

STATE OF NORTH DAKOTA

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30,

1998

Prepared by the Office of Management and Budget

Internet Access:

<http://www.state.nd.us/fiscal>

Cover photo:

Step back in time at the historic Fort Union Fur Trading Post near Williston. This rebuilt site offers a glimpse into the fur trading business of the 1800's. Inside the 20-foot high palisade walls, a visitor center houses a fine museum and the Indian Trade House has an expansive array of trade goods for sale.

All photos provided by the North Dakota Department of Tourism

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INTRODUCTORY SECTION



The Badlands of North Dakota tell a story of millions of years of erosion by wind and water that have produced spectacular scenery and curiously sculptured land forms.

OFFICE OF MANAGEMENT AND BUDGET

600 East Boulevard Avenue, Fourth Floor • Bismarck, North Dakota 58505-0400

December 10, 1998

To the Governor, Legislators and Citizens of the State of North Dakota:

In accordance with North Dakota Century Code (NDCC) Section 54-44-04(14), we are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the State of North Dakota for the fiscal year ended June 30, 1998. This report has been prepared by the Office of Management and Budget. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the state's management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds, account groups and component units of the state. All disclosures necessary to enable the reader to gain an understanding of the State of North Dakota's activities have been included.

The CAFR is presented in three sections: Introductory, Financial and Statistical. The introductory section, which is unaudited, contains this transmittal letter, Certificate of Achievement for Excellence in Financial Reporting, the state organization chart and a list of principal officials. The financial section includes the general purpose financial statements and notes to the financial statements and the individual and combining fund and account group financial statements and schedules as well as the independent auditor's report on these financial statements and schedules. The statistical section, which is unaudited, includes a history of selected financial and demographic information.

The notes to the financial statements are considered an integral and essential part of adequate disclosure and fair presentation of the general purpose financial statements. They include the summary of significant accounting policies applied to the matters relating to the financial position and results of operations of the state. The notes provide significant insight and are necessary to understand the financial statements.

The State of North Dakota is required to undergo a single audit in conformity with the provision of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget's Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs, are included in a separately issued biennial single audit report.

This report includes all the funds and account groups of the state as legally defined, as well as all of its component units. Component units are legally separate entities for which the state is financially accountable. Note 1A in the Notes to the Financial Statements provides a more complete description of the state's reporting entity. The state provides for a full range of services, including education, health and social services, highway maintenance and construction, law enforcement, judicial, public safety, business regulation, community and economic development and resource development.

ECONOMIC CONDITIONS AND OUTLOOK

The North Dakota economy continues on its decade-long path of growth, but the rate of growth is beginning to slow. Taxable sales and purchases reported by the state's business community grew by a modest 2.86% in the second quarter 1998 compared to the second quarter of 1997. This growth rate may be somewhat skewed by the extensive post-flood rebuilding efforts that bolstered the second quarter 1997 statistics used as a basis of comparison. Only one industry sector, wholesale trade, actually lost ground in the second quarter of 1998. The farm machinery and repair parts component of wholesale trade posted a dismal 20% decline over 1997, a not unexpected result of the poor farm economy.

On the brighter side, the state's transportation, communication and public utilities sectors experienced a healthy 23.4% increase in the second quarter. The largest sector, retail trade, grew by 4%, well over twice the inflation rate of 1.6%, indicating continuing consumer confidence in the economy.

The North Dakota employment picture remains robust. The August 1998 unemployment rate was 2.1%, the lowest August rate since 1957 and significantly better than the national unemployment rate for August, which was 4.5%.

The state added 3,300 jobs in the past year, and posted gains in seven major industry sectors. The largest gain was in finance, insurance and real estate, up 5%, followed by construction, up 2%.

Agriculture, North Dakota's mainstay industry, continues to struggle with low prices for the state's major crops and depressed cattle prices as well. Farm income plummeted from \$764 million in 1996 to just \$15 million in 1997, with the outlook for 1998 nearly as bleak. The farmers who remain solvent are those who diversify into unusual crops and increase their off-farm income with jobs in town for themselves and family members. Despite the misery in the farm sector, overall the state's residents posted an increase in adjusted gross incomes for 1997 of over 3%, indicating strength in the off-farm economy that more than offsets the agricultural losses.

Low prices are prevalent in the oil patch as well. The Amoco-posted field price for North Dakota sweet crude averaged just \$10.05 for the month of July 1998. Lackluster prices are responsible for a slowdown in oil production in the state. Statewide oil production averaged 96,268 barrels per day in July 1998, down 3% from 99,304 barrels per day in July 1997.

These factors combine to make the outlook for the North Dakota economy mixed. Healthy employment numbers will likely continue, contributing to strength in the retail sector and, coupled with low interest rates, increasing home buying and major expenditures for durable goods. Still, the outlook for the agricultural economy is poor and the continued demise of rural North Dakota inevitable unless grain prices and global marketing improve dramatically.

MAJOR INITIATIVES

As a result of legislation passed during the 1997 Legislative Session, all state agencies and institutions prepared an Information Technology Plan. These plans were for a six-year period beginning July 1, 1997, through June 30, 2003. Plans were submitted in January 1998. The plans were reviewed by a newly-established section in the state's Information Services Division. The individual agency plans were consolidated into a statewide technology plan which clearly defines the direction the state is taking for technology.

Drug arrests have pushed the inmate population beyond the capacity of our state's correctional facilities. The overflow of inmates has been housed in local jails and at out-of-state facilities. In the spring of 1997, a vacant six-story building on the grounds of the State Hospital was purchased by the Department of Corrections for conversion to a medium security prison. Funds were available to remodel the first four floors. The fifth and sixth floors will be remodeled beginning in fiscal year 1999. Inmates were moved to the new facility in June 1998. The Department of Corrections also purchased the Forensics Unit Building at the State Hospital and an unused gymnasium for inmate recreation. Additional cells and innovative approaches to halt the increase in prison population are projected to reduce the placements outside the North Dakota corrections system.

A "swap" proposal was enacted within the Department of Human Services. The state took responsibility for funding 100 percent of the grant costs for economic assistance programs such as Medicaid and TANF (Temporary Assistance to Needy Families). In exchange, county governments took responsibility for 100 percent funding of all administrative expenses of the programs. The overall savings to county governments was \$2.7 million for the 1997-99 biennium.

The North Dakota Highway Patrol and the State Radio Communication Division of the Office of Management and Budget began the development of a Mobile Data Terminal (MDT) project. This project would provide computers in patrol cars for immediate access to law enforcement data such as vehicle registration, prior arrests and other criminal history information. The project began by studying and selecting the appropriate hardware and software. Radio tower sites were upgraded to handle the data signals. Installation and testing of the patrol car equipment is scheduled to be completed in fiscal year 1999.

In the spring of 1997, the eastern border of North Dakota was hit with the worst flooding disaster in 500 years. Substantial time and effort was invested to recover from the flood. Approximately \$20 million was borrowed from the Bank of North Dakota to pay the state's matching share on federal disaster money. This amount will be repaid through a deficiency appropriation introduced to the 1999 Legislature.

Critical salary needs were addressed in two ways. A \$3 million pool of money (\$1.5 million for each year of the 1997-99 biennium) was provided to the Board of Higher Education office to distribute to campuses. The fiscal year 1998 budget also included funds equal to three percent of the salary line to be used by managers to address equity and performance. From this amount, each employee was to receive a flat \$30 per month with the remaining amount dedicated to equity and performance.

It has often been said that North Dakota is not short of water, but the distribution of water is an issue. Additional resources were invested in water development in fiscal year 1998 to advance projects for water distribution. The major purpose is to provide water for economic development initiatives and to improve water quality for individual users throughout the state.

FINANCIAL INFORMATION

The state's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgements by management.

BUDGETING CONTROLS. Budgetary control is maintained through biennial legislative appropriation. The Governor is required to submit a biennial budget to the General Assembly. The budget is legally required to be adopted through passage of appropriation bills by the General Assembly and signed by the Governor.

The state's budgetary policies and procedures are further explained in Note 1E of the Notes to the Financial Statements.

GENERAL GOVERNMENTAL FUNCTIONS. General governmental activities are accounted for in four governmental fund types: the general (GAAP basis), special revenue, capital projects, and debt service funds. Revenues for general

governmental functions totaled approximately \$1.7 billion for the fiscal year ended June 30, 1998. The amount of revenues from various sources are presented below:

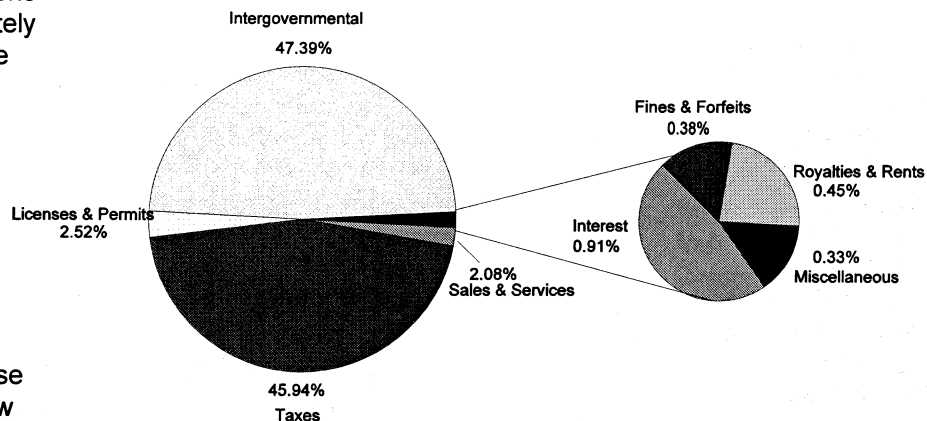
General Government Revenues (Expressed in Thousands)

| Revenue Source | Amount | Percent Of Total | Increase/(Decrease) From 1997 | |
|-----------------------|---------------------|------------------|----------------------------------|---------------|
| | | | Amount | Percent |
| Taxes | \$ 802,456 | 45.94% | \$ 56,560 | 7.58% |
| Licenses And Permits | 44,008 | 2.52% | 5,764 | 15.07% |
| Intergovernmental | 827,772 | 47.39% | 122,598 | 17.39% |
| Sales And Services | 36,420 | 2.08% | 330 | 0.91% |
| Royalties And Rents | 7,787 | .45% | (87) | (1.10)% |
| Fines And Forfeits | 6,610 | .38% | 1,659 | 33.51% |
| Interest | 15,879 | .91% | (500) | (3.05)% |
| Miscellaneous | 5,877 | .33% | 904 | 18.18% |
| Total Revenues | \$ 1,746,809 | 100.00% | \$ 187,228 | 12.01% |

The largest increase in taxes on a budgetary basis is from corporate income tax. This tax revenue increased \$15 million because of the strong national economy. Individual income tax collections also increased by approximately \$14 million due to an increase in adjusted gross personal income.

The intergovernmental revenue increase of approximately \$122 million was the largest dollar increase in fiscal year 1998. Disaster assistance revenues continued to increase because of the flood and snow disasters in 1997. The Division of Emergency Management received increased federal funds of approximately \$55 million for disaster assistance programs.

Revenues By Source



The Department of Human Services received \$26 million more in federal reimbursement for increased expenditures in various assistance programs, mainly in the medical assistance program. The Department of Transportation's federal reimbursement for road repairs increased by \$33 million because of an increase in the state's allocation of federal highway funds. The remaining increase in intergovernmental revenue is due to increased federal funding for various programs.

Expenditures for GAAP general government functions totaled approximately \$1.6 billion for the fiscal year ended June 30, 1998. The amount of expenditures and other uses by function are presented below:

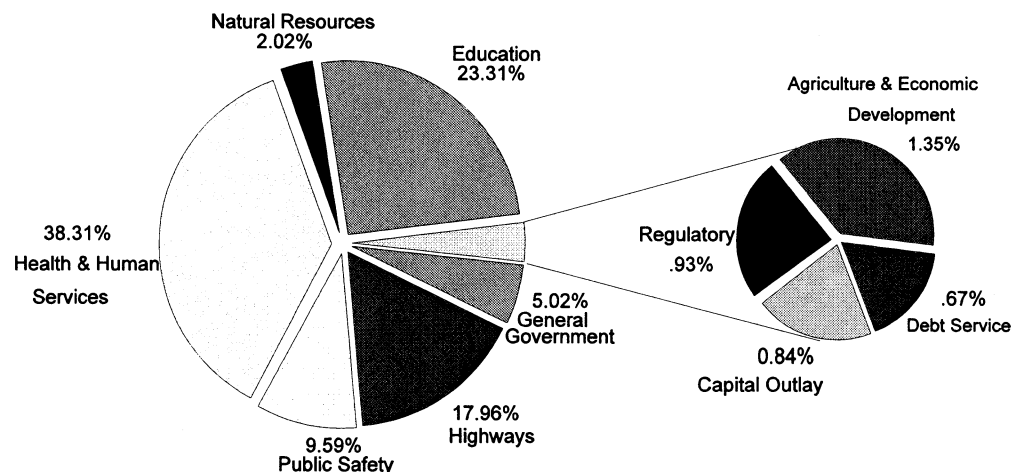
General Government Expenditures
(Expressed in Thousands)

| Function | Amount | Percent Of Total | Increase/(Decrease) From 1997 | |
|--------------------------------------|---------------------|------------------|----------------------------------|--------------|
| | | | Amount | Percent |
| General Government | \$ 78,414 | 5.02% | \$ 446 | .57% |
| Education | 364,389 | 23.31% | 17,280 | 4.98% |
| Health And Human Services | 598,833 | 38.31% | 12,412 | 2.12% |
| Regulatory | 14,493 | .93% | (6,051) | (29.45%) |
| Public Safety | 149,811 | 9.59% | 52,313 | 53.66% |
| Agriculture And Economic Development | 21,070 | 1.35% | 526 | 2.56% |
| Natural Resources | 31,561 | 2.02% | (3,344) | (9.58%) |
| Highways | 280,646 | 17.96% | 43,903 | 18.54% |
| Capital Outlay | 13,128 | .84% | 7,273 | 124.22% |
| Debt Service: | | | | |
| Principal | 5,180 | .33% | 734 | 16.51% |
| Interest And Other Charges | 5,345 | .34% | 51 | .96% |
| Total Expenditures | \$ 1,562,870 | 100.00% | \$ 125,543 | 8.73% |

Education expenditures increased by \$17 million, of which approximately \$9 million is due to increased foundation aid and special education grants. \$4 million of the increase is due to technology reimbursement grants, which were new grants in fiscal year 1998. The remaining increase in expenditures is because of increases in various education grants to school districts.

Health and Human Services expenditures increased by \$12 million due to increases in medical assistance payments and the cost of crisis counseling related to the flood disaster of 1997.

Expenditures By Function

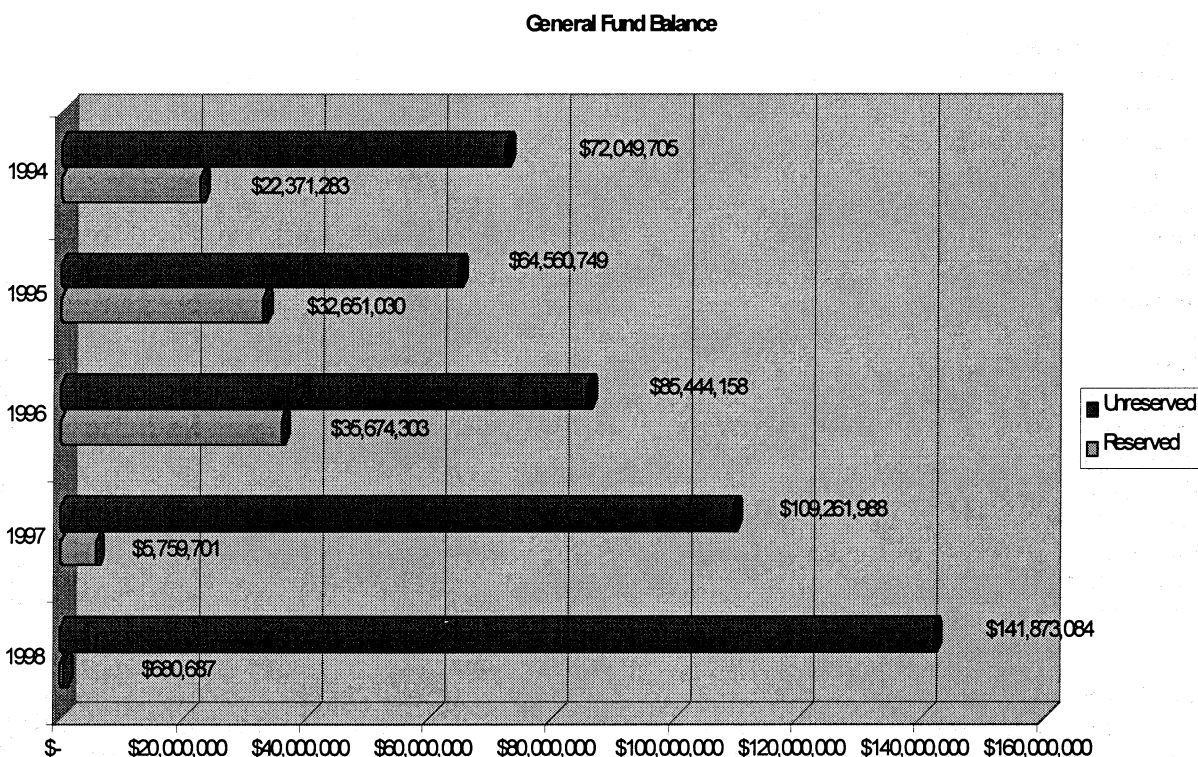


The \$52 million increase in Public Safety expenditures is due to increased disaster assistance grants made by the Division of Emergency Management for the flood and snow disasters in 1997.

Highway expenditures increased by \$44 million because of an increase in highway repairs made possible by the increase in the State's allocation of federal highway funds.

GENERAL FUND BALANCE. The GAAP General Fund undesignated balance increased from \$109.3 million on June 30, 1997, to \$141.9 million as of June 30, 1998. The primary reason for the increase has been explained in the Revenues section.

GAAP - basis fund balances for the General Fund at June 30 for the last five years were:



The "reserved fund balance" is the portion of fund balance that is not available for appropriation. The remaining amount or "unreserved fund balance" represents a measure of the net financial resources available for spending or appropriation in the future.

INTERNAL SERVICE OPERATIONS. The internal service funds provide services to state agencies and local governments and are financed through user charges. Most funds attempt to operate on a break-even basis. Rates are adjusted annually for over or under recovery of costs. The internal service operations provide printing, motor pool, data processing, risk management, telecommunications and investment services.

ENTERPRISE OPERATIONS. The Bank of North Dakota and the State Mill and Elevator Association are state owned enterprise funds. The Bank's purpose is to encourage and promote agriculture, commerce and industry. The Mill and Elevator Association operates flour milling for the bread industry (spring wheat), semolina milling for the pasta industry (durum wheat) and a terminal elevator to handle grain for the mills and grain sales domestically and internationally. On a cash basis, the Bank transferred \$15 million during the fiscal year to the General Fund.

There are 17 other separate and distinct enterprise operations including four component units that have been established for a variety of purposes such as economic development, low cost housing loans, agricultural loans, workers compensation and other purposes for the benefit of the state's citizenry.

The enterprise funds are presented below with highlights of segment financial information (expressed in thousands) for the fiscal year ended June 30, 1998:

| | Operating Transfers | | | | Net Income (Loss) | Total Assets | Liabilities Payable From Operating Revenue | Total Equity |
|--|----------------------|-------------------------------|-----------|-------------|-------------------------|--------------|---|-----------------|
| | Operating Revenue | Operating Income (Loss) | In | Out | | | | |
| Bank of North Dakota | \$ 79,080 | \$ 25,544 | \$ 17,202 | \$ (12,498) | \$ 30,248 | \$ 1,162,415 | \$ 69,791 | \$ 128,888 |
| Beginning Farmer Revolving Loan | 715 | 288 | 921 | - | 1,209 | 16,276 | - | 16,260 |
| Bonding | 34 | (240) | - | - | 300 | 5,312 | 114 | 4,248 |
| Community Water Facility Loan | 477 | 400 | - | - | 400 | 15,578 | - | 15,560 |
| Developmentally Disabled Facility Loan | 613 | 259 | - | - | 259 | 8,970 | 5,026 | 3,934 |
| Fire And Tornado | 4,812 | (1,661) | 47 | (417) | 60 | 18,469 | 5,197 | 10,117 |
| Guaranteed Student Loan | 2,299 | (135) | - | - | (7,078) | 15,183 | - | 3,977 |
| Housing Finance | 53,699 | 5,934 | - | (27) | 5,907 | 775,002 | 714,062 | 34,384 |
| Mill And Elevator | 76,029 | 3,206 | - | (32) | 3,246 | 47,190 | 416 | 44,380 |
| PERS Uniform Group Insurance | 695 | 57 | - | - | 218 | 11,888 | 29 | 2,563 |
| Real Estate Trust | 2,867 | 512 | - | - | 512 | 32,906 | 31,441 | 726 |
| Roughrider Industries | 3,142 | 191 | - | - | 145 | 1,951 | 65 | 1,674 |
| State Fair | 2,998 | (201) | 370 | - | 39 | 9,520 | 2,651 | 6,598 |
| Student Loan | 17,923 | 4,836 | - | - | 4,836 | 282,393 | 210,752 | 66,877 |
| Workers Compensation | 126,517 | (49,653) | - | - | 38,194 | 862,992 | 592,117 | 76,319 |
| Total Primary Government | \$ 371,900 | \$ (10,663) | \$ 18,540 | \$ (12,974) | \$ 78,495 | \$ 3,266,045 | \$ 1,631,661 | \$ 416,505 |
| Comprehensive Health Assoc. | 4,995 | 504 | - | - | 529 | 449 | 1,125 | (973) |
| Municipal Bond Bank | 8,872 | 545 | - | - | 10,877 | 167,855 | 119,214 | 45,718 |
| North Dakota Development Fund, Inc. | 979 | (1,766) | - | - | (811) | 19,814 | - | 19,812 |
| Technology Transfer, Inc. | - | (414) | 250 | (158) | (311) | 1,984 | - | 1,977 |
| Total Reporting Entity | \$ 386,746 | \$ (11,794) | \$ 18,790 | \$ (13,132) | \$ 88,779 | \$ 3,456,147 | \$ 1,752,000 | \$ 483,039 |

PENSION TRUST OPERATIONS. The state administers four major retirement systems: North Dakota Public Employees' Retirement System (PERS), North Dakota Highway Patrolmen's Retirement System (NDHPRS), the Teachers' Fund for Retirement (TFFR) and the Retirement Plan for Employees of Job Service North Dakota (JSND).

Some key funding progress actuarial amounts (expressed in millions) for the retirement systems at June 30, 1998, are:

| Actuarial Valuation Date | Actuarial Value of Plan Assets | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) (Funded Excess) | Funded Ratio |
|--------------------------|--------------------------------------|--|---|-----------------|
| PERS | | | | |
| July 1, 1995 | \$ 554.6 | \$ 539.8 | \$ (14.8) | 102.7% |
| July 1, 1996 | 621.7 | 597.9 | (23.8) | 104.0% |
| July 1, 1997 | 704.5 | 646.9 | (57.6) | 108.9% |
| July 1, 1998 | 801.3 | 720.1 | (81.2) | 111.3% |

| Actuarial Valuation Date | Actuarial Value of Plan Assets | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) (Funded Excess) | Funded Ratio |
|--------------------------|--------------------------------------|--|---|-----------------|
| NDHPRS | | | | |
| July 1, 1995 | 20.0 | 22.3 | 2.3 | 89.7% |
| July 1, 1996 | 22.2 | 23.8 | 1.6 | 93.3% |
| July 1, 1997 | 24.9 | 27.5 | 2.6 | 90.5% |
| July 1, 1998 | 28.1 | 28.9 | .8 | 97.2% |
| JSND | | | | |
| July 1, 1996 | 46.1 | N/A | 1.9 | N/A |
| July 1, 1997 | 51.0 | N/A | - | N/A |
| July 1, 1998 | 61.7 | N/A | - | N/A |
| TFFR | | | | |
| July 1, 1995 | 661.2 | 799.8 | 138.6 | 82.7% |
| July 1, 1996 | 733.3 | 851.6 | 118.3 | 86.1% |
| July 1, 1997 | 823.4 | 977.1 | 153.6 | 84.3% |
| July 1, 1998 | 928.0 | 1033.0 | 105.1 | 89.8% |

The retirement systems continue to reflect positive progress being made in accumulating sufficient assets to pay benefits when due.

DEBT ADMINISTRATION. North Dakota continues to receive high bond ratings from both Moody's Investors Service (Aa3) and Standard and Poor's Corporation (AA-) on general obligation bond issues, reflecting a history of good financial management.

At June 30, 1998, the state had a number of debt issues outstanding. These issues include:

General Obligation Bonds

General obligation bonds have been authorized and issued to provide funds to the Bank of North Dakota.

General obligation bonds issued according to the constitution and enabling statutes are backed by the full faith, credit and taxing power of the State of North Dakota. Debt service requirements are provided by repayment of the real estate loans and transfers from the Bank of North Dakota.

General obligation bonds currently outstanding are as follows (expressed in thousands):

| Bond Description | Balance June 30, 1998 | Balance June 30, 1997 | Balance June 30, 1996 | Balance June 30, 1995 | Balance June 30, 1994 |
|----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Real Estate Trust | | | | | |
| 1984 and 1986 Real Estate Series | <u>\$ 31,441</u> | <u>\$ 33,084</u> | <u>\$ 38,835</u> | <u>\$ 39,046</u> | <u>\$ 39,230</u> |

Revenue Bonds

Current state statutes empower certain state agencies to issue bonds as part of their activities. This debt is not backed by the full faith and credit of the State of North Dakota. The principal and interest on such bonds shall be payable only from the applicable agencies' program income.

Revenue Bonds outstanding (expressed in thousands):

| | Balance June 30, 1998 | Balance June 30, 1997 | Balance June 30, 1996 | Balance June 30, 1995 | Balance June 30, 1994 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Bond Issue - Primary Government | | | | | |
| State Fair | \$ 2,851 | \$ 3,041 | \$ 3,231 | \$ 3,421 | \$ 3,330 |
| Student Loan Trust | 210,752 | 232,119 | 195,948 | 199,320 | 224,253 |
| Building Authority | 77,506 | 73,837 | 77,663 | 65,613 | 68,600 |
| Housing Finance | 712,872 | 466,868 | 396,504 | 425,149 | 304,757 |
| Lignite Research Fund | 7,560 | 8,205 | 8,825 | N/A | N/A |
| Water Commission | 8,050 | 6,830 | N/A | N/A | N/A |
| University System | 56,780 | 57,228 | 60,213 | 65,571 | 65,128 |
| Total Revenue Bonds Primary Government | \$ 1,076,371 | \$ 848,128 | \$ 742,384 | \$ 759,074 | \$ 666,068 |
| Bond Issue - Component Unit | | | | | |
| Municipal Bond Bank | 103,510 | 97,144 | 70,455 | 66,365 | 65,987 |
| Total Revenue Bonds Outstanding | \$ 1,179,881 | \$ 945,272 | \$ 812,839 | \$ 825,439 | \$ 732,055 |

Long-Term Notes:

The Bank of North Dakota has advances from the Federal Home Loan Bank in the amounts of \$53.5 million. The advances have a fixed rate of interest, ranging from 5.78 percent to 8.19 percent.

For additional debt administration details, see Note 4J Long Term Debt, in the Notes to the Financial Statements.

CONSTITUTIONAL DEBT LIMITATION. Article X, Section 13, of the Constitution of North Dakota provides that the state may issue or guarantee the payment of bonds provided that all bonds in excess of \$2 million are: secured by first mortgage upon property and no further indebtedness may be incurred by the state unless evidenced by a bond issue; authorized by law, for a certain purpose; provisioned to pay the interest semiannually, and pay the principal within 30 years. The law authorizing the bond issue must specifically appropriate the provisions to the payment of the principal and interest of the bond. The state is currently in compliance with the constitutional debt limitation.

CASH MANAGEMENT. NDCC 21-04-02 provides that public funds belonging to or in the custody of the state shall be deposited in the Bank of North Dakota. Cash balances, as required by law, are pooled by the State Treasurer and deposited in the Bank of North Dakota. All interest revenue is allocated to the General Fund unless state law (as outlined in the North Dakota Century Code) requires allocations of interest to other funds. For the fiscal year ended June 30, 1998, pooled deposits in the Bank of North Dakota yielded an average of 3.77 percent on a cash pool that ranged from \$79 to \$258 million. Cash is primarily invested in demand deposits and certificates of deposit in the Bank of North Dakota. Cash deposits not held in the State Treasury and controlled by various other state officials are generally held in interest bearing accounts.

RISK MANAGEMENT. Due to the loss of sovereign immunity, the 1995 Legislature established the Risk Management Fund to pay money damages for claims for which the state is liable. The statutory liability of the state is limited to a total of \$250,000 per person and \$1,000,000 per occurrence. The state purchases commercial insurance for claims in excess of coverage provided by the Fund and continues to transfer liabilities for medical malpractice and aviation to private insurance carriers.

The state has several other funds which accumulate assets to cover risks that the state may incur. The State Fire and Tornado Fund insures against loss to public buildings, fixtures and permanent contents. All losses occasioned by the hazards provided for in the North Dakota Century Code must be paid out of the fund, with the fund reinsured by a third party insurance carrier for losses in excess of \$1 million per occurrence during a 12-month period. The

State Bonding Fund covers bonding of public employees and public officials. Workers Compensation is a state insurance fund and a "no-fault" insurance system which covers the state's employers and employees.

INDEPENDENT AUDIT: In compliance with state statute, an annual financial audit of the state's General Purpose Financial Statements was completed by the Office of the State Auditor. Their examination was conducted in accordance with Government Auditing Standards as published by the Comptroller General of the United States. Their report on the general purpose financial statements has been included in the financial section of this report.

The audit described above is not intended to meet all the requirements of the Federal Single Audit Act Amendments of 1996. The Single Audit reports for the state are issued separately.

CERTIFICATE OF ACHIEVEMENT: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of North Dakota for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 1997. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The State of North Dakota has received a Certificate of Achievement for the last seven consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements and are submitting it to GFOA. We are committed to this effort, and we intend to maintain a highly qualified and professional staff to make this certification possible.

In addition the State of North Dakota received the GFOA's Award for Distinguished Budget Presentation for its 1997-1999 budget. In order to qualify for the Distinguished Budget Presentation Award, the state's budget document was judged to be proficient in several categories, including policy documentation, financial planning and organization.

ACKNOWLEDGMENTS: The Comprehensive Financial Report was prepared by a project team which included staff members of the Fiscal Management Division of the Office of Management and Budget. They are an amazing group of people with an unparalleled work ethic. Our success has only been possible through their expertise and dedication. We also extend gratitude to all the agencies, institutions and departments of state government, especially the Office of the State Auditor for their commitment to assist us in preparing this report. A thank you also goes to Dawn Charging and Pat Hertz of the North Dakota Department of Tourism, for the photography and the narrative descriptions provided for each of the pictures we used.

Sincerely,

A handwritten signature in cursive script, reading "Rod Backman".

Rod Backman, Director
Office of Management and Budget

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of
North Dakota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1997

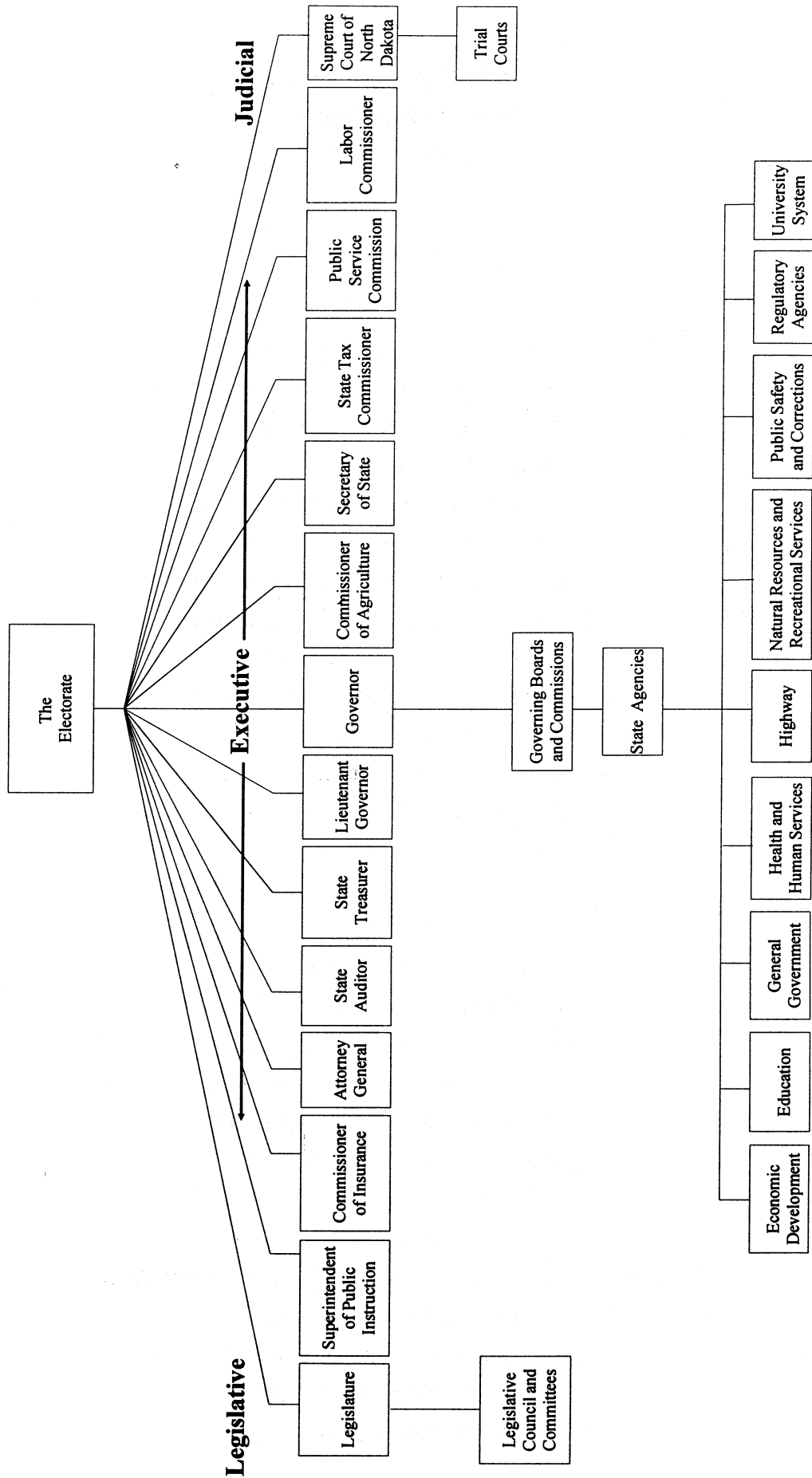
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Douglas R. Ellaworth
President

Jeffrey L. Esser
Executive Director

STATE OF NORTH DAKOTA



STATE OF NORTH DAKOTA

Principal State Officials

June 30, 1998

EXECUTIVE

Edward T. Schafer, Governor

Rosemarie Myrdal, Lieutenant Governor

Alvin A. Jaeger, Secretary of State

Heidi Heitkamp, Attorney General

Bruce Hagen, Public Service Commissioner

Leo Reinbold, Public Service Commissioner

Susan Wefald, Public Service Commissioner

Roger Johnson, Commissioner of Agriculture

Robert R. Peterson, State Auditor

Glenn Pomeroy, Commissioner of Insurance

Craig Hagen, Commissioner of Labor

Wayne Sanstead, Superintendent of Public Instruction

Rick Clayburgh, Tax Commissioner

Kathi Gilmore, State Treasurer

LEGISLATIVE

Mike Timm, Speaker of the House

John Dorso, House Majority Leader

Merle Boucher, House Minority Leader

Rosemarie Myrdal, President of the Senate

Gary J. Nelson, Senate Majority Leader

Tim Mathern, Senate Minority Leader

JUDICIAL

Gerald VandeWalle, Chief Justice, North Dakota Supreme Court

Herbert L. Meschke, Justice

Mary Muehlen Maring, Justice

William A. Neumann, Justice

Dale Sandstrom, Justice



The Lewis and Clark Riverboat at Bismarck cruises the Missouri River during the summer months.

FINANCIAL SECTION



STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE
BISMARCK, NORTH DAKOTA 58505

INDEPENDENT AUDITOR'S REPORT

The Honorable Edward T. Schafer, Governor
of the State of North Dakota

Members of the Legislative Assembly
of the State of North Dakota

We have audited the accompanying general-purpose financial statements of the State of North Dakota as of and for the year ended June 30, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the State of North Dakota's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of certain state entities and discretely presented component units, which represent the following percentages of total assets or liabilities and revenues of the indicated fund types, account groups, and discretely presented component units:

| | <u>Percent of Total Assets (Liabilities)</u> | <u>Percent of Total Revenues</u> |
|--------------------------------------|--|--------------------------------------|
| Special Revenue Fund Type | 17% | 4% |
| Debt Service Fund Type | 85% | 96% |
| Capital Projects Fund Type | 80% | 83% |
| Enterprise Fund Type | 99% | 98% |
| Internal Service Fund Type | 1% | 3% |
| Trust and Agency Fund Type | 96% | 100% |
| General Fixed Assets Account Group | 4% | ---- |
| General Long-Term Debt Account Group | (64%) | ---- |
| Discretely Presented Component Units | 100% | 100% |

Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the general-purpose financial statements, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit and the reports of other auditors provides a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issue. The State of North Dakota has included such disclosures in Note 19D. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the State of North Dakota's disclosures with respect to the year 2000 issue made in Note 19D. Further, we do not provide assurance that the State of North Dakota is or will be year 2000 ready, that the State of North Dakota's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the State of North Dakota does business will be year 2000 ready.

In our opinion, based on our audit and the reports of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the year 2000 disclosures, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of North Dakota as of June 30, 1998 and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

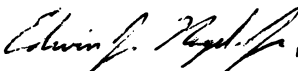
Our audit was made for the purpose of forming an opinion on the general-purpose financial statements of the State of North Dakota, taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, based upon our audit and the reports of other auditors, is fairly stated in all material respects, in relation to the general-purpose financial statements taken as a whole.

As discussed in Note 1X to the general-purpose financial statements, the State of North Dakota implemented Governmental Accounting Standards Board Statement Number 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, for fiscal year 1998. This statement requires most investments to be valued at fair value and establishes the use of a new investment trust fund for external investment pools. This change resulted in an increase to beginning fund equity as described in Note 2 to the general-purpose financial statements.

We did not audit the data included in the introductory and statistical sections of this report, and accordingly, we do not express an opinion thereon.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 1998 on our consideration of the State of North Dakota's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants.


Robert R. Peterson
State Auditor


Edwin J. Nagel, Jr., CPA
Director

December 10, 1998



The scenic view from the top of a butte in the Theodore Roosevelt National Park in the North Dakota Badlands is always awe-inspiring. This unique, rugged country can be seen by car, bike, or canoe, horse, or by hiking-designated trails through both the North and South units.

