flows being hedged by the pay-fixed swap will increase or decrease as SIFMA rates increase or decrease. Because the hedged cash flows are SIFMA based and the floating receipts of the pay-fixed swap are SIFMA based, there is no basis risk.

**Termination Risk**

The University or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. In addition, the University's fixed payer swap counterparty has the right to terminate the derivative if the credit rating of the University's unenhanced long-term revenue bond rating is withdrawn, suspended or reduced below BBB-, in the case of S&P, or below Baa3 in the case of Moody's. If such an event occurs, the University could be forced to terminate the fixed payer swap in a liability position. As of June 30, 2015, the University's unenhanced long-term revenue bond rating was Aa3 by Moody's and A+ by S&P.

**Rollover Risk**

The University's hedging derivative includes a cancelation option which allows the counterparty to cancel the swap on December 14, 2016. Should the counterparty exercise its option, the University would be exposed to rollover risk as exercise would only be likely in a rate environment higher than that at the time the trade was originally entered into.

**Foreign Currency Risk**

All hedging derivatives are denominated in US Dollars and therefore the University is not exposed to foreign currency risk.

**Market Access Risk**

Market access risk is the risk that the University will not be able to enter credit markets or that credit will become more costly. For example, to complete a derivative instrument's objective, an issuance of refunding bonds may be planned in the future. If at that time the University is unable to enter credit market, expected cost savings may not be realized.

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
NOTES TO CONSOLIDATED SCHEDULES (CONTINUED)  
June 30, 2015 and 2014

**NOTE 5. RETIREMENT PLANS AND OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**Retirement Plans**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB No. 68*, were implemented in the University-wide financial statements for the year ended June 30, 2015. Because the University does not expect individual pledged funds to set aside funding for a share of the net pension liability, the net pension liability of \$70,185,134 reported in the consolidated University financial statements has not been allocated to the fund level and is therefore not included in the consolidated revenue bond schedules. Pledged fund operating expenses include the required employer contribution under the terms of the various plans in which University employees participate. For the year ended June 30, 2015, these amounts totaled \$514,133, of which \$431,622 was contributed for pledged fund employees on the Bozeman campus, \$54,081 for the Billings campus, and \$28,430 on behalf of Northern campus pledged fund employees.

University employees eligible to participate in retirement programs are members of either the Montana Public Employees' Retirement System (PERS), the Game Wardens' and Peace Officers' Retirement System (GWPORS), Montana Teachers' Retirement System (TRS) the Montana University System Retirement Program (MUS-RP), Federal Employees' Retirement System (FERS) or the U.S. Civil Service Retirement System (CSRS). All are defined benefit plans except for the MUS-RP. Effective July 1, 1993, MUS-RP was made the mandatory retirement plan for new faculty and administrators. More detailed disclosure regarding pension data and liabilities for each of these plans can be found in the University consolidated financial statements for the year ended June 30, 2015, on which an unmodified opinion was issued on December 16, 2015.

**Other Post-Employment Benefits**

Montana State law requires state agencies to provide access to health insurance benefits to eligible retirees up to Medicare – eligible age (65) (§2-18-704(1)(a), MCA). The Board of Regents of the Montana University System (MUS), having broad authority to act in the best interests of the MUS, has directed the Office of the Commissioner of Higher Education (OCHE) to provide access to health insurance benefits beyond age 65.

Retirees who are eligible to receive retirement benefits from Teachers Retirement System (TRS) or the Public Employees Retirement System (PERS) at the time employment ceases may participate in the plan. Retirees who are in the Optional Retirement Plan (ORP) (through TIAA-CREF) or any other defined contribution plan associated with the MUS must have worked five or more years and be age 50, or have worked 25 years with the MUS to be eligible for retiree insurance benefits.

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
NOTES TO CONSOLIDATED SCHEDULES (CONTINUED)  
June 30, 2015 and 2014

**NOTE 5. RETIREMENT PLANS AND OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**Other Post-Employment Benefits (Continued)**

The MUS's Interunit Benefits Committee, at the direction of the OCHE, sets the premiums for such participation. Until a retiree reaches age 65, individual retiree participation premiums range from \$600-\$671 per month, depending on the level of deductible and other selected plan features. Upon reaching age 65 (Medicare eligibility), monthly participation premiums range from \$259-\$289 for an individual retiree. Coverage is also extended to dependents and surviving dependents of the employee. Retirees who select a non-MUS Medicare Advantage Program are not considered in the above rates.

The MUS Group Benefits Plan does not issue a standalone financial report, but is subject to audit as part of the State of Montana's Basic Financial Statements, included in its Comprehensive Annual Financial Report (CAFR). A copy of the most recent CAFR can be obtained online at <http://afsd.mt.gov/CAFR/CAFR.asp> or by contacting the Montana Department of Administration, PO Box 200102, Helena, MT 59620-0102.

The Plan is considered to be a multi-employer agent plan. All units of the MUS fund the post-employment benefits on a pay-as-you-go basis from general assets. The University's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The calculated ARC represents an amount that, if funded, would cover normal cost each year and amortize any unfunded actuarial liability over a period of 30 years. Because MSU does not allocate the liability or impose a funding mandate at the individual fund level, and the state does not require funding, no liability for OPEB is included in the accompanying schedules for post-retirement healthcare costs related to employees paid from pledged funds.

**NOTE 6. OTHER ADVANCES AND LOANS OUTSTANDING**

The University received advances from the Montana Department of Environmental Quality as part of the State Building Energy Conservation Program (SBECP). The program provides funding for projects such as lighting, window replacement and other energy efficiency improvements. The advances are payable in installments of approximately \$44,000 annually, and are included in transfers to other programs in the consolidated schedule of pledged fund activity balances. Payment can be made from either net pledged revenue or other sources, at the discretion of the University, but is subordinate to required debt service payments on the bonds issued under the Master Indenture.

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
NOTES TO CONSOLIDATED SCHEDULES (CONTINUED)  
June 30, 2015 and 2014

**NOTE 6. OTHER ADVANCES AND LOANS OUTSTANDING (CONTINUED)**

In 2015 and 2014, funds in the amount of \$-0 and \$57,614, respectively, were advanced for the Bozeman microbiology research facility renovation through the State's Intercap loan program. Billings received \$860,154 in Intercap proceeds in FY 2015 for the Student Union and Petro Hall roof replacement projects. Bozeman received \$1,587,841 for the Student Union Ballroom remodel. Loan payments including interest at a variable rate (currently 1.25%) are due semi-annually on February 15<sup>th</sup> and August 15<sup>th</sup>. The loans are secured by net pledged revenue, subordinate to the bonds issued under the Master Indenture. In the year ended June 30, 2015, pledged funds of \$780,680 were used for Intercap loan debt service.

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
CONSOLIDATED SCHEDULE OF REVENUE BONDS OUTSTANDING  
June 30, 2015

	Original Issue	Redemption		Outstanding June 30, 2015
		Regular	Defeased and Early	
<b><u>Bonds in Force</u></b>				
Indenture - July 13, 2005:				
Series J 2005 (Note 1)	<u>\$ 25,750,000</u>	<u>\$ 3,950,000</u>	<u>\$ -</u>	<u>\$ 21,800,000</u>
Indenture - August 17, 2006:				
Series K 2006 (Note 2)	<u>\$ 13,705,000</u>	<u>\$ 3,785,000</u>	<u>\$ -</u>	<u>\$ 9,920,000</u>
Indenture - June 26, 2008:				
Series L 2008 (Note 3)	<u>\$ 17,590,000</u>	<u>\$ 10,515,000</u>	<u>\$ -</u>	<u>\$ 7,075,000</u>
Indenture - November 1, 2011:				
Series M 2011 (Note 4)	<u>\$ 14,100,000</u>	<u>\$ 130,000</u>	<u>\$ -</u>	<u>\$ 13,970,000</u>
Indenture - October 17, 2012:				
Series N 2012 (Note 5)	<u>\$ 20,460,000</u>	<u>\$ 155,000</u>	<u>\$ -</u>	<u>\$ 20,305,000</u>
Indenture - October 17, 2012:				
Series O 2012 (Note 5)	<u>\$ 28,365,000</u>	<u>\$ 920,000</u>	<u>\$ -</u>	<u>\$ 27,445,000</u>
Indenture - December 16, 2013:				
Series A 2013 (Note 6)	<u>\$ 55,480,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,480,000</u>
Indenture - January 31, 2014:				
Series B 2014 (Note 7)	<u>\$ 10,000,000</u>	<u>\$ 2,975,000</u>	<u>\$ -</u>	<u>\$ 7,025,000</u>

See Accompanying Notes to Schedule.