General Purpose Financial Statements

STATE OF NORTH DAKOTA

Combined Balance Sheet

All Fund Types, Account Groups And Discretely Presented Component Units

June 30, 1998

| | Governmental Fund Types | | | |
|--|-------------------------|-----------------------|----------------------|---------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| Assets And Other Debits | | | | |
| Assets: | | | | |
| Cash Deposits At The Bank Of North Dakota | \$ 104,832,587 | \$ 139,431,513 | \$ 508,091 | \$ 7,360,000 |
| Cash And Cash Equivalents | 427,000 | 1,732,383 | 942,353 | 1,856,507 |
| Investments At The Bank Of North Dakota | - | 18,013,662 | 9,297,500 | - |
| Investments | - | 38,404,444 | 1,692,000 | - |
| Accounts Receivable - Net | 307,952 | 13,537,745 | - | - |
| Taxes Receivable - Net | 85,512,207 | 170,507 | - | - |
| Interest Receivable - Net | 704,989 | 1,391,203 | 159,784 | - |
| Loans And Notes Receivable - Net | 86,282 | 49,532,040 | - | - |
| Interfund Receivable | 34,052,615 | - | - | - |
| Due From Component Units | - | - | - | - |
| Due From Other Funds | 29,693,885 | 34,175,241 | - | - |
| Intergovernmental Receivable - Net | - | 97,771,042 | - | - |
| Advances To Component Units | - | - | - | - |
| Advances To Primary Government | - | - | - | - |
| Advances To Other Funds | - | 32,951,000 | - | - |
| Prepaid Items | - | 487,046 | - | - |
| Inventory | 594,405 | 7,488,664 | - | - |
| Unamortized Bond Issuance Costs | - | - | - | - |
| Fixed Assets (Net Of Depreciation) | - | - | - | - |
| Other Assets | - | - | - | - |
| Other Debits: | | | | |
| Amount Available In Debt Service Fund | - | - | - | - |
| Amount To Be Provided For Long Term Debt | - | - | - | - |
| Total Assets And Other Debits | \$ 256,211,922 | \$ 435,086,490 | \$ 12,599,728 | \$ 9,216,507 |
| Liabilities, Equity And Other Credits | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$ 17,775,404 | \$ 67,776,650 | \$ - | \$ 590,967 |
| Notes Payable | 8,100,000 | 142,937 | - | - |
| Interest Payable | 674,282 | 1,323 | 46,293 | - |
| Contracts Payable | 98,252 | 4,507,937 | - | - |
| Federal Funds Purchased | - | - | - | - |
| Securities Lending Collateral | - | 1,901,480 | - | - |
| Tax Refunds Payable | 23,040,587 | - | - | - |
| Intergovernmental Payable | 703,656 | 1,635,073 | - | - |
| Claims/Judgements Payable | - | - | - | - |
| Accrued Payroll | 10,277,525 | 9,996,210 | - | - |
| Compensated Absences Payable | - | - | - | - |
| Amounts Held In Custody For Others | - | - | - | - |
| Deposits Held For Other Funds | - | - | - | - |
| Other Deposits | - | - | - | - |
| Interfund Payable | - | 22,018,812 | - | - |
| Due To Primary Government | - | - | - | - |
| Due To Other Funds | 15,992,361 | 23,251,333 | - | 1,610,000 |
| Advances From Other Funds | - | 28,951,000 | - | - |
| Advances From Component Units | - | - | - | - |
| Advances From Primary Government | - | - | - | - |
| Bonds Payable | - | - | - | - |
| Capital Leases Payable | - | - | - | - |
| Deferred Compensation | - | - | - | - |
| Deferred Revenue | 36,996,084 | 13,506,258 | - | - |
| Other Liabilities | - | - | - | - |
| Total Liabilities | 113,658,151 | 173,689,013 | 46,293 | 2,200,967 |
| Equity And Other Credits | | | | |
| Investment In Fixed Assets | - | - | - | - |
| Contributed Capital | - | - | - | - |
| Unrealized Gain On Investments | - | - | - | - |
| Retained Earnings: | | | | |
| Reserved | - | - | - | - |
| Unreserved | - | - | - | - |
| Fund Balance: | | | | |
| Reserved For: | - | - | 12,553,435 | - |
| Debt Service | - | - | - | - |
| Capital Projects | - | - | - | 7,015,540 |
| Other | 680,687 | 89,660,395 | - | - |
| Unreserved: | | | | |
| Designated | - | 10,660,435 | - | - |
| Undesignated | 141,873,084 | 161,076,647 | - | - |
| Total Equity And Other Credits | 142,563,771 | 261,397,477 | 12,553,435 | 7,015,540 |
| Total Liabilities, Equity And Other Credits | \$ 256,211,922 | \$ 435,086,490 | \$ 12,599,728 | \$ 9,216,507 |

The Accompanying Notes Are An Integral Part Of The Financial Statements

| Proprietary Fund Types | | Fiduciary Fund Type | Account Groups | | | Totals (Memorandum Only) Primary Government | Totals (Memorandum Only) Reporting Entity |
|------------------------|------------------|---------------------|----------------------|------------------------|-------------------|---|---|
| Enterprise | Internal Service | Trust and Agency | General Fixed Assets | General Long-term Debt | University System | June 30 1998 | June 30 1998 |
| \$ 101,324,277 | \$ 2,679,298 | \$ 67,438,640 | \$ - | \$ - | \$ 33,613,050 | \$ 457,187,456 | \$ 5,788,564 |
| 582,406,596 | 100 | 29,950,221 | - | - | 7,025,931 | 624,341,091 | 423,170 |
| 136,105,015 | - | 19,337,300 | - | - | 37,339,003 | 220,092,480 | 11,594,000 |
| 1,111,943,910 | 5,529,806 | 3,002,479,157 | - | - | 42,120,882 | 4,202,170,199 | 143,585,000 |
| 41,644,782 | 416,235 | 18,092,902 | - | - | 10,380,049 | 84,379,665 | - |
| - | - | 32,510,815 | - | - | - | 118,193,529 | - |
| 28,780,999 | 16,457 | 14,488,254 | - | - | 596,279 | 46,137,965 | 2,172,718 |
| 1,183,305,682 | - | 47,850,371 | - | - | 41,281,184 | 1,322,045,559 | 9,562,232 |
| - | - | - | - | - | 9,238,405 | 43,291,020 | - |
| - | 319 | - | - | - | 6,915 | 7,234 | - |
| 1,539,047 | 3,630,873 | 788,451 | - | - | 8,694,422 | 78,521,919 | - |
| 2,782,463 | 58,801 | 270,395 | - | - | 20,112,823 | 120,995,524 | 26,054 |
| 15,704,000 | - | - | - | - | - | 15,704,000 | - |
| - | - | - | - | - | - | - | 15,704,000 |
| 2,736,000 | - | 6,838,116 | - | - | 193,681 | 42,718,797 | - |
| 2,882,724 | 548,676 | - | - | - | 367,384 | 4,285,830 | 135,000 |
| 12,579,914 | 160,098 | - | - | - | 7,451,783 | 28,274,864 | - |
| 9,487,269 | - | - | - | - | - | 9,487,269 | 1,090,000 |
| 29,665,042 | 39,799,289 | 1,165,425 | 475,793,595 | - | 851,316,119 | 1,397,739,470 | 21,794 |
| 3,158,045 | - | 66,990 | - | - | 3,092,879 | 6,317,914 | - |
| - | - | - | - | 12,553,435 | - | 12,553,435 | - |
| - | - | - | - | 119,578,544 | - | 119,578,544 | - |
| \$3,266,045,765 | \$ 52,839,952 | \$3,241,277,037 | \$ 475,793,595 | \$ 132,131,979 | \$1,072,830,789 | \$ 8,954,033,764 | \$190,102,532 |
| \$ 5,008,449 | \$ 790,423 | \$ 3,036,060 | \$ - | \$ - | \$ 12,063,334 | \$ 107,041,287 | \$ 101,020 |
| 55,181,000 | 2,234,283 | - | - | 756,470 | 2,051,524 | 68,466,214 | - |
| 26,320,004 | - | - | - | - | 1,157,951 | 28,199,853 | 1,448,000 |
| - | - | - | - | - | 1,087,667 | 5,693,856 | - |
| 205,814,000 | - | - | - | - | - | 205,814,000 | - |
| 175,855,644 | 1,025,279 | 242,349,789 | - | - | - | 421,132,192 | - |
| - | - | 1,197,554 | - | - | - | 24,238,141 | - |
| 12,848,866 | 266 | 55,865,108 | - | 68,606 | - | 71,121,575 | 532,000 |
| 596,984,937 | 2,821,206 | 2,063,000 | - | 3,663,420 | - | 605,532,583 | 1,125,000 |
| 589,461 | 717,972 | 36,546 | - | - | 5,859,159 | 27,476,873 | - |
| 1,086,644 | 702,763 | 20,123 | - | 21,415,208 | 13,098,555 | 36,323,293 | - |
| 12,093,270 | - | 16,033,198 | - | - | 9,664,071 | 37,790,539 | - |
| 500,680,000 | - | - | - | - | - | 500,680,000 | - |
| 203,124,000 | - | - | - | - | 1,964,499 | 205,088,499 | - |
| 12,412,000 | - | - | - | - | 9,238,405 | 43,669,217 | - |
| - | - | - | - | - | - | 6,915 | - |
| 1,819,273 | 468,887 | 33,410,215 | - | - | 2,683,621 | 79,235,690 | - |
| 5,026,022 | 4,000,000 | 1,009,757 | - | - | 4,995,620 | 43,982,399 | - |
| 15,704,000 | - | - | - | - | - | 15,704,000 | - |
| - | - | - | - | - | - | 15,704,000 | - |
| 957,916,646 | - | - | - | 93,116,000 | 56,779,976 | 1,107,812,622 | 103,510,000 |
| 84,864 | 349,851 | - | - | 13,112,275 | 26,998,366 | 40,545,356 | - |
| - | - | 76,424,021 | - | - | - | 76,424,021 | - |
| 51,154,850 | 56,586 | 367,808 | - | - | 7,325,172 | 109,406,758 | 1,141,178 |
| 9,837,307 | - | - | - | - | 1,279,035 | 11,116,342 | - |
| 2,849,541,237 | 13,167,516 | 431,813,179 | - | 132,131,979 | 156,246,955 | 3,872,495,290 | 123,568,113 |
| - | - | - | 475,793,595 | - | 771,762,580 | 1,247,556,175 | - |
| 23,775,304 | 21,300,562 | - | - | - | - | 45,075,866 | - |
| 102,000 | - | - | - | - | - | 102,000 | - |
| 155,171,561 | - | - | - | - | - | 155,171,561 | 47,540,781 |
| 237,455,663 | 18,371,874 | - | - | - | - | 255,827,537 | 18,993,638 |
| - | - | - | - | - | - | 12,553,435 | - |
| - | - | - | - | - | - | 7,015,540 | - |
| - | - | 2,802,402,815 | - | - | 74,303,040 | 2,967,046,937 | - |
| - | - | 1,074,309 | - | - | - | 11,734,744 | - |
| - | - | 5,986,734 | - | - | 70,518,214 | 379,454,679 | - |
| 416,504,528 | 39,672,436 | 2,809,463,858 | 475,793,595 | - | 916,583,834 | 5,081,538,474 | 66,534,419 |
| \$3,266,045,765 | \$ 52,839,952 | \$3,241,277,037 | \$ 475,793,595 | \$ 132,131,979 | \$1,072,830,789 | \$ 8,954,033,764 | \$190,102,532 |

The Accompanying Notes Are An Integral Part Of The Financial Statements

STATE OF NORTH DAKOTA
**Combined Statement Of Revenues, Expenditures And Changes In Fund Balances
All Governmental Fund Types And Expendable Trust Funds
For The Fiscal Year Ended June 30, 1998**

| | Governmental Fund Types | | | | Fiduciary Fund Type | Totals (Memorandum Only) |
|--|-------------------------|--------------------|-----------------|---------------------|------------------------|-----------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Expendable Trust | June 30 1998 |
| Revenues: | | | | | | |
| Taxes | \$ 705,385,031 | \$ 97,071,268 | \$ - | \$ - | \$ 29,559,743 | \$ 832,016,042 |
| Licenses And Permits | 9,130,177 | 34,877,590 | - | - | - | 44,007,767 |
| Intergovernmental | 244,980 | 827,121,721 | 405,510 | - | 1,083,833 | 828,856,044 |
| Sales And Services | 1,603,631 | 34,816,741 | - | - | 3,870,829 | 40,291,201 |
| Royalties And Rents | 5,481,495 | 2,305,313 | - | - | 111,087 | 7,897,895 |
| Fines And Forfeits | 2,538,787 | 4,071,328 | - | - | 1,633,018 | 8,243,133 |
| Interest And Investment Income | 6,456,854 | 8,228,830 | 709,375 | 484,412 | 2,498,991 | 18,378,462 |
| Miscellaneous | 306,138 | 5,445,634 | 125,000 | - | 106,323 | 5,983,095 |
| Total Revenues | 731,147,093 | 1,013,938,425 | 1,239,885 | 484,412 | 38,863,824 | 1,785,673,639 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General Government | 48,943,272 | 29,470,842 | - | - | 3,786,402 | 82,200,516 |
| Education | 269,078,165 | 95,311,000 | - | - | 317,941 | 364,707,106 |
| Health And Human Services | 167,143,804 | 431,689,352 | - | - | 34,319,260 | 633,152,416 |
| Regulatory | 5,509,119 | 8,984,178 | - | - | - | 14,493,297 |
| Public Safety | 27,972,292 | 121,838,872 | - | - | - | 149,811,164 |
| Agriculture And Economic Development | 5,107,912 | 15,962,323 | - | - | - | 21,070,235 |
| Natural Resources | 11,242,861 | 20,317,813 | - | - | - | 31,560,674 |
| Highways | - | 280,646,497 | - | - | - | 280,646,497 |
| Capital Outlay | - | 6,370,705 | - | 6,757,263 | - | 13,127,968 |
| Debt Service: | | | | | | |
| Principal | - | - | 5,180,000 | - | - | 5,180,000 |
| Interest And Other Charges | - | - | 5,345,341 | - | - | 5,345,341 |
| Total Expenditures | 534,997,425 | 1,010,591,582 | 10,525,341 | 6,757,263 | 38,423,603 | 1,601,295,214 |
| Revenues Over (Under) Expenditures | 196,149,668 | 3,346,843 | (9,285,456) | (6,272,851) | 440,221 | 184,378,425 |
| Other Financing Sources (Uses): | | | | | | |
| Operating Transfers In | 37,442,899 | 69,322,767 | 9,176,804 | - | - | 115,942,470 |
| Operating Transfers Out | (204,932,308) | (54,995,770) | - | (5,478,122) | (1,939,545) | (267,345,745) |
| Operating Transfers To Component Units | (1,204,936) | - | - | - | - | (1,204,936) |
| Proceeds From Bonds And Notes | - | - | - | 7,988,000 | - | 7,988,000 |
| Proceeds Of Refunding Bonds | - | - | 12,483,000 | - | - | 12,483,000 |
| Payment To Refunded Bond Escrow Agent | - | - | (11,196,000) | - | - | (11,196,000) |
| Proceeds From Capital Leases | - | 6,370,705 | - | - | - | 6,370,705 |
| Proceeds From Sale Of General Fixed Assets | 4,258 | 144,562 | - | - | - | 148,820 |
| Other | 72,501 | 153,657 | - | - | - | 226,158 |
| Total Other Financing Sources (Uses) | (168,617,586) | 20,995,921 | 10,463,804 | 2,509,878 | (1,939,545) | (136,587,528) |
| Revenues And Other Sources Over (Under) Expenditures And Other Uses | 27,532,082 | 24,342,764 | 1,178,348 | (3,762,973) | (1,499,324) | 47,790,897 |
| Fund Balances - Beginning Of Year, As Adjusted | 115,021,689 | 237,054,713 | 11,374,087 | 10,779,513 | 40,927,764 | 415,157,766 |
| Residual Equity Transfers In | - | - | 1,000 | - | - | 1,000 |
| Residual Equity Transfers Out | - | - | - | (1,000) | - | (1,000) |
| Fund Balances - End Of Year | \$ 142,553,771 | \$ 261,397,477 | \$ 12,553,435 | \$ 7,015,540 | \$ 39,428,440 | \$ 462,948,663 |

The Accompanying Notes Are An Integral Part Of The Financial Statements

STATE OF NORTH DAKOTA
Combined Statement Of Revenues, Expenses And Changes In Fund Equity
All Proprietary Fund Types, Similar Trust Funds And Discretely Presented Component Units
For The Fiscal Year Ended June 30, 1998

| | Proprietary Fund Types | | Fiduciary Fund Types | Totals (Memorandum Only) Primary Government | Component Units | Totals (Memorandum Only) Reporting Entity |
|---|---------------------------|---------------------|-----------------------------|---|---------------------|---|
| | Enterprise | Internal Service | Non- Expendable Trust | June 30 1998 | | June 30 1998 |
| Operating Revenues: | | | | | | |
| Sales And Services | \$221,332,203 | \$38,713,262 | \$ - | \$ 260,045,465 | \$ 5,342,679 | \$ 265,388,144 |
| Royalties And Rents | 24,507 | - | 12,303,267 | 12,327,774 | - | 12,327,774 |
| Fines And Forfeits | 3,502,040 | - | - | 3,502,040 | - | 3,502,040 |
| Interest And Investment Income | 146,611,731 | - | 59,837,634 | 206,449,365 | 9,504,221 | 215,953,586 |
| Reduction In Provision For Loan Loss | 249,439 | - | - | 249,439 | - | 249,439 |
| Miscellaneous | 163,381 | 58,118 | 2,274 | 223,773 | - | 223,773 |
| Total Operating Revenues | 371,883,301 | 38,771,380 | 72,143,175 | 482,797,856 | 14,846,900 | 497,644,756 |
| Operating Expenses: | | | | | | |
| Cost Of Sales And Services | 70,600,703 | 758,569 | - | 71,359,272 | - | 71,359,272 |
| Salaries And Benefits | 9,243,589 | 9,239,430 | - | 18,483,019 | 136,161 | 18,619,180 |
| Operating | 35,029,506 | 17,906,039 | 2,126,109 | 55,061,654 | 4,282,527 | 59,344,181 |
| Benefits | 167,715,548 | (1,495,575) | - | 166,219,973 | 4,262,070 | 170,482,043 |
| Refunds | 36,287 | - | - | 36,287 | - | 36,287 |
| Interest | 96,578,928 | - | - | 96,578,928 | 7,288,000 | 103,866,928 |
| Depreciation | 3,333,130 | 7,419,158 | 38,868 | 10,791,156 | 9,156 | 10,800,312 |
| Miscellaneous | 24,283 | - | - | 24,283 | - | 24,283 |
| Total Operating Expenses | 382,561,974 | 33,827,621 | 2,164,977 | 418,554,572 | 15,977,914 | 434,532,486 |
| Operating Income (Loss) | (10,678,673) | 4,943,759 | 69,978,198 | 64,243,284 | (1,131,014) | 63,112,270 |
| Nonoperating Revenues (Expenses): | | | | | | |
| Operating Grants | - | - | - | - | 10,332,000 | 10,332,000 |
| Interest And Investment Income | 100,428,713 | 704,056 | - | 101,132,769 | 35,937 | 101,168,706 |
| Interest Expense | (9,128,091) | (253,836) | - | (9,381,927) | - | (9,381,927) |
| Loss On Sale Of Fixed Assets | (22,899) | (478,079) | - | (500,978) | - | (500,978) |
| Loss On Sale Of Investments | (1,163) | - | - | (1,163) | - | (1,163) |
| Tax Revenue | - | - | 1,438,485 | 1,438,485 | - | 1,438,485 |
| Recall Of Federal Reserve Funds/Other | (7,668,376) | 1,155 | - | (7,667,221) | - | (7,667,221) |
| Total Nonoperating Revenues (Expenses) | 83,608,184 | (26,704) | 1,438,485 | 85,019,965 | 10,367,937 | 95,387,902 |
| Income Before Operating Transfers | 72,929,511 | 4,917,055 | 71,416,683 | 149,263,249 | 9,236,923 | 158,500,172 |
| Operating Transfers In | 18,540,631 | - | 1,359,544 | 19,900,175 | - | 19,900,175 |
| Operating Transfers Out | (12,974,038) | - | (25,377,200) | (38,351,238) | - | (38,351,238) |
| Operating Transfers From Primary | - | - | - | - | 1,204,936 | 1,204,936 |
| Operating Transfers To Primary Government | - | - | - | - | (157,672) | (157,672) |
| Net Income | 78,496,104 | 4,917,055 | 47,399,027 | 130,812,186 | 10,284,187 | 141,096,373 |
| Fund Equity - Beginning Of Year, As Adjusted | 340,535,939 | 34,755,381 | 442,105,036 | 817,396,356 | 56,250,232 | 873,646,588 |
| Residual Equity Transfers Out | (2,690,515) | - | - | (2,690,515) | - | (2,690,515) |
| Unrealized Gain On Investments | 163,000 | - | - | 163,000 | - | 163,000 |
| Fund Equity - End Of Year | \$416,504,528 | \$39,672,436 | \$489,504,063 | \$ 945,681,027 | \$66,534,419 | \$ 1,012,215,446 |

The Accompanying Notes Are An Integral Part Of The Financial Statements

STATE OF NORTH DAKOTA

**Combined Statement Of Cash Flows
All Proprietary Fund Types, Nonexpendable Trust Funds
And Discretely Presented Component Units
For The Fiscal Year Ended June 30, 1998**

| | Proprietary Fund Types | | Fiduciary Fund Types Non- Expendable Trust |
|--|-------------------------------|-----------------------------|---|
| | Enterprise | Internal Service | |
| Cash Flows From Operating Activities: | | | |
| Operating Income (Loss) | \$ (10,678,673) | \$ 4,943,759 | \$ 69,978,198 |
| Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities: | | | |
| Depreciation | 3,333,130 | 7,419,158 | 38,868 |
| Amortization\Accretion | 3,764,706 | 808,136 | - |
| Reclassification Of Interest Revenue\Expense | (42,477,396) | - | (59,827,730) |
| Gain On Sale Of Real Estate | - | - | (9,904) |
| Net (Appreciation) Depreciation In Fair Value Of Investments | (2,397,544) | - | - |
| Interest Received On Program Loans | 34,269,357 | - | - |
| Disbursements For Loans And Loan Purchases | (127,271,000) | - | - |
| Receipt Of Loan Principal Repayments | 61,623,589 | - | - |
| Provision For Losses | 3,844,463 | - | - |
| Reduction In Provision For Loan Loss | (249,439) | - | - |
| Premiums Collected | 73,866,333 | - | - |
| Premiums Paid | (73,866,333) | - | - |
| Other | 17,000 | 1,155 | - |
| Change In Assets And Liabilities: | | | |
| (Increase) Decrease In Accounts Receivable | 3,282,730 | (57,528) | - |
| (Increase) Decrease In Due From | 643,428 | (134,407) | 2,435 |
| (Increase) Decrease In Intergovernmental Receivable | 209,956 | (3,880) | - |
| Increase In Prepaid Items | (253,458) | - | - |
| (Increase) Decrease In Inventories | (4,328,815) | 1,030 | - |
| Increase In Other Assets | (431,832) | - | - |
| Increase (Decrease) In Accounts Payable | 403,469 | 149,555 | (48,406) |
| Increase (Decrease) In Claims\Judgements Payable | 95,482,741 | (1,758,455) | - |
| Increase In Intergovernmental Payable | 2,485,187 | 22 | - |
| Increase (Decrease) In Accrued Payroll | 325,511 | 80,855 | - |
| Increase (Decrease) In Compensated Absences Payable | 141,689 | 55,138 | - |
| Increase In Amounts Held For Others | 1,370,072 | - | - |
| Increase (Decrease) In Due To | (390,838) | 64,000 | (7,213) |
| Increase (Decrease) In Deferred Revenue | (2,775,483) | 56,586 | - |
| Decrease In Other Liabilities | (1,128,322) | - | - |
| Net Cash Provided By (Used For) Operating Activities | 18,814,228 | 11,625,124 | 10,126,248 |
| Cash Flows From Noncapital Financing Activities: | | | |
| Proceeds From Bonds | 409,833,000 | - | - |
| Proceeds From Sale Of Notes And Other Borrowings | 39,587,000 | - | - |
| Principal Payments - Bonds | (73,373,000) | - | - |
| Principal Payments - Notes And Other Borrowings | (120,478,000) | - | - |
| Interest Payments - Bonds | (42,747,311) | - | - |
| Interest Payments - Notes And Other Borrowings | (2,236,277) | - | - |
| Payment Of Bond Issue Costs | (561,968) | - | - |
| Operating Grant Received | - | - | - |
| Tax Collections | - | - | 1,438,485 |
| Operating Transfers In | 18,454,631 | - | 1,359,544 |
| Operating Transfers Out | (13,231,038) | - | (25,377,200) |
| Residual Equity Transfer Out | (2,690,515) | - | - |
| Net Increase In Non-Interest Bearing Deposits | 11,588,000 | - | - |
| Net Decrease In Interest Bearing Deposits | (23,158,000) | - | - |
| Payments Of Interest On Deposits | (29,303,000) | - | - |
| Proceeds From Advances | 3,947,000 | 500,000 | 389,455 |
| Principal Payments On Advances | (1,331,344) | - | - |
| Interest Paid On Federal Funds And Reverse Repurchase Agreements | (10,411,000) | - | - |
| Net Increase In Federal Funds And Reverse Repurchase Agreements | 36,006,000 | - | - |
| Advances Made | (6,683,000) | - | - |
| Collection Of Advances Made | 991,000 | - | 274,584 |
| Interest Received On Advances To Other Funds | - | - | 645,893 |
| Net Cash Provided By (Used For) Noncapital Financing Activities | 194,202,178 | 500,000 | (21,269,239) |

The Accompanying Notes Are An Integral Part Of The Financial Statements

(Continued On The Next Page)

| Total (Memorandum Only) Primary Government | | Total (Memorandum Only) Reporting Entity | |
|--|--------------------|--|--|
| June 30 1998 | Component Units | June 30 1998 | |
| \$ 64,243,284 | \$ (1,131,014) | \$ 63,112,270 | |
| 10,791,156 | 9,156 | 10,800,312 | |
| 4,572,842 | 79,000 | 4,651,842 | |
| (102,305,126) | (2,253,221) | (104,558,347) | |
| (9,904) | - | (9,904) | |
| (2,397,544) | - | (2,397,544) | |
| 34,269,357 | - | 34,269,357 | |
| (127,271,000) | - | (127,271,000) | |
| 61,623,589 | - | 61,623,589 | |
| 3,844,463 | 2,987,625 | 6,832,088 | |
| (249,439) | - | (249,439) | |
| 73,866,333 | - | 73,866,333 | |
| (73,866,333) | - | (73,866,333) | |
| 18,155 | 5,092 | 23,247 | |
| 3,225,202 | - | 3,225,202 | |
| 511,456 | - | 511,456 | |
| 206,076 | - | 206,076 | |
| (253,458) | - | (253,458) | |
| (4,327,785) | - | (4,327,785) | |
| (431,832) | - | (431,832) | |
| 504,618 | (494,093) | 10,525 | |
| 93,724,286 | - | 93,724,286 | |
| 2,485,209 | 415,000 | 2,900,209 | |
| 406,366 | (8,365) | 398,001 | |
| 196,827 | (10,096) | 186,731 | |
| 1,370,072 | - | 1,370,072 | |
| (334,051) | (14,000) | (348,051) | |
| (2,718,897) | 19,290 | (2,699,607) | |
| (1,128,322) | (2,595) | (1,130,917) | |
| 40,565,600 | (398,221) | 40,167,379 | |
| 409,833,000 | 15,390,000 | 425,223,000 | |
| 39,587,000 | - | 39,587,000 | |
| (73,373,000) | (8,987,000) | (82,360,000) | |
| (120,478,000) | - | (120,478,000) | |
| (42,747,311) | (7,198,000) | (49,945,311) | |
| (2,236,277) | - | (2,236,277) | |
| (561,968) | (78,000) | (639,968) | |
| - | 11,536,936 | 11,536,936 | |
| 1,438,485 | - | 1,438,485 | |
| 19,814,175 | - | 19,814,175 | |
| (38,608,238) | (162,936) | (38,771,174) | |
| (2,690,515) | - | (2,690,515) | |
| 11,588,000 | - | 11,588,000 | |
| (23,158,000) | - | (23,158,000) | |
| (29,303,000) | - | (29,303,000) | |
| 4,836,455 | 6,769,000 | 11,605,455 | |
| (1,331,344) | (9,725,000) | (11,056,344) | |
| (10,411,000) | - | (10,411,000) | |
| 36,006,000 | - | 36,006,000 | |
| (6,683,000) | (6,769,000) | (13,452,000) | |
| 1,265,584 | 9,725,000 | 10,990,584 | |
| 645,893 | - | 645,893 | |
| 173,432,939 | 10,501,000 | 183,933,939 | |

The Accompanying Notes Are An Integral Part Of The Financial Statements

STATE OF NORTH DAKOTA
**Combined Statement Of Cash Flows
All Proprietary Fund Types, Nonexpendable Trust Funds
And Discretely Presented Component Units (Continued)
For The Fiscal Year Ended June 30, 1998**

| | Proprietary Fund Types | | Fiduciary Fund Types Non- Expendable Trust |
|--|-------------------------------|-----------------------------|---|
| | Enterprise | Internal Service | |
| Cash Flows From Capital And Related Financing Activities: | | | |
| Acquisition And Construction Of Capital Assets | (1,201,941) | (11,258,368) | (209,508) |
| Proceeds From Sale Of Fixed Assets | 104,159 | 2,055,043 | - |
| Principal Payments - Bonds | (195,000) | - | - |
| Principal Payments - Notes And Other Borrowings | - | (2,095,636) | - |
| Interest Payments - Bonds | (167,460) | - | - |
| Interest Payments - Notes And Other Borrowings | (75,725) | (190,037) | - |
| Payment On Capital Leases | (7,059) | - | - |
| Net Cash Used For Capital And Related Financing Activities | (1,543,026) | (11,488,998) | (209,508) |
| Cash Flows From Investing Activities: | | | |
| Proceeds From Sale And Maturities Of Investment Securities | 298,701,235 | - | 55,053,934 |
| Purchase Of Investment Securities | (402,094,307) | (1,096,611) | (71,420,509) |
| Interest And Dividends On Investments | 98,364,381 | 575,424 | 19,893,796 |
| Proceeds From Sale Of Other Real Estate | - | - | 26,251 |
| Net Increase In Loans | (67,660,000) | - | - |
| Disbursements For Loans And Loan Purchases | (3,391,450) | - | (5,248,359) |
| Receipt Of Loan Principal Repayments | 3,327,403 | - | 8,814,334 |
| Loan Income Received | 49,318,672 | - | 4,433,678 |
| Net Cash Provided By (Used For) Investing Activities | (23,434,066) | (521,187) | 11,553,125 |
| Net Change In Cash: | | | |
| Net Increase In Cash And Cash Equivalents | | | |
| And Cash Deposits At The Bank Of North Dakota | 188,039,314 | 114,939 | 200,626 |
| Cash And Cash Equivalents And Cash Deposits | | | |
| At The Bank Of North Dakota At June 30, 1997 | 495,691,559 | 2,564,459 | 413,850 |
| Cash And Cash Equivalents And Cash Deposits | | | |
| At The Bank Of North Dakota At June 30, 1998 | <u>\$ 683,730,873</u> | <u>\$ 2,679,398</u> | <u>\$ 614,476</u> |
| Reconciliation: | | | |
| Cash Deposits At The Bank Of North Dakota | \$ 101,324,277 | \$ 2,679,298 | \$ 67,438,640 |
| Cash And Cash Equivalents | 582,406,596 | 100 | 29,950,221 |
| Cash And Cash Equivalents And Cash Deposits | | | |
| At The Bank Of North Dakota, Expendable Trust, Pension And Agency Funds | - | - | (96,774,385) |
| Cash And Cash Equivalents And Cash Deposits | | | |
| At The Bank Of North Dakota | <u>\$ 683,730,873</u> | <u>\$ 2,679,398</u> | <u>\$ 614,476</u> |
| Noncash Transactions: | | | |
| Unrealized Gains On Investments | \$ 163,000 | \$ - | \$ - |
| Reduction In Appropriation | 86,000 | - | - |
| Appropriations Transfer From Undivided Profits To Various State Agencies | 12,498,000 | - | - |
| Securities Lending Collateral | 8,114,269 | - | - |
| Net Appreciation In Fair Value Of Investments | 12,020,819 | 59,920 | 34,406,864 |
| Purchased Fixed Assets Through Capital Lease | 91,923 | 123,586 | - |
| Purchased Fixed Assets Through Assumption Of Note Payable | - | 674,403 | - |
| Purchased Prepaid Expenses Through Assumption Of Note Payable | - | 500,000 | - |
| Loans Written Off | - | - | - |
| Investments Written Off | - | - | - |
| Transfer Of Property And Equipment | - | - | - |
| Total Noncash Transactions | \$ 32,974,011 | \$ 1,357,909 | \$ 34,406,864 |

The Accompanying Notes Are An Integral Part Of The Financial Statements

| Total (Memorandum Only) Primary Government | | Total (Memorandum Only) Reporting Entity |
|--|--------------------|--|
| June 30 1998 | Component Units | June 30 1998 |
| (12,669,817) | (4,000) | (12,673,817) |
| 2,159,202 | 389 | 2,159,591 |
| (195,000) | - | (195,000) |
| (2,095,636) | - | (2,095,636) |
| (167,460) | - | (167,460) |
| (265,762) | - | (265,762) |
| (7,059) | - | (7,059) |
| (13,241,532) | (3,611) | (13,245,143) |
| 353,755,169 | 46,668,000 | 400,423,169 |
| (474,611,427) | (61,706,000) | (536,317,427) |
| 118,833,601 | 8,278,935 | 127,112,536 |
| 26,251 | - | 26,251 |
| (67,660,000) | - | (67,660,000) |
| (8,639,809) | (5,225,099) | (13,864,908) |
| 12,141,737 | 1,817,323 | 13,959,060 |
| 53,752,350 | 825,836 | 54,578,186 |
| (12,402,128) | (9,341,005) | (21,743,133) |
| 188,354,879 | 758,163 | 189,113,042 |
| 498,669,868 | 5,453,571 | 504,123,439 |
| \$ 687,024,747 | \$ 6,211,734 | \$ 693,236,481 |
| \$ 171,442,215 | \$ 5,788,564 | \$ 177,230,779 |
| 612,356,917 | 423,170 | 612,780,087 |
| (96,774,385) | - | (96,774,385) |
| \$ 687,024,747 | \$ 6,211,734 | \$ 693,236,481 |
| \$ 163,000 | \$ - | \$ 163,000 |
| 86,000 | - | 86,000 |
| 12,498,000 | - | 12,498,000 |
| 8,114,269 | - | 8,114,269 |
| 46,487,603 | - | 46,487,603 |
| 215,509 | - | 215,509 |
| 674,403 | - | 674,403 |
| 500,000 | - | 500,000 |
| - | 739,470 | 739,470 |
| - | 950,000 | 950,000 |
| - | 12,487 | 12,487 |
| \$ 68,738,784 | \$ 1,701,957 | \$ 70,440,741 |

The Accompanying Notes Are An Integral Part Of The Financial Statements

STATE OF NORTH DAKOTA
**Statement Of Changes In Net Plan Assets
Pension And Investment Trust Funds
For The Fiscal Year Ended June 30, 1998**

| | Pension | | | | | Investment | Total |
|--|--------------------------------------|------------------------------|--|------------------------------------|-------------------------|---------------------|------------------|
| | Highway Patrolmen's Retirement | Job Service Retirement | Prefunded Retiree Health Program | Public Employees' Retirement | Teachers' Retirement | City Of Bismarck | June 30 1998 |
| Additions: | | | | | | | |
| Contributions: | | | | | | | |
| Employer | \$ 698,132 | \$ 577,936 | \$ 3,596,519 | \$ 15,078,427 | \$ 23,326,328 | \$ - | \$ 43,277,342 |
| Employee | 430,585 | 338,561 | 5,431 | 14,286,972 | 23,326,328 | - | 38,387,877 |
| Total Contributions | 1,128,717 | 916,497 | 3,601,950 | 29,365,399 | 46,652,656 | - | 81,665,219 |
| Investment Income: | | | | | | | |
| Net Appreciation (Depreciation) In Market | | | | | | | |
| Value Of Investments | 3,741,336 | (1,990,447) | 2,442,416 | 105,929,596 | 101,203,539 | 3,260,269 | 214,586,709 |
| Interest And Dividends | 1,108,746 | 10,539,015 | 660,062 | 31,419,520 | 34,187,115 | 935,850 | 78,850,308 |
| | 4,850,082 | 8,548,568 | 3,102,478 | 137,349,116 | 135,390,654 | 4,196,119 | 293,437,017 |
| Less Investment Expense | 95,250 | 125,213 | 41,780 | 2,698,472 | 3,438,845 | 137,314 | 6,536,874 |
| Net Investment Income | 4,754,832 | 8,423,355 | 3,060,698 | 134,650,644 | 131,951,809 | 4,058,805 | 286,900,143 |
| Securities Lending Activity: | | | | | | | |
| Securities Lending Income | 213,649 | 171,314 | - | 6,051,144 | 5,372,306 | 196,173 | 12,004,586 |
| Less Securities Lending Expense | 205,313 | 164,214 | - | 5,815,055 | 5,136,263 | 188,813 | 11,509,658 |
| Net Securities Lending Income | 8,336 | 7,100 | - | 236,089 | 236,043 | 7,360 | 494,928 |
| Repurchase Service Credit | - | - | 53,949 | 774,846 | 759,105 | - | 1,587,900 |
| Miscellaneous Income | 65 | - | - | 9,230 | - | - | 9,295 |
| Total Additions | 5,891,950 | 9,346,952 | 6,716,597 | 165,036,208 | 179,599,613 | 4,066,165 | 370,657,485 |
| Deductions: | | | | | | | |
| Benefits Paid To Participants | 1,329,615 | 991,955 | - | 26,896,621 | 43,706,492 | - | 72,724,683 |
| Refunds | - | 33,648 | 1,024 | 4,075,399 | 2,671,933 | - | 6,782,004 |
| Prefunded Credit Applied | - | - | 2,951,449 | - | - | - | 2,951,449 |
| Transfers To Other Plans | - | - | - | 216,882 | - | - | 216,882 |
| Administrative Expenses | 12,989 | 13,969 | 110,507 | 605,241 | 789,830 | - | 1,532,536 |
| Total Deductions | 1,342,604 | 1,039,572 | 3,062,980 | 31,594,143 | 47,168,255 | - | 84,207,554 |
| Purchase Of Units At Net Asset Value of \$1.00 Per Unit | - | - | - | - | - | 733,000 | 733,000 |
| Net Increase | 4,549,346 | 8,307,380 | 3,653,617 | 133,442,065 | 132,431,358 | 4,799,165 | 287,182,931 |
| Net Assets Held In Trust For Pension Benefits And External Investment Pool Participants | | | | | | | |
| Beginning Of Year As Restated | 30,540,873 | 55,249,463 | 16,773,360 | 865,506,327 | 1,001,037,886 | 24,240,515 | 1,993,348,424 |
| End Of Year | \$ 35,090,219 | \$ 63,556,843 | \$ 20,426,977 | \$ 998,948,392 | \$ 1,133,469,244 | \$ 29,039,680 | \$ 2,280,531,355 |

The Accompanying Notes Are An Integral Part Of The Financial Statements

STATE OF NORTH DAKOTA

Combined Statement Of Current Funds Revenues, Expenditures And Other Changes University System For The Fiscal Year Ended June 30, 1998

| | Total Unrestricted | Total Restricted | Total Current Funds |
|---|-----------------------|---------------------|------------------------|
| Revenues And State Transfers: | | | |
| Tuition And Fees | \$ 96,072,078 | \$ 12,356 | \$ 96,084,434 |
| Federal Appropriations | 5,627,024 | - | 5,627,024 |
| Local Appropriations | 1,846,882 | - | 1,846,882 |
| Federal Grants And Contracts | 5,180,740 | 65,170,403 | 70,351,143 |
| State Grants And Contracts | 205,291 | 854,942 | 1,060,233 |
| Private Gifts, Grants And Contracts | 10,043,802 | 15,878,819 | 25,922,621 |
| Investment And Endowment Income | 2,299,298 | 228,998 | 2,528,296 |
| Sales And Services Of Educational Departments | 44,524,162 | 41,377 | 44,565,539 |
| Sales And Services Of Auxilliary Enterprises | 71,917,840 | - | 71,917,840 |
| Total Revenues | 237,717,117 | 82,186,895 | 319,904,012 |
| Operating Transfers In | 161,601,156 | 11,837,028 | 173,438,184 |
| Operating Transfers From Component Units | - | 157,672 | 157,672 |
| Total Revenues And State Transfers | 399,318,273 | 94,181,595 | 493,499,868 |
| Expenditures And Mandatory Transfers: | | | |
| Educational And General | | | |
| Instruction | 146,959,771 | 8,675,878 | 155,635,649 |
| Research | 22,428,631 | 34,949,070 | 57,377,701 |
| Public Service | 15,671,100 | 12,563,847 | 28,234,947 |
| Academic Support | 35,599,833 | 910,932 | 36,510,765 |
| Student Services | 16,970,455 | 1,936,279 | 18,906,734 |
| Institutional Support | 29,430,965 | 477,960 | 29,908,925 |
| Operation And Maintenance Of Plant | 38,906,645 | 9,611,999 | 48,518,644 |
| Scholarships And Fellowships | 7,444,933 | 24,785,234 | 32,230,167 |
| Total Educational And General Expenditures | 313,412,333 | 93,911,199 | 407,323,532 |
| Mandatory Transfer For Principal And Interest | 991,075 | - | 991,075 |
| Mandatory Transfer For Loan Fund Matching | 166,705 | 199 | 166,904 |
| Total Educational And General Expenditures And Mandatory Transfers | 314,570,113 | 93,911,398 | 408,481,511 |
| Auxiliary Enterprises: | | | |
| Expenditures | 68,214,447 | 270,396 | 68,484,843 |
| Mandatory Transfers For Principal And Interest | 4,061,611 | - | 4,061,611 |
| Total Auxiliary Enterprises | 72,276,058 | 270,396 | 72,546,454 |
| Total Expenditures And Mandatory Transfers | 386,846,171 | 94,181,794 | 481,027,965 |
| Other Transfers And Deductions: | | | |
| Excess Of Restricted Receipts Over | | | |
| Transfers To Revenues | - | (223,230) | (223,230) |
| Indirect Costs Recovered | (1,775,598) | - | (1,775,598) |
| Refunded To Grantors | (4,804) | (6,693) | (11,497) |
| Nonmandatory Interfund Transfers | (2,747,985) | 697,990 | (2,049,995) |
| Other Additions(Deductions) | 1,410,539 | (69,408) | 1,341,131 |
| Total Other Transfers And Deductions | (3,117,848) | 398,659 | (2,719,189) |
| Net Increase In Fund Balances | \$ 9,354,254 | \$ 398,460 | \$ 9,752,714 |

STATE OF NORTH DAKOTA
**Combined Statement Of Changes In Fund Balance
University System**

For The Fiscal Year Ended June 30, 1998

| University System | | For The Fiscal Year Ended June 30, 1998 | | | | | | Total | |
|--|---------------|---|-----------------------------|---------------|----------------------------------|---------------------------|-----------------|-------------------|-------------|
| Current Funds | | | | Plant Funds | | | | (Memorandum Only) | |
| Unrestricted | Restricted | Loan | Endowment And Similar | Unexpended | Retirement Of Indebtedness | Investment In Plant | June 30 1998 | | |
| Revenues And Other Additions: | | | | | | | | | |
| Unrestricted Current Fund Revenue | \$237,717,117 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ | 237,717,117 |
| Student Fees - Restricted | - | - | - | - | - | 1,147,513 | - | - | 1,147,513 |
| Local Appropriations - Restricted | - | - | - | - | - | 4,982 | - | - | 4,982 |
| Federal Grants And Contracts - Restricted | - | 71,833,221 | 820,125 | - | 1,331,279 | 341,851 | - | - | 74,326,476 |
| State Grants And Contracts - Restricted | - | 1,376,873 | 37,620 | - | 468,034 | - | - | - | 1,882,527 |
| Private Gifts, Grants And Contracts - Restricted | - | 15,765,864 | 153,079 | 44,479 | 2,727,089 | - | - | - | 18,690,511 |
| Endowment And Investment Income - Restricted | - | 691,142 | 28,773 | 2,253,627 | 523,275 | 982,465 | - | - | 4,479,282 |
| Interest And Late Fees On Loans Receivable | - | - | 984,590 | - | - | - | - | - | 984,590 |
| Sales & Services Of Educational Depts.-Restricted | - | 42,444 | 127 | - | 2,162 | 5,951 | - | - | 50,684 |
| Retirement Of Indebtedness | - | - | - | - | - | - | 28,200,759 | - | 28,200,759 |
| Expended For Plant Facilities-Plant Funds | - | - | - | - | 4,721 | - | 48,964,176 | - | 48,968,897 |
| Debt Issuance | - | - | - | - | 1,508,218 | - | - | - | 1,508,218 |
| Other Additions | 1,824,453 | 72,585 | 175,087 | 43,834 | 839,202 | 2,616,743 | 748,585 | - | 6,320,489 |
| Proceeds From Escrow | - | - | - | - | - | 648,250 | - | - | 648,250 |
| Total Revenues And Other Additions | 239,541,570 | 89,782,129 | 2,199,401 | 2,341,940 | 7,403,980 | 5,747,755 | 77,913,520 | - | 424,930,295 |
| Expenditures And Other Deductions: | | | | | | | | | |
| Education And General Expenditures | 313,412,333 | 93,911,199 | - | - | - | 6,951 | - | - | 407,330,483 |
| Auxiliary Enterprises Expenditures | 68,214,447 | 270,396 | - | - | - | - | - | - | 68,484,843 |
| Indirect Costs Recovered | 1,775,598 | 7,745,879 | 50,585 | - | - | - | - | - | 9,572,062 |
| Refunds To Grantors | 4,804 | 6,693 | 4,780 | - | - | - | - | - | 16,277 |
| Loan Cancellations And Write-Offs | - | - | 319,571 | - | - | - | - | - | 319,571 |
| Administrative And Collection Costs | - | - | 50,198 | - | - | 1,372 | - | - | 51,570 |
| Expended For Plant Facilities | - | - | - | - | 25,756,387 | - | - | - | 25,756,387 |
| Retirement Of Indebtedness | - | - | - | - | - | 5,299,191 | 176,667 | - | 5,475,858 |
| Interest On Indebtedness | - | - | - | - | - | 3,969,287 | 2,498 | - | 3,971,785 |
| Trustee Fees | - | - | - | - | - | 133,226 | - | - | 133,226 |
| Disposal Of Plant Facilities | - | - | - | - | - | - | 16,474,817 | - | 16,474,817 |
| Debt Issuance | - | - | - | - | - | - | 26,633,639 | - | 26,633,639 |
| Other Deductions | 413,914 | 141,993 | 80,389 | 28,117 | 566,625 | 1,000 | 933,246 | - | 2,165,284 |
| Total Expenditures And Other Deductions | 383,821,096 | 102,076,160 | 505,523 | 28,117 | 26,323,012 | 9,411,027 | 44,220,867 | - | 566,385,802 |
| Transfers Among Funds And Other Additions (Deductions): | | | | | | | | | |
| Mandatory: | | | | | | | | | |
| Loan Matching Fund | (166,705) | (199) | 166,904 | - | - | - | - | - | - |
| Principal And Interest - Unrestricted | (991,075) | - | - | - | - | 991,075 | - | - | - |
| Principal And Interest - Auxiliary | (4,061,611) | - | - | - | - | 4,061,611 | - | - | - |
| Principal And Interest - Hospital | - | - | - | - | - | - | - | - | - |
| Nonmandatory Interfund Transfers | (2,747,985) | 697,990 | 15,299 | (1,075,238) | 7,699,064 | (4,435,854) | (153,276) | - | - |
| Operating Transfers In | 161,601,156 | 11,837,028 | 13,822 | - | 11,084,360 | - | - | - | 184,536,366 |
| Operating Transfers In From Component Units | - | 157,672 | - | - | - | - | - | - | 157,672 |
| Total Transfers And Other Additions (Deductions) | 153,633,780 | 12,692,491 | 196,025 | (1,075,238) | 18,783,424 | 616,832 | (153,276) | - | 184,694,038 |
| Net Increase (Decrease) In Fund Balance | 9,354,254 | 398,460 | 1,889,903 | 1,238,585 | (135,608) | (3,046,440) | 33,539,377 | - | 43,238,531 |
| Fund Balances - Beginning Of Year As Restated | 31,570,305 | 8,563,947 | 39,765,675 | 22,359,339 | 17,846,865 | 15,015,969 | 738,223,203 | - | 873,345,303 |
| Fund Balance - End Of Year | \$ 40,924,559 | \$ 8,962,407 | \$41,655,578 | \$ 23,597,924 | \$ 17,711,257 | \$ 11,969,529 | \$771,762,580 | \$ | 916,583,834 |