**MONTANA STATE UNIVERSITY**  
**CONSOLIDATED REVENUE BOND AUDIT**  
**CONSOLIDATED SCHEDULE OF REDEMPTION REQUIREMENTS – ALL SERIES**  
As of and for the Year Ended June 30, 2015

Payment Date Calendar Year Due	December 1		November 15					January 31		Total
	Series J 2005	Series K 2006	Series L 2008	Series M 2011	Series N 2012	Series O 2012	Series A 2013	Series B 2014		
2015	\$ 600,000	\$ 675,000	\$ 3,470,000	\$ 90,000	\$ 700,000	\$ 1,235,000	\$ -	\$ -	\$ 6,770,000	
2016	725,000	705,000	3,605,000	65,000	735,000	1,260,000	1,025,000	1,700,000 *	9,820,000	
2017	675,000	1,420,000	-	175,000	755,000	4,195,000	1,055,000	500,000 *	8,775,000	
2018	775,000	1,480,000	-	185,000	780,000	4,280,000	1,090,000	500,000 *	9,090,000	
2019	800,000	1,550,000	-	195,000	815,000	4,365,000	1,135,000	4,325,000	13,185,000	
2020	775,000	1,620,000	-	190,000	845,000	4,470,000	1,180,000	-	9,080,000	
2021	875,000	1,700,000	-	190,000	880,000	4,580,000	1,230,000	-	9,455,000	
2022	850,000	180,000	-	1,895,000	920,000	730,000	1,280,000	-	5,855,000	
2023	950,000	190,000	-	1,995,000	955,000	755,000	1,330,000	-	6,175,000	
2024	925,000	195,000	-	2,095,000	995,000	775,000	1,395,000	-	6,380,000	
2025	1,025,000	205,000	-	2,205,000	1,035,000	800,000	1,465,000	-	6,735,000	
2026	1,025,000	-	-	2,300,000	1,070,000	-	1,540,000	-	5,935,000	
2027	1,125,000	-	-	2,390,000	1,100,000	-	1,620,000	-	6,235,000	
2028	1,150,000	-	-	-	1,135,000	-	1,705,000	-	3,990,000	
2029	1,175,000	-	-	-	1,170,000	-	1,790,000	-	4,135,000	
2030	1,250,000	-	-	-	1,205,000	-	1,880,000	-	4,335,000	
2031	1,300,000	-	-	-	1,245,000	-	1,980,000	-	4,525,000	
2032	1,375,000	-	-	-	1,280,000	-	2,080,000	-	4,735,000	
2033	1,400,000	-	-	-	1,320,000	-	2,185,000	-	4,905,000	
2034	1,475,000	-	-	-	1,365,000	-	2,290,000	-	5,130,000	
2035	1,550,000	-	-	-	-	-	2,400,000	-	3,950,000	
2036	-	-	-	-	-	-	2,510,000	-	2,510,000	
2037	-	-	-	-	-	-	2,625,000	-	2,625,000	
2038	-	-	-	-	-	-	2,745,000	-	2,745,000	
2039	-	-	-	-	-	-	2,880,000	-	2,880,000	
2040	-	-	-	-	-	-	3,025,000	-	3,025,000	
2041	-	-	-	-	-	-	3,180,000	-	3,180,000	
2042	-	-	-	-	-	-	3,345,000	-	3,345,000	
2043	-	-	-	-	-	-	3,515,000	-	3,515,000	
Total Outstanding June 30, 2015	21,800,000	9,920,000	7,075,000	13,970,000	20,305,000	27,445,000	55,480,000	7,025,000	163,020,000	
Previously Redeemed/ Refunded	<u>3,950,000</u>	<u>3,785,000</u>	<u>10,515,000</u>	<u>130,000</u>	<u>155,000</u>	<u>920,000</u>	-	<u>2,975,000</u>	<u>22,430,000</u>	
Total Original Issue	<u>\$ 25,750,000</u>	<u>\$ 13,705,000</u>	<u>\$ 17,590,000</u>	<u>\$ 14,100,000</u>	<u>\$ 20,460,000</u>	<u>\$ 28,365,000</u>	<u>\$ 55,480,000</u>	<u>\$ 10,000,000</u>	<u>\$ 185,450,000</u>	

\* Minimum of \$500,000. See Note 7.

See Accompanying Notes to Schedule.

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
NOTES TO CONSOLIDATED SCHEDULES OF REVENUE BONDS OUTSTANDING  
AND REDEMPTION REQUIREMENTS  
June 30, 2015

**NOTE 1. SERIES J 2005 BONDS OUTSTANDING**

**Project**

The proceeds were used to:

- 1) Finance costs of renovating, furnishing and equipping the student union building and the health and physical education complex on the Bozeman campus as well as costs of constructing, furnishing and equipping a new theater on the Bozeman campus; and
- 2) Pay interest on the Series J 2005 Bonds through February 2006; and
- 3) Pay costs associated with the issuance of the Series J 2005 Bonds, including the premium for the bond insurance policy.

**Description of Issue**

On July 21, 2005, the University issued \$25,750,000 of Series J 2005 Auction Rate Facilities Improvement Revenue Bonds at an initial rate of 2.35%, to fund the majority of a student facilities enhancement project on the Bozeman campus. The proceeds, together with University funds, are being used to renovate the student fitness center, construct a theater, and renovate portions of the Strand Union Building. An interest rate swap agreement was arranged relative to the debt, with an intended synthetic fixed rate of 3.953%. Principal payments began during the fiscal year ended June 30, 2007 and continue each May and November through November, 2035.

**Early Redemption**

Outstanding Series J 2005 Bonds are subject to redemption prior to maturity, at the option of the Board, on any date, out of moneys delivered to the Trustee, in whole or in part (and if in part, the Series J 2005 Bonds to be redeemed shall be selected by lot as determined and drawn by the Trustee), at a redemption price equal to the principal amount of Series J 2005 Bonds being redeemed, plus accrued interest to the redemption date, without premium.

**Mandatory Sinking Fund Redemption**

The Series J 2005 Bonds are subject to mandatory sinking fund redemption prior to maturity at a redemption price equal to 100% of the principal amount thereof, together with interest accrued on such Series J 2005 Bonds to the date fixed for redemption but without premium, on November 15 of the years and in the principal amounts as set forth in the maturity schedule below.

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
NOTES TO CONSOLIDATED SCHEDULES OF REVENUE BONDS OUTSTANDING  
AND REDEMPTION REQUIREMENTS (CONTINUED)  
June 30, 2015

**NOTE 1. SERIES J 2005 BONDS OUTSTANDING (CONTINUED)**

<u>Year Due (December 1)</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Redeemed</u>	<u>Outstanding June 30, 2015</u>
2006	variable	\$ 175,000	\$ 175,000	\$ -
2007	variable	325,000	325,000	-
2008	variable	275,000	275,000	-
2009	variable	450,000	450,000	-
2010	variable	375,000	375,000	-
2011	variable	550,000	550,000	-
2012	variable	575,000	575,000	-
2013	variable	550,000	550,000	-
2014	variable	675,000	675,000	-
2015	variable	600,000	-	600,000
2016	variable	725,000	-	725,000
2017	variable	675,000	-	675,000
2018	variable	775,000	-	775,000
2019	variable	800,000	-	800,000
2020	variable	775,000	-	775,000
2021	variable	875,000	-	875,000
2022	variable	850,000	-	850,000
2023	variable	950,000	-	950,000
2024	variable	925,000	-	925,000
2025	variable	1,025,000	-	1,025,000
2026	variable	1,025,000	-	1,025,000
2027	variable	1,125,000	-	1,125,000
2028	variable	1,150,000	-	1,150,000
2029	variable	1,175,000	-	1,175,000
2030	variable	1,250,000	-	1,250,000
2031	variable	1,300,000	-	1,300,000
2032	variable	1,375,000	-	1,375,000
2033	variable	1,400,000	-	1,400,000
2034	variable	1,475,000	-	1,475,000
2035	variable	1,550,000	-	1,550,000
TOTALS		<u>\$ 25,750,000</u>	<u>\$ 3,950,000</u>	<u>\$ 21,800,000</u>

**Additional Pledged Revenues**

In connection with the issuance of the Series J 2005 Bonds, the Net Pledged Revenues available for debt service include a Student Facilities Enhancement Fee until the Series J 2005 Bonds are paid and discharged, Student Union Building Fees which may be released after June 30, 2015, so long as the rate maintenance test under the Indenture has been met for three consecutive fiscal years without including such Student Union Building Fees revenues; payments by the Counterparty pursuant to an Interest Rate Agreement relating to any Series of Bonds; and capitalized interest and earnings on certain funds created under the Indenture.

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
NOTES TO CONSOLIDATED SCHEDULES OF REVENUE BONDS OUTSTANDING  
AND REDEMPTION REQUIREMENTS (CONTINUED)  
June 30, 2015

**NOTE 1. SERIES J 2005 BONDS OUTSTANDING (CONTINUED)**

**2008 Remarketing of Series J 2005 Bonds**

On September 11, 2008, the University remarketed its Series J 2005 bonds as Variable Rate Demand Bonds in the Daily Mode, whereas they had previously been marketed as Municipal Auction Rate Securities in the weekly mode. The bonds were remarketed without bond insurance, because variable rate instruments backed by a direct-pay letter of credit were trading at more attractive rates from the bond issuer's perspective, which is a result of the insurer's downgrading and general market conditions. The University entered into a Letter of Credit and Reimbursement Agreement with Wachovia Bank, NA (Wachovia), for a term of two years, in which Wachovia assumes a direct-pay responsibility for the bonds. Wachovia was subsequently acquired by Wells Fargo.

**2010 Remarketing of Series J 2005 Bonds**

Because the Wachovia letter of credit was scheduled to terminate in September of 2010, the University sought pricing on a renewed letter of credit as well as a direct-placement transaction. After reviewing several options, the University selected the direct-placement transaction, and on September 10, 2010, amended its bond indenture to permit issuance of the Series J bonds in the indexed floater mode, and re-issued the bonds in whole to Wells Fargo Bank. In place of a letter of credit fee, the University now pays Wells Fargo Bank a pre-determined basis point spread over and above the SIFMA weekly indexed rate.

**2013 Series J Direct Purchase Agreement**

In September 2013, the University entered into a 5-year renewal of its direct purchase agreement with Wells Fargo Bank, relative to the Series J 2005 bonds, at a rate of .65% above SIFMA, representing a 0.15% decrease in the previous interest rate.

**NOTE 2. SERIES K 2006 BONDS OUTSTANDING**

**Project**

The proceeds were used to:

- 1) Refund portions of the Series E 1998 and Series D 1996 debt and resulted in an economic gain of \$510,293;
- 2) Pay costs associated with bond issuance, including the premium for the bond insurance policy.

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
NOTES TO CONSOLIDATED SCHEDULES OF REVENUE BONDS OUTSTANDING  
AND REDEMPTION REQUIREMENTS (CONTINUED)  
June 30, 2015

**NOTE 2. SERIES K 2006 BONDS OUTSTANDING (CONTINUED)**

**Description of Issue**

Proceeds of the Series K 2006 Bonds (net of costs of issuance) were deposited into the Escrow Account created pursuant to the Escrow Agreement dated as of August 15, 2006 (the “Escrow Agreement”) between the Board and U.S. Bank National Association (the Escrow Agent). This series is an original issue of \$13,705,000 including \$2,580,000 for the MSU Billings campus and \$11,125,000 for the MSU Bozeman campus of Facilities Refunding Serial Revenue Bonds dated August 17, 2006, consisting of fully registered Bonds in the domination of \$5,000 or any integral multiple thereof. Interest is paid on May 15 and November 15 of each year, commencing November 2006. Principal is payable November 15 each year, commencing November 2006 through November 2025. All bonds are unconditionally and irrevocably guaranteed by Ambac Insurance Corporation.