The Accompanying Notes Are An Integral Part Of The Financial Statements

STATE OF NORTH DAKOTA
Interim 1997-1999 Biennium Combined Statement Of Revenues, Expenditures And Other Financing Sources (Uses)
Budget And Actual (Budgetary Basis) - General Fund And Other Budgeted Income
For The Fiscal Year Ended June 30, 1998

| | Approved Budget 1997-99 Biennium | Appropriation Adjustments 1997-99 Biennium | Adjusted Budget 1997-99 Biennium | Actual Biennium To Date Thru 6-30-98 | Difference Uncollected/ Unspent Thru 6-30-98 |
|--|---|---|---|---|---|
| Revenues | | | | | |
| General Fund | | | | | |
| Sales And Use Tax | \$ 674,592,000 | | \$ 674,592,000 | \$ 319,584,864 | \$ (355,007,136) |
| Income Tax | 422,615,000 | | 422,615,000 | 243,036,740 | (179,578,260) |
| Business Privilege Tax | 4,000,000 | | 4,000,000 | 2,826,325 | (1,173,675) |
| Oil And Gas Production Tax | 35,313,730 | | 35,313,730 | 15,744,940 | (19,568,790) |
| Oil Extraction Tax | 23,426,000 | | 23,426,000 | 9,373,218 | (14,052,782) |
| Insurance Premium Tax | 33,840,000 | | 33,840,000 | 17,357,574 | (16,482,426) |
| Cigarette, Cigar And Tobacco Tax | 45,490,000 | | 45,490,000 | 22,694,602 | (22,795,398) |
| Wholesale Liquor Tax | 10,594,971 | | 10,594,971 | 5,283,309 | (5,311,662) |
| Coal Severance Tax | 22,311,000 | | 22,311,000 | 11,065,648 | (11,245,352) |
| Coal Conversion Tax | 23,871,000 | | 23,871,000 | 11,790,623 | (12,080,377) |
| Gaming Tax | 22,625,000 | | 22,625,000 | 11,656,001 | (10,968,999) |
| Department Fees And Collections | 27,437,725 | | 27,437,725 | 17,275,343 | (10,162,382) |
| Mineral Leasing Fees | 4,800,000 | | 4,800,000 | 4,771,905 | (28,095) |
| Gas Tax Administration | 1,128,872 | | 1,128,872 | 564,436 | (564,436) |
| Interest On Public Funds | 15,356,000 | | 15,356,000 | 10,073,066 | (5,282,934) |
| Total General Fund Revenues | 1,367,401,298 | - | 1,367,401,298 | 703,098,594 | (664,302,704) |
| Other Budgeted Income | 2,544,733,567 | 316,259,921 | 2,860,993,488 | 1,325,459,996 | (1,535,533,492) |
| Total All Revenues | 3,912,134,865 | 316,259,921 | 4,228,394,786 | 2,028,558,590 | (2,199,836,196) |
| Expenditures By Line Item | | | | | |
| Salaries And Wages | 730,435,550 | 11,366,548 | 741,802,098 | 334,496,000 | 407,306,098 |
| Operating Expenses | 322,690,439 | 17,682,900 | 340,373,339 | 145,725,027 | 194,648,312 |
| Equipment | 24,800,668 | 2,601,267 | 27,401,935 | 9,338,035 | 18,063,900 |
| Capital Improvements | 83,692,367 | 30,890,057 | 114,582,424 | 31,933,495 | 82,648,929 |
| Grants | 1,802,702,588 | 150,802,443 | 1,953,505,031 | 926,199,275 | 1,027,305,756 |
| Special Line Items | 1,001,957,317 | 108,400,675 | 1,110,357,992 | 547,911,180 | 562,446,812 |
| Total Expenditures By Line Item | 3,966,278,929 | 321,743,890 | 4,288,022,819 | 1,995,603,012 | 2,292,419,807 |
| Expenditures By Source | | | | | |
| General Fund | 1,480,911,612 | 5,483,969 | 1,486,395,581 | 703,217,350 | 783,178,231 |
| Other Budgeted Income | 2,485,367,317 | 316,259,921 | 2,801,627,238 | 1,292,385,662 | 1,509,241,576 |
| Total Expenditures By Source | 3,966,278,929 | 321,743,890 | 4,288,022,819 | 1,995,603,012 | 2,292,419,807 |
| Revenues Over (Under) Expenditures | | | | | |
| General Fund | (113,510,314) | (5,483,969) | (118,994,283) | (118,756) | 118,875,527 |
| Other Budgeted Income | 59,366,250 | - | 59,366,250 | 33,074,334 | (26,291,916) |
| Other Financing Sources (Uses) | | | | | |
| General Fund - Transfers In | 67,694,725 | | 67,694,725 | 40,197,870 | (27,496,855) |
| General Fund - Transfers Out | (8,328,475) | | (8,328,475) | (7,123,536) | 1,204,939 |
| Other Budgeted Income - Transfers In | 8,328,475 | | 8,328,475 | 7,123,536 | (1,204,939) |
| Other Budgeted Income - Transfers Out | (67,694,725) | | (67,694,725) | (40,197,870) | 27,496,855 |
| Revenues And Other Sources Over (Under) Expenditures And Other Uses | | | | | |
| General Fund | (54,144,064) | (5,483,969) | (59,628,033) | 32,955,578 | 92,583,611 |
| Other Budgeted Income | - | - | - | - | - |
| Beginning Budgetary General Fund Balance, as adjusted | 65,000,000 | 5,572,323 | 70,572,323 | 70,215,228 | (357,095) |
| Ending Budgetary General Fund Balance | \$ 10,855,936 | \$ 88,354 | \$ 10,944,290 | \$ 103,170,806 | \$ 92,226,516 |

The Accompanying Notes Are An Integral Part Of The Financial Statements



A drive through the Turtle Mountain Region of North Dakota almost always promises a glimpse of many species of wildlife.

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NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year ended June 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The primary authority for the State's accounting and reporting requirements is the Office of Management and Budget. The Office of Management and Budget has adopted the pronouncements of the Governmental Accounting Standards Board (GASB) which is the nationally accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements of the University System Funds have been prepared in conformity with generally accepted accounting principles for Colleges and Universities as prescribed by the National Association of College and University Business Officers and the American Institute of Certified Public Accountants. The more significant of the State's accounting policies are as follows:

A. Reporting Entity

For financial reporting purposes, the State of North Dakota has included all funds, organizations, account groups, agencies, boards and commissions that make up its legal entity. The State has also included all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State.

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

Blended Component Unit

These component units are entities which are legally separate from the State, but are so intertwined with the State that they are, in substance, the same as the State. They are reported as part of the State and blended into the appropriate fund types and account groups.

- **Building Authority (Debt Service Fund, Capital Projects Fund and Account Groups)** - The Building Authority was created by the Legislature as a separate instrumentality of the State. Its purpose is to promote the general welfare of the citizens of the State by providing financing for use by the State in altering, repairing, maintaining or constructing buildings and making any improvements connected to State buildings. The Industrial Commission is the governing board of the Building Authority. The funds and account groups of the Building Authority were audited by other independent auditors for the

fiscal year ended June 30, 1998, and their report dated September 18, 1998, has been previously issued under a separate cover.

- **University System - North Dakota State University Research Foundation and University of North Dakota Aerospace Foundation.** Each of these component units are legally separate entities. The component units provide services, including providing financing, entirely or almost entirely to the University System. The financial information of the North Dakota State University Research Foundation is on the Higher Education computer network and as such is subject to audit by the North Dakota State Auditor's Office. Other independent public accounts audit the University of North Dakota Aerospace Foundation.

Discretely Presented Component Units

These component units are entities which are legally separate from the State, but are financially accountable to the State. The component units columns of the combined financial statements include the financial data of these entities.

- **Comprehensive Health Association (Proprietary Fund Type)** - The Association was established by the Legislature with participating membership consisting of those insurance companies, licensed or authorized to do business in the State. It provides low cost access to health insurance coverage for residents of the State who are denied adequate health insurance and are considered uninsurable. The Association is governed by a board of eight members of which five are representatives of the State. The Association was audited by other independent auditors for the calendar year ended December 31, 1997, and their report dated February 17, 1998, has been previously issued under a separate cover.
- **North Dakota Development Fund, Inc. (Proprietary Fund Type)** - The Development Fund was established as a statewide nonprofit development corporation with the authority to take equity positions in; to provide loans to; or to use other innovative financing mechanisms to provide capital for new or expanding businesses in North Dakota or relocating businesses to North Dakota. The corporation is managed by a board of directors consisting of eight members, all of whom are appointed by the Governor. The Fund was audited by other independent auditors for the fiscal year ended June 30, 1998, and their report dated August 12, 1998, has been previously issued under a separate cover.
- **Municipal Bond Bank (Proprietary Fund Type)** - The Bond Bank was created by the Legislature as a separate agency of the State. The purpose of the Bond Bank is to make funds available for borrowing by North Dakota political subdivisions through the issuance of its bonds and the purchase of municipal securities of the political subdivisions. The Bond Bank has been granted all powers required in order to accomplish this purpose and is under the control and management of the Industrial Commission. The Fund was audited by other independent auditors for the calendar year ended December 31, 1997, and their report dated March 6, 1998, has been previously issued under a separate cover.
- **Technology Transfer, Inc. (Proprietary Fund Type)** - Technology Transfer was organized as a nonprofit

corporation for the purpose of providing a program and budgetary interface between the Department of Economic Development and Finance and the North Dakota University System. The primary objective of the interface is to focus the intellectual and technical resources of the University System on the discovery, development and application of scientific and technological principles and concepts on North Dakota's primary sector business. The corporation is managed by a seven member board; three of whom are appointed by the Governor, and the remainder are representatives of the primary government. The Fund was audited by other independent auditors for the fiscal year ended June 30, 1998, and their report dated September 10, 1998, has been previously issued under a separate cover.

Complete financial statements for each of these individual component units may be obtained at the entity's administrative offices as follows:

Building Authority
600 E. Boulevard, 10th Floor
Bismarck, ND 58505-0310

North Dakota State University Research Foundation
1200 N. University Drive
P.O. Box 5790
University Station
Fargo, ND 58105

University of North Dakota Aerospace Foundation
4201 University Avenue
Grand Forks, ND 58202

Comprehensive Health Association
4510 13th Avenue SW
Fargo, ND 58108

North Dakota Development Fund, Inc.
1833 E. Bismarck Expressway
Bismarck, ND 58504

Municipal Bond Bank
418 E. Broadway Ave., Suite 246
Bismarck, ND 58501

Technology Transfer, Inc.
1833 E. Bismarck Expressway
Bismarck, ND 58504

B. Fund Accounting Structure

The State uses funds and account groups to report on the financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets (General Fixed Assets Account Group) and liabilities (General Long-Term Debt Account Group). These long-term assets and liabilities are not recorded in the governmental funds because they do not directly affect expendable available financial resources. Funds are classified into three categories: Governmental, Proprietary,

and Fiduciary. Each category, in turn, is divided into separate "fund types." These fund categories and types are presented below:

Governmental Funds

Governmental funds include:

General Fund is the principal operating fund of the State. It is used to account for all financial resources which are not accounted for in other funds.

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds account for resources obtained and used for the payment of interest and principal on revenue bonds which are funded primarily through taxes.

Capital Projects Funds account for resources obtained and used for the acquisition, construction or improvement of certain capital facilities (except those financed by non-governmental funds). Such resources are derived principally from proceeds of revenue bonds.

Proprietary funds

Proprietary funds include:

Enterprise Funds account for those business-like State activities that provide goods/services to the public, financed primarily through user charges. They are also used to account for operations where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability and other purposes.

Internal Service Funds account for the financing of goods and/or services provided by one department or agency to another department or agency of a government, or to other governments, on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary funds include:

Pension Trust Funds account for the transactions, assets, liabilities, and fund equity of the State Retirement systems. Pension Trust Funds are accounted for in essentially the same manner as Proprietary funds.

Investment Trust Funds account for the transactions, assets, liabilities, and fund equity of the external pool participants (City of Bismarck RIO Investments). Investment Trust Funds are accounted for in essentially the same manner as Proprietary funds. A publicly available financial report may be obtained by writing to the Retirement and Investment Office, 1930 Burnt Boat Drive, Bismarck, ND 58501.

Nonexpendable Trust Funds account for those trusts where only the earnings, but not the principal, may be expended. Nonexpendable Trust Funds are accounted for in essentially the same manner as Proprietary funds.

Expendable Trust Funds represent those trust funds whose resources, including both principal and earnings, may be expended. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds.

Agency Funds account for assets held by the State as an agent for other governmental units, or other organizations, and do not involve measurement of results of operations.

Account Groups

Account Groups consists of the following:

The General Fixed Asset Account Group is used to account for land, buildings, equipment, and construction in progress of the governmental fund and similar trust fund types. Fixed assets of proprietary, similar trust and University System funds are accounted for separately in their respective funds.

The General Long-Term Debt Account Group is used to account for the State's unmatured long-term obligations related to revenue bonds, notes payable, claims/judgements, and compensated absences of the governmental fund types. Long-term obligations of the proprietary, nonexpendable trust and University System funds are accounted for in their respective funds.

C. Discrete Presentation - University System Funds

Financial activities of the State's University System Institutions are reported in the University System Funds. These funds use generally accepted accounting principles that apply to Colleges and Universities as contained in Audits of Colleges and Universities, published by the American Institute of Certified Public Accountants, and those standards established by the National Association of College and University Business Officers (NACUBO).

The University System Funds are presented in a separate column on the Combined Balance Sheet as a discrete presentation.

The University System Funds account for transactions related to resources received and used for the operation of the State's University System Institutions and the related medical teaching hospital. The University System Funds are an aggregation of the following funds:

Current Funds (including auxiliary enterprises) account for resources the University System Institutions may use for any purpose in carrying out their primary objectives. Restricted Current Funds include resources that donors or other outside agencies have restricted for specific current operating purposes. All other current funds are accounted for as Unrestricted Current Funds.

Loan Funds account for resources available principally for loans to students of the University System.

Endowment and Similar Funds account for endowment, term endowment and quasi-endowment transactions. Endowment and term endowment funds are similar to trust funds. The State must comply with the terms of any applicable agreements. While quasi-endowment funds have been established by the institutions for the same purposes as endowment funds, any portion of the quasi-endowment funds may be expended at the institution's discretion.

Plant Funds account for transactions involving physical properties of the University System Institutions. The Unexpended Plant subgroup accounts for monies that institutions will use to acquire physical properties in future accounting periods. The Retirement of Indebtedness subgroup includes monies to pay debt service and to retire indebtedness on institutional properties. The Investment in Plant subgroup accounts for funds that institutions have expended for (and thus have invested in) their properties and any related outstanding debt.

Agency Funds within the University System Funds account for amounts that University System Institutions hold as custodians or fiscal agents for others.

The Combined Statement of Current Funds Revenues, Expenditures and Other Changes - University System is a statement of financial activities related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

D. Basis of Accounting

The State follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard-setting body for establishing generally accepted accounting principles for governmental entities. In accordance with Governmental Accounting Standards Board Statement 20, the State, with the exception of the Bank of North Dakota, follows all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements. The Bank of North Dakota follows all applicable FASB pronouncements unless they conflict with the GASB pronouncements.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. Operating statements for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Proprietary, nonexpendable trust, pension trust, and investment trust funds are accounted for on a flow of economic resources measurement focus. This measurement focus includes all assets and liabilities associated with the operations of these funds on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital, unrealized gain or loss on investments and retained earnings components. Proprietary and similar trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The modified accrual basis of accounting is used by governmental funds and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). "Measurable" means the amount of the transaction can be determined. "Available" means due and collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Major revenues that are determined to be susceptible to accrual include interest, federal grants-in-aid, and taxpayer-assessed taxes such as income, sales, corporate, excise, motor fuel taxes and unemployment compensation contributions. Most revenues are determined to be available if collected within 30 days after fiscal year end. Revenues from fines, licenses, permits, fees and other miscellaneous taxes are recorded as revenue when received because they are generally not measurable until actually received. Deferred revenue is recorded for receivables that are measurable but not available at year end.

Expenditures generally are recorded when goods or services are received. An exception is that principal and interest on obligations reflected in the General Long-Term Debt Account Group are recorded as expenditures when due. Additional exceptions are that expenditures for compensated absences and claims and judgements reflected in the General Long-Term Debt Account Group are recorded when paid.

Agency funds are also accounted for on a modified accrual basis, but do not recognize revenues and expenditures. Agency funds account for assets received and disbursed by a government in its capacity as an agent for individuals, businesses, or other governments.

Proprietary funds, nonexpendable trust funds, and pension trust funds are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when the related liability is incurred.

The measurement focus in University System Funds is upon determination of resources received and used. The University System Funds are recorded on the accrual basis except for depreciation on fixed assets, which is not recorded, and tuition, which is accrued in the period when the session predominantly occurs.

E. General Budgetary Policies and Procedures

The State operates through a biennial appropriation which represents departmental appropriations recommended by the Governor and presented to the General Assembly at the beginning of each legislative session. The General Assembly enacts the budgets of the various State departments through passage of specific appropriation bills. The Governor has line item veto powers over all appropriations subject to legislative override.

Once passed and signed, the appropriation bill becomes the departments' financial plan for the next two years. Changes to the appropriation are limited to Emergency Commission authorization, initiative or referendum action. The Emergency Commission can authorize receipt of federal or other moneys not appropriated by the Assembly if the Assembly did not indicate an intent to reject the money. The Emergency Commission may authorize pass-through federal funds from one State agency to another. The Emergency Commission may authorize the transfer of expenditure authority between appropriated line items. Session laws that were passed by the Legislature in 1997 authorize directors of various state agencies to transfer appropriation authority among the various divisions of their specific agency, subject to the Budget Section of the North Dakota Legislative Council's approval. Unexpended appropriations lapse at the end of each biennium, except certain capital expenditures covered under the North

Dakota Century Code (NDCC), section 54-44.1-11. Beginning with the 1997 biennium, the University System's unexpended general fund appropriation authority for the previous biennium did not lapse. The institutions under the University System must use their unexpended general fund appropriation authority for capital repairs and improvements, equipment and other purposes not requiring an increase in future general fund appropriations (1997 Session Laws, Chapter 32, Section 10). The unexpended general fund authority for the experiment stations under the University System must be deposited in their special revenue funds (NDCC section 15-10-12).

The State of North Dakota does not use encumbrance accounting. The legal level of budgetary control is at the agency, appropriation and expenditure line item level, with administrative controls established at lower levels of detail in certain instances. The State does not formally budget revenues, and it does not budget by fund. The State appropriation is defined through the use of specific expenditure line items. Capital appropriations are generally made at the agency and project level.

North Dakota's Appropriation Act does not present budgets by GAAP fund. Instead, it presents budgets for:

- **The General Fund:** This fund is the general operating fund. The resources in this fund are primarily taxes. The State expends General Funds to provide traditional State government services. The General Fund line in the Appropriation Act differs somewhat from the GAAP General Fund.
- **Other Budgeted Income.** The Other Budgeted Income line in the Appropriation Act includes all other budgeted resources. Amounts in this line include non-general fund cash carryovers from the previous biennium as well as Federal and department-generated resources.

Other Budgeted Income includes some Governmental, Proprietary, and University System activities. It also includes the administrative functions of the Pension Trust activities and some Agency fund activities. It excludes Expendable and Nonexpendable Trust activities.

Cash transfers from the General Fund to the University System Institutions appear as expenditures on the 1997-1999 Biennium Combined Statement of Revenues, Expenditures and Other Financing Sources (Uses) -- Budget and Actual (Budgetary Basis) -- General Fund and Other Budgeted Income. On all other combined operating statements, however, such transfers appear as Operating Transfers from the General Fund to the University System Funds.

The accompanying financial statements include the interim 1997-1999 Combined Statement of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual (Budgetary Basis) - General Fund and Other Budgeted Income. The Other Budgeted Income category on this statement corresponds to the Other Budgeted Income line in the Appropriation Act. The General Fund category on the statement represents the difference between the Total Appropriation line and the Other Budgeted Income line in the Appropriation Act.

The State's budget is prepared principally on a modified accrual basis.

Actual amounts in the budgetary comparison statements are presented on a budgetary basis. Because these amounts differ from generally accepted accounting principles (GAAP) amounts, a reconciliation between the budgetary and GAAP amounts is presented in Note 3.

During 1998, the first year of the 1997-1999 biennium, there were supplemental appropriations of \$321,743,890.

The level of legal control for all agencies is reported in a publication titled "State of North Dakota Interim 1997-1999 Biennium Budget and Actual Detail - (Budgetary Basis) for the Fiscal Year Ended June 30, 1998." This budget information is available through the Office of Management and Budget, 600 East Boulevard Avenue Dept. 110, Bismarck, ND 58505.

F. Cash And Cash Equivalents

Cash and cash equivalents for reporting purposes includes cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. This includes investments with original maturity of three months or less. Also cash, as reported, may be under the control of the State Treasurer or by other administrative bodies as determined by law. Cash and cash equivalents are presented as "Cash Deposits at the Bank of North Dakota" and "Cash and Cash Equivalents" to present the unique nature of the relationship between the Bank of North Dakota, an enterprise fund, and other State Agencies.

Cash Deposits At The Bank Of North Dakota. State Agency cash balances, as required by law, are pooled by the State Treasurer and deposited in the Bank of North Dakota, an enterprise fund. These cash balances, in addition to other agency cash deposited at the Bank of North Dakota, are included on the Combined Balance Sheet as "Cash Deposits At The Bank Of North Dakota".

Cash And Cash Equivalents. All cash and cash equivalents, (other than cash deposits at the Bank of North Dakota), as permitted by the North Dakota Century Code, are included on the Combined Balance Sheet as "Cash And Cash Equivalents".

The State had no cash overdrafts from pooled cash and investments at June 30, 1998.

All interest revenue is allocated to the General Fund unless state law (as outlined in the North Dakota Century Code) requires allocations of interest to other funds.

G. Investments

With the exception of the Bank of North Dakota, Guaranteed Student Loan Program, State Fair, and the Municipal Bond Bank, all funds of the State record their investments in accordance with Government Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments." These other funds record their investments at amortized cost, or the lower of cost or market for equity securities (the Bank of North Dakota follows SFAS No. 115), because their fiscal years began before implementation of GASB Statement No. 31. Investments of the other funds are recorded at fair value determined by

reference to published market data for publicly-traded securities and through the use of independent valuation services and appraisals for other investments. The net appreciation in fair value of investments consists of the realized gains or losses and the unrealized appreciation or depreciation in fair value of investments during the year. Realized gains and losses on sales of investments are computed based on the difference between the sales price and the original cost of the investment sold. Unrealized appreciation or depreciation is computed based on changes in the fair value of investments between years. Security transactions are currently accounted for on a trade date basis. Interest income is recorded when earned. Dividend income is recorded on the ex-dividend date. Equity investments of the North Dakota Development Fund, Inc. and Technology Transfer (component units of the State) are stated at estimated value in absence of a readily ascertainable market value. These values are estimated by the Funds' Board of Directors. Among the factors considered by the Funds' Directors in determining the fair value of investments are the cost of the investment, developments since the acquisition of the investment, the financial condition and operating results of the issuer, the long-term potential of the business of the issuer, and other factors generally pertinent to the valuation of investments. The Funds' Directors, in making their evaluation, have relied on financial data of the investee and, in many instances, on estimates of the investee as to the potential effect of future developments. Total equity investments in the North Dakota Development Fund, Inc. and Technology Transfer are valued at approximately \$2,495,000 and \$362,000 at June 30, 1998, respectively. The Bank of North Dakota follows Statement of Financial Accounting Standards (SFAS) No. 115 "Accounting for Certain Investments in Debt and Equity Securities." The Bank classifies its securities as either available for sale or held to maturity. Under SFAS No. 115, if investments are classified as available for sale, they are carried at market value, and the unrealized holding gains and losses are recorded in fund equity. If investments are classified as held to maturity they are carried at cost, adjusted for amortization of premiums and accretion of discounts. All investments are maintained separately by fund.

Purchases of other state funds' debt issues by the Bank of North Dakota have been recorded as normal business transactions if they are the result of arms-length transactions.

Investments are presented as "Investments At The Bank Of North Dakota" and "Investments" to present the unique nature of the relationship between the Bank of North Dakota, an enterprise fund, and other State Agencies.

Investments At The Bank Of North Dakota. State agency investments, primarily certificates of deposits of the Bank of North Dakota, are included on the Combined Balance Sheet as "Investments At The Bank Of North Dakota."

Investments. State agency investments invested at financial institutions other than the Bank of North Dakota are included on the Combined Balance Sheet as "Investments."

Differences on the Combined Balance Sheet between the assets, "Cash At The Bank of North Dakota" and "Investments At The Bank Of North Dakota," and the liability, "Deposits Held for Other Funds," is attributable to timing differences resulting from the Bank of North Dakota having a different fiscal year end than many of the other State agencies.

H. Securities Lending

GASB Statement No. 28, "Accounting and Financial Reporting for Securities Lending Transactions," establishes accounting and financial reporting standards for securities lending transactions. The standard requires governmental entities to report securities lent as assets in their balance sheets. Cash received as collateral and investments made with that cash must also be reported as assets. The statement also requires the costs of the securities lending transactions to be reported as expenses separately from income received. In addition, the statement requires disclosures about the transactions and collateral related to them.

Securities are loaned versus collateral that may include cash, U.S. government securities and irrevocable letters of credit. U.S. securities are loaned versus collateral valued at 102% of the market value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral valued at 105% of the market value of the securities plus any accrued interest.

Non-cash collateral cannot be pledged or sold unless the borrower defaults.

All securities loans can be terminated on demand by either the lender or borrower. The average term of overall loans is 10 days.

Cash open collateral is invested in a short term investment pool, the Core Collateral Section, which had an average weighted maturity of 25 days as of this statement date. Cash collateral may also be invested separately in "term loans", in which case the investments match the loan term. These loans can be terminated on demand by either lender or borrower.

There were no significant violations of legal or contractual provisions, and no borrower or lending agent default losses known to the securities lending agent.

There are no dividends or coupon payments owing on the securities lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month.

Indemnification deals with the situation in which a client's securities are not returned due to the insolvency of a borrower and Northern Trust has failed to live up to its contractual responsibilities relating to the lending of those securities. Northern Trust's responsibilities include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending. Northern Trust indemnifies the State if the borrower fails to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay income distributions on them.

I. Receivables

Receivables in the State's governmental funds consist primarily of tax and federal revenues. Receivables in all other funds have arisen in the ordinary course of business. Receivables are recorded when either the asset or revenue recognition criteria has been met. Intergovernmental receivables consist primarily of receivables due from other governments (i.e. grants, taxes).

J. Loans and Notes Receivable

Loans and notes receivable are primarily loans for mortgage, agricultural development, economic development, railroad construction, construction of infrastructure and education.

K. Interfund Transactions

Due To/Due From

During the course of operations, numerous transactions occur between individual funds and component units for goods provided or services rendered. These receivables and payables are classified as "due from" or "due to" on the balance sheet in the period in which transactions are executed (see Note 4F).

Interfund Receivable/Payable

Interfund Receivables/Payables represent short-term loans made by one fund to another and appropriated transfers between the Bank of North Dakota and the State's general fund not yet made at year end (see Note 4F).

Included in interfund receivables/payables at June 30, 1998, is an appropriation payable of \$12,033,802 from the Bank of North Dakota to the State's general fund.

Advances

Advances are accounts used to report noncurrent portions of loans from one fund/component unit to another within the same reporting entity (see Note 4F).

Residual Equity Transfers

Residual equity transfers represent nonrecurring or nonroutine transfers of equity between funds (see Note 4F).

Interfund transactions have not been eliminated in the accompanying financial statements.

L. Inventories

Inventories of governmental funds are valued at cost and are recognized principally using the average cost method. Generally, the cost of governmental funds' inventories is recorded as an expenditure when consumed rather than when purchased.

Inventories of proprietary funds consist primarily of grain inventories from the North Dakota Mill and Elevator Association. Grain inventories are valued at the June 30 Minneapolis grain market values less freight costs to Minneapolis. Grain committed to production is valued at cost, and grain committed to sale is valued at net commitment price. Flour, feed and resale inventories are valued at ingredient cost plus manufacturing costs incurred in their production. Proprietary funds expense the cost of consumable supplies when used.

Generally, inventories of University System Funds are valued at the lower of cost or fair market value. Cost is generally determined on the first in/first out, or moving weighted average method. Generally, the cost of University System Funds inventories is

recorded as an expenditure when consumed rather than when purchased.

The Department of Public Instruction has food commodities inventories at June 30, 1998, valued at approximately \$1,541,280 by the USDA. All commodities received are distributed to various schools for the school lunch programs or to certain charitable institutions and non-profit organizations. This inventory is not included in the accompanying financial statements.

The Department of Corrections has federal commodities inventories as of June 30, 1998, valued at approximately \$1,066. This inventory is not included in the accompanying financial statements.

The Department of Human Services has approximately \$2.3 million in food stamp inventory which is included in the special revenue federal fund inventory.

M. Unamortized Bond Issuance Costs

In governmental fund types, issuance costs are recognized in the operating statements when incurred. Bond premiums, discounts and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. The unamortized discount is shown on the balance sheet as a reduction of the bonds payable, and the amortization is included in the statement of revenues, expenses and changes in fund balance as interest expense.

N. Fixed Assets

Fixed assets are valued at historical cost or at estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date of donation. Where necessary, estimates of original cost are derived by factoring price levels from the current period to the time of acquisition. Library books are not capitalized as fixed assets except for the University System.

Equipment with a cost of \$750 or more (excluding computer software which must have a cost of \$1,500 or more) and all other fixed assets with a cost of \$1,500 or more per unit are capitalized and reported in the accompanying general purpose financial statements. Fixed asset costs include the purchase price or construction cost, plus those costs necessary to place the asset in its intended location and condition for use. In governmental funds, interest costs on self-constructed assets are not capitalized. In proprietary and similar trust funds, interest costs (if material) on self-constructed assets are included in the cost. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. Normal maintenance and repair costs that do not materially add to the value or extend the life of the asset are not capitalized.

Infrastructure consists of major state-wide public systems and items attached thereto such as freeways, freeway lighting systems, freeway drainage systems, freeway signs, bridges,

bridge lighting systems, and sewer systems. Infrastructure is not capitalized in the financial statements.

Fixed assets in governmental funds are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and related assets are reported in the General Fixed Assets Account Group. Depreciation on general fixed assets is not recorded.

Fixed assets used in proprietary and nonexpendable trust funds are accounted for in the fund in which they are utilized. Depreciation of fixed assets used in proprietary funds is recorded as an operating expense, and accumulated depreciation is reported on the balance sheet. Depreciation is computed using the straight-line method with estimated useful lives for buildings extending to fifty years. Furnishings and equipment, other improvements, and miscellaneous fixed assets are depreciated using estimated useful lives of three to forty years.

University System Funds record expenditures when they acquire fixed assets and capitalize those assets within their plant funds. These funds capitalize interest expenditures during construction but do not record depreciation. Current Funds used to finance plant assets are accounted for as (1) expenditures for normal replacement of movable equipment and library books, (2) mandatory transfers for required provisions for debt amortization/interest and equipment rental and replacement and (3) transfers of a nonmandatory nature for all other cases.

O. Lease Commitments

The State leases land, office facilities, office and computer equipment, and other assets. Leases are classified according to FASB 13. Many of these leases have fiscal funding clauses; however, these clauses have no effect on classifying these leases for accounting purposes. Leases which represent acquisitions are classified as capital leases, and the related assets and liabilities are recorded in the general purpose financial statements at the inception of the lease. Other leases are classified as operating leases with the lease payments recorded as expenditures or expenses during the life of the lease.

P. Federal Funds Purchased

Federal funds purchased represent federal funds borrowed by the Bank Of North Dakota from member banks generally on an overnight basis at the federal funds rate.

Q. Claims/Judgements Payable

Claims/Judgements Payable are primarily Workers Compensation Claims Incurred But Not Yet Reported (IBNR) by the claimants as well as claims related to various litigation matters. Claims and judgements for governmental funds are reflected entirely in the General Long-Term Debt Account Group and not in individual funds, as the liability is not expected to be liquidated with expendable available financial resources.

R. Compensated Absences**Annual Leave**

State employees accrue vested annual leave at a variable rate based on years of service. Teachers employed by the State do not receive annual leave. In general, accrued annual leave cannot exceed 30 days at each year end, as set by the agency. The amount of annual leave earned ranges between one and two days per month, and is fixed by the employing unit per section 54-06-14 of the NDCC.

Governmental and expendable trust funds recognize annual leave when the liability is incurred and payable from available expendable resources. Annual leave liability incurred but not payable from available expendable resources is accounted for in the General Long-Term Debt Account Group. These unpaid amounts will be paid from expendable resources provided for in the budget of future years. Proprietary funds and similar trust funds recognize the expense and accrued liability when the annual leave is earned.

Sick Leave

The North Dakota Century Code, section 54-06-14, states employees accrue sick leave at the rate of one to a maximum of one and one-half working days per month of employment without limitation on the amount that can be accumulated. Employees vest at 10 years of creditable service, at which time the State is liable for 10 percent of the employee's accumulated unused sick leave. A liability for accumulated sick leave has been recorded in the accompanying general purpose financial statements.

Compensated absences for governmental funds are reflected entirely in the General Long-Term Debt Account Group and not in individual funds as the liability is not expected to be liquidated with expendable available financial resources.

S. Deposits

The following two liability line items are presented in the Combined Balance Sheet:

Deposits Held For Other Funds. "Deposits Held For Other Funds" are those deposits held by the Bank of North Dakota for other funds included in the reporting entity.

Other Deposits. "Other Deposits" are those deposits held by the Bank of North Dakota for non-reporting entity third parties. It also includes deposits held for students of the University System.

Differences on the Combined Balance Sheet between the liability "Deposits Held for Other Funds" and the assets "Cash Deposits and Investments At The Bank Of North Dakota" are attributable to timing differences resulting from the Bank of North Dakota having a different accounting year end than many other State Agencies.

T. Deferred Revenue

Deferred revenues arise when a potential revenue does not meet the "available" criteria for revenue recognition in the current period. Deferred revenues also arise when resources are received by the State before it has a legal claim to them, as when

grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the State has a legal claim to the resources, the deferred revenue is recognized as revenue.

U. Miscellaneous Revenue

Miscellaneous revenue is comprised primarily of grants from private foundations, sale of confiscated property and other nonrecurring revenues.

V. Fund Equity

Fund balance represents the difference between fund assets and fund liabilities for governmental and trust funds.

Retained earnings represents the accumulated earnings of enterprise and internal service funds.

Generally, reserves for governmental funds are established to indicate a claim against assets or for other reasons, certain assets are not available for discretionary appropriation. Designated funds represent tentative plans for future use of financial resources.

Contributed capital is recorded in proprietary funds that have received contributions from the public or nonoperating transfers from other funds.

W. Totals (Memorandum Only) Column

Total columns (memorandum only) have been added to certain statements for the primary government and the reporting entity. The total columns include interfund activity and are not comparable to consolidated financial statements, but are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. The primary government includes all funds, organizations, account groups, agencies, boards, commissions, and authorities that are not legally separate from the State. The reporting entity includes the primary government and all of its component units.

X. Change in Accounting Principles

GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," effective for fiscal years beginning after June 15, 1997, establishes accounting and financial reporting for all investments held by external investment pools. For most investments held by other government entities, it establishes fair value standards. The effect of GASB 31 on the State is that investments are now reported at fair value on the balance sheet and all changes in the fair value of investments are reported as revenue in the operating statements.

GASB 31 has also established accounting and financial reporting standards for governmental entities that sponsor one or more external investment pools. The external portion of each pool should be reported as an investment trust fund that reports transactions and balances using the economic resources measurement focus and the accrual basis of accounting. The

effect on the State's financial statements was to create an Investment Trust Fund for the City of Bismarck RIO Investments Fund, previously reported as an agency fund.

See Note 2 for the effect of GASB 31 on beginning fund equity.

NOTE 2 - RESTATEMENTS

Certain restatements of fund equity balances, as of June 30, 1997, as discussed below, have been reflected in the General Purpose Financial Statements.

The Land Maintenance Fund beginning fund balance was decreased by \$250,745 to correct a previous practice of classifying excess cash as fee revenue.

The Land and Mineral Fund beginning fund balance was increased by \$82,661 to correct the understatement of revenues from previous periods.

Pursuant to GASB 31, the following beginning fund equities were increased to reflect the change from amortized cost to fair value of beginning investment balances:

| | | |
|-----------------|----|------------|
| Coal Severance | \$ | 14,133 |
| Student Loan | | 415,899 |
| Housing Finance | | 5,473,000 |
| Risk Management | | 12,173 |
| Land Department | | 28,435,033 |

State Approving Fund was reclassified from an agency fund of the University System to a special revenue fund (Education). The amount of the fund balance reclassified was \$61,166.

The Lignite Research Fund beginning fund balance was increased by \$112,828 to account for activity that was previously not accounted for on the State's accounting system. This fund is a special revenue fund.

Public Services Valuation Fund was reclassified from the Natural Resources special revenue fund to the Regulatory special revenue fund. The amount of fund balance reclassified was \$5,151.

The Lignite Research Fund beginning fund balance was decreased by \$42,113 to correct previous activity that was not accounted for in their financial statements. This fund is recorded as a debt service fund.

The beginning fund balance of the Water Commission Fund was increased by \$574,730. There was no financial information that was reported for bonds that had a closing date of May 22, 1997. This fund is accounted for as a debt service fund.

The beginning fund balance of the Water Commission Fund was increased by \$6,107,513. As stated in the previous paragraph, financial information was not available for bonds that had a closing date of May 22, 1997. This fund is accounted for as a capital projects fund.

The PERS Uniform Group Insurance beginning retained earnings was increased by \$1,294,576. NDCC 54-52.1-06 requires that any excess amount received by this program must be used to reduce the amount of premium amounts paid monthly by the enrolled eligible employees or to provide increased insurance coverage. In prior years, the total amount held by the insurance providers was reported as amounts held in custody for others on the balance sheet.

The Guaranteed Student Loan beginning retained earnings was increased by \$326,588 to adjust for the recovery of amounts which had previously been paid to the Bank of North Dakota for the amount of mark-up on services and administrative costs. In addition, Guaranteed Student Loan did not previously provide for an allowance for future loan losses for the portion of claims that are not covered by federal reinsurance.

The Bank of North Dakota's beginning retained earnings was decreased by \$661,000 resulting from the repayment of amounts which had previously been received from Guaranteed Student Loan for the amount of the mark-up on services and administrative costs.

The City of Bismarck RIO Investment Fund beginning fund equity was reclassified to an investment trust fund. Pursuant to GASB 31, an external pool participant should be classified as an investment trust fund. The effect was to increase beginning fund equity in the investment trust fund by \$24,240,515. GASB 31 had the following effect on beginning balances in the agency fund student and other: Investments (\$28,198,929); Interest Receivable (\$37,154); Accounts Payable (\$18,959); Securities Lending collateral (\$3,976,609); and Amounts Held In Custody For Others (\$24,240,515).

Pursuant to GASB 31, the University System has restated certain investments at fair value for reporting purposes, resulting in an increase in beginning fund balance of \$2,978,854. Additionally the beginning fund balance incorrectly included the gain from a land sale by the University of North Dakota Aerospace Foundation, a decrease to the beginning fund balance of \$2,828,313.

STATE OF NORTH DAKOTA

Notes To The Financial Statements

The following schedule reconciles the original July 1, 1997, Budgetary General Fund Balance as adopted by the Legislative Assembly and all approved carryovers, cash transfers and non-appropriated uses (expressed in thousands):

| | Approved Budget 1997-99 Biennium | Appropriation Adjustment 1997-99 Biennium | Adjusted Budget 1997-99 Biennium | Actual Biennium To Date | Difference Uncollected/ Unspent Thru 6/30/98 |
|--|---|--|---|-------------------------------|---|
| Budgetary General Fund Balance, July 1, 1997 | \$ 65,000 | \$ - | \$ 65,000 | \$ 88,984 | \$ 23,984 |
| Authorized 1995-97 Appropriation Carryovers | - | 5,572 | 5,572 | - | (5,572) |
| Net Authorized 1995-97 Cash Transfers | - | - | - | (18,727) | (18,727) |
| Net Non-Appropriated Sources and Uses | - | - | - | (42) | (42) |
| Budgetary General Fund Balance, July 1, 1997, As Adjusted | <u>\$ 65,000</u> | <u>\$ 5,572</u> | <u>\$ 70,572</u> | <u>\$ 70,215</u> | <u>\$ (357)</u> |

Restatement for these funds are summarized in the following table (expressed in thousands):

| | June 30, 1997 Fund Balance/Equity As Previously Reported | Increase/(Decrease) For Restatement | July 1, 1997 Fund Balance/Equity As Restated |
|---------------------------------|--|--|--|
| Primary Government Funds | | | |
| Special Revenue Funds: | | | |
| Land Maintenance | \$ 408 | \$ (251) | \$ 157 |
| Land and Mineral | 5,411 | 83 | 5,494 |
| Coal Severance | 50,269 | 14 | 50,283 |
| Education | 7,259 | 61 | 7,320 |
| Natural Resources | 9,489 | 108 | 9,597 |
| Regulatory | 936 | 5 | 941 |
| Total | <u>\$ 73,772</u> | <u>\$ 20</u> | <u>\$ 73,792</u> |
| Debt Service Funds: | | | |
| Lignite Research | \$ 882 | \$ (42) | \$ 840 |
| Water Commission | - | 575 | 575 |
| Total | <u>\$ 882</u> | <u>\$ 533</u> | <u>\$ 1,415</u> |
| Capital Projects Fund: | | | |
| Water Commission | <u>\$ -</u> | <u>\$ 6,108</u> | <u>\$ 6,108</u> |

STATE OF NORTH DAKOTA

Notes To The Financial Statements

| | June 30, 1997 Fund Balance/Equity As Previously Reported | Increase/(Decrease) For Restatement | July 1, 1997 Fund Balance/Equity As Restated |
|---------------------------------------|--|--|--|
| Enterprise Funds: | | | |
| PERS Uniform Group Insurance | \$ 1,051 | \$ 1,294 | \$ 2,345 |
| Guaranteed Student Loan | 10,729 | 326 | 11,055 |
| Student Loan | 61,624 | 416 | 62,040 |
| Bank of North Dakota | 99,138 | (661) | 98,477 |
| Housing Finance | 23,004 | 5,473 | 28,477 |
| Total | \$ 195,546 | \$ 6,848 | \$ 202,394 |
| Internal Service Funds: | | | |
| Risk Management | \$ (173) | \$ 12 | \$ (161) |
| Nonexpendable Trust Funds: | | | |
| Land Department Permanent | \$ 413,633 | \$ 28,435 | \$ 442,068 |
| Investment Trust Funds: | | | |
| City of Bismarck RIO Investment | \$ - | \$ 24,241 | \$ 24,241 |
| University System | \$ 873,195 | \$ 150 | \$ 873,345 |
| Budgetary General Fund Balance | \$ 88,984 | \$ (18,769) | \$ 70,215 |

NOTE 3 - BUDGET TO GAAP RECONCILIATION

Budgetary Basis vs. GAAP

The accompanying Interim 1997-1999 Statement of Revenues, Expenditures and Other Financing Sources (Uses) - Budget and Actual - General Fund and Other Budgeted Income presents comparisons of the legally adopted budget with actual data on a budgetary basis. Since the budgetary and GAAP presentations of actual data differ, a reconciliation of the two is presented below for the fiscal year ended June 30, 1998 (expressed in thousands):

| | Actual (*) Biennium To Date Thru 6/30/98 (Budgetary Basis) | Non- Appropriated Expenditures | Non- Appropriated Accruals | Difference(**) In Basis | GAAP(***) Fiscal Year 1998 Expenditures |
|----------------------------|--|--------------------------------------|----------------------------------|----------------------------|---|
| General | \$ 710,341 | \$ 25,208 | \$ 5,586 | \$ - | \$ 741,135 |
| Special Revenue | 1,026,287 | 33,528 | 5,772 | - | 1,065,587 |
| Debt Service | - | 10,525 | - | - | 10,525 |
| Capital Projects | 530 | 11,706 | - | - | 12,236 |
| Enterprise | 60,088 | 345,056 | - | 2,211 | 407,355 |
| Internal Service | 38,698 | 1,125 | - | (5,742) | 34,081 |
| Expendable Trust | - | 40,363 | - | - | 40,363 |
| Nonexpendable Trust | - | 27,542 | - | - | 27,542 |
| Pension Trust | 1,315 | 82,893 | - | - | 84,208 |
| Agency | 46,510 | - | - | (46,510) | - |
| University System | 158,910 | 407,476 | - | - | 566,386 |
| Total - Primary Government | 2,042,679 | 985,422 | 11,358 | (50,041) | 2,989,418 |
| Component Units | 245 | 15,852 | - | 39 | 16,136 |
| Total - Reporting Entity | \$ 2,042,924 | \$ 1,001,274 | \$ 11,358 | \$ (50,002) | \$ 3,005,554 |

(*) Actual For 1997-1999 Biennium Expenditures Includes:

| | |
|---------------------------------------|---------------------|
| Appropriated Expenditures | \$ 1,995,603 |
| General Fund - Transfers Out | 7,123 |
| Other Budgeted Income - Transfers Out | 40,198 |
| | <u>\$ 2,042,924</u> |

STATE OF NORTH DAKOTA

Notes To The Financial Statements

| | | | | |
|-----------------------------------|-------------------|-------------------------|--------------------|------------------------|
| (**)Difference in Basis Includes: | <u>Enterprise</u> | <u>Internal Service</u> | <u>Agency</u> | <u>Component Units</u> |
| Appropriated Expenditures | \$ - | \$ - | \$ (46,510) | \$ - |
| Capital Acquisitions | (1,132) | (13,161) | - | (82) |
| Depreciation | 3,343 | 7,419 | - | 121 |
| Total | <u>\$ 2,211</u> | <u>\$ (5,742)</u> | <u>\$ (46,510)</u> | <u>\$ 39</u> |

(***) GAAP Expenditures Reconciliation:

| | Total Expenditures/ Operating Expenses | Operating Transfers Out | Operating Transfers To Component Units | Operating Transfers To Primary Government | Nonoperating Interest Expense | Residual Equity Transfer Out | GAAP Fiscal Year 1998 Expenditures |
|----------------------------|---|----------------------------|---|--|-------------------------------------|------------------------------------|---|
| General | \$ 534,998 | \$ 204,932 | \$ 1,205 | \$ - | \$ - | \$ - | \$ 741,135 |
| Special Revenue | 1,010,591 | 54,996 | - | - | - | - | 1,065,587 |
| Debt Service | 10,525 | - | - | - | - | - | 10,525 |
| Capital Projects | 6,757 | 5,478 | - | - | - | 1 | 12,236 |
| Enterprise | 382,562 | 12,974 | - | - | 9,128 | 2,691 | 407,355 |
| Internal Service | 33,828 | - | - | - | 253 | - | 34,081 |
| Expendable Trust | 38,424 | 1,939 | - | - | - | - | 40,363 |
| Nonexpendable | 2,165 | 25,377 | - | - | - | - | 27,542 |
| Pension Trust | 84,208 | - | - | - | - | - | 84,208 |
| Agency | - | - | - | - | - | - | - |
| University System | 566,386 | - | - | - | - | - | 566,386 |
| Total - Primary Government | 2,670,444 | 305,696 | 1,205 | - | 9,381 | 2,692 | 2,989,418 |
| Component Units | 15,978 | - | - | 158 | - | - | 16,136 |
| Total - Reporting Entity | <u>\$ 2,686,422</u> | <u>\$ 305,696</u> | <u>\$ 1,205</u> | <u>\$ 158</u> | <u>\$ 9,381</u> | <u>\$ 2,692</u> | <u>\$ 3,005,554</u> |

NOTE: University expenditures equal "Total Expenditures And Other Deductions" for all funds on the Combined Statement of Changes in Fund Balance.

NOTE 4 - DETAILED NOTES ON ACCOUNT BALANCES

A. Deposits

State law generally requires that all State funds be deposited in the Bank of North Dakota. NDCC 21-04-02 provides that public funds belonging to or in the custody of the State shall be deposited in the Bank of North Dakota. Also, NDCC 6-09-07 states, "All State funds must be deposited in Bank of North Dakota . . ." or must be deposited in accordance with constitutional and statutory provisions.

The following summary presents the amount of the State's deposits which are fully insured or collateralized with securities held by the State or by its agent in the State's name (Category 1), those deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the State's name (Category 2) and those deposits which are not collateralized or are collateralized by the pledging financial institution trust or agent, but not in the State's name (Category 3) at June 30, 1998. Funds deposited at the Bank of North Dakota are not credit risked since the Bank is part of the State's reporting entity. The amounts are expressed in thousands.

Primary Government:

Category

| | <u>1</u> | <u>2</u> | <u>3</u> | Total Bank Balance | Carrying Amount |
|--|------------------|--------------|-------------------|-----------------------|--------------------|
| Cash Deposits | \$ 15,792 | \$ 21 | \$ 277,983 | \$ 293,796 | \$ 390,084 |
| Certificates of Deposit Recorded as Investments | 2,361 | \$ - | 1,692 | 4,053 | 4,373 |
| Total | <u>\$ 18,153</u> | <u>\$ 21</u> | <u>\$ 279,675</u> | <u>\$ 297,849</u> | <u>\$ 394,457</u> |

STATE OF NORTH DAKOTA

Notes To The Financial Statements

University System:

| | Category | | | Total | Carrying |
|--|------------------|-------------|---------------|---------------------|-----------------|
| | <u>1</u> | <u>2</u> | <u>3</u> | <u>Bank Balance</u> | <u>Amount</u> |
| Cash Deposits | \$ 8,454 | \$ - | \$ 754 | \$ 9,208 | \$ 6,323 |
| Certificates of Deposit Recorded as Investments | <u>1,988</u> | <u>-</u> | <u>143</u> | <u>2,131</u> | <u>2,184</u> |
| Total | <u>\$ 10,442</u> | <u>\$ -</u> | <u>\$ 897</u> | <u>\$ 11,339</u> | <u>\$ 8,507</u> |

Component Units:

| | Category | | | Total | Carrying |
|--|---------------|-------------|-----------------|---------------------|-----------------|
| | <u>1</u> | <u>2</u> | <u>3</u> | <u>Bank Balance</u> | <u>Amount</u> |
| Cash Deposits | \$ 423 | \$ - | \$ - | \$ 423 | \$ 423 |
| Certificates of Deposit Recorded as Investments | <u>-</u> | <u>-</u> | <u>8,402</u> | <u>8,402</u> | <u>8,402</u> |
| Total | <u>\$ 423</u> | <u>\$ -</u> | <u>\$ 8,402</u> | <u>\$ 8,825</u> | <u>\$ 8,825</u> |

B. Investments

The Investment policies of the State of North Dakota are also governed by NDCC 6-09-07 and 21-04-02, indicating that all public funds must be deposited in the Bank of North Dakota unless there are other constitutional or statutory provisions. If there are no statutory provisions and the funds are invested outside the Bank of North Dakota, the State agency must have the permission of the North Dakota Industrial Commission.

Investments are generally managed by the State Investment Board, North Dakota Board of University and School Lands, the Bank of North Dakota and the North Dakota State Treasurer's Office. Management responsibilities and investment instruments as authorized by statute are as follows:

1. State Investment Board (SIB) - NDCC 21-10 designates the SIB with investment responsibilities for Public Employees Retirement System; Bonding Fund; Teachers' Fund for Retirement; Fire and Tornado Fund; Workers Compensation Fund and other specific funds. The Century Code states the SIB shall apply the prudent investor rule in investing for funds under its supervision.

The North Dakota State Investment Board participates in a securities lending program whereby securities are loaned to brokers and, in return, the Board receives collateral held by the trustee in the Board's name, of amounts slightly in excess of the market value of the securities loaned. Collateral consists solely of cash, letters of credit, commercial paper and government securities. At year end, the Board has no credit risk exposure to borrowers because the amounts the Board owes the borrowers exceeds the amounts the borrowers owe the Board.

The State Investment Board's investment policy allows investment managers to use derivative securities. Managers are specifically permitted to use treasury futures and options, S & P 500 index future options, and

currency forwards and futures to hedge portfolio risk, but not to speculate or to leverage the portfolio. Managers may use their discretion to use other derivatives to enhance returns, reduce risk, or facilitate the management of index funds. SIB's policy with respect to these derivatives is that their use may not increase the credit, market or legal risk level associated with a fully invested portfolio of common stocks or fixed income obligations, depending on the manager's designated role.

2. North Dakota Board of University and Schools Lands - The Century Code states that the Board of University and School Lands shall apply the prudent investor rule in investing its funds. Also, NDCC 15-03-04 allows the board to invest in first mortgages on farmlands and improvements thereon in this state to the extent such mortgages are guaranteed or insured by the United States or any instrumentality thereof, or if not so guaranteed or insured, not exceeding in amount eighty percent of the actual value of the property on which the same may be loaned, such value to be determined by competent appraisal.
3. The Bank of North Dakota - NDCC 6-09 authorizes the Bank of North Dakota. The bank is owned and operated by the State of North Dakota under the supervision of the North Dakota Industrial Commission. The bank may have investments in anything that any bank lawfully may do, except what is restricted by NDCC chapter 6-09.
4. The North Dakota State Treasurer's Office - The State Constitution and various sections of the Century Code authorize the State Treasurer to invest all State funds deposited with the State Treasury. However, the State Treasurer must invest the public funds with the Bank of North Dakota unless there is statutory authority to do otherwise. Generally, the State Treasurer pools deposits and invests in money market accounts and Bank of North Dakota certificates of deposit.

STATE OF NORTH DAKOTA

Notes To The Financial Statements

Investments on the University System balance sheet are made up of certificates of deposit, time savings certificates, U.S. Treasury bills and notes, revenue bonds, and investments with broker/dealers. Investments are carried at cost, amortized cost or at fair market value at the time of the gift, if it is contributed to an institution.

The State's investments are categorized below per GASB Statement Three according to the level of credit risk assumed by

the State. Category 1 includes investments which are insured, or registered, or securities which are held by the State or the State's agent in the State's name. Category 2 includes uninsured and unregistered investments, with securities held by the counterparty's trust department or agents in the State's name. Category 3 includes uninsured and unregistered investments, w i t h securities which are held by the counterparty, or their trust department or agent, but not in the State's name. The amounts are expressed in thousands:

| Primary Government: | Category | | | Carrying Value | Fair Value |
|--|---------------------|-------------|-------------|---------------------|---------------------|
| | <u>1</u> | <u>2</u> | <u>3</u> | | |
| Commercial Paper | \$ 40,000 | \$ - | \$ - | \$ 40,000 | \$ 40,000 |
| Equity Securities | | | | | |
| Not On Securities Loan | 719,308 | - | - | 719,308 | 719,308 |
| On Securities Loan | 19,234 | - | - | 19,234 | 19,234 |
| Bonds and Notes | | | | | |
| Not On securities Loan | 613,011 | - | - | 613,011 | 613,011 |
| On Securities Loan | 6,591 | - | - | 6,591 | 6,591 |
| U.S. Government & Agency Issues | | | | | |
| Not On Securities Loan | 712,025 | - | - | 712,025 | 711,975 |
| On Securities Loan | 33,003 | - | - | 33,003 | 33,003 |
| | <u>\$ 2,143,172</u> | <u>\$ -</u> | <u>\$ -</u> | <u>2,143,172</u> | <u>2,143,122</u> |
| Investments in real estate pool | | | | 118,205 | 118,205 |
| Investments in Unemployment Compensation Pool | | | | 29,025 | 29,025 |
| Guaranteed Investment Contract | | | | 215,979 | 215,979 |
| Annuities | | | | 66,441 | 66,441 |
| Mutual Funds | | | | 992,287 | 992,287 |
| Venture Capital | | | | 11,539 | 11,539 |
| Non-Security Investments | | | | 2,000 | 2,000 |
| Investments Held By Broker-Dealer Under Securities Loans With Cash Collateral: | | | | | |
| Equity Securities | | | | 160,011 | 160,011 |
| Bonds And Notes | | | | 46,791 | 46,791 |
| US Government & Agency Issues | | | | 172,849 | 172,849 |
| Securities Lending Short-Term Collateral Investment Pool | | | | 392,832 | 392,832 |
| Investments Held As Collateral Under Reverse Repurchase Agreements | | | | 29,958 | 29,958 |
| Totals | | | | <u>\$ 4,381,089</u> | <u>\$ 4,381,039</u> |

STATE OF NORTH DAKOTA

Notes To The Financial Statements

University System:

| | Category | | | Carrying Value | Fair Value |
|---------------------------------|------------------|-------------|------------------|------------------|------------------|
| | <u>1</u> | <u>2</u> | <u>3</u> | | |
| Equity Securities | \$ 9,400 | \$ - | \$ 6,466 | \$ 15,866 | \$ 15,866 |
| Bonds and Notes | - | - | 6,989 | 6,989 | 6,989 |
| U.S. Government & Agency Issues | 3,517 | - | 4,464 | 7,981 | 7,981 |
| | <u>\$ 12,917</u> | <u>\$ -</u> | <u>\$ 17,919</u> | <u>30,836</u> | <u>30,836</u> |
| Held By Brokers/Dealers | | | | <u>9,100</u> | <u>9,100</u> |
| Totals | | | | <u>\$ 39,936</u> | <u>\$ 39,936</u> |

Component Units:

| | Category | | | Carrying Value | Fair Value |
|---|-----------------|-------------|-------------|-------------------|-------------------|
| | <u>1</u> | <u>2</u> | <u>3</u> | | |
| U.S. Government & Agency Issues | \$ 1,000 | \$ - | \$ - | \$ 1,000 | \$ 1,000 |
| Equity Securities | 300 | - | - | 300 | 300 |
| Obligations of State and Political Subdivisions | 282 | - | - | 282 | 282 |
| | <u>\$ 1,582</u> | <u>\$ -</u> | <u>\$ -</u> | <u>1,582</u> | <u>1,582</u> |
| Guaranteed Investment Contract | | | | 34,254 | 34,254 |
| Non-Security Investments | | | | <u>99,347</u> | <u>99,347</u> |
| Totals | | | | <u>\$ 135,183</u> | <u>\$ 135,183</u> |

There were no violations of statutory authority or contractual provisions for investments during the year ended June 30, 1998.

C. Reverse Repurchase Agreements

State statutes permit the State to enter into reverse repurchase agreements, that is, the sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The market value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in market value of the securities. These agreements may have a fixed maturity or be open-ended, callable at any time. Generally the securities purchased have the same maturities as the

agreements. These agreements are secured by Fed book-entry securities held in the State's name. At June 30, 1998, the State had reverse repurchase agreements of \$28,300,000 included in securities lending collateral on the balance sheet. The highest month end balance for the previous year was \$74,488,000, with an average daily balance of \$32,910,000. The weighted average interest rate as of year end was 5.43%. The weighted average interest rate paid during the year was 5.46%. The market value of these securities at June 30, 1998, was \$33,400,000.

STATE OF NORTH DAKOTA

Notes To The Financial Statements

D. Receivables

Receivables at June 30, 1998, consist of the following (expressed in thousands):

| | General | Special Revenue | Debt Service | Enterprise | Internal Service | Trust and Agency | University System | Component Units | Total |
|-----------------|------------------|------------------|---------------|---------------------|------------------|-------------------|-------------------|------------------|---------------------|
| Receivables: | | | | | | | | | |
| Accounts | \$ 308 | \$ 14,933 | \$ - | \$ 49,762 | \$ 416 | \$ 18,093 | \$ 11,483 | \$ - | \$ 94,995 |
| Less Allowance | - | (1,395) | - | (8,117) | - | - | (1,103) | - | (10,615) |
| Taxes | 92,424 | 171 | - | - | - | 32,876 | - | - | 125,471 |
| Less Allowance | (6,912) | - | - | - | - | (365) | - | - | (7,277) |
| Interest | 705 | 1,540 | 160 | 28,781 | 16 | 14,488 | 596 | 2,173 | 48,459 |
| Less Allowance | - | (149) | - | - | - | - | - | - | (149) |
| Loans and Notes | 91 | 53,790 | - | 1,203,180 | - | 47,850 | 43,042 | 12,087 | 1,360,040 |
| Less Allowance | (5) | (4,258) | - | (19,874) | - | - | (1,761) | (2,525) | (28,423) |
| Net Receivables | <u>\$ 86,611</u> | <u>\$ 64,632</u> | <u>\$ 160</u> | <u>\$ 1,253,732</u> | <u>\$ 432</u> | <u>\$ 112,942</u> | <u>\$ 52,257</u> | <u>\$ 11,735</u> | <u>\$ 1,582,501</u> |

E. Restricted Assets

Certain proceeds of enterprise fund bonds, as well as certain resources set aside for their repayment, are classified as restricted, primarily because their use is limited by applicable bond covenants or pledged for securities sold under agreements to repurchase and for other required purposes. Enterprise funds with restricted assets at June 30, 1998, are as follows (expressed in thousands):

| Primary Government: | Cash | Investments | Loans Receivables | Other Assets |
|---------------------------------|-------------------|-------------------|-------------------|------------------|
| Bank of North Dakota | \$ - | \$ 104,602 | \$ - | \$ - |
| Guaranteed Student Loan Program | - | 8,702 | - | - |
| Housing and Finance | 307,129 | 29,075 | 402,506 | 12,131 |
| Real Estate Trust | 4,016 | 18,362 | - | - |
| | <u>\$ 311,145</u> | <u>\$ 160,741</u> | <u>\$ 402,506</u> | <u>\$ 12,131</u> |
| Component Unit: | | | | |
| Municipal Bond Bank | <u>\$ 128</u> | <u>\$ 49,965</u> | <u>\$ -</u> | <u>\$ 17,636</u> |

F. Interfund Transactions

The following balances at June 30, 1998, represent interfund transactions among all funds and State agencies (expressed in thousands):

Due From and To Other Funds

| Fund Type/Fund | Due From | Due To |
|------------------------------------|-----------|-----------|
| General Fund | \$ 29,694 | \$ 15,992 |
| Special Revenue: | | |
| Administration | 42 | 26 |
| Aeronautics & Other Transportation | - | 1 |

| Fund Type/Fund | Due From | Due To |
|-------------------------------|----------|--------|
| Agriculture | - | 2 |
| Commodity Promotion | - | 4 |
| Education | 2,680 | 72 |
| Federal | 9,450 | 16,194 |
| Health and Human Services | 6,031 | 4,520 |
| Highway | 12,182 | 1,084 |
| Insurance | - | 19 |
| Intergovernmental Assistance | 177 | 8 |
| Job Service - Special Revenue | 334 | 222 |
| Judicial and Legal | 117 | 25 |
| Land Dept. - Coal Severance | 643 | 361 |

STATE OF NORTH DAKOTA

Notes To The Financial Statements

| <u>Fund Type/Fund</u> | <u>Due From</u> | <u>Due To</u> |
|--------------------------------------|------------------|------------------|
| Land Dept. - Energy Dev. Impact | 186 | 2 |
| Land Dept. - Land and Mineral | 45 | - |
| Land Dept. - Land Maintenance | - | 16 |
| Motor Vehicle | 166 | - |
| National Guard | 2 | 37 |
| Natural Resources | 454 | 53 |
| Oil Tax Resources | 617 | - |
| Other Special | 64 | 45 |
| Public Safety and Penal Institutions | 10 | 7 |
| Recreation | 976 | 520 |
| Regulatory | - | 33 |
| Capital Projects: | | |
| Building Authority - Capital | - | 1,610 |
| Enterprise: | | |
| Bank of North Dakota | 1,412 | 322 |
| Beginning Farmer Revolving Loan | - | 16 |
| Community Water Facility Loan | - | 19 |
| Dev. Disabled Facility Loan | - | 11 |
| Fire and Tornado | 1 | 38 |
| Guaranteed Student Loan | - | 511 |
| Housing Finance | 28 | 3 |
| Roughrider Industries | 93 | 12 |
| PERS Uniform Group Insurance | 5 | 52 |
| Student Loan | - | 735 |
| Workers Comp. | - | 100 |
| Internal Service: | | |
| Central Services | 170 | 20 |
| Fleet Services | 1,400 | 368 |
| Information Services Division | 1,860 | - |
| Risk Management Fund | 189 | 14 |
| State Investment Board | 12 | 67 |
| Expendable Trust: | | |
| Job Service Expendable | - | 483 |
| Land Dept. - Abandoned Property | - | 272 |
| PERS Flexcomp | 44 | 1 |
| Nonexpendable Trust: | | |
| Land Department Permanent | 578 | 91 |
| Pension Trust: | | |
| Highway Patrolmen's Retirement | - | 16 |
| Job Service Retirement | - | 1 |
| Prefunded Retiree Health Program | - | 111 |
| Public Employees Retirement | 148 | 14 |
| Teachers' Retirement | 18 | 9 |
| Agency: | | |
| Tax Collection | - | 32,413 |
| University System | 8,694 | 2,684 |
| Total | \$ 78,522 | \$ 79,236 |

A reconciliation of Due From's and Due To's is presented below (expressed in thousands):

| | <u>Amount</u> |
|--|------------------|
| Due From's | \$ 78,522 |
| General Fund/Bank of ND | 13 |
| Information Services/Bank of ND | 114 |
| Land Dept.-Land and Mineral/Bank of ND | (44) |
| Bank of ND/Guaranteed Student Loan | 33 |
| Job Service-Expendable/Bank of ND | 480 |
| Bank of ND/Building Authority - Capital Projects | 159 |
| Bank of ND/Lignite Research | 20 |
| Land Department - Permanent/Bank of ND | (112) |
| Public Employees Ret. System/Bank of ND | (39) |
| Bank of ND/Student Loan Trust | 90 |
| Due To's | <u>\$ 79,236</u> |

The above represents timing differences between agencies as a result of different fiscal year ends.

Due From and To Component Units

| <u>Fund Type/Fund</u> | <u>Due From</u> | <u>Due To</u> |
|-----------------------|-----------------|---------------|
| University System | \$ 7 | \$ - |

Due From and To Primary Government

| <u>Fund Type/Fund</u> | <u>Due From</u> | <u>Due To</u> |
|------------------------------|-----------------|---------------|
| Component Unit: (Enterprise) | | |
| Technology Transfer, Inc. | \$ - | \$ 7 |

Interfund Receivables/Payables

| <u>Fund Type/Fund</u> | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|-----------------------|-----------------------------|--------------------------|
| General Fund | \$ 34,053 | \$ - |
| Special Revenue: | | |
| Federal | - | 21,317 |
| Job Service | - | 702 |
| Enterprise: | | |
| Bank of North Dakota | - | 12,412 |
| University System | 9,238 | 9,238 |
| Total | \$ 43,291 | \$ 43,669 |

STATE OF NORTH DAKOTA

Notes To The Financial Statements

A reconciliation of Interfund Receivables/Payables is presented below (expressed in thousands):

| | <u>Amount</u> |
|-----------------------------------|------------------|
| Interfund Receivables | \$ 43,291 |
| General Fund/Bank of North Dakota | 378 |
| Interfund Payables | <u>\$ 43,669</u> |

The above represents timing differences between the Bank of North Dakota and the General Fund's different fiscal year ends.

Operating Transfers

| <u>Fund Type/Fund</u> | <u>In</u> | <u>Out</u> |
|--------------------------------------|-----------|------------|
| General Fund | \$ 37,443 | \$ 204,932 |
| Special Revenue: | | |
| Administration | 35 | 23 |
| Agriculture | 368 | 223 |
| Commodity Promotion | - | 474 |
| Education | 26,598 | 3,251 |
| Federal | 2,163 | 29,910 |
| Health and Human Services | 11,491 | 1,749 |
| Highway | 61 | 430 |
| Home Quarter Purchase | - | 10 |
| Insurance | - | 1,416 |
| Intergovernmental Assistance | 652 | 217 |
| Job Service - Special Revenue | 1,270 | 320 |
| Judicial and Legal | 417 | 47 |
| Land Department - Coal Severance | - | 6,017 |
| Land Department - Land & Mineral | 706 | 3,545 |
| Motor Vehicle | - | 52 |
| National Guard | 4,415 | 20 |
| Natural Resources | 7,630 | 1,409 |
| Oil Tax Resources | - | 3,157 |
| Other Special | 819 | 48 |
| PACE Funds | 4,997 | - |
| Public Safety and Penal Institutions | 6,628 | 25 |
| Recreation | 106 | 1,857 |
| Regulatory | 225 | - |
| Veterans | 742 | 796 |
| Debt Service: | | |
| Building Authority | 8,009 | - |
| Lignite Research | 991 | - |
| Water Commission | 177 | - |
| Capital Projects: | | |
| Building Authority | - | 5,301 |
| Water Commission | - | 177 |
| Enterprise: | | |
| Bank of North Dakota | 17,202 | 12,498 |
| Beginning Farmer Revolving Loan | 922 | - |
| Fire and Tornado | 47 | 417 |
| Housing Finance | - | 27 |
| Mill and Elevator | - | 32 |
| State Fair | 370 | - |
| Expendable Trust: | | |
| Land Dept. - Abandoned Property | - | 1,360 |
| Land Dept. - Capitol Building | - | 580 |

| <u>Fund Type/Fund</u> | <u>In</u> | <u>Out</u> |
|---------------------------------|------------------|-------------------|
| Nonexpendable Trust: | | |
| Land Department- Permanent Fund | 1,360 | 25,377 |
| University System | 184,536 | - |
| Total | <u>\$320,380</u> | <u>\$ 305,697</u> |

A reconciliation of Operating Transfers In and Operating Transfers Out is presented below (expressed in thousands):

| | |
|----------------------------------|-------------------|
| Operating Transfers In | \$ 320,379 |
| General Fund/Bank of ND | (14,640) |
| Industrial Commission/Bank of ND | 44 |
| Bank of ND/General Fund | (86) |
| Operating Transfers Out | <u>\$ 305,697</u> |

The above differences represent timing differences between agencies as a result of different fiscal year ends.

Operating Transfers In/Out of Component Units

| <u>Fund Type/Fund</u> | <u>In</u> | <u>Out</u> |
|-----------------------|---------------|-----------------|
| General | \$ - | \$ 1,205 |
| University System | 158 | - |
| Total | <u>\$ 158</u> | <u>\$ 1,205</u> |

Operating Transfers In/Out of Primary Government

| <u>Fund Type/Fund</u> | <u>In</u> | <u>Out</u> |
|-------------------------------|-----------------|---------------|
| Component Units: (Enterprise) | | |
| ND Development Fund | \$ 955 | \$ - |
| Technology Transfer, Inc. | 250 | 158 |
| Total | <u>\$ 1,205</u> | <u>\$ 158</u> |

Advances To and From Other Funds

| <u>Fund Type/Fund</u> | <u>Advance To</u> | <u>Advance From</u> |
|---|-------------------|---------------------|
| Special Revenue: | | |
| Federal | \$ - | \$ 28,951 |
| Aeronautics and Other Transportation | 1,540 | - |
| Highway | 29,025 | - |
| Recreation | 2,385 | - |
| Insurance | 1 | - |
| Enterprise: | | |
| Dev. Disabled Facility Loan | - | 5,026 |
| Bank of North Dakota | 2,736 | - |
| Internal Service: | | |
| Fleet Services | - | 4,000 |
| Expendable Trust: | | |
| Land Dept.-Abandoned and Unclaimed Property | 1,010 | - |
| Nonexpendable Trust: | | |
| Land Dept - Permanent Fund | 5,828 | 1,010 |
| University System | 194 | 4,996 |
| Total | <u>\$ 42,719</u> | <u>\$ 43,983</u> |

STATE OF NORTH DAKOTA

Notes To The Financial Statements

A reconciliation of Advances To Other Funds and Advances From Other Funds is presented below (expressed in thousands):

| | <u>Amount</u> |
|--|------------------|
| Advances To Other Funds | \$ 42,719 |
| Land Dept-Permanent Fund/Dev. Disabled | (802) |
| Bank of North Dakota/University System | 2,066 |
| Advances From Other Funds | <u>\$ 43,983</u> |

The above represents timing differences between agencies as a result of different fiscal year ends.

Advances To/From Component Units

| <u>Fund Type/Fund</u> | <u>Advances To</u> | <u>Advances From</u> |
|-----------------------|--------------------|----------------------|
| Enterprise: | | |
| Bank of North Dakota | <u>\$ 15,704</u> | <u>\$ 15,704</u> |

Advances To/From Primary Government

| <u>Fund Type/Fund</u> | <u>Advances To</u> | <u>Advances From</u> |
|---------------------------------|--------------------|----------------------|
| Component Unit: (Enterprise) | | |
| Municipal Bond Bank | <u>\$ 15,704</u> | <u>\$ 15,704</u> |

Residual Equity Transfer

The Developmentally Disabled Facility Loan Program made a residual equity transfer of \$2,690,515 to the Department of Human Services as a result of a session law passed by the North Dakota State Legislature.

The Building Authority Capital Projects Fund made a residual equity transfer of \$1,000 to the Building Authority Debt Service Fund.

G. Fixed Assets

The following is a summary of fixed assets at June 30, 1998 (expressed in thousands):

| <u>Description</u> | <u>Enterprise</u> | <u>Internal Service</u> | <u>Fiduciary Funds</u> | <u>General Fixed Assets</u> | <u>University System</u> | <u>Component Units</u> |
|-----------------------------------|-------------------|-------------------------|------------------------|-----------------------------|--------------------------|------------------------|
| Land | \$ 686 | \$ - | \$ - | \$ 18,597 | \$ 15,163 | \$ - |
| Buildings | 26,585 | - | 1,186 | 285,127 | 496,956 | - |
| Improvements Other Than Buildings | 4,244 | - | - | 48,810 | 61,265 | - |
| Equipment | 37,439 | 76,859 | 104 | 117,801 | 268,975 | 105 |
| Construction in Progress | 202 | - | - | 5,459 | 8,957 | - |
| Total Fixed Assets (Gross) | 69,156 | 76,859 | 1,290 | 475,794 | 851,316 | 105 |
| Less: Accumulated Depreciation | (39,491) | (37,060) | (125) | - | - | (83) |
| Total Fixed Assets (Net) | <u>\$ 29,665</u> | <u>\$ 39,799</u> | <u>\$ 1,165</u> | <u>\$ 475,794</u> | <u>\$ 851,316</u> | <u>\$ 22</u> |

The following is a summary of changes in the General Fixed Asset Account Group during the fiscal year (expressed in thousands):

| <u>Description</u> | <u>Balance July 1, 1997</u> | <u>Adjustments to Beginning Balances</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers Between Asset Class and Funds</u> | <u>Balance June 30, 1998</u> |
|-----------------------------------|-----------------------------|--|------------------|--------------------|--|------------------------------|
| Land | \$ 18,372 | \$ - | \$ 228 | \$ (3) | \$ - | \$ 18,597 |
| Buildings | 274,373 | 7 | 7,178 | (2) | 3,571 | 285,127 |
| Improvements Other Than Buildings | 46,966 | 45 | 1,636 | (19) | 182 | 48,810 |
| Equipment | 111,846 | (83) | 15,292 | (9,401) | 147 | 117,801 |
| Construction in Progress | 6,099 | (26) | 3,133 | - | (3,747) | 5,459 |
| Total General Fixed Assets | <u>\$ 457,656</u> | <u>\$ (57)</u> | <u>\$ 27,467</u> | <u>\$ (9,425)</u> | <u>\$ 153</u> | <u>\$ 475,794</u> |

STATE OF NORTH DAKOTA

Notes To The Financial Statements

Construction in progress is composed of the following (expressed in thousands):

| <u>Project Description</u> | | | |
|------------------------------------|--------------------------|--|---------------------------|
| <u>Enterprise Funds</u> | <u>Amount Authorized</u> | <u>Amount Expended Through June 30, 1998</u> | <u>Balance Authorized</u> |
| Mill and Elevator: | | | |
| Wheat Germ System Improvement | \$ 41 | \$ 36 | \$ 5 |
| Farina System Addition | 20 | 20 | - |
| Butler Packing Line Metal Detector | 32 | 19 | 13 |
| Organic Processing System | 28 | 28 | - |
| Fawena Packer System | 50 | 45 | 5 |
| Tote Bag Filling System | 56 | 54 | 2 |
| Total | <u>\$ 227</u> | <u>\$ 202</u> | <u>\$ 25</u> |

| <u>Project Description</u> | | | |
|--|--------------------------|--|---------------------------|
| <u>General Fixed Assets Account Group</u> | <u>Amount Authorized</u> | <u>Amount Expended Through June 30, 1998</u> | <u>Balance Authorized</u> |
| Electric Loop-feed System | \$ 600 | \$ 426 | \$ 174 |
| Swimming Pool Renovation | 418 | 123 | 295 |
| Canopies/Windbreaks | 50 | 38 | 12 |
| Ancillary | 2,741 | 1,710 | 1,031 |
| CDR Air Conditioning | 90 | 35 | 55 |
| West Tower - Penitentiary | 274 | 20 | 254 |
| AS Improvements & Padded Cells - Penitentiary | 234 | 19 | 215 |
| JRCC - RRI Building - Penitentiary | 645 | 4 | 641 |
| Gymnasium Renovation -YCC | 1,541 | 598 | 943 |
| Pain Shop MCA | 2,287 | 2,254 | 33 |
| Jamestown Office Building | 650 | 38 | 612 |
| Lot Improvements - Grand Forks | 240 | 189 | 51 |
| Crack Router | 6 | 5 | 1 |
| Total General Fixed Asset Account Group | <u>\$ 9,776</u> | <u>\$ 5,459</u> | <u>\$ 4,317</u> |

| <u>Project Description</u> | | | |
|------------------------------|--------------------------|--|---------------------------|
| <u>University System</u> | <u>Amount Authorized</u> | <u>Amount Expended Through June 30, 1998</u> | <u>Balance Authorized</u> |
| Armory Remodel | \$ 8 | \$ 8 | \$ - |
| Schafer Hall Renovation | 18 | 18 | - |
| Science Center | 96 | 96 | - |
| House Project | 137 | 137 | - |
| Student Center Renovation | 229 | 82 | 147 |
| Stickney and HVAC | 403 | 287 | 116 |
| Student Union | 3,208 | 2,631 | 577 |
| Moore Hall | 4,217 | 1,826 | 2,391 |
| Old Main | 600 | 595 | 5 |
| Heating Plant | 15 | 15 | - |
| Allied Health | 2,598 | 345 | 2,253 |
| Tech Building Construction | 6 | 6 | - |
| Monitor System | 2,145 | 1,195 | 950 |
| Skills and Technology Center | 754 | 464 | 290 |
| Apartment Storage Facility | 3 | 3 | - |
| Animal Research Facility | 28 | 28 | - |
| Rural Tech Skywalk | 1,125 | 1,025 | 100 |
| McFarland Hall Renovation | 550 | 63 | 487 |
| Osmon Floor Replacement | 176 | 133 | 43 |
| Total | <u>\$ 16,316</u> | <u>\$ 8,957</u> | <u>\$ 7,359</u> |

STATE OF NORTH DAKOTA

Notes To The Financial Statements

H. Operating Leases

Payments on Operating Leases

The State is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected in the State's Account Groups or Proprietary fund assets and liabilities. Lease expenditures for the year ended June 30, 1998, amounted to \$14,048,600.

Future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 1998, for all fund types are as follows (expressed in thousands):

| Year Ending June 30 | Amounts |
|---------------------------------|------------------|
| 1999 | \$ 8,664 |
| 2000 | 4,012 |
| 2001 | 2,331 |
| 2002 | 1,636 |
| 2003 | 1,242 |
| Thereafter | 3,446 |
| Total Minimum Lease Payments | <u>\$ 21,331</u> |

Rental Receipts on Operating Leases

The following is a schedule by years of future minimum rental receipts on noncancellable operating leases as of June 30, 1998 (expressed in thousands):

| Year Ending June 30 | Amounts |
|--|-----------------|
| 1999 | \$ 459 |
| 2000 | 445 |
| 2001 | 446 |
| 2002 | 411 |
| 2003 | 411 |
| Thereafter | 189 |
| Future Income on Noncancellable Operating Leases | <u>\$ 2,361</u> |

I. Capital Leases

The State is obligated under certain leases accounted for as capital leases. Capital lease obligations and the related assets for the governmental fund types and University System are reported under the General Fixed Assets Account Group and University System (discrete presentation) respectively.

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 1998 (expressed in thousands):

| Year Ending June 30 | Governmental Fund Types | Proprietary Fund Types | University System |
|--|----------------------------|---------------------------|----------------------|
| 1999 | \$ 3,974 | \$ 233 | \$ 6,453 |
| 2000 | 4,308 | 179 | 5,685 |
| 2001 | 3,038 | 45 | 4,693 |
| 2002 | 2,269 | 21 | 4,007 |
| 2003 | 822 | 12 | 4,076 |
| Thereafter | 555 | - | 8,176 |
| Total Minimum Lease Payments | 14,966 | 490 | 33,090 |
| Less: Amount Representing Interest | (1,854) | (55) | (6,092) |
| Present Value of Future Minimum Lease Payments | <u>\$ 13,112</u> | <u>\$ 435</u> | <u>\$ 26,998</u> |

Changes in Capital Lease Obligations for the year ended June 30, 1998, are as follows (expressed in thousands):

| | Governmental Fund Types | Proprietary Fund Types | University System |
|-----------------------------|----------------------------|---------------------------|----------------------|
| Balance at July 1, 1997 | \$ 10,203 | \$ 419 | \$ 27,684 |
| Leases Added | 6,371 | 208 | 5,589 |
| Payments | (3,462) | (192) | (6,275) |
| Balance at June 30, 1998 | <u>\$ 13,112</u> | <u>\$ 435</u> | <u>\$ 26,998</u> |

J. Long-Term Debt

Debt authorized is generally limited by the State Constitution. The Constitution of North Dakota provides that the State may issue or guarantee the payment of bonds provided that all bonds in excess of \$2 million are: secured by first mortgage upon property and no further indebtedness may be incurred by the State unless evidenced by a bond issue, authorized by law, for a certain purpose, provisioned to pay the interest semiannually, and pay the principal within 30 years. Additionally, the law authorizing the bond issue must specifically appropriate the provisions to the payment of the principal and interest of the bond.

Bonds and Notes Payable

Bonds payable at June 30, 1998, consisted of bonds issued by the State that are accounted for in the General Long-Term Debt Account Group and certain State agency bonds accounted for in proprietary funds.

1. General Obligation Bonds:

General obligation bonds have been authorized and issued to provide funds through the North Dakota Industrial Commission to the Bank of North Dakota.

STATE OF NORTH DAKOTA

Notes To The Financial Statements

General obligation bonds issued according to the constitution and enabling statutes, are backed by the full faith, credit, and taxing power of the State of North Dakota. Debt service requirements are provided by repayment of the real estate loans and by transfer of funds from the Bank of North Dakota.

Real Estate Trust, reported in the Enterprise Fund, consists of one general obligation bond issue. Interest is payable semiannually on March 1 and September 1 of each year. The bonds are redeemable at 100% of principal due. The bonds are subject to early redemption based on an optional redemption clause, a mandatory sinking fund redemption clause, and a special redemption clause.