**Early Redemption**

Outstanding Series K 2006 Bonds with stated maturities on or after November 15, 2017 are subject to redemption prior to maturity, on any date occurring on or after November 15, 2016, at par, plus accrued interest to the redemption date, but without premium.

<u>Year Due (November 15)</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Redeemed</u>	<u>Outstanding June 30, 2015</u>
2006	4.000%	\$ 75,000	\$ 75,000	\$ -
2007	4.000%	80,000	80,000	-
2008	4.000%	125,000	125,000	-
2009	4.000%	530,000	530,000	-
2010	3.750%	550,000	550,000	-
2011	4.000%	570,000	570,000	-
2012	4.000%	590,000	590,000	-
2013	4.000%	620,000	620,000	-
2014	4.000%	645,000	645,000	-
2015	4.000%	675,000	-	675,000
2016	4.050%	705,000	-	705,000
2017	4.125%	1,420,000	-	1,420,000
2018	4.250%	1,480,000	-	1,480,000
2019	4.500%	1,550,000	-	1,550,000
2020	4.500%	1,620,000	-	1,620,000
2021	4.375%	1,700,000	-	1,700,000
2022	4.500%	180,000	-	180,000
2023	4.500%	190,000	-	190,000
2024	4.500%	195,000	-	195,000
2025	4.500%	205,000	-	205,000
TOTALS		<u>\$ 13,705,000</u>	<u>\$ 3,785,000</u>	<u>\$ 9,920,000</u>

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
NOTES TO CONSOLIDATED SCHEDULES OF REVENUE BONDS OUTSTANDING  
AND REDEMPTION REQUIREMENTS (CONTINUED)  
June 30, 2015

**NOTE 3. SERIES L 2008 BONDS OUTSTANDING**

**Project**

The proceeds were used to:

- 1) Refund the Series G 2003 Bonds outstanding.
- 2) Pay costs associated with bond issuance, including the premium for a bond insurance policy through Assured Guaranty.

**Description of Issue**

In June 2008, the University refunded its Series G 2003 Auction Rate bonds through the issuance of fixed rate Series L 2008 bonds. Series L bond proceeds were sufficient to legally defease the Series 2003 G bonds. The refunding allowed the University to exit the turbulent auction rate debt market, instead issuing fixed-rate debt. The Series L debt will be repaid beginning November 15, 2008, with final maturity in November of 2016, the same maturity date scheduled for the Series G debt. Repayment is guaranteed by Assured Guaranty. The refunded debt was considered defeased as of June 30, 2008. Such bonds were subsequently called in July 2008 and are no longer outstanding. The Series G debt had been used for a \$16,745,000 current refunding of the serial portion of the Series 1993 A bonds. During the year ended June 30, 2015, MSU-Northern completed its redemption of \$1,330,000 allocated to its campus.

**Early Redemption**

The Series L 2008 bonds are not subject to optional redemption prior to maturity.

<u>Year Due (November 15)</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Redeemed</u>	<u>Outstanding June 30, 2015</u>
2008	4.000%	\$ 250,000	\$ 250,000	\$ -
2009	3.500%	200,000	200,000	-
2010	3.500%	200,000	200,000	-
2011	3.500%	200,000	200,000	-
2012	3.500%	3,110,000	3,110,000	-
2013	3.500%	3,215,000	3,215,000	-
2014	3.750%	750,000	750,000	-
2014	4.000%	1,590,000	1,590,000	-
2014	5.000%	1,000,000	1,000,000	-
2015	3.750%	3,470,000	-	3,470,000
2016	3.750%	1,605,000	-	1,605,000
2016	4.000%	2,000,000	-	2,000,000
TOTALS		<u>\$ 17,590,000</u>	<u>\$ 10,515,000</u>	<u>\$ 7,075,000</u>

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
NOTES TO CONSOLIDATED SCHEDULES OF REVENUE BONDS OUTSTANDING  
AND REDEMPTION REQUIREMENTS (CONTINUED)  
June 30, 2015

**NOTE 4. SERIES M 2011 BONDS OUTSTANDING**

**Project**

The proceeds were used to:

- 1) Fund the construction of a new suite-style residence hall as well as renovate public spaces in two existing residence halls and perform energy efficiency improvements, which include window and lighting fixture replacement, on the Bozeman campus.
- 2) Pay costs associated with bond issuance.

**Description of Issue**

In October, 2011, the University issued \$14,100,000 in Series M 2011 Facilities Improvement Revenue Bonds to fund construction of a residence hall, renovate public spaces in existing residence halls, and perform energy efficiency improvements in existing residence halls. Payments are scheduled each May and November through November, 2027. The bonds are secured by a first lien on and pledge of net pledged revenues.

**Early Redemption**

The Series M 2011 Bonds maturing on and after November 15, 2022 are subject to optional redemption prior to maturity on any date on or after November 15, 2022, at a redemption price equal to the principal amount being redeemed, plus accrued interest to the redemption date, without premium.

<u>Year Due (November 15)</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Redeemed</u>	<u>Outstanding June 30, 2015</u>
2013	2.000%	\$ 75,000	\$ 75,000	\$ -
2014	2.000%	55,000	55,000	-
2015	2.000%	90,000	-	90,000
2016	2.000%	65,000	-	65,000
2017	2.250%	175,000	-	175,000
2018	2.500%	185,000	-	185,000
2019	3.000%	195,000	-	195,000
2020	3.000%	190,000	-	190,000
2021	3.000%	190,000	-	190,000
2022	5.000%	1,895,000	-	1,895,000
2023	5.000%	1,995,000	-	1,995,000
2024	5.000%	2,095,000	-	2,095,000
2025	5.000%	2,205,000	-	2,205,000
2026	3.750%	2,300,000	-	2,300,000
2027	4.000%	2,390,000	-	2,390,000
<b>TOTALS</b>		<u>\$ 14,100,000</u>	<u>\$ 130,000</u>	<u>\$ 13,970,000</u>

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
NOTES TO CONSOLIDATED SCHEDULES OF REVENUE BONDS OUTSTANDING  
AND REDEMPTION REQUIREMENTS (CONTINUED)  
June 30, 2015

**NOTE 5. SERIES N AND O 2012 BONDS OUTSTANDING**

**Project**

Following is a description of these bond series:

- 1) Series N proceeds were used to refund Series H 2004 bonds outstanding in the amount of \$19,620,000 with stated maturity dates in 2015 through 2034, previously issued to fund construction of the chemistry/biochemistry research facility on the Bozeman campus. Series O Taxable Bonds were used to refund Series I bonds outstanding, in the amount of \$25,780,000 with stated maturity dates of 2015 through 2025. Series O proceeds in the amount of \$7,965,000 were allocated to the Billings campus and proceeds of \$20,400,000 were allocated to the Bozeman campus.
- 2) Pay costs associated with bond issuance.

**Description of Issue**

In November 2012, the University issued \$20,460,000 in Series N 2012 Facilities Refunding Revenue Bonds and \$28,365,000 in Series O 2012 Taxable Facilities Refunding Revenue Bonds. Payments are scheduled each May and November through November, 2034 for Series N and through November 2025 for Series O. The bonds are secured by a first lien on and pledge of net pledged revenues.

**Early Redemption**

The Series N 2012 Bonds maturing on and after November 15, 2023 are subject to optional redemption prior to maturity, on any date on or after November 15, 2022, in whole or in part, at a redemption price equal to the principal amount of Series N 2012 Bonds being redeemed, plus accrued interest to the redemption date, without premium.

The Series O 2012 Bonds maturing on November 15, 2025 are subject to optional redemption prior to maturity, at the option of the Board, on any date on or after November 15, 2021, in whole or in part, at a redemption price equal to the principal amount of Series O 2012 Bonds being redeemed, plus accrued interest to the redemption date, without premium.

**Mandatory Sinking Fund Redemption**

The Series N 2012 Bonds maturing on November 15, 2031 and 2034 are subject to redemption in part by operation of sinking fund installments, at a redemption price equal to 100% of the principal amount of the Series N 2012 Bonds to be redeemed, together with accrued interest to the date of redemption, beginning in November 2029.

The Series O 2012 Bonds maturing on November 15, 2025 shall be subject to redemption in part by operation of sinking fund installments, at a redemption price equal to 100% of the principal amount of the Series O 2012 Bonds to be redeemed, together with accrued interest to the date of redemption, beginning in November 2022.



MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
NOTES TO CONSOLIDATED SCHEDULES OF REVENUE BONDS OUTSTANDING  
AND REDEMPTION REQUIREMENTS (CONTINUED)  
June 30, 2015

**NOTE 5. SERIES N AND O 2012 BONDS OUTSTANDING (CONTINUED)**

Following is a schedule of Series N outstanding bonds, interest rates and stated maturity dates:

<u>Year Due</u> <u>(November 15)</u>	<u>Interest</u> <u>Rate</u>	<u>Original</u> <u>Issue</u>	<u>Redeemed</u>	<u>Outstanding</u> <u>June 30, 2015</u>
2013	2.000%	\$ 75,000	\$ 75,000	\$ -
2014	2.000%	80,000	80,000	-
2015	4.000%	700,000	-	700,000
2016	3.000%	735,000	-	735,000
2017	3.000%	755,000	-	755,000
2018	4.000%	780,000	-	780,000
2019	4.000%	815,000	-	815,000
2020	4.000%	845,000	-	845,000
2021	4.000%	880,000	-	880,000
2022	4.000%	920,000	-	920,000
2023	4.000%	955,000	-	955,000
2024	4.000%	995,000	-	995,000
2025	4.000%	1,035,000	-	1,035,000
2026	2.750%	1,070,000	-	1,070,000
2027	3.000%	1,100,000	-	1,100,000
2028	3.000%	1,135,000	-	1,135,000
2029	3.000%	1,170,000	-	1,170,000
2030	3.000%	1,205,000	-	1,205,000
2031	3.000%	1,245,000	-	1,245,000
2032	3.125%	1,280,000	-	1,280,000
2033	3.125%	1,320,000	-	1,320,000
2034	3.125%	1,365,000	-	1,365,000
TOTALS		<u>\$ 20,460,000</u>	<u>\$ 155,000</u>	<u>\$ 20,305,000</u>

Following is a schedule of Series O outstanding bonds, interest rates and stated maturity dates:

<u>Year Due</u> <u>(November 15)</u>	<u>Interest</u> <u>Rate</u>	<u>Original</u> <u>Issue</u>	<u>Redeemed</u>	<u>Outstanding</u> <u>June 30, 2015</u>
2013	0.628%	\$ 460,000	\$ 460,000	\$ -
2014	0.886%	460,000	460,000	-
2015	1.142%	1,235,000	-	1,235,000
2016	1.451%	1,260,000	-	1,260,000
2017	1.701%	4,195,000	-	4,195,000
2018	2.057%	4,280,000	-	4,280,000
2019	2.207%	4,365,000	-	4,365,000
2020	2.490%	4,470,000	-	4,470,000
2021	2.690%	4,580,000	-	4,580,000
2022	3.090%	730,000	-	730,000
2023	3.090%	755,000	-	755,000
2024	3.090%	775,000	-	775,000
2025	3.090%	800,000	-	800,000
TOTALS		<u>\$ 28,365,000</u>	<u>\$ 920,000</u>	<u>\$ 27,445,000</u>

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
NOTES TO CONSOLIDATED SCHEDULES OF REVENUE BONDS OUTSTANDING  
AND REDEMPTION REQUIREMENTS (CONTINUED)  
June 30, 2015

**NOTE 6. SERIES A 2013 BONDS OUTSTANDING**

**Project**

The proceeds are being used to:

- 1) Fund the construction of a new 400 bed residence hall on the Bozeman campus, as well as renovate and expand the main dining hall, begin construction of a new dining hall, and fund major and deferred maintenance projects in two existing residence halls.
- 2) Pay costs associated with bond issuance.

**Description of Issue**

In December 2013, the University issued \$55,480,000 in Series A 2013 Facilities Improvement Revenue Bonds to fund construction of a new 400 bed residence hall, renovate three existing dining halls and to fund major maintenance projects on existing residence halls, all on the Bozeman campus. Payments are scheduled each May and November through November 2043. The bonds are secured by a first lien on and pledge of net pledged revenues.

**Early Redemption**

The Series A 2013 Bonds maturing on and after November 15, 2024 are subject to optional redemption prior to maturity on any date on or after November 15, 2023, at a redemption price equal to the principal amount being redeemed, plus accrued interest to the redemption date, without premium.

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
NOTES TO CONSOLIDATED SCHEDULES OF REVENUE BONDS OUTSTANDING  
AND REDEMPTION REQUIREMENTS (CONTINUED)  
June 30, 2015

**NOTE 6. SERIES A 2013 BONDS OUTSTANDING (CONTINUED)**

Following is a schedule of Series A outstanding bonds, interest rates and stated maturity dates:

<b>Year Due (November 15)</b>	<b>Interest Rate</b>	<b>Original Issue</b>	<b>Redeemed</b>	<b>Outstanding June 30, 2015</b>
2016	2.000%	\$ 1,025,000	\$ -	\$ 1,025,000
2017	3.000%	1,055,000	-	1,055,000
2018	4.000%	1,090,000	-	1,090,000
2019	4.000%	1,135,000	-	1,135,000
2020	4.000%	1,180,000	-	1,180,000
2021	4.000%	1,230,000	-	1,230,000
2022	4.000%	1,280,000	-	1,280,000
2023	4.000%	1,330,000	-	1,330,000
2024	5.000%	1,395,000	-	1,395,000
2025	5.000%	1,465,000	-	1,465,000
2026	5.000%	1,540,000	-	1,540,000
2027	5.000%	1,620,000	-	1,620,000
2028	5.000%	1,705,000	-	1,705,000
2029	5.000%	1,790,000	-	1,790,000
2030	5.000%	1,880,000	-	1,880,000
2031	5.000%	1,980,000	-	1,980,000
2032	5.000%	2,080,000	-	2,080,000
2033	5.000%	2,185,000	-	2,185,000
2034	4.500%	2,290,000	-	2,290,000
2035	4.500%	2,400,000	-	2,400,000
2036	4.500%	2,510,000	-	2,510,000
2037	4.500%	2,625,000	-	2,625,000
2038	4.500%	2,745,000	-	2,745,000
2039	5.000%	2,880,000	-	2,880,000
2040	5.000%	3,025,000	-	3,025,000
2041	5.000%	3,180,000	-	3,180,000
2042	5.000%	3,345,000	-	3,345,000
2043	5.000%	<u>3,515,000</u>	-	<u>3,515,000</u>
TOTALS		<u>\$ 55,480,000</u>	<u>\$ -</u>	<u>\$ 55,480,000</u>

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
NOTES TO CONSOLIDATED SCHEDULES OF REVENUE BONDS OUTSTANDING  
AND REDEMPTION REQUIREMENTS (CONTINUED)  
June 30, 2015

**NOTE 7. SERIES B 2014 BONDS OUTSTANDING**

**Project**

The proceeds were used to bridge fund construction of a new gift-funded academic building on the Bozeman campus. A total of approximately \$19 million has been budgeted for a new academic building. The donor is providing funds over an up to ten-year time period. The University borrowed the funds necessary to complete the building and debt service will be provided by the Montana State University Alumni Foundation as the gift is received from the donor.

**Description of Issue**

In January 2014, the University issued \$10,000,000 in Series B 2014 Facilities Improvement Revenue Bonds to fund the construction of a new academic building on the Bozeman campus. The bonds were a direct placement with Wells Fargo Bank. The bonds contain an index rate mode whereby the interest rate is reset periodically at SIFMA plus an applicable spread based on the term of the rate period. Payments are scheduled each January and will amortize over a 5-year term at the greater of: 1) a minimum of \$500,000 per year, or 2) 85% of pledge receipts, so long as there is no more than \$8,000,000 outstanding at the time the index floating rate mode matures. The bonds are secured by a first lien on and pledge of the net pledged revenues.

Following is a schedule of Series B outstanding bonds, interest rates and stated maturity dates, based on the University's fiscal year:

<u>Fiscal Year Due (January 31)</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Redeemed</u>	<u>Outstanding June 30, 2015</u>
2015	Variable	\$ 2,975,000	\$ 2,975,000	\$ -
2016	Variable	1,700,000	-	1,700,000
2017	Variable	500,000 *	-	500,000
2018	Variable	500,000 *	-	500,000
2019	Variable	<u>4,325,000</u>	<u>-</u>	<u>4,325,000</u>
TOTALS		<u>\$ 10,000,000</u>	<u>\$ 2,975,000</u>	<u>\$ 7,025,000</u>

\* Minimum of \$500,000.

MONTANA STATE UNIVERSITY  
 CONSOLIDATED REVENUE BOND AUDIT  
 CONSOLIDATED SCHEDULE OF HOUSING STATISTICS  
 June 30, 2015

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Bozeman Campus</b>					
Rooms Available	1,944	2,001	2,057	2,145	2,145
Rooms Occupied	1,900	1,937	1,992	2,068	2,063
Percent Room Occupancy	98%	97%	97%	96%	96%
Average Number of Occupants	3,035	3,092	3,196	3,330	3,452
Average Number of Occupants per Room	1.60	1.60	1.60	1.61	1.61
<b>Billings Campus</b>					
Rooms Available	390	390	390	390	390
Rooms Occupied	375	360	349	328	315
Percent Room Occupancy	96%	92%	89%	84%	81%
Average Number of Occupants	585	567	544	535	462
Average Number of Occupants per Room	1.56	1.58	1.56	1.63	1.47
<b>Northern Campus</b>					
Rooms Available	193	193	193	193	198
Rooms Occupied	168	146	163	172	192
Percent Room Occupancy	87%	75%	84%	89%	97%
Average Number of Occupants	219	182	209	222	261
Average Number of Occupants per Room	1.30	1.25	1.28	1.29	1.36

The following family and graduate student apartments were converted to undergraduate housing on the Bozeman campus due to overflow needs:

	<u>Units Converted</u>
2011	38
2012	62
2013	65
2014	65
2015	81

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
CONSOLIDATED SCHEDULE OF STUDENT FEES  
June 30, 2015 and 2014

	2015	2014
Building Fee	\$ 2,479,264	\$ 2,455,169
Nonresident Building Fee	965,485	684,741
Physical Education Complex Fee	514,621	510,206
Student Union O&M/other Fees	1,522,291	1,512,668
Academic Building Renewal & Replacement Fee	376,404	374,748
Health and Physical Education		
Weight Room O&M Fee	12,462	12,307
Fieldhouse Fee	225,201	223,231
Student Facilities Enhancement Project Fee	1,524,767	1,504,222
Sub-total Building Fees	7,620,495	7,277,292
Student Athletic Fee	1,786,164	1,739,101
Total Fees	\$ 9,406,659	\$ 9,016,393

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
CONSOLIDATED SCHEDULE OF ENROLLMENT TRENDS  
For June 30, 2015

Full-Time Equivalent by Campus, Fall Semester:

	<u>Bozeman</u>	<u>Billings</u>	<u>Northern</u>	<u>Total</u>
2014:				
Resident	8,638	3,314	892	12,844
Nonresident	<u>4,818</u>	<u>510</u>	<u>147</u>	<u>5,475</u>
Total 2014	<u><u>13,456</u></u>	<u><u>3,824</u></u>	<u><u>1,039</u></u>	<u><u>18,319</u></u>
2013:				
Resident	8,793	3,497	942	13,232
Nonresident	<u>4,509</u>	<u>515</u>	<u>139</u>	<u>5,163</u>
Total 2013	<u><u>13,302</u></u>	<u><u>4,012</u></u>	<u><u>1,081</u></u>	<u><u>18,395</u></u>
2012:				
Resident	8,611	3,593	924	13,128
Nonresident	<u>4,143</u>	<u>500</u>	<u>135</u>	<u>4,778</u>
Total 2012	<u><u>12,754</u></u>	<u><u>4,093</u></u>	<u><u>1,059</u></u>	<u><u>17,906</u></u>
2011:				
Resident	8,506	3,819	928	13,253
Nonresident	<u>3,585</u>	<u>464</u>	<u>127</u>	<u>4,176</u>
Total 2011	<u><u>12,091</u></u>	<u><u>4,283</u></u>	<u><u>1,055</u></u>	<u><u>17,429</u></u>
2010:				
Resident	8,215	3,920	937	13,072
Nonresident	<u>3,313</u>	<u>410</u>	<u>140</u>	<u>3,863</u>
Total 2010	<u><u>11,528</u></u>	<u><u>4,330</u></u>	<u><u>1,077</u></u>	<u><u>16,935</u></u>

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
CONSOLIDATED SCHEDULE OF ENROLLMENT TRENDS (CONTINUED)  
For June 30, 2015

15<sup>th</sup> Class Day Census Headcount, Fall Semester:

	<u>Bozeman</u>	<u>Billings</u>	<u>Northern</u>	<u>Total</u>
2014:				
Resident	8,846	4,218	1,097	14,161
Nonresident	<u>6,575</u>	<u>563</u>	<u>148</u>	<u>7,286</u>
Total 2014	<u><u>15,421</u></u>	<u><u>4,781</u></u>	<u><u>1,245</u></u>	<u><u>21,447</u></u>
2013:				
Resident	9,024	4,379	1,188	14,591
Nonresident	<u>6,270</u>	<u>590</u>	<u>146</u>	<u>7,006</u>
Total 2013	<u><u>15,294</u></u>	<u><u>4,969</u></u>	<u><u>1,334</u></u>	<u><u>21,597</u></u>
2012:				
Resident	9,836	4,516	1,141	15,493
Nonresident	<u>4,824</u>	<u>565</u>	<u>141</u>	<u>5,530</u>
Total 2012	<u><u>14,660</u></u>	<u><u>5,081</u></u>	<u><u>1,282</u></u>	<u><u>21,023</u></u>
2011:				
Resident	9,890	4,733	1,144	15,767
Nonresident	<u>4,263</u>	<u>541</u>	<u>129</u>	<u>4,933</u>
Total 2011	<u><u>14,153</u></u>	<u><u>5,274</u></u>	<u><u>1,273</u></u>	<u><u>20,700</u></u>
2010:				
Resident	9,569	4,876	1,161	15,606
Nonresident	<u>3,990</u>	<u>459</u>	<u>143</u>	<u>4,592</u>
Total 2010	<u><u>13,559</u></u>	<u><u>5,335</u></u>	<u><u>1,304</u></u>	<u><u>20,198</u></u>



MONTANA STATE UNIVERSITY  
 CONSOLIDATED REVENUE BOND AUDIT  
 CONSOLIDATED SCHEDULE OF LAND GRANT INCOME AND STATE  
 APPROPRIATIONS  
 June 30, 2015

***Land Grant Income***

Land Grant income is derived from lands granted by Congress in 1881 to the State (then the Territory) of Montana for the benefit of the State's universities and colleges. The land so granted has been allocated and dedicated to each of the units of the University System by the State Legislature and the income from each unit's allocated land is dedicated to the support of each such unit. Montana State University-Billings has been allocated 31,727 acres; Montana State University-Bozeman has been allocated a total of 140,000 acres. The Land Grant income is derived from two principal sources: (i) leases of trust land (consisting of grazing leases, agricultural leases, oil and gas leases, and recreational leases) and (ii) royalties received from timber harvesting, oil and gas extraction and mining on the land.

***State Appropriations and Mil Levy Funding***

**Total State Appropriations <sup>(1)</sup> to University  
 Fiscal Years Ended June 30**

Fiscal Year	MSU Bozeman	MSU Billings	MSU Northern	Great Falls College MSU	Montana Extension & Agricultural Research Centers	Total
2011	\$ 49,852,844	\$ 20,391,266	\$ 9,338,299	\$ 6,053,903	\$ 18,283,285	\$ 103,919,597 <sup>(2)</sup>
2012	\$ 46,892,409	\$ 19,552,428	\$ 9,094,922	\$ 6,121,433	\$ 19,200,662	\$ 100,861,854
2013	\$ 46,979,055	\$ 19,569,809	\$ 9,100,500	\$ 6,124,436	\$ 19,216,875	\$ 100,990,675
2014	\$ 52,409,004	\$ 20,580,150	\$ 10,166,240	\$ 6,941,133	\$ 20,355,283	\$ 110,451,810
2015	\$ 56,538,513	\$ 22,197,045	\$ 10,462,946	\$ 7,369,367	\$ 21,178,965	\$ 117,746,836

<sup>(1)</sup> Excludes tuition and fees.

<sup>(2)</sup> Includes \$18,536,201 federal stimulus funds.

State law authorizes the University to carry-forward unexpended appropriations into the following fiscal year of a biennium. There are no pledged revenues or Bond Debt at the Great Falls campus or the Extension and Agricultural Research Centers.

MONTANA STATE UNIVERSITY  
 CONSOLIDATED REVENUE BOND AUDIT  
 CONSOLIDATED SCHEDULE OF EMPLOYEES  
 June 30, 2015 with Comparative Totals for 2014

Fall 2014 and 2013 employment statistics on a head count basis for Montana State University campuses with bonded indebtedness were as follows:

	Fall 2014				Fall 2013
	Bozeman	Billings	Northern	Total	Total
Faculty/professional	2,036	464	178	2,678	2,695
State classified system	1,163	218	65	1,446	1,420
Temporary hourly, including student workers	<u>2,526</u>	<u>325</u>	<u>176</u>	<u>3,027</u>	<u>3,095</u>
	5,725	1,007	419	7,151	7,210
Graduate students	<u>653</u>	<u>21</u>	<u>1</u>	<u>675</u>	<u>666</u>
Total	<u><u>6,378</u></u>	<u><u>1,028</u></u>	<u><u>420</u></u>	<u><u>7,826</u></u>	<u><u>7,876</u></u>

**OTHER INFORMATION**

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
CONSOLIDATED SCHEDULE OF UNIVERSITY REVENUES, EXPENSES AND CHANGES IN  
NET POSITION  
Year Ended June 30, 2015

	2015 <u>(unaudited)</u>
<b>OPERATING REVENUES</b>	
Tuition and fees (net of \$35,062,569 scholarship discount)	\$ 164,318,897
Federal appropriations	5,786,500
Federal grants and contracts	70,843,895
State grants and contracts	6,222,458
Non-governmental grants and contracts	9,579,921
Grant and contract facilities and administrative cost recoveries	16,027,616
Educational, public service and outreach revenues	25,028,504
Auxiliary revenues:	
Housing (net of \$3,116,373 scholarship discount)	20,427,712
Food services (net of \$2,968,030 scholarship discount)	19,528,349
Other auxiliary sales and services (net of \$686,338 scholarship discount)	9,837,352
Interest earned on loans	131,726
Other operating revenues	<u>1,881,776</u>
<b>Total operating revenues</b>	<u>349,614,706</u>
 <b>OPERATING EXPENSES</b>	
Compensation and benefits	293,068,733
OPEB expense (Note 15)	5,477,672
Defined benefit pension expense (Note 15)	6,716,950
Operating expenses (Note 14)	147,331,848
Scholarships and fellowships (net of \$41,833,310 scholarship discount)	23,711,663
Depreciation and amortization	<u>31,284,509</u>
<b>Total operating expenses</b>	<u><b>507,591,375</b></u>
<b>Operating loss</b>	<u><b>(157,976,669)</b></u>
 <b>NONOPERATING REVENUES (EXPENSES)</b>	
State and local appropriations	118,103,009
Federal Pell grant revenue	26,816,113
Land grant income (pledged as security for repayment of bonds)	3,572,401
Gifts (expendable)	16,781,136
Investment income	1,188,545
Interest expense	<u>(6,765,047)</u>
<b>Net nonoperating revenues (expenses)</b>	<u><b>159,696,157</b></u>
<b>Income before other revenues, expenses, gains and losses</b>	1,719,488
Loss on disposals of capital assets	(505,580)
Additions to permanent endowment	159,707
Capital gifts, grants and contributions	<u>8,410,485</u>
<b>Change in net position</b>	<u><b>9,784,100</b></u>
 Net position, beginning of year as previously stated	379,542,860
Restatement of beginning Net Position – Pension	<u>(76,365,114)</u>
Net position, beginning of year as restated	<u>303,177,746</u>
 <b>Net position, end of year</b>	<u><b>\$ 312,961,846</b></u>

**SECTION II: COMPLIANCE EXAMINATION**

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Regents of Higher Education  
of Montana State University  
Helena, Montana

We have examined management's assertion that Montana State University (the University) is in compliance with the requirements of the 1993 Master Indenture as amended and restated, and as presented in the accompanying schedules, as of June 30, 2015 and 2014. Management is responsible for the University's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the University's compliance based on our examinations.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the University's compliance with the specified requirements.

In our opinion, management's assertion that Montana State University complied with the requirements referred to above as of June 30, 2015 and 2014 is fairly stated, in all material respects, based on the criteria set forth above and in management's assertion.