General obligation bonds currently outstanding are as follows (expressed in thousands):

| | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Balance June 30, 1998</u> |
|--|--------------------------|--------------------------|----------------------------------|
| Real Estate Trust: Real Estate Series | 2014 | 6.00-7.375 | \$ 31,441 |

Debt service requirements to maturity for general obligation bonds for the fiscal year ended June 30, 1998, are summarized below (expressed in thousands):

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> |
|--------------------|------------------|-----------------|
| 1999 | \$ 1,725 | \$ 2,115 |
| 2000 | 1,730 | 1,993 |
| 2001 | 1,635 | 1,873 |
| 2002 | 1,690 | 1,753 |
| 2003 | 2,040 | 1,617 |
| Thereafter | 24,060 | 9,866 |
| Less Bond Discount | (1,439) | - |
| Total | \$ 31,441 | \$ 19,217 |

2. Revenue Bonds

Current State statutes empower certain State agencies to issue bonds as part of their activities. This debt is not backed by the full faith and credit of the State of North Dakota. The principal and interest on such bonds shall be payable only from the applicable agency's program income.

PRIMARY GOVERNMENT

Building Authority

The 1988 Series A, B, and C bonds, the 1992 Series A bonds and the 1993 Series B bonds have interest payable semiannually on February 15 and August 15 of each year. The 1991 Series A bonds, the 1993 Series A bonds, the 1995 Series A bonds, and the 1998 Series A and B bonds have interest payable semiannually on June 1 and December 1 of each year. The bonds of each series are subject to optional and/or extraordinary optional redemption prior to maturity upon the occurrence of certain events.

The bonds are independently secured by the funds, certain mortgaged property, and all rights, titles, and interests of the Building Authority as lessor, including all basic rent payments, investment earnings on the funds and any other income derived by the Building Authority with respect to the lease.

All the bond agreements require the establishment and maintenance of reserve funds to be used for debt service payments if amounts in the bond funds are insufficient to make payments. Reserve funds are also required for any positive arbitrage due to the federal government.

Lignite Research

The Industrial Commission is authorized by NDCC ch. 54-17.5 (the "Act") to provide funds and financial assistance to qualified persons for projects related to the clean use of lignite in order to insure economic growth, maintain and enhance development of North Dakota lignite and general welfare in North Dakota. The Industrial Commission is authorized and has established a program to issue and sell North Dakota Lignite Research Bonds to provide funds for the purpose stated in the Act. As of June 30, 1998, there was \$16 million of authorized and \$8,825,000 issued through the Lignite Research Fund.

The 1996 Series A bonds have interest payable on May 15 and November 15 of each year. The bonds maturing on November 15, 2005, are subject to mandatory redemption equal to 100% of par plus accrued interest at various amounts in 2004 and 2005. The bonds are also subject to extraordinary redemption upon the occurrence of certain events. Proceeds of the bonds are being used to provide a grant for funding of construction of an anhydrous ammonia plant.

Water Commission

Interest is payable semiannually on January 1 and July 1 of each year for the 1997 Series A bonds. The bonds are subject to an optional redemption clause and a sinking fund redemption clause. The optional redemption clause states that the bonds are subject to redemption at the option of the Water Commission, as a whole on any date or in part on any interest payment date on or after July 1, 2007, from any amounts available to the Water Commission for that purpose at a redemption price of par, plus accrued interest.

Interest is payable semiannually on March 1 and September 1 of each year for the 1998 Series A bonds. The bonds are subject to an optional redemption clause and a sinking fund redemption clause. The optional redemption clause states that the bonds are subject to redemption at the option of the Water Commission, as a whole on any date or in part on any interest payment date on or after September 1, 2008, from any amounts available to the Water Commission for that purpose at a redemption price of par, plus accrued interest.

State Fair

On March 15, 1994, the North Dakota State Fair issued \$3,320,000 Refunding Revenue Bonds Series 1994 for the purpose of refinancing the 1991 bond issue. These bonds have interest payable semiannually with principal payments due each September 1 in each of the years 1998 through 2011.

Student Loan Trust

The 1988 Series B bonds are zero coupon bonds with interest accruing monthly and the face value payable at maturity. These bonds were issued to retire the 1985 Series A Bonds. The Series A bonds were redeemed in August 1997, at 103% plus accrued interest.

The 1989 Series A and B bonds have interest payable semiannually on January 1 and July 1 of each year. The Series C bonds are zero coupon bonds with interest accruing monthly and the face value payable at maturity. The Series A and B bonds may be redeemed at any time on or after July 1, 1998, as a whole or in part at the option of the Industrial Commission of North Dakota at the following redemption prices: FY99 - 103%, FY00 - 102%, FY01 - 101%, and any later dates at 100%.

The proceeds of the 1996 Series A and B bonds were used to refund the July 1, 1996, principal maturity of the 1988 Series A and B, 1989 Series B, and 1992 Series A bonds. Interest is payable semiannually on January 1 and July 1 of each year. The 1996 Series A and B bonds are variable rate bonds initially issued as auction rate certificates. The rate of interest will be determined each 35-day period. The maximum rate of interest is 12% per annum. Details of the terms and provisions of the auction rate bonds are outlined in Schedule A of the First Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds Second General Bond Resolution. Under certain conditions, the Industrial Commission may call for early redemption of the 1996 Series A and B bonds at 100% of the principal amount plus accrued interest to date of redemption. The 1996 Series A bonds are subject to mandatory redemption prior to maturity at a redemption price equal to 100% of the principal amount of \$8,500,000 plus accrued interest on July 1, 1998.

The proceeds of the 1996 Series C bonds were used to provide funds for the refunding of the January 1, 1997, principal of the 1988 Series A bonds. At the option of the Commission, these bonds are not subject to redemption prior to maturity, except under extraordinary redemption at the times and on the terms and conditions set forth in Schedule B-2 of the First Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds Second General Bond Resolution.

The proceeds of the 1996 Series D bonds will be used to finance the acquisition of supplemental loans. These bonds are subject to redemption prior to maturity at the option of the Industrial Commission on July 1, 1996, at 100% of the principal amount plus accrued interest to date of redemption.

Interest is payable semiannually on January 1 and July 1 of each year for the 1997 Series A and B bonds.

The proceeds of the Series 1997 bonds were used to refund the current maturities of the 1988 Series A and B, 1989 Series B and 1992 Series A bonds on July 1, 1997, and to current refund and redeem the remainder of the 1988 Series A bonds at a redemption price of 103% on August 1, 1997. The difference between the reacquisition price and the net carrying amount of the old debt of \$1,757,030 has been deferred and is being amortized to interest expense over the life of the old debt. The Trust refunded the 1988 Series A bonds to benefit from declines in interest rates. The Series 1997 bonds were issued at a variable rate, currently at a range of 3.76% to 3.82%, to refund the Series 1988 A bonds with an average interest rate of 7.64%. As a result, the cash flow

required for debt service of the Series 1997 bonds can be estimated at a range of \$780,000 less than to \$4,520,000 more than the cash flow required for debt service of the Series 1988 A bonds, based on an estimated future average interest rate range of 4.00% to 6.25%. The difference in the present value of the old and new debt service payments after paying the costs of issuing the bonds and the call premium will result in an estimated economic gain range of \$3.3 million to zero. Due to interest fluctuation risks involved with the variable rate offerings, there is a risk that the cash flow savings and economic gain previously disclosed would be different than estimated. It is also important to note that the cash flow savings and economic gain amounts do not reflect any amounts which might be owed for arbitrage rebate.

The 1997 Series A and B bonds are variable rate bonds initially issued as auction rate certificates. The rate of interest will be determined each 35-day period. The maximum rate of interest is 12% per annum. Details of the terms and provisions of the auction rate bonds are outlined in Schedule A of the Second Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds Second General Bond Resolution. Under certain conditions, the Industrial Commission may call for an early redemption of the 1997 Series A and B bonds at a redemption price equal to 100% of the principal amount plus accrued interest to date of redemption. The 1997 Series A bonds are subject to mandatory redemption prior to maturity at a redemption price equal to 100% of the principal amount of \$2,500,000 at July 1, 1998, and \$5,350,000 at July 1, 2001, plus accrued interest. The 1997 Series B bonds are subject to mandatory redemption prior to maturity at a redemption price equal to 100% of the principal amount of \$11,600,000, plus accrued interest, on January 1, 2006.

Interest on the 1998 Series A and B bonds is payable semiannually on June 1 and December 1 of each year.

The proceeds of the Series 1998 bonds were used to refund the current maturities of the 1988 Series B bonds and the 1989 Series B bonds on July 1, 1998, and to call \$32,670,000 of the 1989 Series A and B bonds at a redemption price of 103% on August 1, 1998. The 1998 Series A and B bonds are variable rate bonds initially issued as auction rate certificates. The rate of interest will be determined each 35-day period. The maximum rate of interest is 12% per annum. Details of the terms and provisions of the auction rate bonds are outlined in Schedule A of the Second Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds Third General Bond Resolution. Under certain conditions, the Commission may call for early redemption of the 1998 Series A and B bonds at a redemption price equal to 100% of the principal amount of \$15,650,000 at December 1, 2001, plus accrued interest.

Housing Finance

Housing Finance bonds were issued to provide financing to purchase mortgage loans to finance multifamily housing projects. The bonds are the direct obligation of the Housing Finance Agency and are secured by the mortgage loans purchased under the applicable resolutions; the revenues, prepayments, insurance and foreclosure proceeds received related to the mortgage loans; and certain funds and accounts established pursuant to the applicable bond resolution. The term bonds of all bond series have mandatory sinking fund requirements starting in 1998.

In November 1995, Multifamily Mortgage Bonds Series 1985 A with a face value of \$9,210,704 consisting of \$3,215,000 in serial

STATE OF NORTH DAKOTA

Notes To The Financial Statements

bonds with an average interest rate of 8.4% and the remaining balance in zero coupon bonds maturing at 9% on December 1, 1997, were refunded by the issuance of the 1995 Series A Multifamily Mortgage Finance Program Bonds with a face value of \$9,915,000 and an average interest rate of 5.9%. The Agency refunded the Bonds to decrease its total scheduled debt service payments by approximately \$9 million and to obtain an economic gain (difference between the present values of the scheduled debt service payments on the old and new debt) of \$1 million over the next 20 years.

The Agency has \$7,535,000 outstanding letters of credit related to the single family bonds at June 30, 1998. The letters of credit are issued by the Bank of North Dakota and are held by the bond trustees. The letter of credit agreements allow the trustees to draw sufficient funds to meet debt service on the bonds when due in the event there is insufficient funds in the trustees' accounts for this purpose. As of June 30, 1998, the Agency has not drawn on letters of credit.

COMPONENT UNITS

Municipal Bond Bank

The bonds of the Municipal Bond Bank were issued to provide financing to purchase municipal securities in order to provide local political subdivisions with funds to finance local projects. The bonds are direct obligations of the Municipal Bond Bank and are secured by municipal securities purchased under the applicable resolutions, interest earnings and certain accounts established pursuant to the applicable bond resolutions.

Revenue Bonds outstanding (expressed in thousands):

| Description | Maturity Date | Interest Rate (%) | Balance 6/30/98 |
|--|---------------|-------------------|-----------------|
| Primary Government | | | |
| General Long-Term Debt Account Group: | | | |
| <u>Building Authority</u> | | | |
| Series A: | | | |
| 1988 | 1999 | 7.10 | \$ 165 |
| 1991 | 1999-2005 | 6.15-6.60 | 2,175 |
| 1992 | 1999-2008 | 5.20-6.40 | 540 |
| 1993 | 1999-2010 | 4.90-6.00 | 24,290 |
| 1995 | 1999-2017 | 5.00-6.10 | 15,771 |
| 1998 | 2000-2019 | 4.40-5.125 | 8,060 |
| Series B: | | | |
| 1988 | 1999 | 7.10 | 60 |
| 1993 | 1999-2015 | 4.10-5.50 | 13,915 |
| 1998 | 2002-2011 | 4.50-5.00 | 11,340 |
| Series C: | | | |
| 1988 | 1999 | 6.85 | 1,190 |
| Subtotal | | | <u>77,506</u> |
| <u>Lignite Research</u> | | | |
| Series A: | | | |
| 1995 | 1999-2006 | 4.40-5.75 | <u>7,560</u> |

| Description | Maturity Date | Interest Rate (%) | Balance 6/30/98 |
|----------------------------------|---------------|-------------------|-----------------|
| <u>Water Commission</u> | | | |
| Series 1997 A: | | | |
| Serial Bonds | 1999-2012 | 4.35-5.50 | 1,870 |
| Term Bonds | 2018 | 5.70 | 1,370 |
| Term Bonds | 2028 | 5.75 | 3,590 |
| Series 1998 A: | | | |
| Serial Bonds | 2001-2019 | 4.25-5.75 | 765 |
| Term Bonds | 2025 | 5.875 | 455 |
| Subtotal | | | <u>8,050</u> |
| Enterprise Funds: | | | |
| <u>State Fair</u> | | | |
| Series A: | | | |
| 1994 | 1999-2012 | 3.50-6.00 | <u>2,851</u> |
| <u>Student Loan Trust</u> | | | |
| Series A: | | | |
| 1989 | 2002-2006 | 6.90-7.00 | 19,083 |
| 1996 | 1999-2003 | 3.75 | 15,350 |
| 1997 | 1999-2003 | 3.76 | 54,688 |
| 1998 | 2002 | 3.75 | 16,350 |
| Series B: | | | |
| 1988 | 1999-2003 | 7.50-7.90 | 7,611 |
| 1989 | 1999-2001 | 7.125 | 29,883 |
| 1996 | 2006 | 3.85 | 10,550 |
| 1997 | 2006-2028 | 3.82 | 15,120 |
| 1998 | 2006 | 3.80 | 30,200 |
| Series C: | | | |
| 1989 | 2003-2006 | 7.20-7.25 | 4,757 |
| 1996 | 2003 | 5.45 | 4,160 |
| Series D: | | | |
| 1996 | 2007-2015 | 5.80-6.40 | 3,000 |
| Subtotal | | | <u>210,752</u> |
| <u>Housing Finance</u> | | | |
| <u>Multi-Family Bonds</u> | | | |
| Series 1990 A: | | | |
| Serial Bonds | 1999-2000 | 7.20-7.40 | 100 |
| Term Bonds | 2000-2016 | 7.75 | 2,170 |
| Series 1990 B: | | | |
| Serial Bonds | 1999-2000 | 7.20-7.40 | 65 |
| Term Bonds | 2000-2016 | 7.75 | 1,445 |
| Series 1990 C: | | | |
| Serial Bonds | 1999-2000 | 7.20-7.40 | 30 |
| Term Bonds | 2000-2016 | 7.75 | 775 |
| Series 1990 D: | | | |
| Serial Bonds | 1999-2000 | 7.20-7.40 | 15 |
| Term Bonds | 2000-2016 | 7.75 | 300 |
| Series 1990 E: | | | |
| Serial Bonds | 1999-2000 | 7.20-7.40 | 15 |
| Term Bonds | 2000-2016 | 7.75 | 285 |
| Series 1990 F: | | | |
| Serial Bonds | 1999-2000 | 7.20-7.40 | 30 |
| Term Bonds | 2000-2016 | 7.75 | 570 |
| Series 1993 A: | | | |
| Term Bonds | 1999-2005 | 5.125 | 110 |
| Term Bonds | 2004-2024 | 5.75 | 1,792 |

STATE OF NORTH DAKOTA

Notes To The Financial Statements

| Description | Maturity Date | Interest Rate (%) | Balance 6/30/98 |
|----------------------------|---------------|-------------------|-----------------|
| Series 1995 A: | | | |
| Serial Bonds | 1999-2008 | 4.30-5.50 | 1,970 |
| Term Bonds | 2016 | 6.125 | 3,590 |
| Term Bonds | 2018 | 6.15 | 1,300 |
| Term Bonds | 2021 | 6.20 | 2,325 |
| Series 1995 B: | | | |
| Serial Bonds | 1999-2005 | 5.95-6.85 | 340 |
| <u>Single Family Bonds</u> | | | |
| Series 1986 A: | | | |
| Serial Bonds | 1999-2002 | 6.60-7.05 | 765 |
| Term Bonds | 2008 | 7.25 | 1,685 |
| Term Bonds | 2018 | 7.375 | 5,230 |
| Series 1987 A: | | | |
| Term Bonds | 2016 | 8.05 | 4,460 |
| Term Bonds | 2017 | 8.50 | 180 |
| Series 1987 B: | | | |
| Serial Bonds | 1999-2003 | 8.00-8.55 | 335 |
| Term Bonds | 2008 | 9.00 | 625 |
| Term Bonds | 2019 | 9.25 | 250 |
| Series 1988 A: | | | |
| Serial Bonds | 1999-2004 | 7.50-8.10 | 1,930 |
| Term Bonds | 2016 | 8.10 | 4,875 |
| Term Bonds | 2020 | 8.375 | 6,341 |
| Series 1989 A: | | | |
| Serial Bonds | 1999-2005 | 7.55-8.00 | 3,320 |
| Cap. Apprec. Bonds | 2005-2009 | 8.00-8.10 | 6,172 |
| Term Bonds | 2012 | 8.30 | 2,478 |
| Term Bonds | 2022 | 8.375 | 12,169 |
| Series 1989 B: | | | |
| Term Bonds | 2014 | 8.00 | 1,505 |
| Series 1990 A: | | | |
| Serial Bonds | 1999-2006 | 6.80-7.50 | 1,295 |
| Term Bonds | 2011 | 7.90 | 1,370 |
| Term Bonds | 2024 | 8.05 | 7,845 |
| Series 1990 B: | | | |
| Serial Bonds | 1999-2006 | 6.40-7.20 | 1,530 |
| Term Bonds | 2011 | 7.625 | 1,635 |
| Term Bonds | 2025 | 7.75 | 9,470 |
| Series 1990 C: | | | |
| Serial Bonds | 1999-2006 | 6.15-7.00 | 1,815 |
| Term Bonds | 2011 | 7.25 | 1,865 |
| Term Bonds | 2025 | 7.30 | 11,215 |
| Series 1991 A: | | | |
| Serial Bonds | 1999-2007 | 5.75-6.75 | 1,760 |
| Term Bonds | 2013 | 6.95 | 1,785 |
| Term Bonds | 2024 | 7.00 | 6,280 |
| Series 1992 A: | | | |
| Serial bonds | 1999-2007 | 5.75-6.50 | 2,840 |
| Term Bonds | 2013 | 6.75 | 3,030 |
| Term Bonds | 2017 | 6.10 | 80 |
| Term Bonds | 2024 | 6.80 | 9,535 |

| Description | Maturity Date | Interest Rate (%) | Balance 6/30/98 |
|----------------|---------------|-------------------|-----------------|
| Series 1992 B: | | | |
| Serial Bonds | 1999-2007 | 4.90-6.25 | 4,850 |
| Term Bonds | 2014 | 6.70 | 4,285 |
| Term Bonds | 2019 | 6.00 | 6,660 |
| Term Bonds | 2026 | 6.80 | 5,360 |
| Series 1993 A: | | | |
| Serial Bonds | 1999-2009 | 3.75-5.10 | 2,175 |
| Term Bonds | 2014 | 4.55 | 600 |
| Term Bonds | 2025 | 5.55 | 6,060 |
| Series 1994 A: | | | |
| Serial Bonds | 2003-2010 | 5.10-5.50 | 2,645 |
| Term Bonds | 2015 | 5.00 | 910 |
| Term Bonds | 2026 | 5.95 | 4,915 |
| Series 1994 B: | | | |
| Serial Bonds | 1999-2003 | 3.95-4.80 | 1,250 |
| Term Bonds | 2026 | 5.80 | 5,545 |
| Series 1994 C: | | | |
| Serial Bonds | 1999-2010 | 4.80-6.40 | 3,365 |
| Term Bonds | 2017 | 6.25 | 2,720 |
| Term Bonds | 2026 | 6.95 | 8,760 |
| Series 1994 D: | | | |
| Serial Bonds | 1999-2010 | 4.75-6.25 | 9,665 |
| Term Bonds | 2020 | 6.25 | 4,505 |
| Term Bonds | 2025 | 6.75 | 9,175 |
| Series 1994 E: | | | |
| Term Bonds | 2015 | 6.30 | 6,855 |
| Series 1995 A: | | | |
| Serial Bonds | 1999-2010 | 5.50-7.15 | 4,225 |
| Term Bonds | 2016 | 7.40 | 3,970 |
| Term Bonds | 2021 | 7.10 | 3,755 |
| Term Bonds | 2027 | 7.50 | 5,465 |
| Series 1995 B: | | | |
| Serial Bonds | 1999-2011 | 4.60-6.00 | 5,680 |
| Term Bonds | 2016 | 6.25 | 3,695 |
| Term Bonds | 2019 | 5.875 | 2,600 |
| Term Bonds | 2027 | 6.32 | 10,005 |
| Series 1995 D: | | | |
| Serial Bonds | 1999-2012 | 4.10-6.15 | 1,775 |
| Term Bonds | 2017 | 6.30 | 1,100 |
| Term Bonds | 2021 | 5.80 | 1,170 |
| Term Bonds | 2028 | 6.325 | 2,660 |
| Series 1995 F: | | | |
| Serial Bonds | 1999-2011 | 4.20-5.85 | 4,460 |
| Term Bonds | 2016 | 6.00 | 2,850 |
| Term Bonds | 2020 | 5.50 | 2,250 |
| Term Bonds | 2026 | 6.15 | 995 |
| Term Bonds | 2027 | 6.15 | 6,530 |
| Series 1996 A: | | | |
| Serial Bonds | 1999-2012 | 4.45-6.15 | 5,820 |
| Term Bonds | 2017 | 6.30 | 3,600 |
| Term Bonds | 2021 | 5.80 | 3,570 |
| Term Bonds | 2028 | 6.325 | 9,300 |

STATE OF NORTH DAKOTA

Notes To The Financial Statements

| Description | Maturity Date | Interest Rate (%) | Balance 6/30/98 |
|-----------------------|---------------|-------------------|-----------------|
| Series 1996 B: | | | |
| Serial Bonds | 1999-2012 | 4.40-6.05 | 5,735 |
| Term Bonds | 2017 | 6.25 | 3,450 |
| Term Bonds | 2021 | 5.70 | 2,835 |
| Term Bonds | 2028 | 6.40 | 4,545 |
| Term Bonds | 2028 | 6.45 | 4,945 |
| Series 1996 C: | | | |
| Serial Bonds | 1999-2013 | 4.00-5.75 | 9,490 |
| Term Bonds | 2018 | 5.95 | 5,440 |
| Term Bonds | 2021 | 5.15 | 4,725 |
| Term Bonds | 2029 | 6.10 | 14,250 |
| Series 1996 D: | | | |
| Serial Bonds | 1999-2013 | 4.20-5.60 | 6,245 |
| Term Bonds | 2018 | 5.80 | 3,535 |
| Term Bonds | 2022 | 5.10 | 3,095 |
| Term Bonds | 2029 | 5.90 | 9,125 |
| Series 1997 A: | | | |
| Serial Bonds | 1999-2012 | 4.20-5.90 | 4,255 |
| Term Bonds | 2018 | 6.00 | 2,465 |
| Term Bonds | 2021 | 5.30 | 1,955 |
| Term Bonds | 2028 | 6.15 | 2,350 |
| Term Bonds | 2028 | 6.15 | 3,760 |
| Series 1997 B: | | | |
| Serial Bonds | 1999-2013 | 4.20-5.50 | 2,790 |
| Term Bonds | 2018 | 5.75 | 1,625 |
| Term Bonds | 2021 | 5.00 | 1,295 |
| Term Bonds | 2028 | 5.85 | 4,290 |
| Series 1997 C: | | | |
| Serial Bonds | 2000-2014 | 3.90-5.35 | 9,350 |
| Term Bonds | 2019 | 5.50 | 5,190 |
| Term Bonds | 2022 | 4.70 | 4,500 |
| Term Bonds | 2030 | 5.55 | 6,000 |
| Term Bonds | 2030 | 5.55 | 6,960 |
| Series 1997 D: | | | |
| Interim Bonds | 1999 | 4.25 | 38,000 |
| Series 1997 E: | | | |
| Interim Bonds | 2000 | 4.35 | 20,000 |
| Series 1997 F: | | | |
| Serial Bonds | 1999-2014 | 4.20-5.60 | 4,475 |
| Term Bonds | 2019 | 5.50 | 2,480 |
| Term Bonds | 2023 | 4.70 | 2,775 |
| Term Bonds | 2029 | 5.55 | 5,270 |
| Series 1997 G: | | | |
| Serial Bonds | 2000-2014 | 4.20-5.45 | 8,760 |
| Term Bonds | 2018 | 4.80 | 3,535 |
| Term Bonds | 2021 | 5.05 | 3,500 |
| Term Bonds | 2029 | 5.75 | 5,000 |
| Term Bonds | 2030 | 5.75 | 9,205 |
| Series 1998 A: | | | |
| Serial Bonds | 2000-2014 | 4.00-5.15 | 10,195 |
| Term Bonds | 2019 | 5.25 | 5,565 |
| Term Bonds | 2023 | 4.60 | 5,800 |
| Term Bonds | 2028 | 5.35 | 3,000 |
| Term Bonds | 2029 | 5.35 | 7,440 |

| Description | Maturity Date | Interest Rate (%) | Balance 6/30/98 |
|------------------------------|---------------|-------------------|-----------------|
| Series 1998 B: | | | |
| Serial Bonds | 2000-2014 | 4.10-5.30 | 17,355 |
| Term Bonds | 2019 | 5.45 | 9,825 |
| Term Bonds | 2023 | 4.75 | 11,250 |
| Term Bonds | 2029 | 5.50 | 4,000 |
| Term Bonds | 2030 | 5.50 | 17,570 |
| Series 1998 C: | | | |
| Interim Bonds | 1999 | 3.90 | 35,000 |
| Interim Bonds | 2000 | 4.10 | 40,000 |
| Subtotal | | | 712,872 |
| University System | | | |
| VCSU - Valley City: | | | |
| Dormitory Bonds of 1961 | 2002 | 4.25 | 40 |
| Dormitory Bonds of 1971 | 2011 | 7.20-7.25 | 500 |
| Term | 2006 | 4.00-4.75 | 248 |
| UND-Williston: | | | |
| Williston Center | | | |
| Auxiliary | 2004 | 5.25-6.25 | 295 |
| Williston Center | 2019 | 3.00 | 346 |
| Technology Fee-1996 | 2006 | 4.00-4.75 | 62 |
| UND-Lake Region: | | | |
| Dorm Revenue | | | |
| Bonds of 1965 | 2004 | 4.20 | 125 |
| Dorm Revenue | | | |
| Bonds of 1967 | 1999 | 5.00 | 25 |
| Building Revenue | | | |
| Bonds of 1972 | 2013 | 5.90 | 810 |
| UND-Grand Forks: | | | |
| EERC Revenue | | | |
| Bonds 92 | 2003 | 4.40-6.40 | 1,615 |
| Housing & Auxiliary | | | |
| Facilities 93A | 2013 | 4.25-5.25 | 4,470 |
| Building Authority | 2010 | | 169 |
| Technology | 2006 | 4.00-4.75 | 1,194 |
| Building Authority | 2002 | | 726 |
| 1998 A Housing and Refunding | 2014 | 3.80-4.80 | 22,560 |
| NDSU-Fargo: | | | |
| 1988 Memorial Union | | | |
| Addition | 2007 | 6.90-7.70 | 685 |
| 1992 Refunding | 2011 | 5.60-6.50 | 8,100 |
| IACC Building Match | 2009 | | 332 |
| Technology | 2006 | 4.00-4.75 | 829 |
| 1996 B Refunding | 2008 | 4.10-5.25 | 1,150 |
| NDSCS-Wahpeton: | | | |
| Babcock Hall | 2003 | 4.25 | 73 |
| McMahon & Forkner | | | |
| Halls | 2006 | 4.00 | 230 |
| Robertson Hall | 2008 | 4.50 | 460 |
| Married Student | | | |
| Housing | 2012 | 6.50-7.50 | 309 |
| Schulz & Forkner | | | |
| Addition | 2012 | 7.00-7.25 | 585 |

STATE OF NORTH DAKOTA

Notes To The Financial Statements

| Description | Maturity Date | Interest Rate (%) | Balance 6/30/98 |
|-----------------------------|---------------|-------------------|--------------------|
| Nordgaard Hall | 2014 | 6.25-6.30 | 1,020 |
| Building Authority | 2010 | | 188 |
| Technology | 2006 | 4.00-4.75 | 212 |
| Building Authority | 2010 | | 300 |
| MISU-Minot: | | | |
| 1992 Refunding | 2006 | 6.10-6.75 | 1,755 |
| Student Center 1994 | 2014 | 3.80-5.40 | 1,780 |
| Building Authority | 2013 | | 85 |
| Building Authority | 2010 | | 1,187 |
| Technology | 2006 | 4.00-4.75 | 255 |
| MISU-Bottineau: | | | |
| 1961 Gross Hall | 2000 | 4.25 | 15 |
| 1971 Milligan Hall | 2011 | 6.90 | 265 |
| Technology | 2006 | 4.00-4.75 | 25 |
| MSU-Mayville: | | | |
| Agassiz Hall | 2007 | 3.00 | 280 |
| Student Center | 2008 | 7.25-7.75 | 640 |
| Technology | 2006 | 4.00-4.75 | 139 |
| DSU-Dickinson: | | | |
| Pulver Hall | 1999 | 4.60 | 45 |
| Technology | 2006 | 4.00-4.75 | 291 |
| Building Authority | 2002 | | 229 |
| BSC-Bismarck: | | | |
| Werner Hall 1964 | 2005 | 4.00 | 158 |
| Swenson Hall 1971 | 2005 | 7.10-7.40 | 155 |
| Student Union | 2008 | 6.00-6.10 | 435 |
| Revenue | 2003 | 3.90-4.40 | 360 |
| Technology | 2006 | 4.00-4.75 | 140 |
| Building Authority | 2002 | | 883 |
| Subtotal | | | 56,780 |
| Total Revenue Bonds Payable | | | |
| Primary Government | | | <u>\$1,076,371</u> |

| Description | Maturity Date | Interest Rate (%) | Balance 6/30/98 |
|----------------------------|---------------|-------------------|-----------------|
| Component Units | | | |
| Municipal Bond Bank | | | |
| Series A: | | | |
| 1979 | 1999-2000 | 6.20-6.25 | \$ 2,490 |
| 1989 | 1999-2014 | 10.20-10.50 | 9,550 |
| Series A thru O: | | | |
| 1990 | 1999-2010 | 6.60-7.85 | 670 |
| Series A thru I: | | | |
| 1991 | 1999-2012 | 5.60-8.75 | 3,240 |
| Series A thru K: | | | |
| 1992 | 1999-2012 | 4.50-6.60 | 8,305 |
| Series A thru F: | | | |
| 1993 | 1999-2013 | 3.70-5.40 | 5,820 |
| Series A: | | | |
| 1993 | 1999-2015 | 4.30-6.25 | 18,379 |

| Description | Maturity Date | Interest Rate (%) | Balance 6/30/98 |
|---|---------------|-------------------|-------------------|
| Series A: | | | |
| 1994 | 1999-2014 | 4.00-6.50 | 3,895 |
| Series A Thru C: | | | |
| 1995 | 1999-2015 | 4.00-6.00 | 1,945 |
| Series A: | | | |
| 1995 | 1999-2016 | 5.20-6.40 | 6,362 |
| Series A Thru D: | | | |
| 1996 | 1999-2016 | 4.10-6.60 | 1,345 |
| Series A: | | | |
| 1996 | 1999-2018 | 3.80-5.70 | 29,579 |
| Series A: | | | |
| 1997 | 1999-2016 | 3.80-7.15 | 11,930 |
| Total Revenue Bonds Payable-Component Units | | | <u>\$ 103,510</u> |

Debt service requirements to maturity on revenue bond issues, for the fiscal year ended June 30, are summarized below (expressed in thousands):

Primary Government

| Fiscal Year | Principal | Interest |
|---|--------------------|-------------------|
| 1999 | \$ 112,935 | \$ 51,924 |
| 2000 | 89,033 | 48,834 |
| 2001 | 41,823 | 45,235 |
| 2002 | 31,736 | 43,129 |
| 2003 | 86,512 | 40,271 |
| Thereafter | 719,401 | 518,875 |
| Less Bond Discount | (158) | 158 |
| Deferred Amount On Refund | (1,292) | 1,292 |
| Accrued Interest at Maturity on Zero Coupon Bonds | (3,619) | 3,619 |
| Total | <u>\$1,076,371</u> | <u>\$ 753,337</u> |

Component Units

| Fiscal Year | Principal | Interest |
|-------------|-------------------|------------------|
| 1999 | \$ 6,360 | \$ 6,228 |
| 2000 | 6,025 | 5,823 |
| 2001 | 5,535 | 5,498 |
| 2002 | 5,080 | 5,182 |
| 2003 | 5,200 | 4,891 |
| Thereafter | 75,310 | 33,163 |
| Total | <u>\$ 103,510</u> | <u>\$ 60,785</u> |

STATE OF NORTH DAKOTA

Notes To The Financial Statements

3. Notes Payable

The following is a schedule of notes payable outstanding at June 30, 1998 (expressed in thousands):

| Description | Maturity Date | Interest Rate (%) | Balance 6/30/98 |
|---|---------------|-------------------|------------------|
| <u>General Long-Term Debt Account Group</u> | | | |
| Job Service | 2004 | 7.90-9.00 | \$ 756 |
| <u>Governmental Funds</u> | | | |
| **General Fund | 1999 | 7.75 | 8,100 |
| ***Adjutant General | 1999 | 7.75 | 143 |
| <u>Enterprise Funds</u> | | | |
| Housing Finance | 2000 | 6.06* | 1,094 |
| Bank of North Dakota | 1999-2008 | 3.00-8.19 | 54,087 |
| <u>Internal Service Funds</u> | | | |
| Information Services | 1999-2001 | 4.25-5.85 | 2,234 |
| University System | 1999-2004 | 4.79-9.25 | 2,052 |
| Total Primary Government | | | <u>\$ 68,466</u> |

- * Variable at the weekly average yield of three month Treasury.
- ** The general fund has a \$15 million line of credit with the Bank of North Dakota to fund disaster recovery costs.
- *** The Adjutant General has a \$10 million line of credit with the Bank of North Dakota for flood disaster relief provided by the National Guard.

Debt service requirements to maturity for notes payable, for the fiscal year ended June 30, are summarized below (expressed in thousands):

| Fiscal Year | Principal | Interest |
|-------------|------------------|------------------|
| 1999 | \$ 10,585 | \$ 4,924 |
| 2000 | 10,118 | 3,579 |
| 2001 | 10,283 | 2,715 |
| 2002 | 2,583 | 2,387 |
| 2003 | 22,547 | 1,675 |
| Thereafter | 12,350 | 3,167 |
| Total | <u>\$ 68,466</u> | <u>\$ 18,447</u> |

Changes in General Long-Term Debt Account Group

Changes in General Long-Term Debt Account Group for the year ended June 30, 1998, were (expressed in thousands):

| | Balance July 1, 1997 | Additions | Deletions | Balance June 30, 1998 |
|---------------------------|----------------------|------------------|--------------------|-----------------------|
| Notes Payable | \$ 880 | \$ - | \$ (124) | \$ 756 |
| Intergovernmental Payable | - | 69 | - | 69 |
| Bonds Payable | 82,042 | 27,450 | (16,376) | 93,116 |
| Claims/Judgments Payable | 4,121 | 342 | (800) | 3,663 |
| Capital Leases | 10,203 | 6,371 | (3,462) | 13,112 |
| Total | <u>\$ 97,246</u> | <u>\$ 34,232</u> | <u>\$ (20,762)</u> | <u>\$ 110,716</u> |

Compensated Absences at June 30, 1998, were approximately \$21,415,000, a net increase of \$621,000 from the June 30, 1997, balance of approximately \$20,794,000.

4. Defeased Debt

PRIMARY GOVERNMENT

Building Authority Bonds

On March 11, 1993, the Authority issued \$34,740,000 in Revenue Bonds with a true interest rate of 5.75 percent to advance refund \$31,845,000 of outstanding 1990 Series A, B and C Bonds with an average interest rate of 7.4 percent. The net proceeds of \$34,058,358 (after payment of \$681,642 in underwriting fees, insurance and other issuance costs) including \$1,052,500 of 1990 Series A, B and C monies were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1990 Series A, B and C Bonds. As a result, the 1990 Series A, B and C Bonds were considered to be defeased, and the liability for those bonds was not reflected on the Authority's financial statements. At June 30, 1998, \$25,170,000 of bonds outstanding are considered defeased.

The Authority issued \$11,340,000 in 1998 Series B Bonds with an average interest rate of 4.7 percent to advance refund \$9,495,000 of outstanding 1991 Series A Bonds and \$1,755,000 of outstanding 1992 Series A Bonds with an average interest rate of 6.4 percent. The net proceeds of approximately \$11,196,000 were used to purchase investment securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1991 Series A and 1992 Series A Bonds. As a result, a portion of the 1991 Series A and 1992 Series A Bonds are considered to be defeased, and the liability for those bonds is not reflected on the Authority's financial statements.

As a result of the partial refunding, the Authority reduced its total debt service payments over the next fifteen years by approximately \$818,000 and will obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$584,000.

Student Loan Trust

On June 12, 1997, the Trust deposited \$9,103,789 with an escrow agent to provide for all future debt service payments on the 1992 Series A bonds. As a result, \$8,790,000 of the 1992 Series A bonds were considered to be defeased and the liability for those bonds is not reflected in the State's financial statements.

UNIVERSITY SYSTEM

Minot State University

On June 2, 1992, Minot State University placed the proceeds of the \$2,620,000 Student Housing Revenue Refunding Bonds of 1992 in an irrevocable trust with an escrow agent to provide for future debt service payments of the existing revenue bonds. The purpose of the 1992 bonds was to refund in advance of maturity the 1966 Student Union Construction and Refunding Bonds and the 1985 Student Housing Revenue Bonds. As a result, the trust account assets and the liabilities for the defeased bonds are not included in Minot State University's financial statements.

The principal amount outstanding as of June 30, 1998, of the original bonds refunded (considered defeased) by the advance refunding total \$370,000.

University of North Dakota

Housing and Auxiliary Facilities Refunding Series 1985 A bonds were originally issued, in addition to financing construction costs, to refund in advance of maturity the outstanding advanced refunding bonds, namely: (a) \$14,520,000 of Housing and Auxiliary Facilities Revenue Bonds Series 1984A, and (b) \$3,750,000 of Housing and Auxiliary Facilities Revenue Bonds Series 1984B. The principal amount outstanding as of June 30, 1998, of the original bonds refunded by the advance refunding of 1985 totaled \$14,520,000.

Housing and Auxiliary Revenue Refunding Bonds Series 1984 A, which were included in the advance refunding of 1985, as described above, were originally issued in 1984 for the purpose of advance refunding certain outstanding bonds (Series I through Series N). The principal amount outstanding as of June 30, 1998, of the original bonds refunded by the advance refunding of 1984 totaled \$5,530,000.

Housing and Auxiliary Revenue Bonds Series I and Series J, which were included in the advance refunding of 1984 as described above, were originally issued in 1975 for the purpose of advance refunding certain outstanding bonds of the university. The principal amount outstanding as of June 30, 1998, of the original bonds refunded by the advance refunding of 1975 totaled \$1,910,000.

All of the refunded bonds are considered "defeased" and have debt service needs covered by U.S. Government securities which are held in a special trust administered by the Bank of North Dakota. As such, neither the assets of the trust nor the related bonds payable are included in the accompanying balance sheet.

Certificates of Participation totaling \$20,450,000 were originally issued by UND in 1990 to: (1) reimburse the University for certain expenses incurred for capital improvements; (2) refinance the costs of certain equipment; and (3) finance the acquisition of certain equipment and real property, to fund a reserve, and to pay the costs of issuance. Subsequent to this issuance, the Legislative Assembly, in House Bill 1003, directed the University to retire those certificates originally issued for the acquisition of certain equipment and real property and to fund a reserve. Therefore, in December 1991, \$6,025,000 in certificates were defeased. The principal amount outstanding as of June 30, 1998, of the defeased certificates totals \$4,290,000.

North Dakota State University

The University, pursuant to resolutions adopted by the Board of Higher Education on November 7, 1985, issued \$4,833,813 of Housing and Auxiliary Facilities Revenue Refunding Bonds (Series 1985) on December 30, 1985. The purpose of issuing Series 1985 bonds was to refund in advance of maturity the outstanding advanced refunded bonds, which consisted of all bonds outstanding as of December 30, 1985, totaling \$7,675,000. The Series 1985 bonds do not pay the holder interest but were sold at a discount so that principal payments will yield a return to maturity from 8.20% to 9.70%. All of the refunded bonds are considered "defeased" in accordance with Financial Accounting Standards Board Statement No. 76. As such, neither the assets of the trust nor the related bonds payable are included in the accompanying balance sheet. The principal amount outstanding as of June 30, 1998, of the original bonds refunded by the advance refunding total \$3,875,000.

The University, pursuant to resolutions adopted by the Board of Higher Education on June 4, 1992, issued \$8,810,000 of Housing and Auxiliary Facilities Revenue Refunding Bonds (Series 1992) on June 23, 1992. The purpose of issuing the Series 1992 bonds was to refund in advance of maturity the outstanding advanced refunding bonds, Series 1985. The proceeds of the Series 1992 bond issue were irrevocably deposited in an escrow account to provide for all debt service payments after the "crossover date". This crossover refunding issue retired the outstanding Series 1985 bond issue (\$8,071,500) on the "crossover date" of April 1, 1996. Therefore, only the 1992 issue is included in the financial statements at June 30, 1998.

The University, pursuant to resolutions adopted by the Board of Higher Education on February 15, 1996, issued \$1,175,000 of Housing and Auxiliary Facilities Revenue bonds (Series 1996 A) on March 13, 1996. The purpose of issuing the Series 1996 A bonds was to advance refund a portion (\$980,000) of the Series 1988 Housing and Auxiliary Facilities Revenue Bonds. The portion of the Series 1988 Bonds advance refunded represents the bonds maturing April 1, 2004 through 2008. The proceeds of the Series 1996 A issue were irrevocably deposited in an escrow account to provide for all debt service payments after the April 1, 2003, crossover date. The Series 1988 bonds are callable at the option of the Board on or after April 1, 2006. The portion of the Series 1988 bonds that are advance refunded are considered "defeased" in accordance with Financial Accounting Standards Board Statement No. 76. As such, neither the assets of the escrow account nor the related bonds payable (i.e., the advance refunded portion of the Series 1988 bonds) are included in the accompanying balance sheet. As of June 30, 1998, the principal amount outstanding of the advance refunded portion of the Series 1988 bonds is \$980,000. As of June 30, 1998, the portion of the

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Series 1988 bonds that were not advance refunded by the Series 1996 A bonds is reported in the University's balance sheet in the amount of \$685,000.

COMPONENT UNITS

Municipal Bond Bank Bonds

On February 17, 1993, the Bond Bank issued \$20,220,000 (Series 1993 A bonds) with an average interest rate of 6.04 percent. A portion of these bonds (\$6,250,000) was used to advance refund \$5,470,000 of outstanding 1990 Series A bonds with an average interest rate of 7.80 percent. The bonds mature October 1, 2014, and are callable on October 1, 2000. The net proceeds of \$5,972,470 (after payment of \$73,835 in underwriting fees and other issuance costs allocated using a pro rata basis of the total bonds issued), plus approximately \$165,000 in 1990 monies were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1990 Series A bonds. The advance refunding met the requirements of an in-substance debt defeasance and the liability for those bonds is not reflected in these financial statements.

At December 31, 1997, \$5,947,000 of bonds outstanding are considered defeased.

K. Arbitrage Rebate Payable

Arbitrage as it applies to government financing refers to the ability of state governments to obtain funds at a tax-exempt rate of interest and to then invest those funds in investments which earn a higher yield, resulting in a profit to the issuer.

The arbitrage rebate rules require that any earnings from the investment of the tax-exempt bond proceeds which exceed the yield on the bonds be remitted to the federal government.

The State has an arbitrage rebate payable to the federal government of approximately \$4,862,678 at June 30, 1998. These amounts are reported in the General Long-Term Debt Account Group and Enterprise Funds as an intergovernmental payable.

NOTE 5 - CONTRIBUTED CAPITAL RECONCILIATION

Changes in contributed capital for the year ended June 30, 1998, were (expressed in thousands):

| | Enterprise | Internal Service | Total |
|------------------------------------|------------------|------------------|------------------|
| Contributed Capital, June 30, 1997 | \$ 24,651 | \$ 21,300 | \$ 45,951 |
| Additions | 1,815 | - | 1,815 |
| Deletions | (2,691) | - | (2,691) |
| Contributed Capital, June 30, 1998 | <u>\$ 23,775</u> | <u>\$ 21,300</u> | <u>\$ 45,075</u> |

Contributed capital increased in the Guaranteed Student Loan Program by \$1,815,050 as a result of funds initially appropriated for the establishment of the Program. This is a prior period adjustment.

Contributed capital decreased in the Developmentally Disabled Facility Loan Program by \$2,690,515, as a result of a session law that transferred the funds to the Department of Human Services in the form of a residual equity transfer.

NOTE 6 - RETAINED EARNINGS/FUND EQUITY - SPECIFIC RESERVES

Certain fund equity reserves presented in the accompanying financial statements as of June 30, 1998, as Reserved for Other Specific Purposes are further detailed as follows (expressed in thousands):

A. Retained Earnings: Reserved For

| | Enterprise |
|---|--------------------------|
| Primary Government: | |
| Capital Growth (Bank of North Dakota) | \$ 42,000 |
| Debt Service (State Fair) | 250 |
| Escrow Requirements (Guaranteed Student Loan) | 1,833 |
| Debt Service on Mortgage Loans (Housing Finance) | 25,549 |
| Health Insurance Premiums Buydown (PERS Uniform Group Insurance) | 2,563 |
| Political Subdivision Water Facilities (Community Water Facilities) | 5,560 |
| Loans to Beginning Farmers (Beginning Farmer) | 8,535 |
| Loans for Developmentally Disabled Facilities (Developmentally Disabled Facility) | 2,005 |
| Other (Student Loan)(1) | 66,877 |
| Total | <u><u>\$ 155,172</u></u> |

- (1) For:
- Acquisition of New and Existing Student Loans
 - Repayment of Bond Interest and Principal
 - Meet Estimated Operating Expenses of the Trust for the Next Three Years
 - Surplus Account

Component Units:

| | Enterprise |
|---|-------------------------|
| Equity Investments, Loans, Grants and Guaranty of Collections (North Dakota Development Fund, Inc.) | \$ 2,796 |
| Contingencies (Comprehensive Health Association) | (973) |
| Debt Service or Purchase of Municipal Securities (Municipal Bond Bank) | 45,718 |
| Total | <u><u>\$ 47,541</u></u> |

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Notes To The Financial Statements

B. Retained Earnings: Designated For

| Primary Government | Internal Service |
|--|---------------------|
| Future Catastrophic Losses (Risk Management Fund) | <u>\$ 3,093</u> |

C. Fund Balance:

| <u>Reserved For Other</u> | General Fund | Special Revenue | Trust and Agency | University System |
|--|-----------------|--------------------|---------------------|----------------------|
| Inventory | \$ 594 | \$ 5,236 | \$ - | \$ - |
| Long-Term Receivables | 86 | 82,483 | - | - |
| Legal Requirements | - | - | 521,871 | - |
| Pension Benefits | - | - | 2,231,065 | - |
| Postemployment Healthcare Benefits | - | - | 20,427 | - |
| External Pool Participants | - | - | 29,040 | - |
| Prepaid Expenditures | - | 1,873 | - | - |
| Arbitrage Rebate | - | 69 | - | - |
| Federal Loan Funds | - | - | - | 32,509 |
| Institutional Restricted | - | - | - | 7,189 |
| Agric. Exper- iment Station | - | - | - | 1,556 |
| Coop. Extension Service | - | - | - | 217 |
| Institutional Loan | - | - | - | 9,050 |
| Endowment Restricted | - | - | - | 9,930 |
| Quasi Endow- ment Restricted | - | - | - | 106 |
| Term Endowment Restricted | - | - | - | 5 |
| Institutional Unexpended Plant | - | - | - | 5,905 |
| Retirement of Debt/Repair and Replace- ment | - | - | - | 7,836 |
| Total | <u>\$ 680</u> | <u>\$ 89,661</u> | <u>\$2,802,403</u> | <u>\$ 74,303</u> |

D. Fund Balance:

| <u>Unreserved - Designated For Other</u> | Special Revenue | Trust and Agency |
|--|--------------------|---------------------|
| Trust Purposes | \$ - | \$ 1,074 |
| Fund Activities | 6 | - |
| Patients Welfare | 682 | - |
| PACE Fund Activity | 9,972 | - |
| Total All Funds | <u>\$ 10,660</u> | <u>\$ 1,074</u> |

NOTE 7 - DEFICIT FUND EQUITY

Component Units

Comprehensive Health Association of North Dakota (CHAND)

At December 31, 1997, CHAND had a deficit of \$972,774. A member assessment of \$1,200,000 is expected to cover the deficit.

NOTE 8 - RETIREMENT SYSTEMS

A. Description of Plans

The State of North Dakota administers four major retirement systems: North Dakota Public Employees' Retirement System, North Dakota Highway Patrolmen's Retirement System, Retirement Plan for the Employees of Job Service North Dakota and the Teachers' Fund for Retirement. These retirement systems have implemented Governmental Accounting Standards Boards Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and Statement No. 27, Accounting for Pensions by State and Local Governmental Employers. Certain State employees may also participate in a privately administered retirement system: Teachers' Insurance Annuity Association. The following is a brief description of each plan. More detailed information can be found in the plan agreements and the related legislation.

North Dakota Public Employees' Retirement System (PERS)

The North Dakota Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan covering substantially all employees of the State of North Dakota, its agencies, and various participating political subdivisions. It also covers Supreme and District Court Judges and the National Guard Security Officers and Firefighters. It is not subject to the provisions of the Employee Retirement Securities Act of 1974. PERS issues a publicly available financial report that may be obtained by writing to North Dakota Public Employees Retirement System, 400 East Broadway, Suite 505, Bismarck, North Dakota 58501.

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At June 30, 1998, the number of participating local political subdivisions in PERS was:

| | |
|--|-----|
| Cities and Park Districts | 52 |
| Counties | 40 |
| School Districts | 64 |
| Other | 41 |
| Total Participating Local Political Subdivisions | 197 |

Death and disability benefits are set by statute. If an active employee dies with less than five years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than five years of credited service, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the employee's accrued normal retirement benefit, or 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 65 the day before death occurred or monthly payments in an amount equal to the employees' accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible employees who become totally disabled after a minimum of 180 days of service receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the employee has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for "disabled" is set by the Board in the North Dakota Administrative Code.

Benefits are set by statute. The system has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equals or exceeds 85 (effective August 1, 1997) or at normal retirement age (65), equal to 1.77% (effective August 1, 1997) of their final average salary for each year of service. The plan permits early retirement at ages 55-64, with five or more years of service. The monthly pension benefit for Supreme and District Court Judges at normal retirement age (65) is equal to 3.5% of final average salary multiplied by the first 10 years of service, plus 2.80% of final average salary times the second 10 years of service, plus 1.25% of final average salary times years of service in excess of 20 years. The judicial retirement formula is only applied to eligible judicial service. Non-judicial service benefits are calculated using the 1.77% (effective August 1, 1997) percent multiplier. The monthly pension benefit for security officers' or firefighters at normal retirement age (55) is equal to 1.77% (effective August 1, 1997) of the final average salary for each year of service with five years served as a security officer or firefighter.

Employees may elect to receive the pension benefits in the form of a single life, joint and survivor, level social security or term-certain annuity. Employees may elect to receive the value of their accumulated contributions, plus interest, as a lump sum

distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the employee's accumulated contributions plus interest.

The system is funded by employee contributions (set by statute) of 4% of regular compensation, with the exception of Supreme and District Court Judges contributions, which are established at 5% of total compensation. During the 1983-1985 biennium, the State implemented the employer pickup provision of the IRS code, whereby a portion or all of the required employee contributions are made by the employer. The State is paying the full employee contribution with the exception of the Supreme and District Court Judges, in which the State is paying 4 of the 5 percent contribution. Some of the political subdivisions are paying all or part of the employee contributions. Employer contributions of 4.12 percent of covered compensation are set by statute. The employer contribution rate for the Supreme and District Court Judges is also set by statute at 14.52, and the contribution rate for the National Guard security officers and firefighters is set by the Board at 8.33 percent. The required contributions are determined using an entry age normal actuarial funding method. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of PERS. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code.

North Dakota Highway Patrolmen's Retirement System (NDHPRS)

The North Dakota Highway Patrolmen's Retirement System is a single-employer defined benefit pension plan covering substantially all sworn officers of the Highway Patrol of the State of North Dakota. It is not subject to the provisions of the Employee Retirement Income Security Act of 1974. NDHPRS issues a publicly available financial report that may be obtained by writing to North Dakota Public Employees Retirement System, 400 East Broadway, Suite 505, Bismarck, North Dakota 58501.

Death and disability benefits are set by statute. If an active employee dies with less than 10 years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than 10 years of credited service, the surviving spouse, if any, will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the employee's accrued normal retirement benefit, or 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 55 the day before death occurred. If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be payable to any designated beneficiary.

Eligible employees who become totally disabled after a minimum of 180 days service receive monthly disability benefits that are up to 70 percent of their final average salary, reduced by workers compensation with a minimum benefit of \$100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled and apply for benefits within one year of termination.

Benefits are set by statute. The system has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees are entitled to unreduced pension

benefits after a minimum of 10 years of service upon attainment of age 55 or when the sum of age and years of credited service equal or exceeds 80. The annual pension benefit is equal to a percentage of average monthly salary using the highest 36 consecutive months out of the last 120 months of service. The percentage is equal to the sum of the first 25 years of service multiplied by 3.25% (effective August 1, 1997) and 1.75% multiplied by years of service in excess of 25, if any. The plan permits early retirement at ages 50-54, with ten or more years of service.

The system is funded by employee contributions of 10.3% (of which the State is paying 4%) of total compensation and an employer contribution of 16.7%. The required contributions are determined using an entry age normal cost method. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDHPRS. Benefit and contribution provisions are administered in accordance with chapter 39-03 of the North Dakota Century Code.

Refunds of Member Contributions

Upon termination, if a member is not vested (is not 65 or does not have five years of service credited for NDHPRS, or is not 60, or does not have ten years of service credited for NDHPRS), they will receive the accumulated employee contributions plus interest. If a member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member of the PERS terminated and withdrew their accumulated employee contribution and is subsequently re-employed, they have the option of repurchasing their prior service.

Retirement Plan for the Employees of Job Service North Dakota (JSND)

The retirement plan for employees of Job Service North Dakota is a single-employer defined benefit public employee retirement plan. Previous to September 30, 1993, this plan was funded with the Travelers Insurance Company under Group Annuity Contract GR-600. Effective October 1, 1993, the deposit administration fund was terminated and Group Guaranteed Benefit Contract GR-16312 was in effect. Job Service North Dakota issues a publicly available financial report that may be obtained by writing to Job Service North Dakota, 1000 East Divide Avenue, Bismarck, North Dakota 58501.

Participation in the plan is limited to employees participating in the plan as of September 30, 1980. Employees were vested in the program after the completion of five years of credited service.

The plan provides retirement, disability and death benefits. If the death of a participant occurs prior to his/her annuity starting date, the surviving spouse who has been married at least two years prior to the participant's death or, if married less than two years is a parent of a child of this marriage, then the spouse shall receive monthly benefits. The amount is the greater of the benefit had the participant retired on the day before he/she died and elected the Contingent Annuity Option with 55% of his/her retirement benefit continued to his/her spouse or 55% of the smaller of 40% of the deceased participant's average monthly earnings or the deceased participant's normal retirement benefit obtained by increasing their credited service by the period of time between their date of death, and the date they would have attained age 60. Upon remarriage

of the surviving spouse before age 60, the death benefit will cease.

If a participant becomes totally disabled, they will be eligible for a monthly disability benefit which shall be equal to the greater of 40% of the participant's average annual earnings or the accrued benefit determined as of their date of disability.

Employees are entitled to annual pension benefits beginning at normal retirement age (65). Employees may elect an optional retirement eligibility at age 62 with 5 years of credited service, at age 60 with 20 years of credited service, or at age 55 with 30 years of credited service. Pension benefits are calculated based on the final average earnings (basic monthly earnings averaged over the highest three consecutive years of basic earnings) of the employee multiplied by the sum of:

- 1.5% times years of credited service up to 5 plus;
- 1.75% times years of credited service between 6 and 10 plus;
- 2.0% times years of credited service in excess of 10.

The system is funded by employee contributions of 7% of retirement wages (of which 4% is paid by the employer in lieu of salary increases). The required employer contributions are determined using an entry age actuarial funding method. Benefit and contribution provisions of the JSND are administered in accordance with Chapter 52-11 of the North Dakota Century Code.

Teachers' Fund for Retirement (TFFR)

The North Dakota Teachers' Fund for Retirement is a cost-sharing multiple-employer defined benefit pension plan covering employees for all public and certain college, State and non-public teachers of the State who meet certain requirements of age, period of productive service and employment. TFFR provides for pension, survivor and disability benefits. Teachers' Fund for Retirement issues a publicly available financial report that may be obtained by writing to the Retirement and Investment Office, 1930 Burnt Boat Drive, Bismarck, North Dakota 58501.

At June 30, 1998, the number of participating employer units in TFFR was:

| <u>Type</u> | <u>Number</u> |
|----------------------------|---------------|
| Special Education Units | 19 |
| Vocational Education Units | 5 |
| Public School Districts | 232 |
| County Superintendents | 16 |
| Other | 17 |
| Total | <u>289</u> |

A member is entitled to receive full benefits when five or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and has reached age 65, or the sum of age and years of service credit equals or exceeds 85. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 6% per year for every year the member's retirement age is less than 65 years. In

either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 1.75% (effective July 1, 1997) times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, five- or ten-year term certain annuity, or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas and may be eligible for legislative increases in monthly benefits. Effective July 1, 1997, a \$30 per month benefit improvement was granted to all retirees and beneficiaries.

Survivor benefits may be paid to a member's designated beneficiary. If a member's death occurs before retirement, the benefit options available are determined by the member's vesting status prior to death. If a member's death occurs after retirement, the death benefit received by the beneficiary (if any) is based on the retirement plan the member selected at retirement.

An active member is eligible to receive disability benefits when: (a) a total disability lasting twelve months or more does not allow the continuation of teaching, (b) the member has accumulated one year of credited service in North Dakota, and (c) the Board of Trustees of TFFR has determined eligibility based upon medical evidence. The amount of the disability benefit is computed by the retirement formula in NDCC section 15-39.1-10 without consideration of age and assuming the member has a minimum of 20 years of credited service. There is no actuarial reduction for reason of disability retirement.

Assessments and contributions paid to TFFR are set by NDCC section 15-39.1-09. Every eligible teacher in the state of North Dakota is required to be a member of TFFR and is assessed at a rate of 7.75% (effective July 1, 1997) of salary as defined by NDCC section 15-39.1-04. Every governmental body employing a teacher must also pay into TFFR a sum equal to 7.75% (effective July 1, 1997) of the teacher's salary. Based on an annual actuarial valuation, TFFR is effectively providing for the normal cost of TFFR's participants plus amortizing the unfunded liability over approximately a 20-year period.

A vested member who terminates covered employment may elect a refund of assessments paid or defer payment until eligible for pension benefits. A nonvested member who terminates covered employment must claim a refund of assessments paid unless that member submits a valid waiver of this refund to the Board of Trustees of TFFR. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

The following table summarizes membership information by plan at the actuarial valuation date:

| | PERS | NDHPRS | JSND | TFFR |
|--|--------------|--------------|--------------|--------------|
| Retirees and Beneficiaries Currently Receiving Benefits: | 4,200 | 72 | 182 | 4,585 |
| Special Prior Service Retirees: | 231 | - | - | - |
| Terminated Employees: | | | | |
| Vested | 71 | 1 | 6 | 1,048 |
| Nonvested | 2,225 | - | - | 252 |
| Total Terminated Employees | 2,296 | 1 | 6 | 1,300 |
| Active Employees: | | | | |
| Vested | 10,085 | 62 | 114 | 7,745 |
| Nonvested | 5,950 | 59 | - | 2,151 |
| Total Active Employees | 16,035 | 121 | 114 | 9,896 |
| Date of Annual Valuation | July 1, 1998 | July 1, 1998 | July 1, 1998 | July 1, 1998 |

(*) Includes retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them.

B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The public employee retirement systems described above are considered part of the State of North Dakota's reporting entity and are included in the State's financial statements as pension trust funds. The financial statements of these systems are prepared using the accrual basis of accounting. Employee contributions are recognized as revenues in the period in which they are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contribution. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Method Used to Determine Employer Contributions

Employer contributions for the PERS, NDHPRS and JSND were determined by an actuarial formula identified as entry age normal cost method. The formula determines the amount of contributions necessary to fund: (a) the current service cost, which represents the estimated amount necessary to pay for benefits earned by employees during the current service year and, (b) the prior service cost, which represents the amount necessary to pay for benefits earned prior to the effective date of the plan.

Method Used to Value Investments

Investments are recorded at fair value determined by reference to published market data for publicly traded securities and through the use of independent valuation services and appraisals for other investments. The net appreciation in fair value of investments consists of the realized gains or losses and the unrealized appreciation or depreciation in fair value of investments during the year. Realized gains and losses on sales of investments are computed based on the difference between the sales price and the original cost of the investment. Unrealized appreciation or depreciation is computed based on changes in the fair value of investments between years. Security transactions are accounted for on a trade date basis. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date.

During the current year, there were no investments in the stock or bonds of any commercial or industrial organization whose fair value represented 5% or more of the net assets available for benefits. JSND pension plan assets include Guaranteed Investment Contract, which comprises approximately 32.4% of the total assets. Additionally, there were no securities of the employers or related parties included in the assets of the pension trust funds.

Investments of PERS and NDHPRS are commingled and invested. Earnings on the investments and expenses relating to administering the plans are allocated to each plan based upon their percentage of ownership or number of participants.

The Retirement Plan for Employees of Job Service North Dakota pension trust fund was funded under a deposit administration contract with Travelers Insurance Company (Travelers) until September 30, 1993, and was valued at contract value.

Effective October 1, 1993, the deposit administration fund was terminated and Group Guaranteed Benefit Contract GR-16312 was in effect. Funds transferred from the deposit administration fund to the new contract were \$33,712,261 on October 1, 1993. Contract value represents the balance of the fund not yet transferred to the Agency, plus interest of 6.45%, less funds used to purchase cost-of-living annuities for retirees prior to 10/1/93 and pay administration expenses charged by the Travelers. Contract value was \$20,549,109 at June 30, 1998.

On March 14, 1994, the Plan Administrator/Trustee for the Retirement Plan for Employees of Job Service North Dakota entered into an investment management agreement with the North Dakota State Investment Board. This agreement provided for investment management services for pension fund assets not held by the Travelers. Fair value of investments with SIB at June 30, 1998, were \$42,798,330.

C. Funding Status and Progress

The actuarial methods and assumptions together with the schedule of funding progress is presented by the retirement systems in their separately presented financial reports based upon the actuary reports generated by the studies conducted by the Segal Company and Wyatt Company. The actuarial value of assets is based on a five-year smoothed fair value basis. Under this method, realized and unrealized gains and losses on investments are smoothed over five years. Below is listed the various actuarial methods and significant assumptions used to determine the annual required contributions, together with the schedule of funding progress.

| | PERS NDHPRS | Job Service North Dakota | TFFR |
|---|---------------------------|-----------------------------|---------------------------|
| Valuation date | July 1, 1998 | July 1, 1998 | July 1, 1998 |
| Actuarial cost method | Entry Age Normal | Frozen Entry Age *** | Entry Age Normal |
| Amortization method | Level Percent Open | Level Dollar Closed | Level Payment Open |
| Remaining amortization period | 20 years | 15 years | 20 years** |
| Asset valuation method | 5-year smoothed market | 5-year smoothed market | 5-year smoothed market |
| Actuarial Assumptions: | | | |
| Investment rate of return | 8% | 8% | 8% |
| Projected salary increase | 4.5%* | 5% | 4.25%-12.25% |
| Includes inflation at | 4.5% | 5% | 4.0% |
| Post retirement cost-of-living adjustment | None | 5% | None |

*Inflation together with wage increases attributable to seniority, merit and "standard of living" increases.

**Statutory 7.75% employer contribution rate produces 12.3 year funding period.

***As of July 1, 1998, the actuarial value of assets exceeds the present value of projected benefits; therefore, the unfunded actuarial accrued liability is currently zero.

Schedule of Funding Progress
(Dollars in Millions)

| Actuarial Valuation Date | Actuarial Value of Plan Assets | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) (Funded Excess) | Funded Ratio | Annual Covered Payroll | UAAL (Funded Excess) as a Percentage of Annual Covered Payroll |
|--------------------------|--------------------------------------|--|---|-----------------|------------------------------|--|
| PERS | | | | | | |
| July 1, 1993 | \$ 468.0 | \$ 469.6 | \$ 1.6 | 99.7% | \$ 298.6 | 0.5% |
| July 1, 1994 | 505.8 | 511.2 | 5.4 | 98.9% | 302.2 | 1.8% |
| July 1, 1995 | 554.6 | 539.8 | (14.8) | 102.7% | 303.4 | (4.9%) |
| July 1, 1996 | 621.7 | 597.9 | (23.8) | 104.0% | 345.3 | (6.9%) |
| July 1, 1997 | 704.5 | 646.9 | (57.6) | 108.9% | 359.0 | (16.0%) |
| July 1, 1998 | 801.3 | 720.1 | (81.2) | 111.3% | 379.0 | (21.4%) |
| NDHPRS | | | | | | |
| July 1, 1993 | \$ 17.0 | \$ 19.6 | \$ 2.6 | 86.7% | \$ 3.5 | 74.3% |
| July 1, 1994 | 18.3 | 20.7 | 2.4 | 88.4% | 3.4 | 70.6% |
| July 1, 1995 | 20.0 | 22.3 | 2.3 | 89.7% | 3.4 | 67.6% |
| July 1, 1996 | 22.2 | 23.8 | 1.6 | 93.3% | 3.8 | 42.1% |
| July 1, 1997 | 24.9 | 27.5 | 2.6 | 90.5% | 4.2 | 61.9% |
| July 1, 1998 | 28.1 | 28.9 | .8 | 97.2% | 4.3 | 18.6% |
| JSND | | | | | | |
| July 1, 1996 | \$ 46.1 | N/A* | \$ 1.9 | N/A | \$ 4.9 | 38.53% |
| July 1, 1997 | 51.0 | N/A | - | N/A | 4.7 | 0.00% |
| July 1, 1998 | 61.7 | N/A | - | N/A | 4.3 | 0.00% |
| TFFR | | | | | | |
| July 1, 1993 | \$ 567.2 | \$ 727.1 | \$ 159.9 | 78.0% | \$ 260.4 | 61.4% |
| July 1, 1994 | 606.8 | 764.2 | 157.4 | 79.4% | 262.4 | 60.0% |
| July 1, 1995 | 661.2 | 799.8 | 138.6 | 82.7% | 268.7 | 51.6% |
| July 1, 1996 | 733.3 | 851.6 | 118.3 | 86.1% | 281.2 | 42.1% |
| July 1, 1997 | 823.4 | 977.1 | 153.6 | 84.3% | 294.1 | 52.2% |
| July 1, 1998 | 928.0 | 1,033.0 | 105.1 | 89.8% | 298.4 | 35.2% |

*The Frozen Initial Liability method does not directly identify an Actuarial Accrued Liability.

D. Contributions Required and Contributions Made

Employer contribution rates for PERS, NDHPRS and JSND are set by state statute using the entry age normal actuarial cost method. This method produces an employer contribution rate consisting of (1) an amount for normal cost, (2) an amount for amortization of the unfunded accrued liability over a period of 20 years for PERS and NDHPRS and 30 years for JSND, and (3) the amount necessary to provide for operating expenses. For JSND the entire employer contribution requirement is to cover the current amortization of the Initial Actuarial Accrued Liability with none being applied for normal costs. In determining funding requirements, the actuary uses the same actuarial assumptions as those used to calculate the actuarial accrued liability.

The contribution rate is not actuarially determined for TFFR; it is set by statutory law under the North Dakota Century Code Section

15-39.1-09. It is required that every eligible teacher be a member of the Fund and assessed at a rate of 7.75% (effective July 1, 1997) of gross salary and that every governmental body employing a teacher pay into the plan a sum equal to 7.75% (effective July 1, 1997) of the teacher's salary. Based on an actuarial valuation, the plan is effectively providing for the normal cost plus amortizing the unfunded liability over approximately a 20-year period.

For NDHPRS and JSND, sole employer plans, contributions for the years ended June 30, 1998, 1997 and 1996 were \$609,384, \$439,900 and \$468,100, and \$577,936, \$1,189,411 and \$1,324,089, respectively, which are equal to or exceed required contributions for the respective years.

The following schedule presents, by retirement system, annual required contributions and the percentage contributed:

Schedule of Employer Contributions

| | Annual Required Contribution | Percentage Contributed |
|------|------------------------------------|---------------------------|
| PERS | | |
| 1996 | \$ 10,588,800 | 100% |
| 1997 | 11,421,000 | 100% |
| 1998 | 10,810,265 | 100% |
| TFFR | | |
| 1996 | \$ 18,988,538 | 100% |
| 1997 | 19,693,130 | 100% |
| 1998 | 23,326,328 | 100% |

E. Teachers Insurance Annuity Association

The Teachers Insurance and Annuity Association (TIAA-CREF), a privately administered defined contribution retirement plan, provides individual retirement fund contracts for eligible permanent employees as defined by the Board of Higher Education in its approved TIAA-CREF retirement resolution.

Employees are eligible for retirement benefits after attaining the age of 65, which is payable periodically for life. All benefits vest immediately to the participant. The plan requires employee and employer contributions be based on a classification system and years of service based on the schedule shown below.

| Employment Class | Years of Service | By The Participant | By The Institution | Total |
|---------------------|---------------------|-----------------------|-----------------------|-------|
| I and III | 0 thru 10 | 1.5% | 9.5% | 11.0% |
| | over 10 | 2.0% | 10.0% | 12.0% |
| II | 0 thru 2 | 0.5% | 4.5% | 5.0% |
| | 3 thru 10 | 1.5% | 9.5% | 11.0% |
| | over 10 | 2.0% | 10.0% | 12.0% |
| IV | 0 | 1.0% | 9.0% | 10.0% |

Plan contributions by participants will be deducted from salary payments, or if elected by the participant, will be made on a tax-deferred basis under an agreement for salary reduction executed in accordance with Section 414(h)(2) of the Internal Revenue Code. All contributions are applied as premiums to retirement annuity contracts owned by the participant. The state has no further liability once annual contributions are made. The state contributed \$12,668,259, which is the required contribution, for the fiscal year ended June 30, 1998.

F. Other Pension Disclosures

Income Taxes

The North Dakota Retirement Board (PERS, NDHPRS), TFFR and JSND are exempt from the payment of any federal or state income taxes, by virtue of their being a North Dakota State Agency.

NOTE 9 - POST-RETIREMENT BENEFITS

The Retiree Health Benefits Fund is administered by the North Dakota Retirement Board (the Board) to provide members receiving retirement benefits from the Public Employees Retirement System (which includes judges retired under NDCC ch. 27-17), the Highway Patrolmen's Retirement System and, the Retirement Plan established by Job Service North Dakota, a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. The Retiree Health Benefits Fund is advance-funded on an actuarially determined basis.

The employer contribution for the Public Employees Retirement System and the Highway Patrolmen's Retirement System is set by state statute on an actuarially determined basis at 1 percent of covered compensation. The employer contribution for the Supreme and District Court judges is 3 percent of covered compensation in order to extend this benefit to judges retired under NDCC ch. 27-17. Job Service North Dakota reimburses the Retiree Health Benefits Fund monthly for credit received by members of the retirement program established by Job Service North Dakota. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1 percent of their covered compensation to the Retiree Health Benefits Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund.

Retiree health benefits are set by state statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the Public Employees Retirement System (which includes judges retired under NDCC ch. 27-17), the Highway Patrolmen's Retirement System or the Retirement Plan established by Job Service North Dakota, are eligible to receive credit toward their monthly health insurance premium under the state health plan. The benefits are equal to \$4.50 for each of the employee's years of credited service not to exceed the premium in effect for selected coverage. Total Job Service expenditures for their pay-as-you-go plan was \$164,414 for the period ending June 30, 1998. The number of employees from Job Service using the credit was 133 at June 30, 1998. The retiree health benefit is also available for early retirement with reduced benefits.

Death and disability benefits are set by state statute. An employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit, are eligible to receive a credit toward their monthly health insurance premium under the state health plan. The benefits are equal to \$4.50 for each of the employee's or deceased employee's years of credited service, not to exceed the premium in effect for selected coverage.

Actuarial valuations of the Fund were done as of June 30, 1998. The actuarial cost method used is the Projected Unit Actuarial Credit Cost Method. The significant actuarial assumptions used to determine funding requirements are (a) a rate of return on the investment of present and future assets of 8.0 percent, (b) inflation at 4.50% per annum, (c) pre- and post-mortality life expectancies of participants based upon 1983 Group Annuity Mortality Tables and the PBGC's Disabled Life Mortality Tables, (d) rates of withdrawal from active service before retirement for reasons other than death, rates of disability, and expected retirement ages developed on the basis of actual plan experience, and (e) administrative expenses of \$105,000 per year. Plan assets are

STATE OF NORTH DAKOTA

Notes To The Financial Statements

valued at market value for actuarial purposes.

The following are the changes in actuarial assumptions and cost methods and the effect on the employer's contribution rates expressed as a percent of covered payroll and the dollar effect on the actuarial accrued liability. There were no plan amendments.

| | As a Percentage of Covered Payroll | Dollar Effect |
|-------------------------------|--|---------------|
| Changes in plan experience | (.02%) | \$ (76,673) |

Employer contributions totaling \$3,596,519 were made for the year ended June 30, 1998. The actuarially required employer contribution of \$3,761,160 for the year ended June 30, 1998, is .98 percent of the covered payroll and reflects the fact that the statutory rate of 1 percent is sufficient to cover future costs of the Fund. At June 30, 1998, the cost of benefits incurred for the fund was \$2,939,262.

Employee membership is as follows:

| | |
|----------------------------|--------|
| Retirees receiving benefit | 2,812 |
| Active participants | 16,156 |
| Total Membership | 18,968 |

According to the Projected Unit Credit Cost Method, the actuarial accrued liability and the unfunded actuarial accrued liability of the Retiree Health Benefits Fund are as follows:

| | |
|--|---------------|
| Actuarial accrued liability | \$ 54,710,938 |
| Net assets available for benefits, at actuarial value | 16,273,221 |
| "Unfunded" accrued liability | \$ 38,437,717 |

The fair value of the net assets available for benefits at June 30, 1998, is \$20,281,319.

NOTE 10 - DEFERRED COMPENSATION PLAN

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees, permits them to defer a portion of their current salary until future years. Participation in the plan is optional. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

All compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, are (until paid or made available to the employee or other beneficiary) solely the property and rights of the State (without being restricted to the provisions of benefits under the plans) subject only to the claims of the State's general creditors.

Participants' rights created under the plans are equivalent to those of general creditors of the State in an amount equal to the fair market value of the deferred account maintained with respect to each participant. The State has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor.

In the past, the plan's assets have been used for no purpose other than to pay benefits. In addition, the State believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

Assets of the plan are administered by third parties. These assets are recorded at fair value in the Deferred Compensation (Agency) Fund.

Of the \$76,424,021 in the plan at June 30, 1998, \$73,103,346 or 96% was applicable to the State of North Dakota, while the remaining \$3,320,675 represents the assets of other jurisdictions participating in the plan.

NOTE 11 - PERS UNIFORM GROUP INSURANCE PROGRAM SURPLUS

The PERS Uniform Group Insurance Program, an enterprise fund, contracts with Blue Cross Blue Shield of North Dakota (BCBS) to provide health care insurance to the employees of the State of North Dakota, or any of its political subdivisions, institutions, departments or agencies. The contract provides for an accounting of premiums paid and claims incurred during the biennium, with any surplus shared according to a formula outlined in the contract. The surplus will be reduced by claims incurred during the biennium that are paid during the 24 months following the end of the biennium. Based on BCBS's accounting for the biennium ended June 30, 1997, the State's portion of the surplus was determined to be \$11.2 million. This amount was reduced by \$6.4 million for claims paid during the fiscal year that were incurred in the 1995-97 biennium. The surplus will also be reduced by claims paid during the next 12 months that were incurred during the 1995-97 biennium. The State used \$5.3 million and \$7.6 million of the accumulated surplus and earnings during the fiscal years 1998 and 1997, respectively, to reduce the premium rates. The accumulated surplus and other invested funds in the amount of \$9.6 million is shown as cash on the State's balance sheet. These funds are being held by BCBS and are earning interest based on a formula provided in the contract at a rate equal to the five year treasury note as quoted by the Wall Street Journal.

The contract for the 1997-99 biennium provides for a similar accounting of surplus balances. As of June 30, 1998, the surplus for the 1998 fiscal year is \$7.2 million. This surplus is not reflected on the financial statements, as this is only an estimate and the amount will change based on claims paid throughout the life of the contract and 24 months following the end of the contract.

Similarly, the PERS Uniform Group Insurance Program contracts with ReliaStar Life Insurance Company to provide life insurance to the employees of the State of North Dakota or any of its political subdivisions, institutions, departments or agencies. The contract provides for an accounting of premiums paid and claims incurred during the biennium, with any surplus shared according to a formula outlined in the contract. Based on ReliaStar final accounting for the 1995-1997 biennium, the State's portion of the surplus is \$1,218,839. The surplus is used to fund rate reductions in the supplemental life program or provide benefit enhancements. The surplus is being held at ReliaStar and is earning interest based on a formula provided in the contract at a rate equal to three percent plus any additional interest as ReliaStar may declare from year to year. This surplus is shown as cash on the State's balance sheet.

The contract for the 1997-99 biennium provides for a similar accounting of surplus balances. As of June 30, 1998, there was no surplus available.

NOTE 12 - SEGMENT INFORMATION

The State groups its Enterprise Funds into several segments which include the following:

PRIMARY GOVERNMENT

Bank of North Dakota was established for the purpose of promoting agriculture, commerce and industry in North Dakota. Business of the Bank may include anything that a bank lawfully may do, except as it may be restricted by the laws of the State.

Beginning Farmer Revolving Loan was established for the purpose of making loans to North Dakota beginning farmers for the purchase of agricultural real estate.

Bonding was established to provide fidelity bonding of public employees and officials.

Community Water Facility Loan was established to provide supplementary financing in conjunction with federal monies for the construction, enlargement, extension or other improvement of community water facilities.

Developmentally Disabled Facility Loan was established for the purpose of making loans to nonprofit corporations for project costs related to the establishment of facilities for developmentally disabled, chronically ill and physically disabled persons.

Fire and Tornado was established to provide property insurance to various State agencies and political subdivisions.

Guaranteed Student Loan was established to account for revenues and expenses associated with the administration, development, and operation of the guaranteed loan program.

Housing Finance provides assistance for North Dakotans in buying or renting decent, safe housing.

Mill and Elevator was created for the purpose of encouraging and promoting agriculture, commerce and industry by maintaining and marketing farm products.

PERS Uniform Group Insurance was established to provide employees of the State of North Dakota or any of its political subdivisions, institutions, departments, or agencies, economies of scale in purchasing health and life insurance.

Real Estate Trust was established to provide a fund for which to place all sums collected for the purpose of retiring the principal of real estate bonds at their maturity and paying the interest thereon when due, except an administration fee which may be retained by the Bank of North Dakota.

Roughrider Industries was established to account for the revenues and expenses associated with the operation, manufacture and sale of products made by the prison inmates.

State Fair was established for the purpose of conducting an annual exhibition of the State's resources and products in order to promote the State.

Student Loan was established to provide loans to students in post secondary education.

Workers Compensation was established principally to provide compensation and to cooperate in making arrangements for the rehabilitation of persons injured over the course of employment for both the public and private sector.

Segment financial information for the fiscal year ended June 30, 1998, is as follows (expressed in thousands):

STATE OF NORTH DAKOTA

Schedule of Segment Information - Enterprise Funds

For The Fiscal Year Ended June 30, 1998

(Expressed In Thousands)

| | Bank Of North Dakota | Beginning Farmer Revolving Loan | Bonding | Community Water Facility Loan | Develop- mentally Disabled Facility Loan | Fire And Tornado | Guaranteed Student Loan |
|---|-------------------------------|--|---------|--|--|------------------------|-------------------------------|
| Operating Revenue | \$ 79,080 | \$ 715 | \$ 34 | \$ 477 | \$ 613 | \$ 4,812 | \$ 2,299 |
| Operating Expenses | 53,536 | 427 | 274 | 77 | 354 | 6,473 | 2,434 |
| Depreciation | 556 | - | - | - | - | 6 | - |
| Operating Income (Loss) | 25,544 | 288 | (240) | 400 | 259 | (1,661) | (135) |
| Operating Grants, Entitlements, and Shared Revenue | - | - | - | - | - | - | - |
| Operating Transfers: | | | | | | | |
| In | 17,202 | 921 | - | - | - | 47 | - |
| Out | (12,498) | - | - | - | - | (417) | - |
| Net Income (Loss) | 30,248 | 1,209 | 300 | 400 | 259 | 60 | (7,078) |
| Current Capital Contributions and Transfers | - | - | - | - | - | - | - |
| Property, Plant, and Equipment : | | | | | | | |
| Balance June 30, 1998 | 3,168 | - | - | - | - | 13 | - |
| Additions | 234 | - | - | - | - | - | - |
| Deletions | (14) | - | - | - | - | - | - |
| Total Assets | 1,162,415 | 16,276 | 5,312 | 15,578 | 8,970 | 18,469 | 15,183 |
| Net Working Capital | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Liabilities Payable From Operating Revenues | 69,791 | - | 114 | - | 5,026 | 5,197 | - |
| Total Equity | 128,888 | 16,260 | 4,248 | 15,560 | 3,934 | 10,117 | 3,977 |

N/A: Not Available

| | | | | | | | | Total Enterprise Funds |
|--------------------|-------------------------|---------------------------------------|-------------------------|--------------------------|---------------|-----------------|-------------------------|------------------------------|
| Housing Finance | Mill And Elevator | PERS Uniform Group Insurance | Real Estate Trust | Roughrider Industries | State Fair | Student Loan | Workers Compensation | June 30 1998 |
| \$ 53,699 | \$ 76,029 | \$ 695 | \$ 2,867 | \$ 3,142 | \$ 2,998 | \$ 17,923 | \$ 126,517 | \$ 371,900 |
| 47,765 | 72,823 | 638 | 2,355 | 2,951 | 3,197 | 13,087 | 176,170 | 382,561 |
| 40 | 1,564 | - | - | 65 | 444 | - | 657 | 3,332 |
| 5,934 | 3,206 | 57 | 512 | 191 | (201) | 4,836 | (49,653) | (10,663) |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | 370 | - | - | 18,540 |
| (27) | (32) | - | - | - | - | - | - | (12,974) |
| 5,907 | 3,246 | 218 | 512 | 145 | 39 | 4,836 | 38,194 | 78,495 |
| - | - | - | - | - | - | - | - | - |
| 57 | 16,116 | - | - | 487 | 8,116 | - | 1,708 | 29,665 |
| 17 | 418 | - | - | 155 | 238 | - | 230 | 1,292 |
| (6) | - | - | - | (5) | (95) | - | (24) | (144) |
| 775,002 | 47,190 | 11,888 | 32,906 | 1,951 | 9,520 | 282,393 | 862,992 | 3,266,045 |
| N/A | 27,668 | N/A | N/A | 1,337 | 1,119 | N/A | N/A | 30,124 |
| 714,062 | 416 | 29 | 31,441 | 65 | 2,651 | 210,752 | 592,117 | 1,631,661 |
| 34,384 | 44,380 | 2,563 | 726 | 1,674 | 6,598 | 66,877 | 76,319 | 416,505 |

N/A: Not Available

NOTE 13 - COMPONENT UNIT FUNDS

The State's Component Units, which are all proprietary funds, consist of the following:

Comprehensive Health Association was established to provide low cost access to health insurance coverage for residents of the State who are denied adequate health insurance and are considered uninsurable.

North Dakota Development Fund, Inc. was established to provide for the development and expansion of primary sector business in North Dakota.

Municipal Bond Bank was established with its purpose being to make funds available for borrowing by North Dakota political

subdivisions through the issuance of its bonds and the purchase of political subdivisions' municipal securities.

Technology Transfer, Inc. was established to provide a program and budgetary interface between the Department of Economic Development and Finance and the North Dakota University System with the primary objective to focus the intellectual and technical resources of the University System on the discovery, development, and application of scientific and technological principles and concepts on North Dakota's primary sector business.