Butte, Montana  
January 29, 2016

MONTANA STATE UNIVERSITY  
CONSOLIDATED BOND COMPLIANCE EXAMINATION  
CONSOLIDATED SCHEDULE OF REQUIREMENTS AND RATIO COMPUTATION  
June 30, 2015 and 2014

	Year Ended June 30,	
	2015	2014
<b>Distribution of Net Pledged Revenues</b>		
Revenue funds	\$ 33,532,079	\$ 31,008,392
Debt Service fund	3,385,830	442,962
Renewal and Replacement fund	398	807
Construction and Equipment fund	313,933	118,201
Total distribution	<u>\$ 37,232,240</u>	<u>\$ 31,570,362</u>
<b>Earnings Requirement Prior to G&amp;A Recharges</b>		
Actual	\$ 37,232,240	\$ 31,570,362
Required current year debt service	(15,964,296)	(11,345,541)
Excess	<u>\$ 21,267,944</u>	<u>\$ 20,224,821</u>
<b>Coverage Ratio Prior to G&amp;A Recharges</b>	<u>2.33</u>	<u>2.78</u>
<b>Earnings Requirement After G&amp;A Recharges</b>		
Actual	\$ 34,268,614	\$ 29,273,083
Required current year debt service	(15,964,296)	(11,345,541)
Excess	<u>\$ 18,304,318</u>	<u>\$ 17,927,542</u>
<b>Coverage Ratio</b>	<u>2.15</u>	<u>2.58</u>
<b>Coverage Ratio for Series L Insurance Provider: Earnings Requirement Prior to G&amp;A Recharges, excluding investment income</b>		
Actual	\$ 36,454,520	\$ 30,891,460
Required current year debt service	(15,964,296)	(11,345,541)
Excess	<u>\$ 20,490,224</u>	<u>\$ 19,545,919</u>
<b>Coverage Ratio Prior to Recharges, exclusive of investment income</b>	<u>2.28</u>	<u>2.72</u>

See Accompanying Notes to Schedule.

MONTANA STATE UNIVERSITY  
CONSOLIDATED BOND COMPLIANCE EXAMINATION  
NOTES TO CONSOLIDATED SCHEDULE OF REQUIREMENTS  
AND RATIO COMPUTATION  
June 30, 2015 and 2014

**NOTE 1. EARNINGS REQUIREMENT**

Section 6.01 of the Indenture specifies that the application of the annual net pledged revenues shall be sufficient to provide debt service coverage and to provide, when necessary, for the annual repair and replacement deposit. The earnings requirement for the years ended June 30, 2015 and 2014 under this provision is computed as follows:

	<u>2015</u>	<u>2014</u>
Annual debt service	\$ 15,964,296	\$ 11,345,541
Debt service reserve	-	-
Repair and replacement deposit	-	-
Total earnings requirement	<u>\$ 15,964,296</u>	<u>\$ 11,345,541</u>

Annual debt service for purposes of this calculation consists of actual cash payments for bond principal and interest expense. The balance per this schedule reconciles to principal and interest payments per the Consolidated Schedule of Pledged Fund Activity as follows:

	<u>2015</u>	<u>2014</u>
Bond principal payments	\$ 9,590,000	\$ 6,285,000
Bond interest expense		
Per Schedule of Pledged Fund Activity	6,378,871	5,311,041
Change in accrued interest expense	<u>(4,575)</u>	<u>(250,500)</u>
Actual cash paid for interest	<u>6,374,296</u>	<u>5,060,541</u>
Earnings requirement, per this schedule	<u>\$ 15,964,296</u>	<u>\$ 11,345,541</u>

**NOTE 2. COVERAGE RATIO**

The coverage ratio is the ratio of net revenues available for debt service for the fiscal year to the required principal and interest due during the fiscal year.



MONTANA STATE UNIVERSITY  
CONSOLIDATED BOND COMPLIANCE EXAMINATION  
NOTES TO CONSOLIDATED SCHEDULE OF REQUIREMENTS  
AND RATIO COMPUTATION (CONTINUED)  
June 30, 2015 and 2014

**NOTE 3. AVERAGE ANNUAL DEBT SERVICE**

	Scheduled Outstanding Debt Service	Years Remaining	Average Annual Debt Service
Series J 2005	\$ 32,198,016 *	21	\$ 1,533,239
Series K 2006	11,844,764	11	1,571,943
Series L 2008	7,350,344	2	3,675,172
Series M 2011	19,991,731	13	1,537,825
Series N 2012	27,683,841	20	1,384,192
Series O 2012	30,667,036	11	3,915,089
Series A 2013	103,490,550	29	3,568,640
Series B 2014	<u>7,162,940</u> **	4	<u>1,790,735</u>
Total Scheduled Debt Service as of June 30, 2015	<u>\$ 240,389,222</u>		<u>\$ 18,976,835</u>

\* The Series J 2005 Revenue Bonds are variable rate instruments and the applicable interest rate was re-established periodically through June 30, 2015. The University has utilized the synthetic fixed rate of 3.953% for purposes of this calculation.

\*\* The Series B 2014 Revenue Bonds are variable. The June 30, 2015 rate of 0.72% was used for these calculations.

Additional calculations of average annual debt service, as defined in the indenture, would be required should the University wish to issue debt on parity with existing bonds.

**NOTE 4. REQUIRED MINIMUM FUND BALANCES**

**Revenue Fund**

The Indenture does not require a specific fund balance.

**Bond Fund**

The Indenture does not require a specific fund balance.

**Debt Service Reserve Fund**

Section 5.04 of the Indenture authorizes the University to fund the Debt Service Reserve required, equal to the Combined Average Annual Debt Service, through a surety bond issued and delivered by the Municipal Bond Insurance Association, as the bond insurer. The University procured such a surety bond on the date of the issuance delivery of the Series A 1993 bonds.

MONTANA STATE UNIVERSITY  
CONSOLIDATED BOND COMPLIANCE EXAMINATION  
NOTES TO CONSOLIDATED SCHEDULE OF REQUIREMENTS  
AND RATIO COMPUTATION (CONTINUED)  
June 30, 2015 and 2014

**NOTE 4. REQUIRED MINIMUM FUND BALANCES (CONTINUED)**

**Renewal and Replacement Fund**

Sections 1.01, 3.06 and 6.01 (d) of the Indenture specify a minimum level of \$1,500,000 as computed for all MSU campuses. However, in the event the amount is less than the requirement specified, deposits are to be made annually, by June 30, of amounts equal to not less than one-fifth of the difference then on deposit and the Repair and Replacement Reserve Requirement. Annual deposits are to be made until there is on deposit an amount equal to the Repair and Replacement Reserve Requirement for the bonds then outstanding. The required deposit as of June 30, 2015 under these provisions is zero, computed as follows:

Renewal and Replacement Reserve Requirement		\$ 2,150,000
Renewal and Replacement Reserve Funds on deposit:		
Bozeman	2,525,204	
Northern	214,092	
Billings	727,732	3,467,028
Excess (deficiency)		1,317,028
Annual Deposit Required (20% of any deficiency)		\$ -

MONTANA STATE UNIVERSITY  
CONSOLIDATED BOND COMPLIANCE EXAMINATION  
NOTES TO CONSOLIDATED SCHEDULE OF REQUIREMENTS  
AND RATIO COMPUTATION (CONTINUED)  
June 30, 2015 and 2014

**NOTE 4. REQUIRED MINIMUM FUND BALANCES (CONTINUED)**

**Construction Fund**

Sections 1.01 and 5.01 specify that the amount remaining, plus anticipated capitalized interest earnings, be sufficient to pay the cost of the project created or continuing under the Indenture. The required balance on June 30, 2015 under these provisions is computed as follows:

Series	Total Project Cost, Including University Funding Sources	Project Cost To Be Funded With Bond Proceeds & Bond Interest Earnings	Total Project Expenditures Through June 30, 2015	Project Balance To Be Funded With Bond Proceeds	Project Balance To Be Funded With Other Funding Sources	Balance of Unexpended Bond Proceeds
A - 2013	\$ 58,000,000	\$ 58,000,000	\$ 28,345,554	\$ 29,654,446	\$ -	\$ 30,040,236
B - 2014	<u>20,000,000</u>	<u>9,914,900</u>	<u>15,327,187</u>	<u>-</u>	<u>10,085,100</u>	<u>-</u>
	<u>\$ 78,000,000</u>	<u>\$ 67,914,900</u>	<u>\$ 43,672,741</u>	<u>\$ 29,654,446</u>	<u>\$ 10,085,100</u>	<u>\$ 30,040,236</u>

Series A bond proceeds are held in the Construction and Renewal and Replacement Funds at June 30, 2015 as follows:

Series A Proceeds Held in Construction Fund:

Cash and cash equivalents	\$ 801,752
Investments, short-term	11,716,894
Investments	<u>7,760,322</u>
	<u>20,278,968</u>

Series A Proceeds Held in Renewal and Replacement Fund:

Cash and cash equivalents	457,426
Investments	<u>10,824,061</u>
	<u>11,281,487</u>
Total Series A Proceeds Available	31,560,455
Project Balance to be Funded with Bond Proceeds	<u>29,654,446</u>
Excess funds available	<u>\$ 1,906,009</u>

**SECTION III: SUPPLEMENTAL INFORMATION**

Board of Regents of Higher Education  
of Montana State University  
Helena, Montana

We have audited the consolidated schedules as outlined in Section I of the table of contents regarding Montana State University (the University) as of and for the years ended June 30, 2015 and 2014, and our report thereon dated January 29, 2016, which expressed an unmodified opinion on those consolidated schedules, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated schedules as a whole. The consolidating schedules of pledged fund revenues, expenses and debt service coverage ratio calculation, and schedules of account activity and pledged fund activity and balances and redemption requirements for the Bozeman, Billings and Northern campuses, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the consolidated schedules. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated schedules, and, accordingly, we do not express an opinion or provide any assurance on it.

*Anderson Zurmuehlen & Co. P.C.*

Butte, Montana  
January 29, 2016

**MONTANA STATE UNIVERSITY**  
**CONSOLIDATED REVENUE BOND AUDIT**  
**CONSOLIDATING SCHEDULES OF PLEDGED FUND REVENUES AND EXPENSES**  
**AND DEBT SERVICE COVERAGE RATIO CALCULATION**  
**June 30, 2015 and 2014**

	Year Ended June 30, 2015					2014
	Bozeman	Billings	Northern	Eliminations	Total	Total
Housing Operating Revenues						
Residence halls & food services	\$ 30,735,219	\$ 3,966,503	\$ 1,718,539	\$ -	\$ 36,420,261	\$ 34,730,243
Family & graduate housing	<u>3,935,036</u>	<u>-</u>	<u>196,512</u>	<u>-</u>	<u>4,131,548</u>	<u>4,200,429</u>
Total housing operating revenues	<u>34,670,255</u>	<u>3,966,503</u>	<u>1,915,051</u>	<u>-</u>	<u>40,551,809</u>	<u>38,930,672</u>
Housing Operating Expenses						
Residence halls & food services	19,493,011	3,643,920	1,756,605	-	24,893,536	24,860,828
Family & graduate housing	<u>2,464,694</u>	<u>-</u>	<u>195,405</u>	<u>-</u>	<u>2,660,099</u>	<u>2,738,736</u>
Total housing operating expenses	<u>21,957,705</u>	<u>3,643,920</u>	<u>1,952,010</u>	<u>-</u>	<u>27,553,635</u>	<u>27,599,564</u>
Net revenue from housing operations	<u>12,712,550</u>	<u>322,583</u>	<u>(36,959)</u>	<u>-</u>	<u>12,998,174</u>	<u>11,331,108</u>
Other Net Pledged Operations						
Revenues	-	3,842,772	852,536	(4,695,308)	-	948,289
Expenses	<u>-</u>	<u>4,377,565</u>	<u>892,361</u>	<u>(5,269,926)</u>	<u>-</u>	<u>921,642</u>
Other net pledged operating revenues (losses)	<u>-</u>	<u>(534,793)</u>	<u>(39,825)</u>	<u>574,618</u>	<u>-</u>	<u>26,647</u>
Other Revenues						
Facility and administrative cost recoveries	1,380,027	-	-	-	1,380,027	1,388,104
Facilities events revenues	3,205,020	-	-	-	3,205,020	3,002,755
Gross parking revenue	2,250,641	-	-	-	2,250,641	2,155,927
Student fees	7,578,023	1,430,110	398,526	-	9,406,659	9,016,393
Land grant income	2,957,241	615,160	-	-	3,572,401	3,375,355
Investment income (realized)	770,524	7,161	35	-	777,720	678,902
Museum rent	300,000	-	-	-	300,000	300,000
MSU bookstore lease	400,121	-	-	-	400,121	409,739
MSU Foundation contribution to debt service	<u>3,039,053</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,039,053</u>	<u>-</u>
Total other revenues	<u>21,880,650</u>	<u>2,052,431</u>	<u>398,561</u>	<u>-</u>	<u>24,331,642</u>	<u>20,327,175</u>
Trustee, advisory & audit fees	<u>(66,119)</u>	<u>(25,796)</u>	<u>(5,661)</u>	<u>-</u>	<u>(97,576)</u>	<u>(114,568)</u>
Net Pledged Revenue						
Available for debt service	34,527,081	1,814,425	316,116	574,618	37,232,240	31,570,362
Less University G&A recharges	<u>(2,963,626)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,963,626)</u>	<u>(2,297,279)</u>
Net pledged revenue less recharges	<u>\$ 31,563,455</u>	<u>\$ 1,814,425</u>	<u>\$ 316,116</u>	<u>\$ 574,618</u>	<u>\$ 34,268,614</u>	<u>\$ 29,273,083</u>
<b>Debt Service Coverage Ratio Calculation:</b>						
<b>Earnings Requirement After G&amp; A Recharges</b>						
Actual available for debt service	\$ 31,563,455	\$ 1,814,425	\$ 316,116	\$ 574,618	\$ 34,268,614	
Required current year debt service	<u>(14,832,475)</u>	<u>(1,029,321)</u>	<u>(102,500)</u>	<u>-</u>	<u>(15,964,296)</u>	
Excess (deficit)	<u>\$ 16,730,980</u>	<u>\$ 785,104</u>	<u>\$ 213,616</u>	<u>\$ 574,618</u>	<u>\$ 18,304,318</u>	
<b>Coverage Ratio</b>	<u>2.13</u>	<u>1.76</u>	<u>3.08</u>	<u>-</u>	<u>2.15</u>	

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
CONSOLIDATING SCHEDULE OF STUDENT FEES  
June 30, 2015 and 2014

	<u>Bozeman</u>	<u>Billings</u>	<u>Northern</u>	<u>2015</u>	<u>2014</u>
Building Fee	\$ 1,206,454	\$ 963,395	\$ 309,415	\$ 2,479,264	\$ 2,455,169
Nonresident Building Fee	886,367	64,310	14,808	965,485	684,741
Physical Education Complex Fee	514,621	-	-	514,621	510,206
Student Union O&M/other Fees	1,045,583	402,405	74,303	1,522,291	1,512,668
Academic Building Renewal & Replacement Fee	376,404	-	-	376,404	374,748
Health and Physical Education Weight Room O&M Fee	12,462	-	-	12,462	12,307
Fieldhouse Fee	225,201	-	-	225,201	223,231
Student Facilities Enhancement Project Fee	<u>1,524,767</u>	<u>-</u>	<u>-</u>	<u>1,524,767</u>	<u>1,504,222</u>
Sub-total Building Fees	5,791,859	1,430,110	398,526	7,620,495	7,277,292
Student Athletic Fee	<u>1,786,164</u>	<u>-</u>	<u>-</u>	<u>1,786,164</u>	<u>1,739,101</u>
Total Fees	<u>\$ 7,578,023</u>	<u>\$ 1,430,110</u>	<u>\$ 398,526</u>	<u>\$ 9,406,659</u>	<u>\$ 9,016,393</u>

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
CONSOLIDATING SCHEDULE OF PLEDGED FUND ACTIVITY AND BALANCES –  
BOZEMAN  
As of and For the Year Ended June 30, 2015

	Revenue Fund	Debt Service Fund	Renewal & Replacement Fund	Construction Fund	Total
<b>Net Position, July 1, 2014</b>	<u>\$ 16,397,528</u>	<u>\$ 5,865,020</u>	<u>\$ 23,040,340</u>	<u>\$ 36,088,418</u>	<u>\$ 81,391,306</u>
<b>Increases:</b>					
Distribution of net revenues	30,827,324	3,385,824	-	313,933	34,527,081
Other increases	-	-	121	39	160
Transfers in from other programs	160,350	-	-	-	160,350
Inter-fund transfers-in	<u>50,583</u>	<u>11,747,957</u>	<u>3,207,065</u>	-	<u>15,005,605</u>
Total increases	<u>31,038,257</u>	<u>15,133,781</u>	<u>3,207,186</u>	<u>313,972</u>	<u>49,693,196</u>
<b>Decreases:</b>					
Bond principal	-	8,740,000	-	-	8,740,000
Bond interest	-	6,100,116	-	-	6,100,116
Bond premium, issue costs & other	-	44,894	-	-	44,894
Construction & Renewal and Replacement	-	-	11,146,939	16,606,111	27,753,050
Unrealized gain (loss) on non-hedging derivative	-	115,428	-	-	115,428
University G&A recharges	2,963,626	-	-	-	2,963,626
Inter-fund transfers-out	14,989,494	4,985	-	11,126	15,005,605
Transfers to other programs	<u>9,887,913</u>	<u>4,142</u>	<u>359,248</u>	-	<u>10,251,303</u>
Total decreases	<u>27,841,033</u>	<u>15,009,565</u>	<u>11,506,187</u>	<u>16,617,237</u>	<u>70,974,022</u>
<b>Net Position, June 30, 2015</b>	<u>\$ 19,594,752</u>	<u>\$ 5,989,236</u>	<u>\$ 14,741,339</u>	<u>\$ 19,785,153</u>	<u>\$ 60,110,480</u>
<b>Accounted For By:</b>					
Cash and cash equivalents	\$ 19,702,957	\$ 5,090,459	\$ 1,869,507	\$ 141,327	\$ 26,804,250
Interest receivable	-	13,479	-	29,097	42,576
Accounts receivable, net of allowance	747,351	-	-	-	747,351
Investments:					
Short-term	-	-	6,410,747	11,716,894	18,127,641
Cash equivalents	-	18,486	2,970,351	797,187	3,786,024
Long-term	1,899,712	1,278,686	4,070,172	7,760,322	15,008,892
Inventories	87,833	-	-	-	87,833
Loan receivable	-	288,466	-	-	288,466
Deferred outflow	-	4,585,081	-	-	4,585,081
Unearned revenues	(1,593,994)	-	-	-	(1,593,994)
Accounts payable	(280,618)	-	(579,438)	(659,674)	(1,519,730)
Derivative financial instruments, at fair value	-	(4,605,263)	-	-	(4,605,263)
Accrued expenses	(29,611)	-	-	-	(29,611)
Bond interest payable	-	(680,158)	-	-	(680,158)
Compensated absences	<u>(938,878)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(938,878)</u>
Total net position	<u>\$ 19,594,752</u>	<u>\$ 5,989,236</u>	<u>\$ 14,741,339</u>	<u>\$ 19,785,153</u>	<u>\$ 60,110,480</u>



MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
CONSOLIDATING SCHEDULE OF REDEMPTION REQUIREMENTS – BOZEMAN  
As of and for the Year Ended June 30, 2015