Condensed financial statements for the component unit funds for the fiscal year ended June 30, 1998, are as follows (expressed in thousands):

STATE OF NORTH DAKOTA

Notes To The Financial Statements

Condensed Financial Information - Component Units For The Fiscal Year Ended June 30, 1998

Condensed Balance Sheet

| | Comprehensive Health Association | Municipal Bond Bank | North Dakota Development Fund | Technology Transfer Inc. | Total June 30 1998 |
|-------------------------------------|--|---------------------------|-------------------------------------|--------------------------------|--------------------------|
| Assets | | | | | |
| Cash | \$ 423 | \$ 554 | \$ 4,958 | \$ 277 | \$ 6,212 |
| Investments | - | 148,522 | 6,295 | 362 | 155,179 |
| Interest Receivable - Net | - | 1,973 | 200 | - | 2,173 |
| Loans And Notes Receivable - Net | - | - | 8,359 | 1,203 | 9,562 |
| Intergovernmental Receivable - Net | 26 | - | - | - | 26 |
| Advances To Primary Government | - | 15,704 | - | - | 15,704 |
| Prepaid Items | - | - | - | 135 | 135 |
| Unamortized Bond Issuance Costs | - | 1,090 | - | - | 1,090 |
| Fixed Assets (Net Of Depreciation) | - | 12 | 2 | 7 | 21 |
| Total Assets | \$ 449 | \$ 167,855 | \$ 19,814 | \$ 1,984 | \$ 190,102 |
| Liabilities | | | | | |
| Accounts Payable | \$ 83 | \$ 18 | \$ - | \$ - | \$ 101 |
| Interest Payable | - | 1,448 | - | - | 1,448 |
| Intergovernmental Payable | - | 532 | - | - | 532 |
| Claims/Judgements Payable | 1,125 | - | - | - | 1,125 |
| Due To Primary Government | - | - | - | 7 | 7 |
| Advances From Primary Government | - | 15,704 | - | - | 15,704 |
| Bonds Payable | - | 103,510 | - | - | 103,510 |
| Deferred Revenue | 214 | 925 | 2 | - | 1,141 |
| Total Liabilities | 1,422 | 122,137 | 2 | 7 | 123,568 |
| Equity | | | | | |
| Retained Earnings | (973) | 45,718 | 19,812 | 1,977 | 66,534 |
| Total Liabilities And Equity | \$ 449 | \$ 167,855 | \$ 19,814 | \$ 1,984 | \$ 190,102 |

Classified balance sheets are not available for the component unit financial statements.

Condensed Statement of Revenues, Expenses, and Changes in Fund Equity

| | Comprehensive Health Association | Municipal Bond Bank | North Dakota Development Fund | Technology Transfer Inc. | Total June 30 1998 |
|---|--|---------------------------|-------------------------------------|--------------------------------|--------------------------|
| Operating Revenues | \$ 4,995 | \$ 8,872 | \$ 979 | \$ - | \$ 14,846 |
| Operating Expenses | | | | | |
| Depreciation | - | (5) | - | (4) | (9) |
| Other | (4,491) | (8,322) | (2,745) | (410) | (15,968) |
| Operating Income (Loss) | 504 | 545 | (1,766) | (414) | (1,131) |
| Nonoperating Revenues | 25 | 10,332 | 955 | 11 | 11,323 |
| Operating Transfers From Primary Government | - | - | - | 250 | 250 |
| Operating Transfers To Primary Government | - | - | - | (158) | (158) |
| Net Income (Loss) | 529 | 10,877 | (811) | (311) | 10,284 |
| Fund Equity - Beginning Of Year | (1,502) | 34,841 | 20,623 | 2,288 | 56,250 |
| Fund Equity - End Of Year | \$ (973) | \$ 45,718 | \$ 19,812 | \$ 1,977 | \$ 66,534 |

NOTE 14 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK**Bank of North Dakota**

The State, through the Bank of North Dakota, is a party to financial instruments with off-balance-sheet risk in the normal course of business. These financial instruments include commitments to extend credit and financial standby letters of credit. Those instruments involve varying degrees of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contract amounts of those instruments reflect the extent of involvement the State has in particular classes of off-balance-sheet financial instruments.

The State's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and financial standby letters of credit is represented by the contractual amount of those instruments. The State uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

| | Contract Amount (in thousands) |
|-------------------------------------|-----------------------------------|
| Commitments to extend credit | \$ 197,430 |
| Financial standby letters of credit | 40,818 |
| | <u>\$ 238,248</u> |

Commitments to extend credit are agreements to lend as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The State evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained by the State upon extension of credit is based on management's credit evaluation of the customer. Collateral held may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties. Funding expectations for commercial and agricultural loan commitments vary. The fair value of these loans is not expected to have a material impact on the financial position of the State.

Financial standby letters of credit are conditional commitments issued by the State to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The likelihood of funding any of these letters of credit is considered to be remote.

North Dakota Housing Finance Agency

In the normal course of business, the Agency makes various commitments that are not reflected in the financial statements. These include commitments to extend credit and the debt reduction required when related loan acquisition funds are not

drawn down within prescribed time frames set by the specific bond resolution.

Commitments to extend credit are agreements to fund loans as long as there is no violation of any contract established in the contracts. Commitments require the payment of a reservation fee and generally have a fixed expiration date. Commitments to extend credit total \$18,461,000 at June 30, 1998. The Agency does not anticipate any material losses as a result of these commitments.

The bond resolutions require that the funds in the loan acquisition accounts be expended within 42 months of the related bond delivery date. Any remaining funds must be used for debt reduction. The loan acquisition funds totaled \$43,179,000 at June 30, 1998.

Municipal Bond Bank

In the normal course of business, the Bond Bank (a component unit) makes various commitments that are not reflected in the financial statements. These commitments include commitments to extend credit of \$27,442,000 at December 31, 1997.

NOTE 15 - SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

Most of the State's business is with customers within the state. Concentrations of credit are present in the construction and operation of community water facilities, developmentally disabled facilities, loans to students for post-secondary education, single-family and multifamily mortgage loans, and the agricultural industry. Due to the pervasive nature of agriculture in the economy of the state, all loans, regardless of type, are impacted by agriculture.

NOTE 16 - RISK MANAGEMENT

Several funds accumulate assets to cover risks that the State may incur. Specifically, the State assumes a portion or substantially all risks associated with the following:

The State Fire and Tornado Fund

The State Fire and Tornado Fund, an Enterprise Fund, is financed by premiums charged to the participating funds of the State. All monies collected must be paid into the fund for use only for the purpose outlined in NDCC section 26.1-22.02.

All losses occasioned by the hazards provided for in the North Dakota Century Code must be paid out of the fund, with the fund being reimbursed by a third-party insurance carrier for all losses in excess of \$1,000,000 per occurrence. The limit of liability of such reinsurance contract is no less than \$1,000,000 during each twelve month period.

State Bonding Fund

The State Bonding Fund, an Enterprise Fund, is financed by premiums charged to each State agency for the bonding of public employees and public officials.

Fleet Services

Fleet Services, an Internal Service Fund, represents the State's fleet of automobiles and is administered by the Department of Transportation. The State is self-insured for substantially all automobile insurance (i.e., comprehensive, collision), with the exception of liability insurance, which is provided by a private third-party insurance carrier. State agencies are charged premiums to cover the cost of the insurance and to pay for those losses which are not insured. These premium charges are factored into the fees agencies are charged when renting the cars.

Workers Compensation Bureau

Workers Compensation Bureau (Bureau), an Enterprise Fund, is a State insurance fund and a "no fault" insurance system, covering the State's employers and employees. The Bureau is financed by premiums assessed to employers. The rate of such premiums is periodically adjusted to assure the solvency of the Bureau. The premiums are available primarily for the payment of claims to employees injured in the course of employment. During fiscal year 1998, a total of \$162,066,645 in claims was recognized. Incurred but not reported claims of \$591,700,000 have been accrued as a liability based primarily upon actuarial estimates.

Risk Management Fund

Due to the loss of sovereign immunity, the 1995 Legislature established the Risk Management Fund (RMF) to pay money damages for claims for which the State is liable. The statutory liability of the State is limited to a total of \$250,000 per person and \$1,000,000 per occurrence. The State purchases commercial insurance for claims in excess of coverage provided by the Fund and continues to transfer liabilities for medical malpractice and aviation to private insurance carriers.

Revenues to the RMF are generated from contributions required from state agencies, boards and commissions, and the University System. Funding was determined using a projected cost allocation approach. The premise of this plan is that the agencies with greater expected loss costs should contribute more to the funding of the RMF than those agencies with lessor costs. The underlying logic is that contributions should roughly equal loss costs plus the expenses of administering the program over the long term.

The RMF liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities are affected by complex factors including inflation, changes in legal doctrines, and unanticipated damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities will be re-evaluated periodically to take in consideration settled claims, the frequency of claims and other economic and social factors. An actuarial study was performed in

fiscal year 1998 using the State's experience to the extent possible. This study determined the claims liability based on expected losses and reduced the claims liability. The reduction in the claims liability from fiscal year 1997 to fiscal year 1998 created a negative expenditure for benefit payments for fiscal year 1998.

The following table presents the changes in claims liabilities balance for the fiscal years ending June 30, 1997, and June 30, 1998:

| Fiscal Year | Beginning Balance | Current Year Claims and Changes In Estimates | Claims Payments | Ending Balance |
|-------------|-------------------|--|-----------------|----------------|
| 1997 | 2,484,052 | 2,134,307 | 38,698 | 4,579,661 |
| 1998 | 4,579,661 | (1,485,761) | 272,694 | 2,821,206 |

NOTE 17 - PUBLIC ENTITY RISK POOLSA. GeneralFire and Tornado and Bonding Fund

The Fire and Tornado Fund provides property insurance to state agencies, political subdivisions, the International Peace Garden and the winter show. The Fire and Tornado Fund has issued 1,100 policies to participating entities for a total building and content coverage of \$4.3 billion. The Bonding Fund is used to provide fidelity bonding of public employees and officials. The fund has issued 2,887 policies to participating entities. The total coverage for the Bonding Fund is \$508,632,371. If the assets of these funds were exhausted, fund participants would not be responsible for the funds' liabilities.

The Fire and Tornado and Bonding Fund are accounted for on the accrual basis. The Fire and Tornado Fund establishes claim liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims incurred but not reported. The Bonding Fund establishes claim liabilities based on actual judgements obtained against the fund but not paid prior to fiscal year end. Liabilities for incurred but not reported losses have not been established as they are not expected to be material amounts. Neither fund incurred any acquisition costs which should have been capitalized, nor were any liabilities recognized that were discounted. Investment income was not considered in determining the existence of premium deficiencies.

The Fire and Tornado Fund uses reinsurance agreements to reduce its exposure to large losses on all types of its insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Fund as direct insurer of the risks that are reinsured. The Fire and Tornado Fund does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. However, at June 30, 1998, there was no amount deducted from claims liabilities for reinsurance.

STATE OF NORTH DAKOTA

Notes To The Financial Statements

Workers Compensation Bureau

Workers Compensation Bureau (Bureau), an Enterprise Fund, is a state insurance fund and a "no fault" insurance system covering the State's employers and employees. At June 30, 1998, coverage extended to the following employer units:

| | |
|----------------------|--------|
| Cities And Townships | 357 |
| Counties | 1 |
| State Agencies | 91 |
| Private Employers | 20,703 |
| Total | 21,152 |

The Bureau is financed by premiums assessed to the employers of North Dakota. The premiums are available primarily for the payment of claims to employees injured in the course of employment.

The operations of Workers Compensation are accounted for on the accrual basis. Liability for incurred but not reported and incomplete claims and claims expense is estimated by the Bureau's actuary. The estimate is developed by the Bureau's actuary, taking into consideration past experience of the Bureau in paying claims, and general conditions of the environment in which the Bureau operates. The liability includes estimates of costs to settle individual claims which have been reported, plus a provision for losses incurred but not yet reported and includes the effects of inflation and other societal and economic factors. The Bureau records the liability at a discounted amount.

As adjustments to this estimated liability become necessary, such adjustments are reflected in current operations. Management believes the estimated liability for losses and loss adjustment expense is sufficient to cover the ultimate net cost of incurred claims, but such reserves are necessarily based on estimates and the ultimate liability may be greater or less than the amounts estimated.

For the year ended June 30, 1998, the actuary presented an estimate in the form of a range to emphasize the uncertainty for the estimated liability of the Bureau. The degree of uncertainty

was high for the Bureau because of the legislative and environmental changes that have taken place over the last few years. These ranges are as follows (expressed in thousands):

| | Low | Expected Value | High |
|-------------------------------------|------------|----------------|-------------|
| Full Value Basis (undiscounted) | \$ 800,000 | \$ 875,000 | \$1,000,000 |
| Discounted at 6 percent rate | * | 476,700 | 550,000 |
| Discounted plus contingency reserve | - | 591,700 | - |

*Not computed by actuary.

For many years, the actuarial computations were based on the use of a 6% discount factor, recognizing the effects of future investment earnings. Due to the level of uncertainty in the actuarial computations and other factors, management's goal is to increase the liability to an undiscounted level over a period of years through the use of a contingency reserve. This contingency reserve represents the amount of the liability provided for in excess of the expected liability at the 6% discount factor.

The Bureau has adjusted the estimated liability for unpaid loss and loss adjustment expense to the actuary's 6 percent discounted expected value plus contingency reserve of \$591.7 million at June 30, 1998. This adjustment resulted in an increase to expenses of \$50.8 million in 1998.

The June 30, 1997, liability of \$496.9 million was also recorded at the discounted rate of 6 percent plus a contingency reserve. The 1997 liability resulted in an increase to expenses of \$23.8 million.

While management has recorded amounts that fall within the ranges of estimated liabilities as computed under actuarial assumptions, the high level of uncertainty indicates that actual losses and expenses could be materially higher than the recorded estimated liability.

The Workers Compensation fund did not incur any acquisition costs which should have been capitalized at June 30, 1998.

B. Reconciliation Of Claims Liabilities

The following is a reconciliation of total claims liabilities, including an analysis of changes in aggregate liabilities for claims and claim adjustment expenses for the current fiscal year and the prior year (expressed in thousands):

| | Fire and Tornado | | Bonding | | Workers Compensation | |
|---|------------------|----------|---------|--------|----------------------|------------|
| | 1998 | 1997 | 1998 | 1997 | 1998 | 1997 |
| Unpaid claims and claims adjustment expenses at the beginning of the year | \$ 4,469 | \$ 1,603 | \$ 133 | \$ 127 | \$ 496,900 | \$ 480,400 |
| Incurring claims and claims adjustment expenses: | | | | | | |
| Provision for current fiscal year | 4,877 | 7,612 | 127 | 133 | 89,020 | 84,551 |
| Change in provision for prior fiscal year | - | - | - | - | 30,832 | (18,553) |

STATE OF NORTH DAKOTA

Notes To The Financial Statements

| | Fire and Tornado | | Bonding | | Workers Compensation | |
|---|------------------|-----------------|---------------|---------------|----------------------|-------------------|
| | 1998 | 1997 | 1998 | 1997 | 1998 | 1997 |
| Payments and claims and adjustment expenses attributable to: | | | | | | |
| Current fiscal year insured events | (345) | (3,143) | (18) | - | (15,332) | (12,953) |
| Prior fiscal years' insured events | (4,469) | (1,603) | (133) | (127) | (53,560) | (53,505) |
| Total Payments | (4,814) | (4,746) | (151) | (127) | (68,892) | (66,458) |
| Change in provision for discount | - | - | - | - | (73,600) | (46,100) |
| Contingency reserve for adverse deviation | - | - | - | - | 115,000 | 62,000 |
| Other | - | - | - | - | 2,440 | 1,060 |
| Total unpaid claims and claims adjustment expenses at the end of the year | <u>\$ 4,532</u> | <u>\$ 4,469</u> | <u>\$ 109</u> | <u>\$ 133</u> | <u>\$ 591,700</u> | <u>\$ 496,900</u> |

NOTE 18 - GUARANTEED STUDENT LOAN RESERVES RECALL

During 1997, the Balanced Budget Act (H.R. 2155, Section 6101) was passed, amending Section 422 of the Higher Education Act. The Act requires the Secretary of Education to recall portions of reserve funds held by guarantee agencies. Based on the State's reserve fund balance and the original principal amount of all outstanding insured loans as of September 30, 1996, the Department has determined that the State's required share of the recall of Federal reserve funds is \$7,574,859. This amount appears as a nonoperating expense and has been accrued as a liability in the financial statements. Within 90 days after the beginning of each of the fiscal years 1998 through 2002, the State is required to transfer twenty percent of their required share to a restricted account. On September 1, 2002, this amount will be recalled by the Department of Education.

NOTE 19 - COMMITMENTS AND CONTINGENCIES

A. Long-Term Commitments

Building Authority

The Authority has committed funds to complete various construction and modernization programs at June 30, 1998, as follows:

| | |
|---------------------------------|-----------------|
| State Board of Higher Education | <u>\$ 5,548</u> |
|---------------------------------|-----------------|

The Authority has also committed to fund construction projects for the University of North Dakota and North Dakota State University. The cost of these construction projects is not known as of June 30, 1998.

Community Water Facility Loan Fund

The Loan Fund has commitments to grant loans of \$527,600 as of December 31, 1997.

Municipal Bond Bank

On April 1, 1997, a Standby Bond Purchase Agreement was executed with the Central Dakota Irrigation District, a political subdivision. Should the District experience financial difficulties, the Bond Bank will purchase Central Dakota Irrigation District's Refunding Improvement Bonds (warrants) in an aggregate principal amount not less than the outstanding principal amount of the warrants plus accrued interest on the warrants. The original amount of the warrants issued April 1, 1997, was \$3,270,000.

PACE Fund

Funds committed to buy down interest rates on loans, but not yet disbursed at June 30, 1998, totaled \$1,385,847.

STATE OF NORTH DAKOTA

Notes To The Financial Statements

Department of Human Services

As of June 30, 1998, the Department of Human Services had significant commitments for the purchase of services as follows (expressed in thousands):

| | |
|-------------------------------|-----------------|
| Administrative Services | \$1,690 |
| Adoption | 389 |
| Alcohol/Drug Abuse Prevention | 435 |
| Case Aide Servicer | 881 |
| Case Management | 220 |
| Child Care Dependent Services | 1,285 |
| Consultants | 1,979 |
| Education Programs | 131 |
| Energy Services | 128 |
| Family Focused | 320 |
| Independent Living | 614 |
| Inpatient Hospitalization | 374 |
| Intensive In-Home | 1,114 |
| JOBS Program | 474 |
| Mental Health Services | 1,133 |
| Natural Gas Suppliers | 264 |
| Psych Services | 1,405 |
| Research | 148 |
| Residential Services | 2,011 |
| Social Work Training | 528 |
| Supported Employment | 96 |
| Surveys | 139 |
| Training Services | 2,463 |
| Utilization Review | 252 |
| Total | <u>\$18,473</u> |

State Courts

As of June 30, 1998, the State Courts had significant commitments of \$1,409,766. The amount consists of indigent defense contracts with law firms around the state to provide legal services for eligible indigent persons at all stages of proceedings as specified in the contracts.

Industrial Commission

As of June 30, 1998, the Industrial Commission had significant commitments of \$6,000,000. The commitments are funding for the capture, compression, and transportation of carbon dioxide from the gasification company. The \$6,000,000 will be provided as an equity investment of no less than \$4,000,000 and a grant of \$2,000,000. There are a number of conditions that must be met prior to the funding being provided.

Public Service Commission

As of June 30, 1998, the Public Service Commission had significant commitments of \$681,170. This amount consists primarily of contractor charges associated with the Abandoned Mine Lands.

Aeronautics Commission

As of June 30, 1998, the Aeronautics Commission had significant commitments of \$924,385. This amount consists of grants to political subdivisions for maintenance and improvements of their airports.

Economic Development and Finance

As of June 30, 1998, Economic Development and Finance had significant commitments of \$448,590. This amount consists of grants for the research and development of North Dakota agriculture products.

Dairy Products Promotion Commission

As of June 30, 1998, the Dairy Products Commission had significant commitments of \$379,000. This amount consists of a contract with ADA/DC of the Upper Midwest to implement and administer programs intended to contribute to the betterment of North Dakota dairy farmers and the State's dairy industry. The contract also provides the Commission with administrative, financial, and reporting services.

North Dakota Soybean Council

As of June 30, 1998, the North Dakota Soybean Council had significant commitments of \$242,516. This amount mainly consists of grants for the research and development of soybeans.

State Water Commission

As of June 30, 1998, the State Water Commission had long-term commitments of the following (expressed in thousands):

| | |
|-----------------------------|-----------------|
| Atmospheric Resource Board | \$ 14 |
| Maple River Flood Control | 71 |
| Nesson Valley Irrigation | 1,500 |
| Devils Lake | 315 |
| General Contracts | 811 |
| Northwest Area Water Supply | 42 |
| Southwest Pipeline Project | 832 |
| Water Appropriations | 463 |
| EPA Wetlands Grant | 243 |
| Total | <u>\$ 4,291</u> |

North Dakota Department of Transportation

At June 30, 1998, the North Dakota Department of Transportation (Special Revenue Fund) had non-construction contract commitments of approximately \$2.3 million of which \$1.2 million represents federal programs which are cost reimbursable.

STATE OF NORTH DAKOTA

Notes To The Financial Statements

Construction commitments at June 30, 1998, totaled approximately \$112 million, of which \$85.6 million represents federal programs which are cost reimbursable. These commitments will be funded with future appropriations as work is performed.

University Systems

Contracts for the construction of various projects on behalf of the University System have been let as follows (expressed in thousands):

| | Original Issue | Paid To Date | Amount To Be Paid |
|-----------------------------------|-------------------|-----------------|-------------------------|
| UND: | | | |
| Abbot Hall | \$ 3,182 | \$3,057 | \$ 125 |
| McCannel Hall | 4,054 | 4,028 | 26 |
| High Voltage Upgrade | 113 | 111 | 2 |
| Harrington Hall Lab Renovation | 122 | 109 | 13 |
| Johnstone/Fulton Skywalk | 1,020 | 964 | 56 |
| 42 nd Street Skywalk | 1,125 | 907 | 218 |
| Tennis Courts | 101 | 93 | 8 |
| NDSU: | | | |
| Skills & Tech. Center | 754 | 374 | 380 |
| Emission Control - Power Plant | 2,145 | 2,130 | 15 |
| NDSCS: | | | |
| Allied Health | 2,598 | 259 | 2,339 |
| Minot State University: | | | |
| Moore Hall | 4,217 | 1,452 | 2,765 |
| Hartnett Hall Theatre | 426 | 8 | 418 |
| Old Main Emer. Exits | 600 | 395 | 205 |
| Memorial Hall | 3,208 | 3,088 | 120 |
| BSC: | | | |
| Science Center | 8,473 | 8,341 | 132 |
| DSU: | | | |
| King Pavilion | 229 | 201 | 28 |
| Stickney Auditorium HVAC | 403 | 281 | 122 |
| VCSU: | | | |
| McFarland Hall | 550 | 62 | 488 |
| Osmon Floor | 176 | 133 | 43 |

University of North Dakota

The IRS has assessed a liability of \$333,277 for calendar years 1991, 1992, 1993 and 1994. The IRS is assessing the University for employer related FICA taxes, which include payments to nonresident aliens, tenure buyout payments, taxable fringe benefits, cash awards and independent contractor payments. The University is vigorously contesting this IRS assessment. No

liability for these taxes has been recorded in the financial statements.

Other Construction Commitments

The State has various long-term construction commitments in the following agencies at June 30, 1998 (expressed in thousands):

| | |
|-------------------------------|--------|
| Office of Management & Budget | \$ 143 |
| ND School for the Blind | 331 |
| Department of Human Services | 486 |
| Department of Corrections | 1,165 |
| Adjutant General | 33 |
| ND Game & Fish | 20 |

B. Litigation

The estimated range of loss in all of the litigation against the State in which a loss to the State is probable was \$300,000 to \$850,000. An accrual has been set up in the General Long-Term Debt Account Group for \$180,000 and \$120,000 in the Risk Management Fund for litigation. Litigation that is reasonably possible to result in an unfavorable outcome is estimated at \$110,000 to \$7,435,000.

The estimated gain in all the litigation brought by the State in which a gain is probable was \$1,850,000. This amount was not accrued in these financial statements.

The State had not settled any cases before June 30, 1998, in which the settlement had not been paid as of June 30, 1998.

C. Questioned Costs

The State receives federal financial assistance which is subject to review and audit by the Office of the State Auditor and the federal government. This assistance is generally conditioned upon compliance with certain laws and regulations. Disallowed and questioned costs relating to federal assistance could become a liability to the State. The State estimates that the ultimate disallowances pertaining to federal assistance, if any, will be immaterial to its overall financial condition.

The single audit of the State of North Dakota for the two year period ending June 30, 1996, was completed in April of 1997. As a result of this audit, approximately \$750,000 of identifiable questioned costs were noted. Also, there were several findings which had potentially significant, unknown, questioned costs. The State is cooperating with the federal government to resolve the findings and is optimistic these findings will not have a material impact on the State.

The 1997-98 single audit will be issued sometime in April or May of 1999. It is anticipated there will be potential questioned costs against the State as a result of this audit. The State does not believe the results of this audit will have a material impact.

D. Year 2000 (Unaudited)

The Year 2000 issue is a result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect operations as early as fiscal year 1999. The State has been working diligently for a number of years to detect and correct these problems, and management is confident major interruptions to computer systems and other electronic equipment critical to operations will be avoided. As a precaution, the State has made contingency plans to deal with unforeseen problems.

Four progressive stages have been used to demonstrate progress in addressing the Year 2000 issue. The stages are: awareness, assessment, remediation and validation/testing. The State has completed the awareness and assessment stages for all computer systems.

The Office of Management and Budget, Information Services Division, has identified 188 computer systems that may be affected by the Year 2000 issue. The status of the systems is identified in the table below:

| | |
|--------------------------------|-----|
| Validation/testing completed | 160 |
| Validation/testing in progress | 20 |
| Remediation stage in progress | 5 |
| Remediation not started | 3 |

The Information Services Division has identified 62 systems out of the 188 as being critical. The status of these systems is stated below:

| | |
|--------------------------------|----|
| Validation/testing completed | 50 |
| Validation/testing in progress | 10 |
| Remediation in progress | 1 |
| Remediation not started | 1 |

The critical system not started is an accounts receivable system for the Tax Department. Remediation work has not begun because of system requirements. All of the systems are to be remediated by in-house staff, and there are no outside contracted amounts for this project as of June 30, 1998.

Three state agencies develop and maintain their own data processing systems. The status of the systems is identified in the table below:

| | |
|--------------------------------|----|
| Validation/testing completed | 1 |
| Validation/testing in progress | 11 |
| Remediation stage in progress | 4 |

Progress is reported monthly to the state Year 2000 coordinator.

The University System's administrative information systems (Uniform Accounting System and Uniform Student Records System) are mission-critical applications for all of the system's institutions and related entities. Administrative systems software is in the validation/testing stage of Year 2000 compliance. Administrative systems hardware is in the validation/testing stage

for some components and near completion of the remediation stage for other components. Remaining tasks for these systems include installation of Year 2000-compliant versions of operating system components, development of test data and scripts, running of system tests, and development of contingency plans. These tasks are scheduled to be complete in early 1999. A breakdown of the institutions' status is available in the University System's Comprehensive Annual Financial Report.

The State has also completed awareness and assessment stages relating to other electronic equipment. Most of these systems have imbedded technologies that have been or will be corrected by manufacturers. All equipment is either in the remediation stage or has completed remediation. Because of the nature of this equipment, it is not possible to perform validation and testing under most circumstances.

Because of the unprecedented nature of the Year 2000 issue, its effects and success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the State of North Dakota is or will be Year 2000 ready, that the State of North Dakota remediation efforts will be successful in whole or in part, or that parties with whom the State of North Dakota does business will be Year 2000 ready.

NOTE 20 - SUBSEQUENT EVENTS**Housing Finance**

Subsequent to June 30, 1998, the Agency entered into a series of transactions to re-market the \$38,000,000 1997 Series D interim and issue the \$20,000,000 1998 Series E Housing Finance Program bonds and issue the \$11,215,000 1998 Series F Housing Finance Program bonds.

Student Loan Trust

Subsequent to June 30, 1998, the proceeds of the Series 1998 bonds were used to (a) refund \$700,000 of the July 1, 1998, principal maturing on the 1988 Series B bonds; (b) refund the \$12,740,000 principal maturing on July 1, 1998, on the 1989 Series B bonds; (c) provide \$15,505,000 of principal amount to call a portion of the 1989 Series A bonds; (d) provide \$17,165,000 to call the remaining 1989 Series B bonds; and (e) fund a portion of the redemption premium.

Comprehensive Health Association of North Dakota

During January 1998, the Association's board of directors approved and issued \$1,200,000 in participating member assessments. Blue Cross Blue Shield of North Dakota's share of this assessment totaled \$941,000.

Real Estate Trust

The Industrial Commission of North Dakota passed a resolution requesting the State Treasurer to call for a special redemption of the 1986 Real Estate Series A bonds in the principal amount of \$31,155,000. On September 1, 1998, the bonds were redeemed at par (100%) plus accrued interest to the date of redemption. Since the bonds were redeemed at par, the unamortized bond issue costs totaling \$18,342 and unamortized bond discount totaling \$1,414,883 were written off at the time of the redemption.

The resolution also directed the Bank of North Dakota to purchase from the State Treasurer the assets of the North Dakota Real Estate Trust in consideration of effecting the redemption. The assets were purchased by the Bank, resulting in a gain of \$500,000 to the Trust.

The asset sale and redemption resulted in a shortfall of \$150,140. The shortfall was covered by the Bank of North Dakota through an operating transfer to the Trust.

Mill and Elevator

A significant customer of the Mill and Elevator declared Chapter 11 bankruptcy on September 5, 1998. The balance owed to the Mill by this customer is \$846,187. The customer has bank debts of \$13,406,471 and approximately \$1.7 million of other unsecured debts. Approximate value of the customer's assets is \$5 million.

Upon notification of the bankruptcy filing, the Mill applied for and was accepted on the unsecured creditors committee. The customer will continue to operate during the bankruptcy proceedings.

State Water Commission

The State Water Commission, on September 4, 1998, approved the Resolution Authorizing Execution of Letter of Intent to Meet Conditions and the Resolution Authorizing Execution of Request for Obligation of Funds for the 1998 Series A bond issuance of \$100,000.

The purpose of the bond issuance is to provide a portion of the cost of acquiring, constructing, enlarging, improving, and/or extending its Southwest Pipeline Project facility to serve an area lawfully within its jurisdiction to serve.

Municipal Bond Bank

The Industrial Commission approved the issuance of a total \$9,695,000 of Capital Financing Program Bonds, Series 1998 A through E and \$35,965,000 of State Revolving Fund Program Bonds, Series 1998 A. These bonds are for the express purpose or providing funds to make loans to certain political subdivisions. Interest rates vary from 3.25% to 5.50% with maturities ranging from June 1, 1999, to June 1, 2007.

Division of Emergency Management

Subsequent to June 30, 1998, the Division of Emergency Management borrowed an additional \$1,696,400 to fund the costs of disaster recovery. The loan from the Bank of North Dakota is due June 30, 1999, and carries a variable interest rate of .75% below Bank of North Dakota's base rate.

University of North Dakota

Northwest Airlines has notified the University it intends to terminate a lease agreement between Northwest Airlines/NATCO and UND for rented space on UND's campus effective October 7

1998. This termination will put at risk approximately \$1.7 million in notes receivable. The lease agreement was established to offset a loan obtained from the Bank of North Dakota to finance NATCO's commitment to the cost of the building where the space is located. UND has advised Northwest Airlines/NATCO that, under the terms of the lease, NATCO is required to make the basic rent payments pursuant to Section 3.03 of the lease. NATCO did make the November 1, 1998, rent payment.

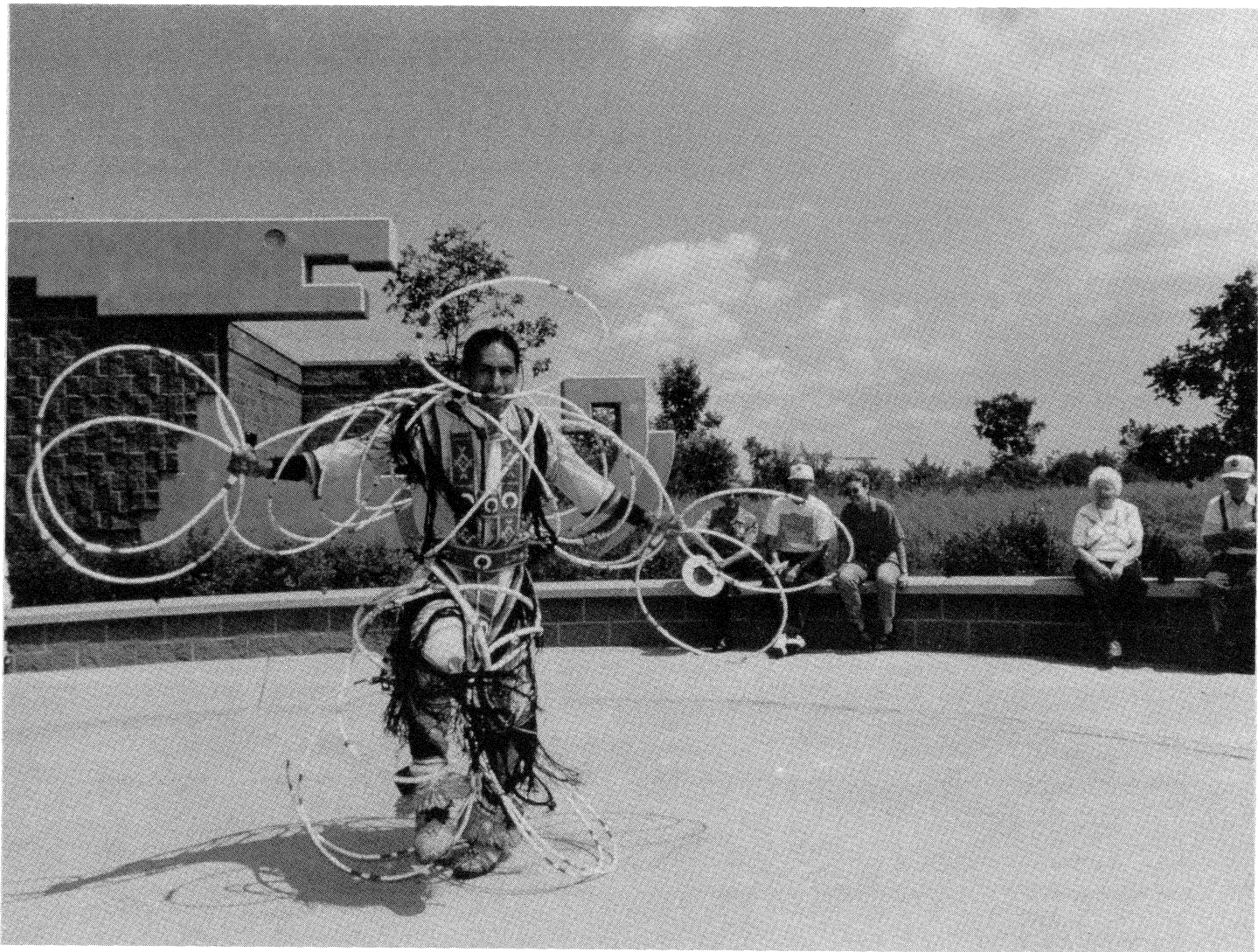
The IRS during October 1998 preliminarily notified the University that payments to medical residents are not subject to social security taxes. In May 1994, the IRS assessed the University \$1,244,000 for social security on payments to medical residents. The University vigorously contested the issue and was successful in the appeal. No official settlement has been approved.

At their September 1998 meeting, the State Board of Higher Education authorized the University to seek Budget Section or Legislative approval for construction of a bookstore to be operated by Barnes and Noble. At the October 1998 meeting, the Budget Section approved and recommended to the Legislative Council a bill draft appropriating \$4.5 million from special funds and authorizing the construction of a building on the University of North Dakota's campus for use as the university bookstore and for other retail businesses.



The Pembina State Museum is a state-of-the-art museum which focuses on the last 140 million years of the Red River Valley region.

Combining, Individual Fund, and Account Group Statements and Schedules



Knife River Indian Villages National Historic Site near Stanton is dedicated to preserving the culture of the Plains Indians and includes a fascinating audio-visual program and collection of artifacts.

General Fund

The general fund is used to account for resources obtained and used for those services traditionally provided by state government which are not required legally or by sound financial management to be accounted for in another fund.

GENERAL FUND

GENERAL FUND

001 - General Fund

The general fund is used to account for resources obtained and used for those services traditionally provided by state government which are not required legally or by sound financial management to be accounted for in another fund.

STATE OF NORTH DAKOTA**Balance Sheet
General Fund
June 30, 1998****June 30
1998****Assets**

| | |
|---|----------------|
| Cash Deposits At The Bank Of North Dakota | \$ 104,832,587 |
| Cash And Cash Equivalents | 427,000 |
| Accounts Receivable - Net | 307,952 |
| Taxes Receivable - Net | 85,512,207 |
| Interest Receivable - Net | 704,989 |
| Loans And Notes Receivable - Net | 86,282 |
| Interfund Receivable | 34,052,615 |
| Due From Other Funds | 29,693,885 |
| Inventory | 594,405 |

| | |
|--------------|-----------------------|
| Total Assets | <u>\$ 256,211,922</u> |
|--------------|-----------------------|

Liabilities

| | |
|---------------------------|---------------|
| Accounts Payable | \$ 17,775,404 |
| Notes Payable | 8,100,000 |
| Interest Payable | 674,282 |
| Contracts Payable | 98,252 |
| Tax Refunds Payable | 23,040,587 |
| Intergovernmental Payable | 703,656 |
| Accrued Payroll | 10,277,525 |
| Due To Other Funds | 15,992,361 |
| Deferred Revenue | 36,996,084 |

| | |
|-------------------|--------------------|
| Total Liabilities | <u>113,658,151</u> |
|-------------------|--------------------|

Equity

| | |
|-------------------------|-------------|
| Fund Balance: | |
| Reserved For: | |
| Inventory | 594,405 |
| Long - Term Receivables | 86,282 |
| Unreserved: | |
| Undesignated | 141,873,084 |

| | |
|--------------|--------------------|
| Total Equity | <u>142,553,771</u> |
|--------------|--------------------|

| | |
|------------------------------|-----------------------|
| Total Liabilities And Equity | <u>\$ 256,211,922</u> |
|------------------------------|-----------------------|

STATE OF NORTH DAKOTA**Statement Of Revenues, Expenditures And
Changes In Fund Balance
General Fund
For The Fiscal Year Ended June 30, 1998**

| | June 30 1998 |
|--|-----------------|
| Revenues: | |
| Taxes | \$ 705,385,031 |
| Licenses And Permits | 9,130,177 |
| Intergovernmental | 244,980 |
| Sales And Services | 1,603,631 |
| Royalties And Rents | 5,481,495 |
| Fines And Forfeits | 2,538,787 |
| Interest And Investment Income | 6,456,854 |
| Miscellaneous | 306,138 |
| Total Revenues | 731,147,093 |
| Expenditures: | |
| Current: | |
| General Government | 48,943,272 |
| Education | 269,078,165 |
| Health And Human Services | 167,143,804 |
| Regulatory | 5,509,119 |
| Public Safety | 27,972,292 |
| Agriculture And Economic Development | 5,107,912 |
| Natural Resources | 11,242,861 |
| Total Expenditures | 534,997,425 |
| Revenues Over Expenditures | 196,149,668 |
| Other Financing Sources (Uses): | |
| Operating Transfers In | 37,442,899 |
| Operating Transfers Out | (204,932,308) |
| Operating Transfers To Component Units | (1,204,936) |
| Proceeds From Sale Of General Fixed Assets | 4,258 |
| Other | 72,501 |
| Total Other Financing Sources (Uses) | (168,617,586) |
| Revenues And Other Financing Sources Over Expenditures And Other Financing Uses | 27,532,082 |
| Fund Balance - Beginning Of Year As Previously Reported | 115,021,689 |
| Fund Balance - End Of Year | \$ 142,553,771 |

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

SPECIAL REVENUE FUNDS

ADMINISTRATION

246 - State Auditor's Operating Fund

Accounts for revenues and expenditures associated with the operations of the political subdivision of the Office. (NDCC 54-10)

250 - Attorney General Refund Fund

Accounts for financial resources of the consumer fraud division. (NDCC 54-12)

259 - Legislative Services Fund

Accounts for fees received for providing legislative information services and copies of documents. (NDCC 54-35)

266 - Administrative Hearings Fund

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 54-57)

301 - OMB Facility Management Fund

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 54-21)

302 - Secretary of State Department Fund

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 54-09)

304 - Governor's Special Fund

Moneys that have become available during the biennium from federal funds and private funds. (Ch. 1, Sec. 12, 1993 S.L.)

384 - Jobs Training Program Fund

Accounts for projects established by job service North Dakota to provide workers with education and training required for jobs in new or expanding primary sector businesses in the state. (NDCC 57-38-59)

AERONAUTICS AND OTHER TRANSPORTATION

232 - Public Transportation Fund

A fee for each motor vehicle registered is deposited in this fund and is used to establish and maintain public transportation, especially for the elderly and handicapped. (NDCC 39-04.2)

324 - Aeronautics Commission Special Fund

This fund is unclaimed refund revenue collected by the aeronautics commissioner and shall be administered and expended by the aeronautics commission for construction, reconstruction, repair, maintenance, and operation of airports near communities, recreational areas, or parks and for necessary expenses and for the purchase of land and easements for such facilities. (NDCC 57-43.3)

AGRICULTURE

260 - Minor Use Pesticide Fund

Accounts for registration and donations to the pesticide control board. (NDCC 4-35)

264 - Anhydrous Ammonia Storage Inspection Fund

Account for inspection fees collected which are related to the distribution of anhydrous ammonia. (NDCC 19-20.2)

308 - Agriculture Department Fund

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 4-01)

329 - Seed Department Fund

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 4-09, 4-10, and 4-11)

COMMODITY PROMOTION

208 - Soybean Council Fund

To promote the sale of North Dakota soybean products. (NDCC 4-10.5)

220 - Spud Fund

To promote the sale of North Dakota potato products. (NDCC 4-10.1)

221 - Turkey Promotion Fund

To promote the sale of North Dakota turkey products. (NDCC 4-13.1)

223 - Honey Promotion Fund

To promote the sale of North Dakota honey products. (NDCC 4-12.1)

227 - Dry Pea and Lentil Council Fund

To promote the sale of North Dakota dry pea and lentil bean products. (NDCC 4-10.7)

228 - Wheat Commission Fund

To promote the sale of North Dakota wheat products. (NDCC 4-28)

229 - Beef Commission Fund

To promote the sale of North Dakota beef products. (NDCC 4-34)

231 - Barley Growers Check-Off

To promote the sale of North Dakota barley products. (NDCC 4-10.4)

241 - Edible Bean Fund

To promote the sale of North Dakota edible bean products. (NDCC 4-10.3)

245 - Oilseed Fund

To promote the sale of North Dakota oilseed products. (NDCC 4-10.2)

270 - Corn Fund

To promote the sale of North Dakota corn products. (NDCC 4-10.6)

309 - Dairy Products Promotion Fund

To promote the sale of North Dakota dairy products. (NDCC 4-27)

CULTURAL AND HISTORICAL

234 - Fossil Excavation and Restoration Fund

Used for funds received by the geological survey for the excavation and restoration of fossils. (NDCC 54-17.4-09.1)

253 - Historical Impact Emergency Fund

Used for emergency mitigation of adverse effects on cultural resources and historical buildings, structures, or objects in the state. (NDCC 55-02)

327 - State Historical Revolving Fund

Used for making investigations of permit applicants and for the management and analysis of records and artifacts. (NDCC 55-03)

377 - Historical Society Fund

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 55-02)

399 - Arts and Humanities Fund

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 54-54)

415 - Historical Society Gift & Bequests Fund

All moneys coming into the hands of the State Historical Board as a grant, bequest, donation, etc., is deposited into this fund. Moneys must be paid out for the purposes prescribed by the donor and approved by the board. (NDCC 55-01)

EDUCATION

205 - Motorcycle Safety Fund

Motorcycle safety education fees used for promoting motorcycle safety. (NDCC 39-28)

235 - Displaced Homemakers Fund

Funds for providing services for displaced homemakers. (NDCC 14-06.1)

252 - Arts and Humanities Education Fund

Used to improve the intrinsic quality of the lives of the state's citizens now and in the future through programs in arts, crafts, theater, ethnic and folk arts, literature, journalism, public media, historic preservation and

interpretation, visual arts, and architecture. (NDCC 54-54)

271 - Vision Aids and Appliances Fund

Used by the School for the Blind to purchase and resell vision specific adaptive aids, devices and appliances to be used by blind and visually impaired persons resident in state. (NDCC 25-06)

340 - Board of Higher Education Special Revenue Fund

Funds to be used for the North Dakota Student Financial Assistance Program. (NDCC 15-10.1)

353 - School for the Deaf Fund

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 25-01)

354 - School for the Blind Fund

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 25-01)

390 - Library Commission Fund

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 40-38)

391 - Public Instruction Fund

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 15-21)

436 - School Construction Interest Fund

Used to buy down or reduce the interest paid by a school district on the Bank's portion of the construction loan. (NDCC 15-60)

440 - State Tuition Fund

Funds are to pay the amount apportioned among the several school districts of the state in proportion to the number of children of school age residing in each. (NDCC 15-44)

496 - Foundation Aid Stabilization Fund

Accounts for one-half of 20 percent of the revenue from oil extraction taxes collected and used to offset foundation aid reductions due to a revenue shortage. (Constitution of North Dakota, Art. X, Section 24)

930 - NDUS State Approving Agency

Accounts for funds used for the education readjustment monetary benefits provided to returning military personnel attending colleges in North Dakota. (Governors Executive Order)

948 - School for the Blind - Federal Quota

Account for funds made available to buy text books from the American Printing House for the Blind Incorporated. (NDCC 15-59)

949 - Department of Public Instruction Close-up Account

Accounts for the revenue and expenses associated with the annual Federal Close-up Conference for high school students. (OMB Policy 212)

FEDERAL

002 - Federal Fund

Accounts for all the financial resources from the federal government with the exception of job service North Dakota whose federal funds are accounted for in other fund types.