Calendar Year Due	Series J 2005	Series K 2006	Series L 2008	Series M 2011	Series N 2012	Series O 2012	Series A 2013	Series B 2014	TOTAL
2015	\$ 600,000	\$ 540,000	\$ 3,470,000	\$ 90,000	\$ 700,000	\$ 605,000	\$ -	\$ -	\$ 6,005,000
2016	725,000	565,000	3,605,000	65,000	735,000	615,000	1,025,000	1,700,000 *	9,035,000
2017	675,000	1,280,000	-	175,000	755,000	3,540,000	1,055,000	500,000 *	7,980,000
2018	775,000	1,330,000	-	185,000	780,000	3,615,000	1,090,000	500,000 *	8,275,000
2019	800,000	1,395,000	-	195,000	815,000	3,685,000	1,135,000	4,325,000	12,350,000
2020	775,000	1,455,000	-	190,000	845,000	3,775,000	1,180,000	-	8,220,000
2021	875,000	1,525,000	-	190,000	880,000	3,875,000	1,230,000	-	8,575,000
2022	850,000	-	-	1,895,000	920,000	-	1,280,000	-	4,945,000
2023	950,000	-	-	1,995,000	955,000	-	1,330,000	-	5,230,000
2024	925,000	-	-	2,095,000	995,000	-	1,395,000	-	5,410,000
2025	1,025,000	-	-	2,205,000	1,035,000	-	1,465,000	-	5,730,000
2026	1,025,000	-	-	2,300,000	1,070,000	-	1,540,000	-	5,935,000
2027	1,125,000	-	-	2,390,000	1,100,000	-	1,620,000	-	6,235,000
2028	1,150,000	-	-	-	1,135,000	-	1,705,000	-	3,990,000
2029	1,175,000	-	-	-	1,170,000	-	1,790,000	-	4,135,000
2030	1,250,000	-	-	-	1,205,000	-	1,880,000	-	4,335,000
2031	1,300,000	-	-	-	1,245,000	-	1,980,000	-	4,525,000
2032	1,375,000	-	-	-	1,280,000	-	2,080,000	-	4,735,000
2033	1,400,000	-	-	-	1,320,000	-	2,185,000	-	4,905,000
2034	1,475,000	-	-	-	1,365,000	-	2,290,000	-	5,130,000
2035	1,550,000	-	-	-	-	-	2,400,000	-	3,950,000
2036	-	-	-	-	-	-	2,510,000	-	2,510,000
2037	-	-	-	-	-	-	2,625,000	-	2,625,000
2038	-	-	-	-	-	-	2,745,000	-	2,745,000
2039	-	-	-	-	-	-	2,880,000	-	2,880,000
2040	-	-	-	-	-	-	3,025,000	-	3,025,000
2041	-	-	-	-	-	-	3,180,000	-	3,180,000
2042	-	-	-	-	-	-	3,345,000	-	3,345,000
2043	-	-	-	-	-	-	3,515,000	-	3,515,000
Total outstanding as of June 30, 2015	<u>21,800,000</u>	<u>8,090,000</u>	<u>7,075,000</u>	<u>13,970,000</u>	<u>20,305,000</u>	<u>19,710,000</u>	<u>55,480,000</u>	<u>7,025,000</u>	<u>153,455,000</u>
Redeemed/Refunded prior to June 30, 2015	<u>3,950,000</u>	<u>3,035,000</u>	<u>9,185,000</u>	<u>130,000</u>	<u>155,000</u>	<u>690,000</u>	<u>-</u>	<u>2,975,000</u>	<u>20,120,000</u>
Total Original Issue	<u>\$ 25,750,000</u>	<u>\$ 11,125,000</u>	<u>\$ 16,260,000</u>	<u>\$ 14,100,000</u>	<u>\$ 20,460,000</u>	<u>\$ 20,400,000</u>	<u>\$ 55,480,000</u>	<u>\$ 10,000,000</u>	<u>\$ 173,575,000</u>

\* Minimum of \$500,000. See Note 7 to the Consolidated Schedule of Redemption Requirements.

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
CONSOLIDATING SCHEDULE OF PLEDGED FUND ACTIVITY AND BALANCES –  
BILLINGS  
As of and For the Year Ended June 30, 2015

	Revenue Fund	Debt Service Fund	Renewal & Replacement Fund	Total, Billings	Eliminations	Total, for Consolidated
<b>Net position, July 1, 2014</b>	<u>\$5,245,448</u>	<u>\$ 2</u>	<u>\$ 828,227</u>	<u>\$6,073,677</u>	<u>\$ -</u>	<u>\$ 6,073,677</u>
<b>Increases:</b>						
Distribution of net revenues	1,814,056	6	363	1,814,425	534,793	2,349,218
Subordinate loan proceeds	-	-	860,154	860,154	-	860,154
Transfers in from other programs	3,000	-	2,020	5,020	-	5,020
Inter-fund transfers-in	<u>87,117</u>	<u>1,026,247</u>	<u>550,069</u>	<u>1,663,433</u>	<u>-</u>	<u>1,663,433</u>
Total increases	<u>1,904,173</u>	<u>1,026,253</u>	<u>1,412,606</u>	<u>4,343,032</u>	<u>534,793</u>	<u>4,877,825</u>
<b>Decreases:</b>						
Bond principal	-	750,000	-	750,000	-	750,000
Bond interest	-	276,255	-	276,255	-	276,255
Construction & Renewal/Replacement	-	-	1,269,811	1,269,811	-	1,269,811
Non-housing losses in pledged funds	-	-	-	-	534,793	534,793
Transfers out for other programs	395,384	-	-	395,384	-	395,384
Inter-fund transfers-out	1,661,762	-	1,671	1,663,433	-	1,663,433
Transfers to other programs	-	-	2,020	2,020	-	2,020
Total decreases	<u>2,057,146</u>	<u>1,026,255</u>	<u>1,273,502</u>	<u>4,356,903</u>	<u>534,793</u>	<u>4,891,696</u>
<b>Net position, June 30, 2015</b>	<u><u>\$5,092,475</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 967,331</u></u>	<u><u>\$6,059,806</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,059,806</u></u>
<b>Accounted For By:</b>						
Cash and cash equivalents	\$2,398,580	\$ 33,382	\$ 266,620	\$2,698,582	\$ -	\$ 2,698,582
Interest receivable	674	-	27	701	-	701
Accounts receivable	170,389	-	-	170,389	-	170,389
Investments:						
Cash equivalents	2,518,300	-	727,732	3,246,032	-	3,246,032
Inventories	523,036	-	-	523,036	-	523,036
Unearned revenues	(92,903)	-	-	(92,903)	-	(92,903)
Accounts payable	(249,616)	-	(27,048)	(276,664)	-	(276,664)
Deposits payable	(26,225)	-	-	(26,225)	-	(26,225)
Accrued expenses	(9,150)	-	-	(9,150)	-	(9,150)
Bond interest payable	-	(33,382)	-	(33,382)	-	(33,382)
Compensated absences	<u>(140,610)</u>	<u>-</u>	<u>-</u>	<u>(140,610)</u>	<u>-</u>	<u>(140,610)</u>
Total net position	<u><u>\$5,092,475</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 967,331</u></u>	<u><u>\$6,059,806</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,059,806</u></u>

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
CONSOLIDATING SCHEDULE OF REDEMPTION REQUIREMENTS – BILLINGS  
As of and for the Year Ended June 30, 2015

<u>Year Due (November 15)</u>	<u>SERIES K 2006</u>	<u>SERIES O 2012</u>	<u>TOTAL</u>
2015	\$ 135,000	\$ 630,000	\$ 765,000
2016	140,000	645,000	785,000
2017	140,000	655,000	795,000
2018	150,000	665,000	815,000
2019	155,000	680,000	835,000
2020	165,000	695,000	860,000
2021	175,000	705,000	880,000
2022	180,000	730,000	910,000
2023	190,000	755,000	945,000
2024	195,000	775,000	970,000
2025	<u>205,000</u>	<u>800,000</u>	<u>1,005,000</u>
Total Outstanding as of June 30, 2015	1,830,000	7,735,000	9,565,000
Redeemed/Refunded Prior to June 30, 2015	<u>750,000</u>	<u>230,000</u>	<u>980,000</u>
Total Original Issue	<u>\$ 2,580,000</u>	<u>\$ 7,965,000</u>	<u>\$ 10,545,000</u>

MONTANA STATE UNIVERSITY  
CONSOLIDATED REVENUE BOND AUDIT  
CONSOLIDATING SCHEDULE OF PLEDGED FUND ACTIVITY AND BALANCES –  
NORTHERN  
As of and For the Year Ended June 30, 2015

	Revenue Fund	Debt Service Fund	Renewal & Replacement Fund	Total, Northern	Eliminations	Total, for Consolidated
<b>Net Position, July 1, 2014</b>	\$ 236,771	\$ -	\$ 214,094	\$ 450,865	\$ -	\$ 450,865
<b>Increases:</b>						
Distribution of net revenues	316,081	-	35	316,116	39,825	355,941
Inter-fund transfers-in	<u>170,837</u>	<u>102,500</u>	<u>-</u>	<u>273,337</u>	<u>-</u>	<u>273,337</u>
Total increases	<u>486,918</u>	<u>102,500</u>	<u>35</u>	<u>589,453</u>	<u>39,825</u>	<u>629,278</u>
<b>Decreases:</b>						
Bond principal	-	100,000	-	100,000	-	100,000
Bond interest	-	2,500	-	2,500	-	2,500
Non-housing losses in pledged funds	-	-	-	-	39,825	39,825
Transfers to other programs	37,943	-	-	37,943	-	37,943
Inter-fund transfers-out	<u>273,337</u>	<u>-</u>	<u>-</u>	<u>273,337</u>	<u>-</u>	<u>273,337</u>
Total decreases	<u>311,280</u>	<u>102,500</u>	<u>-</u>	<u>413,780</u>	<u>39,825</u>	<u>453,605</u>
<b>Net Position, June 30, 2015</b>	<u>\$ 412,409</u>	<u>\$ -</u>	<u>\$ 214,129</u>	<u>\$ 626,538</u>	<u>\$ -</u>	<u>\$ 626,538</u>
<b>Accounted For By:</b>						
Cash and cash equivalents	\$ 246,184	\$ -	\$ 37	\$ 246,221	\$ -	\$ 246,221
Accounts receivable, net of allowance	69,445	-	-	69,445	-	69,445
Investments:						
Cash equivalents	-	-	214,092	214,092	-	214,092
Inventories	242,582	-	-	242,582	-	242,582
Unearned revenues	(14,481)	-	-	(14,481)	-	(14,481)
Accounts payable	(36,900)	-	-	(36,900)	-	(36,900)
Deposits payable	(59,165)	-	-	(59,165)	-	(59,165)
Compensated absences	<u>(35,256)</u>	<u>-</u>	<u>-</u>	<u>(35,256)</u>	<u>-</u>	<u>(35,256)</u>
Total net position	<u>\$ 412,409</u>	<u>\$ -</u>	<u>\$ 214,129</u>	<u>\$ 626,538</u>	<u>\$ -</u>	<u>\$ 626,538</u>



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