HEALTH AND HUMAN SERVICES

215 - Children's Services Coordinating Committee Fund

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 54-56)

254 - Employment of People With Disabilities Fund

This fund is for the development of job opportunities for disabled individuals in this state. (NDCC 39-01)

257 - Organ/Tissue Transplant Fund

To provide financial assistance to transplant patients. (NDCC 57-38)

258 - Quality Restoration Fund

Moneys recovered from parties responsible for an environmental emergency. Used for costs of environmental assessment, removal, corrective action, or monitoring as determined on a case-by-case basis. (NDCC 23-31 and 23-31)

318 - Indian Affairs Alcohol And Drug Abuse Fund

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 54-36)

360 - Human Services Department Fund

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 15-59)

370 - Health and Consolidated Laboratories Fund

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 23-01)

371 - Wastewater Operators Certificate Fund

The health department shall regulate waste treatment plants, water distribution systems, and wastewater treatment plants and provide operator training to protect the public health and prevent pollution of the waters of the state. (NDCC 23-26)

376 - Environment and Rangeland Protection Fund

To be used for rangeland improvement projects. (NDCC 19-18)

419 - Children's Trust Fund

To aid in the prevention of child abuse and neglect and developing child abuse prevention programs. (NDCC 50-27)

462 - Domestic Violence Prevention Fund

Used for grants to private nonprofit organizations that are engaged in providing emergency housing for victims of domestic violence and their dependents. (NDCC 14-03)

931 - Human Services Donor Implied Trust Fund

Funds donated with informal requests to be used for the welfare of the patients the department serves.

938 - State Hospital - Special Revenue Fund

Accounts for funds donated for the patients religious and welfare needs. (NDCC 25-01)

996 - Developmental Center Residents Welfare Fund

Accounts for funds donated for the residents needs. (NDCC 25-01)

HIGHWAY

200 - Highway Fund

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 24-02)

HOME QUARTER PURCHASE FUND

972 - Home Quarter Purchase Fund

This fund is for the subsidy of interest rates on home-quarter purchases. "Home-quarter" serves as the base unit of a farm and upon which the farm residence and buildings are located. (NDCC 6-09.10)

INSURANCE

209 - Unsatisfied Judgement Fund

Funds to pay for damages occurring from a motor vehicle accident when a judgement has been rendered and the judgement debtor is unable to satisfy the claim. (NDCC 26.1-23 and 26.1-23)

233 - Petroleum Release Compensation Fund

Funds to provide for cleanup of petroleum spills through the establishment of a petroleum release compensation fund. (Ch. 341, 1989 S.L.)

239 - Insurance Regulatory Trust Fund

Funds to defray the expenses of the insurance department in the discharge of its administrative and regulatory powers and duties. (NDCC 26.1-01)

INTERGOVERNMENTAL ASSISTANCE

342 - Intergovernmental Assistance Fund

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 54-44)

JOB SERVICE

968 - Job Service - Special Revenue

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 52-01)

JUDICIAL AND LEGAL

204 - Attorney General Asset Forfeiture Fund

Funds obtained from the authorized sale of assets seized and forfeited. (NDCC 54-12)

237 - Indigent Civil Legal Services Fund

Funds to provide legal services to persons unable to afford private counsel. (NDCC 54-06)

312 - State Courts

The clerk of the supreme court charges a filing fee of fifty dollars. Moneys are used to procure the necessary records, supplies and furniture to be used by the supreme court. (NDCC 27-03)

322 - Attorney General Fund

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 54-12)

328 - Judicial Conduct Commission Fund

Funds to investigate complaints against any judge in the state and to conduct hearings concerning the discipline, removal, or retirement of any judge. (NDCC 27-23)

935 - Five State Judicial Council

Funds to provide an account for moneys related to the sponsoring of a judicial conference for justices and judges from the participating states. (OMB Policy 212)

LAND DEPARTMENT

238 (925) - Energy Development Impact Fund

Revenues are from severance tax on coal. The fund is held in trust and administered by the Board of University and School Lands for loans to coal impacted counties, cities, and school districts. (NDCC 57-62)

515 (956) - Coal Severance Tax Trust Fund

Accounts for monies to be distributed through grants to coal impacted political sub-divisions. (NDCC 57-62)

493 (955) - Land and Mineral Trust Fund

Income derived from the sale, lease, and management of the mineral interests acquired by the Board of University and School Lands. (NDCC 15-08.1)

206 (959) - Maintenance Fund

Ten percent of the income derived from state assets under control of the Board of University and School Lands to be used for the general operation of the department. (NDCC 15-03)

MOTOR VEHICLE

202 - Abandoned Vehicle Fund

Funds used to dispose abandoned motor vehicles and other forms of scrap metal. (NDCC 39-26)

224 - Alcohol Motor Vehicle Fuel Fund

Funds used for the enhancement of agricultural research, development, processing, and marketing. (NDCC 4-14.1)

NATIONAL GUARD

214 - National Guard Emergency Fund

Funds used for costs of the national guard in performing emergency State services. (NDCC 37-01)

383 - National Guard Fund

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 37-01)

385 - National Guard Military Grounds Fund

Funds used for the improvement of the properties for military uses. (NDCC 37-03)

459 - National Guard Tuition Trust Fund

Funds used for tuition, work study, and other programs to encourage membership in the national guard. (NDCC 37-07.1)

943 - National Guard Unit Accounts

Funds to pay petty operating, equipment, and supply costs incurred by the individual units. (NDCC 37-01)

NATURAL RESOURCES

216 - Non-Game Wildlife Fund

Funds used for the preservation, inventory, perpetuation, and conservation of non-game wildlife, natural areas, and nature preserves in this state. (NDCC 20.1-02)

236 - State Waterbank Fund

Funds used for the purpose and implementation of wetland conservation and development plans. (NDCC 61-31 and 61-31)

249 - Surface Mine and Reclamation Fund

Funds used for the purpose of reclaiming land affected by surface coal mining operations. (NDCC 38-14.1)

255 - Wetlands Replacement Fund

Funds used for the purpose of acquisition, easement, lease, and construction of replacement wetlands. (NDCC 61-32)

314 - Lignite Research Fund

Funds used for contracts for land reclamation research projects and for research, development, and marketing of lignite and products derived from lignite. (NDCC 57-61)

317 - Oil and Gas Reservoir Data Fund

Funds used for defraying the costs of providing reservoir data compiled by the Industrial Commission to state, federal, and county departments and agencies, and members of the general public. (NDCC 38-08)

394 - Habitat Restoration

Funds used to lease privately owned lands for wildlife habitat. (NDCC 20.1-03)

397 - Water Commission Fund

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 61-02)

445 - Abandoned Mine Reclamation Setaside Fund

To defray the administrative expenses of the program. (NDCC 38-14.2, effective 9/20/04)

448 - Abandoned Oil and Gas Reclamation Fund

Funds used for contracting the plugging of abandoned wells and for the reclamation of abandoned drilling and production sites, saltwater disposal pits, drilling fluid pits, and excess roads. (NDCC 38-08)

488 - Habitat and Depredation Fund

Funds used to improve private land habitats. (NDCC 20.1-02)

OIL TAX RESOURCES

469 - Oil Tax Resources Trust Fund

Funds to be used by the state water commission for planning for and construction of water-related projects, including rural water systems. (NDCC 57-51.1)

OTHER SPECIAL

212 - Statewide Conference

Accounts for revenues and expenditures for state agencies that have conferences. (OMB Policy 212)

251 - Capital Grounds Planning Fund

Funds dedicated to implement the Capitol Grounds Master Plan for the development of the capitol grounds. (NDCC 48-10)

256 - Bicentennial Trust Fund

Fund to be used to commemorate and celebrate North Dakota's bicentennial. (NDCC 54-11)

307 - Veterinary Medical Exam Fund

Fund used by the North Dakota state board of veterinary medical examiners for the purpose of licensing and policing the requirements of their industry. (NDCC 43-29)

313 - Environmental Health Practitioners License Administrators Fund

Accounts for revenues and expenditures associated with advisory board duties. (NDCC 43-43 and 43-43)

330 - Economic Development Commission Fund

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 54-34)

392 - Insurance Recoveries Property Fund

Funds from insurance claims for damaged or destroyed property are deposited into this fund. Agencies are allowed to incur expenditures to replace this property, but are limited by the amount collected and deposited into the fund. (OMB Policy 212)

460 - Preliminary Planning Revolving Loan Fund

Used for the prepayment of consulting and planning fees for new capital improvements and major remodeling of existing facilities. (NDCC 54-27-22)

497 - Miscellaneous Refunds

Provides refunds of moneys collected and deposited in the general fund refunded by a standing appropriation. (NDCC 54-27-24)

602 - State Parks Concession Fund

Fund used for the procurement of supplies of a suitable nature for the operation of concession stands at the state parks. Also, for repair, replacement construction, and maintenance of concession buildings, facilities, and properties. (NDCC 55-08)

603 - Concession Fund - State Historical Society

Funds received in the normal course of business from concession operations actually carried on by the state as a proprietor. All moneys are expended in the course of carrying on the business activities of such concession operations. (NDCC 55-02)

701 - Postage Revolving Fund

Fund collections from the state offices, departments, and agencies, for postage, shall be paid into the fund. (NDCC 48-06)

702 - Department of Public Instruction-Printing Revolving Fund

Funds collected by the superintendent of public instruction as payment from schools for instructional materials developed and printed by the superintendent shall be paid into the printing revolving fund. (NDCC 15-21)

730 - Central Personnel Training Fund

Fund used for the coordination of employee training and development programs to state departments and agencies. (NDCC 54-44)

902 - Capitol Renovation Fund

Funds dedicated and reserved for the exclusive use of renovations needed to the capitol buildings and grounds. (NDCC 48-10)

PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION (PACE) FUNDS

916 - Partnership in Assisting Community Expansion Fund

Fund to buy down the interest rate on loans made by a lead financial institution in participation with the Bank of North Dakota. (NDCC 6-09.14)

917 - Agricultural Pace Fund

Fund to reduce the interest rate on loans made for a farm business (i.e. purchase of real property and equipment, expansions, working capital and purchase of inventory). (NDCC 6-09.13)

PUBLIC SAFETY AND PENAL INSTITUTIONS

366 - Penitentiary - Land Replacement Fund

Fund used for the acquisition of additional land and facilities to maintain, expand, or relocate the state farm and the farming and ranching operations of the North Dakota state penitentiary and for penitentiary renovation. (NDCC 54-21)

372 - Crime Victims Gift Fund

All donations to the department of corrections and rehabilitation in the form of restitution funds, gifts, grants and bequests of property or money, and any interest accruing, must be placed in this fund. (NDCC 54-23.4-05)

373 - Radio Communications Fund

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 54-23)

375 - Emergency Management Fund

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 37-17.1)

378 - State Hazardous Chemicals Fund

Account for revenue collected from the state hazardous chemical fee system. (NDCC 37-17.1-07.1)

379 - Department of Corrections Operating

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 12-47 and 12-51)

RECREATION

222 - Game and Fish Department Fund

Accounts for the revenues and expenditures associated with the operation of the game and fish department. (NDCC 20-1-02)

261 - Snowmobile Fund

Fund for administering snowmobile safety programs and establishing and maintaining snowmobile facilities. (NDCC 39-24)

265 - State Parks Gift Fund

All donations to the state parks and recreation department in the form of gifts, trusts, and bequests of property or money, and any interest accruing thereon, must be placed in the fund. (NDCC 55-08)

398 - Parks and Recreation Fund

Accounts for revenues and expenditures associated with the general operation of the parks and recreation department. (NDCC 20.1)

441 - Trail Tax Transfer Fund

Fund used for establishing snowmobile facilities. (NDCC 39-24 and 39-24)

443 - Department Of Tourism Fund

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 54-34.4)

490 - Small and Big Game Habitat Restoration Trust Fund

Fund to enhance small and big game habitat by providing funds for the leasing of private land to establish or preserve small and big game habitat. (NDCC 20.1-02)

REGULATORY

219 - Milk Marketing Fund

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 4-18.1)

242 - Financial Institution Regulatory Fund

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 6-01)

248 - Public Service Commission Valuation Revolving Fund

Accounts for revenues and expenditures associated with rate hearings, investigations and proceedings. The utility being investigated pays these expenses. (NDCC 49-21-01.7 and 49-02-02)

262 - Securities Protection Fund

Accounts for revenues and expenditures from civil penalties collected from securities enforcement actions. (NDCC 10-04-03)

305 - Industrial Commission Fund

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 4-36)

339 - Horse Racing Fund

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 53-06.2)

VETERANS

368 - Veterans Aid Fund

The sum of seven hundred thousand dollars is a permanent revolving fund of the veterans' aid fund and is used solely for the purpose of making loans to veterans. (NDCC 37-14)

380 - Soldiers Home Fund

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 37-15)

410 - Veterans Postwar Trust Fund

Fund is utilized for programs of benefit and service to veterans or their dependents. (NDCC 37-14)

433 - Veterans Cemetery Fund

Funds used for the maintenance and operation of the Veteran's Cemetery. (NDCC 37-03)

491 - Veterans' Cemetery Trust Fund

Accounts for distinctive motor license plates fees for the operation of the Veterans' Cemetery. (NDCC 39-04)

STATE OF NORTH DAKOTA
**Combining Balance Sheet
Special Revenue Funds
June 30, 1998**

| | Administration | Aeronautics And Other Transportation | Agriculture | Commodity Promotion | Cultural And Historical | Education |
|---|-------------------|---|---------------------|------------------------|-------------------------------|----------------------|
| Assets | | | | | | |
| Cash Deposits At The Bank Of North Dakota | \$ 469,704 | \$ 1,203,417 | \$ 1,836,602 | \$ 2,626,606 | \$ 168,255 | \$ 7,672,810 |
| Cash And Cash Equivalents | 10 | - | 11,051 | 527,667 | - | 123,878 |
| Investments At The Bank Of North Dakota | - | - | 1,550,000 | - | 232 | 135,000 |
| Investments | - | - | - | 868,500 | 216,000 | - |
| Accounts Receivable - Net | 16,947 | - | 90,238 | 1,064,646 | 1,838 | 181,349 |
| Taxes Receivable - Net | 101,749 | 66,975 | - | - | - | - |
| Interest Receivable - Net | 123 | - | 6,038 | 8,909 | 2,349 | 1,445 |
| Loans And Notes Receivable - Net | - | - | - | - | - | - |
| Due From Other Funds | 42,051 | - | - | - | - | 2,679,468 |
| Intergovernmental Receivable - Net | 82,549 | - | - | - | - | - |
| Advances To Other Funds | - | 1,540,000 | - | - | - | - |
| Prepaid Items | - | - | - | - | - | - |
| Inventory | - | - | - | - | - | 103,597 |
| Total Assets | \$ 713,133 | \$ 2,810,392 | \$ 3,493,929 | \$ 5,096,328 | \$ 388,674 | \$ 10,897,547 |
| Liabilities | | | | | | |
| Accounts Payable | \$ 119,958 | \$ 78,709 | \$ 33,394 | \$ 374,366 | \$ 333 | \$ 76,293 |
| Notes Payable | - | - | - | - | - | - |
| Interest Payable | - | - | - | - | - | - |
| Contracts Payable | - | - | - | - | - | - |
| Securities Lending Collateral | - | - | - | - | - | - |
| Intergovernmental Payable | - | 22,708 | - | - | - | - |
| Accrued Payroll | 39,409 | 19,134 | 116,623 | 59,504 | 2,626 | 104,374 |
| Interfund Payable | - | - | - | - | - | - |
| Due To Other Funds | 25,550 | 922 | 2,465 | 4,142 | 272 | 71,935 |
| Advances From Other Funds | - | - | - | - | - | - |
| Deferred Revenue | 227,865 | 13,491 | 70,412 | 231,486 | 2,349 | 91,586 |
| Total Liabilities | 412,782 | 134,964 | 222,894 | 669,498 | 5,580 | 344,188 |
| Equity | | | | | | |
| Fund Balance: | | | | | | |
| Reserved For: | | | | | | |
| Inventory | - | - | - | - | - | 103,597 |
| Long - Term Receivables | - | 1,540,000 | - | - | - | - |
| Prepaid Expenditures | - | - | - | - | - | - |
| Arbitrage Rebate | - | - | - | - | - | - |
| Unreserved: | | | | | | |
| Designated For: | | | | | | |
| Fund Activities | - | - | - | - | - | - |
| Patients Welfare | - | - | - | - | - | - |
| Undesignated | 300,351 | 1,135,428 | 3,271,035 | 4,426,830 | 383,094 | 10,449,762 |
| Total Equity | 300,351 | 2,675,428 | 3,271,035 | 4,426,830 | 383,094 | 10,553,359 |
| Total Liabilities And Equity | \$ 713,133 | \$ 2,810,392 | \$ 3,493,929 | \$ 5,096,328 | \$ 388,674 | \$ 10,897,547 |

| Federal | Health And Human Services | Highway | Home Quarter Purchase | Insurance | Inter- Governmental Assistance | Job Service | Judicial And Legal |
|----------------|------------------------------------|---------------|-----------------------------|---------------|--------------------------------------|----------------|--------------------------|
| \$ 28,261,590 | \$ 14,944,899 | \$ 33,525,108 | \$ 107,665 | \$ 2,404,049 | \$ 3,911,904 | \$ 1,178,048 | \$ 860,427 |
| 17,529 | 146,316 | 88,081 | - | - | - | - | 51 |
| - | 240,000 | - | 124,928 | - | 3,100,000 | 1,245,000 | - |
| - | 103,408 | - | - | 9,161,254 | - | - | - |
| 901,285 | 9,803,793 | 318,673 | - | 84,546 | - | - | 59,069 |
| - | 659 | 488 | - | - | - | - | - |
| - | 1,365 | 255,731 | - | 44,302 | 288,746 | 104,269 | - |
| - | - | 3,839,911 | 16,392 | - | 8,864,422 | - | - |
| 9,450,279 | 6,031,027 | 12,182,256 | - | - | 177,307 | 333,776 | 116,819 |
| 94,997,732 | 701,444 | 442,314 | - | - | - | 1,547,003 | - |
| - | - | 29,025,000 | - | 1,000 | - | - | - |
| - | - | - | - | - | - | - | - |
| 2,470,764 | - | 4,561,740 | - | - | - | - | - |
| \$ 136,099,179 | \$ 31,972,911 | \$ 84,239,302 | \$ 248,985 | \$ 11,695,151 | \$ 16,342,379 | \$ 4,408,096 | \$ 1,036,366 |
| \$ 53,540,307 | \$ 2,617,627 | \$ 7,488,124 | \$ - | \$ 53,895 | \$ 10,176 | \$ 1,582,036 | \$ 26,357 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 3,549,345 | - | 929,100 | - | - | - | - | - |
| - | - | - | - | 1,704,424 | - | - | - |
| 1,474,068 | 10,884 | 117,475 | - | - | - | - | - |
| 4,877,245 | 202,977 | 3,277,839 | - | 131,659 | 4,798 | - | 88,453 |
| 21,317,021 | - | - | - | - | - | 701,791 | - |
| 16,194,234 | 4,520,099 | 1,083,609 | - | 18,897 | 7,617 | 222,323 | 24,991 |
| 28,951,000 | - | - | - | - | - | - | - |
| 2,907,623 | 8,360,907 | 219,320 | - | 122,511 | 268,811 | 71,757 | 46,227 |
| 132,810,843 | 15,712,494 | 13,115,467 | - | 2,031,386 | 291,402 | 2,577,907 | 186,028 |
| 217,956 | - | 4,561,740 | - | - | - | - | - |
| - | - | 32,864,911 | 16,392 | 1,000 | 8,864,422 | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 6,078 |
| - | 682,434 | - | - | - | - | - | - |
| 3,070,380 | 15,577,983 | 33,697,184 | 232,593 | 9,662,765 | 7,186,555 | 1,830,189 | 844,260 |
| 3,288,336 | 16,260,417 | 71,123,835 | 248,985 | 9,663,765 | 16,050,977 | 1,830,189 | 850,338 |
| \$ 136,099,179 | \$ 31,972,911 | \$ 84,239,302 | \$ 248,985 | \$ 11,695,151 | \$ 16,342,379 | \$ 4,408,096 | \$ 1,036,366 |

STATE OF NORTH DAKOTA

Combining Balance Sheet
Special Revenue Funds (Continued)
June 30, 1998

| | Land Department | | | | | |
|---|----------------------|---------------------------------|------------------------|---------------------|---------------------|-------------------|
| | Coal Severance | Energy Development Impact | Land And Mineral | Land Maintenance | Motor Vehicle | National Guard |
| Assets | | | | | | |
| Cash Deposits At The Bank Of North Dakota | \$ 655,867 | \$ 2,606,173 | \$ 26,923 | \$ 130,300 | \$ 1,411,301 | \$ 321,177 |
| Cash And Cash Equivalents | - | - | - | - | - | 16,745 |
| Investments At The Bank Of North Dakota | - | - | - | - | - | - |
| Investments | 19,564,203 | - | 4,209,989 | 370 | - | - |
| Accounts Receivable - Net | - | - | - | - | - | 40,100 |
| Taxes Receivable - Net | - | - | - | - | - | - |
| Interest Receivable - Net | 241,027 | - | 73,884 | - | - | - |
| Loans And Notes Receivable - Net | 29,196,352 | - | - | - | - | 7,535 |
| Due From Other Funds | 643,008 | 185,685 | 45,187 | - | 165,620 | 1,900 |
| Intergovernmental Receivable - Net | - | - | - | - | - | - |
| Advances To Other Funds | - | - | - | - | - | - |
| Prepaid Items | - | - | - | - | - | - |
| Inventory | - | - | - | - | - | - |
| Total Assets | \$ 50,300,457 | \$ 2,791,858 | \$ 4,355,983 | \$ 130,670 | \$ 1,576,921 | \$ 387,457 |
| Liabilities | | | | | | |
| Accounts Payable | \$ 8,867 | \$ 81 | \$ - | \$ 16,598 | \$ 421,185 | \$ 55,687 |
| Notes Payable | - | - | - | - | - | 142,937 |
| Interest Payable | - | - | - | - | - | 1,323 |
| Contracts Payable | - | - | - | - | - | - |
| Securities Lending Collateral | - | - | - | - | - | - |
| Intergovernmental Payable | - | - | - | - | - | - |
| Accrued Payroll | - | 4,345 | - | 66,644 | 3,119 | 11,207 |
| Interfund Payable | - | - | - | - | - | - |
| Due To Other Funds | 361,401 | 1,921 | - | 15,623 | 156 | 36,792 |
| Advances From Other Funds | - | - | - | - | - | - |
| Deferred Revenue | - | - | - | - | 77 | 40,100 |
| Total Liabilities | 370,268 | 6,347 | - | 98,865 | 424,537 | 288,046 |
| Equity | | | | | | |
| Fund Balance: | | | | | | |
| Reserved For: | | | | | | |
| Inventory | - | - | - | - | - | - |
| Long - Term Receivables | 29,196,352 | - | - | - | - | 7,535 |
| Prepaid Expenditures | - | - | - | - | - | - |
| Arbitrage Rebate | - | - | - | - | - | - |
| Unreserved: | | | | | | |
| Designated For: | | | | | | |
| Fund Activities | - | - | - | - | - | - |
| Patients Welfare | - | - | - | - | - | - |
| Undesignated | 20,733,837 | 2,785,511 | 4,355,983 | 31,805 | 1,152,384 | 91,876 |
| Total Equity | 49,930,189 | 2,785,511 | 4,355,983 | 31,805 | 1,152,384 | 99,411 |
| Total Liabilities And Equity | \$ 50,300,457 | \$ 2,791,858 | \$ 4,355,983 | \$ 130,670 | \$ 1,576,921 | \$ 387,457 |

| | | | | | | | | Total |
|-------------------|-------------------|---------------|---------------|--------------------------------------|---------------|--------------|--------------|----------------|
| Natural Resources | Oil Tax Resources | Other Special | PACE Fund | Public Safety And Penal Institutions | Recreation | Regulatory | Veterans | June 30 1998 |
| \$ 11,305,731 | \$ 2,426,231 | \$ 1,458,053 | \$ 11,770,538 | \$ 2,455,773 | \$ 3,327,772 | \$ 1,227,248 | \$ 1,137,342 | \$ 139,431,513 |
| 620 | - | 36,126 | - | 4,588 | 530,711 | 111,082 | 117,928 | 1,732,383 |
| 2,584,160 | - | 17,028 | - | - | 9,017,313 | 1 | - | 18,013,662 |
| - | - | - | - | - | - | - | 4,280,720 | 38,404,444 |
| 251,051 | 3,536 | 47,968 | - | 423,569 | 8,187 | 86,896 | 154,054 | 13,537,745 |
| 636 | - | - | - | - | - | - | - | 170,507 |
| 78,317 | 71,867 | 6 | - | - | 180 | 2,044 | 210,601 | 1,391,203 |
| - | 7,416,191 | - | - | - | - | - | 191,237 | 49,532,040 |
| 453,557 | 616,711 | 64,381 | - | 9,772 | 976,246 | 191 | - | 34,175,241 |
| - | - | - | - | - | - | - | - | 97,771,042 |
| - | - | - | - | - | 2,385,000 | - | - | 32,951,000 |
| - | - | - | 487,046 | - | - | - | - | 487,046 |
| - | - | 202,451 | - | - | 21,613 | 128,499 | - | 7,488,664 |
| \$ 14,674,072 | \$ 10,534,536 | \$ 1,826,013 | \$ 12,257,584 | \$ 2,893,702 | \$ 16,267,022 | \$ 1,555,961 | \$ 6,091,882 | \$ 435,086,490 |
| \$ 666,598 | \$ - | \$ 64,570 | \$ - | \$ 37,765 | \$ 434,630 | \$ 27,072 | \$ 42,022 | \$ 67,776,650 |
| - | - | - | - | - | - | - | - | 142,937 |
| - | - | - | - | - | - | - | - | 1,323 |
| - | - | - | - | 29,492 | - | - | - | 4,507,937 |
| - | - | - | - | - | - | - | 197,056 | 1,901,480 |
| 9,938 | - | - | - | - | - | - | - | 1,635,073 |
| 30,888 | - | 25,414 | - | 94,997 | 686,545 | 111,663 | 36,747 | 9,996,210 |
| - | - | - | - | - | - | - | - | 22,018,812 |
| 53,451 | - | 45,303 | - | 6,890 | 520,058 | 32,678 | 4 | 23,251,333 |
| - | - | - | - | - | - | - | - | 28,951,000 |
| 106,643 | 68,087 | - | - | 376,638 | - | 4,479 | 275,889 | 13,506,258 |
| 867,518 | 68,087 | 135,287 | - | 545,782 | 1,641,233 | 175,892 | 551,718 | 173,689,013 |
| - | - | 202,451 | - | - | 21,613 | 128,499 | - | 5,235,856 |
| - | 7,416,191 | - | - | - | 2,385,000 | - | 191,237 | 82,483,040 |
| - | - | - | 1,872,893 | - | - | - | - | 1,872,893 |
| 68,606 | - | - | - | - | - | - | - | 68,606 |
| - | - | - | 9,971,923 | - | - | - | - | 9,978,001 |
| - | - | - | - | - | - | - | - | 682,434 |
| 13,737,948 | 3,050,258 | 1,488,275 | 412,768 | 2,347,920 | 12,219,176 | 1,251,570 | 5,348,927 | 161,076,647 |
| 13,806,554 | 10,466,449 | 1,690,726 | 12,257,584 | 2,347,920 | 14,625,789 | 1,380,069 | 5,540,164 | 261,397,477 |
| \$ 14,674,072 | \$ 10,534,536 | \$ 1,826,013 | \$ 12,257,584 | \$ 2,893,702 | \$ 16,267,022 | \$ 1,555,961 | \$ 6,091,882 | \$ 435,086,490 |

STATE OF NORTH DAKOTA
**Combining Statement Of Revenues, Expenditures And
Changes In Fund Balance
Special Revenue
For The Fiscal Year Ended June 30, 1998**

| | Administration | Aeronautics And Other Transportation | Agriculture | Commodity Promotion | Cultural And Historical | Education |
|--|-------------------|---|---------------------|------------------------|-------------------------------|----------------------|
| Revenues: | | | | | | |
| Taxes | \$ 411,444 | \$ 829,188 | \$ - | \$ - | \$ - | \$ 1,471,197 |
| Licenses And Permits | 5,000 | 768,953 | 155,099 | 8,245,615 | 11,850 | 88,384 |
| Intergovernmental | 86,887 | - | - | - | 21,446 | 276,098 |
| Sales And Services | 961,717 | 1,878 | 2,206,918 | 3,172 | 3,028 | 2,819,204 |
| Royalties And Rents | - | - | - | - | - | 218,917 |
| Fines And Forfeits | - | - | - | 479 | - | 3,491,197 |
| Interest And Investment Income | 106 | - | 66,603 | 138,435 | 8 | 33,651 |
| Miscellaneous | 511,333 | 800 | 170,491 | 60,873 | 180,695 | 918,107 |
| Total Revenues | 1,976,487 | 1,600,819 | 2,599,111 | 8,448,574 | 217,027 | 9,316,755 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General Government | 2,022,022 | - | - | - | - | - |
| Education | - | - | - | - | - | 29,361,127 |
| Health And Human Services | - | - | - | - | - | - |
| Regulatory | - | 767,402 | - | - | - | - |
| Public Safety | - | - | - | - | - | - |
| Agriculture And Economic Development | - | - | 2,224,950 | 7,571,594 | - | - |
| Natural Resources | - | - | - | - | 175,890 | - |
| Highways | - | 703,015 | - | - | - | 68,068 |
| Capital Outlay | - | - | - | - | - | - |
| Total Expenditures | 2,022,022 | 1,470,417 | 2,224,950 | 7,571,594 | 175,890 | 29,429,195 |
| Revenues Over (Under) Expenditures | (45,535) | 130,402 | 374,161 | 876,980 | 41,137 | (20,112,440) |
| Other Financing Sources (Uses): | | | | | | |
| Operating Transfers In | 35,000 | - | 367,568 | - | - | 26,597,568 |
| Operating Transfers Out | (22,852) | - | (223,020) | (473,527) | - | (3,251,440) |
| Proceeds From Capital Leases | - | - | - | - | - | - |
| Proceeds From Sale Of General Fixed Assets | - | - | - | - | - | - |
| Other | - | - | 35,000 | - | - | - |
| Total Other Financing Sources (Uses) | 12,148 | - | 179,548 | (473,527) | - | 23,346,128 |
| Revenues And Other Financing Sources Over (Under) Expenditures And Other Financing Uses | (33,387) | 130,402 | 553,709 | 403,453 | 41,137 | 3,233,688 |
| Fund Balances - Beginning Of Year As Adjusted | 333,738 | 2,545,026 | 2,717,326 | 4,023,377 | 341,957 | 7,319,671 |
| Fund Balances - End Of Year | \$ 300,351 | \$ 2,675,428 | \$ 3,271,035 | \$ 4,426,830 | \$ 383,094 | \$ 10,553,359 |

| Federal | Health And Human Services | Highway | Home Quarter Purchase | Insurance | Inter- Governmental Assistance | Job Service | Judicial And Legal |
|--------------|------------------------------------|---------------|-----------------------------|--------------|--------------------------------------|----------------|--------------------------|
| \$ - | \$ 18,101 | \$ 84,411,346 | \$ - | \$ 16,679 | \$ - | \$ - | \$ - |
| - | 3,185,654 | 13,715,818 | - | 145,270 | - | - | - |
| 767,414,623 | 9,754,082 | 18,458,190 | 8,730 | - | 7,500 | 29,060,732 | 1,332 |
| 2,471,532 | 15,313,538 | 820,663 | 1,050 | 3,211,292 | - | - | 1,056,708 |
| - | 199,845 | 112,282 | - | - | - | - | - |
| - | 120,000 | - | - | - | - | - | 229,042 |
| - | 53,973 | 1,045,036 | - | 1,041,013 | 567,162 | 287,250 | - |
| 5,335 | 847,221 | 349,221 | - | 4,840 | 141,117 | 82,715 | 45,573 |
| 769,891,490 | 29,492,414 | 118,912,556 | 9,780 | 4,419,094 | 715,779 | 29,430,697 | 1,332,655 |
| 21,703,606 | - | - | - | - | 2,805,265 | - | 1,649,040 |
| 62,899,041 | - | - | - | - | - | - | - |
| 372,391,710 | 27,447,518 | - | - | - | - | 30,333,773 | - |
| 2,930,625 | - | - | - | 2,439,157 | - | - | - |
| 102,303,967 | - | 10,569,655 | - | - | - | - | - |
| 919,790 | 806,759 | - | 22,702 | - | - | - | - |
| 8,446,932 | - | - | - | - | - | - | - |
| 170,727,339 | - | 108,966,190 | - | - | - | - | - |
| 578,000 | - | 3,640,000 | - | - | - | 2,152,705 | - |
| 742,901,010 | 28,254,277 | 123,175,845 | 22,702 | 2,439,157 | 2,805,265 | 32,486,478 | 1,649,040 |
| 26,990,480 | 1,238,137 | (4,263,289) | (12,922) | 1,979,937 | (2,089,486) | (3,055,781) | (316,385) |
| 2,162,737 | 11,490,891 | 61,392 | - | - | 651,849 | 1,269,765 | 417,486 |
| (29,910,287) | (1,748,502) | (429,574) | (10,302) | (1,415,848) | (216,965) | (320,384) | (47,131) |
| 578,000 | - | 3,640,000 | - | - | - | 2,152,705 | - |
| - | 79,702 | 64,500 | - | - | - | - | - |
| - | - | 69,949 | 9,101 | - | - | - | 438 |
| (27,169,550) | 9,822,091 | 3,406,267 | (1,201) | (1,415,848) | 434,884 | 3,102,086 | 370,793 |
| (179,070) | 11,060,228 | (857,022) | (14,123) | 564,089 | (1,654,602) | 46,305 | 54,408 |
| 3,467,406 | 5,200,189 | 71,980,857 | 263,108 | 9,099,676 | 17,705,579 | 1,783,884 | 795,930 |
| \$ 3,288,336 | \$ 16,260,417 | \$ 71,123,835 | \$ 248,985 | \$ 9,663,765 | \$ 16,050,977 | \$ 1,830,189 | \$ 850,338 |

STATE OF NORTH DAKOTA

**Combining Statement Of Revenues, Expenditures And
Changes In Fund Balance
Special Revenue (Continued)
For The Fiscal Year Ended June 30, 1998**

| | Land Department | | | | | |
|--|----------------------|---------------------------------|---------------------|---------------------|---------------------|--------------------|
| | Coal Severance | Energy Development Impact | Land And Mineral | Land Maintenance | Motor Vehicle | National Guard |
| Revenues: | | | | | | |
| Taxes | \$ 3,297,562 | \$ 2,000,440 | \$ - | \$ - | \$ 931,898 | \$ - |
| Licenses And Permits | - | - | - | - | 139,339 | - |
| Intergovernmental | - | - | - | - | - | 19,477 |
| Sales And Services | - | - | - | 993,089 | - | 93,526 |
| Royalties And Rents | - | - | 1,460,060 | - | - | 118,395 |
| Fines And Forfeits | - | - | - | - | - | - |
| Interest And Investment Income | 2,414,577 | - | 309,558 | - | - | 650 |
| Miscellaneous | - | - | - | - | 279 | 32,470 |
| Total Revenues | 5,712,139 | 2,000,440 | 1,769,618 | 993,089 | 1,071,516 | 264,518 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General Government | - | - | - | - | - | - |
| Education | 47,995 | 1,672,173 | 68,080 | 1,118,454 | - | - |
| Health And Human Services | - | - | - | - | 12,588 | - |
| Regulatory | - | - | - | - | - | - |
| Public Safety | - | - | - | - | - | 1,161,132 |
| Agriculture And Economic Development | - | - | - | - | 1,048,943 | - |
| Natural Resources | - | - | - | - | - | - |
| Highways | - | - | - | - | - | - |
| Capital Outlay | - | - | - | - | - | - |
| Total Expenditures | 47,995 | 1,672,173 | 68,080 | 1,118,454 | 1,061,531 | 1,161,132 |
| Revenues Over (Under) Expenditures | 5,664,144 | 328,267 | 1,701,538 | (125,365) | 9,985 | (896,614) |
| Other Financing Sources (Uses): | | | | | | |
| Operating Transfers In | - | - | 705,866 | - | - | 4,415,080 |
| Operating Transfers Out | (6,017,171) | - | (3,545,477) | - | (52,255) | (19,836) |
| Proceeds From Capital Leases | - | - | - | - | - | - |
| Proceeds From Sale Of General Fixed Assets | - | - | - | - | - | - |
| Other | - | - | - | - | - | 36,019 |
| Total Other Financing Sources (Uses) | (6,017,171) | - | (2,839,611) | - | (52,255) | 4,431,263 |
| Revenues And Other Financing Sources Over (Under) Expenditures And Other Financing Uses | (353,027) | 328,267 | (1,138,073) | (125,365) | (42,270) | 3,534,649 |
| Fund Balances - Beginning Of Year As Adjusted | 50,283,216 | 2,457,244 | 5,494,056 | 157,170 | 1,194,654 | (3,435,238) |
| Fund Balances - End Of Year | \$ 49,930,189 | \$ 2,785,511 | \$ 4,355,983 | \$ 31,805 | \$ 1,152,384 | \$ 99,411 |

| | | | | | | | | Total |
|-------------------|-------------------|---------------|---------------|--------------------------------------|---------------|--------------|--------------|----------------|
| Natural Resources | Oil Tax Resources | Other Special | PACE Fund | Public Safety And Penal Institutions | Recreation | Regulatory | Veterans | June 30 1998 |
| \$ 591,049 | \$ 3,013,353 | \$ 97 | \$ - | \$ - | \$ 78,914 | \$ - | \$ - | \$ 97,071,268 |
| 485,571 | - | 12,752 | - | 586,537 | 6,812,537 | 518,871 | 340 | 34,877,590 |
| 528,472 | 498,904 | 41,478 | - | 832,383 | 74,168 | 37,219 | - | 827,121,721 |
| 52,751 | - | 1,288,873 | - | 233,489 | 908,872 | 1,294,535 | 1,080,906 | 34,816,741 |
| - | 2,646 | 19,678 | - | 142,508 | 30,685 | - | 297 | 2,305,313 |
| 100,000 | - | - | - | - | 3,710 | 126,900 | - | 4,071,328 |
| 983,897 | 375,460 | 701 | 412,698 | - | 16,828 | 51,839 | 429,385 | 8,228,830 |
| 286,697 | 330,394 | 814,385 | - | 23,767 | 364,938 | 238,688 | 35,695 | 5,445,634 |
| 3,028,437 | 4,220,757 | 2,177,964 | 412,698 | 1,818,684 | 8,290,652 | 2,268,052 | 1,546,623 | 1,013,938,425 |
| - | - | 1,132,296 | - | - | - | 158,613 | - | 29,470,842 |
| - | - | 144,130 | - | - | - | - | - | 95,311,000 |
| - | - | 105,562 | - | - | - | - | 1,398,201 | 431,689,352 |
| 1,102,651 | - | 57,478 | - | - | - | 1,686,865 | - | 8,984,178 |
| - | - | 84,969 | - | 7,684,551 | - | - | 34,598 | 121,838,872 |
| 56,586 | - | 191,632 | 2,911,263 | - | - | 208,104 | - | 15,962,323 |
| 3,880,594 | - | 547,378 | - | - | 7,267,019 | - | - | 20,317,813 |
| - | - | 181,885 | - | - | - | - | - | 280,646,497 |
| - | - | - | - | - | - | - | - | 6,370,705 |
| 5,039,831 | - | 2,445,330 | 2,911,263 | 7,684,551 | 7,267,019 | 2,053,582 | 1,432,799 | 1,010,591,582 |
| (2,011,394) | 4,220,757 | (267,366) | (2,498,565) | (5,865,867) | 1,023,633 | 214,470 | 113,824 | 3,346,843 |
| 7,630,132 | - | 819,335 | 4,997,100 | 6,628,180 | 105,619 | 224,729 | 742,470 | 69,322,767 |
| (1,409,129) | (3,157,000) | (47,756) | - | (24,954) | (1,856,918) | - | (795,442) | (54,995,770) |
| - | - | - | - | - | - | - | - | 6,370,705 |
| - | - | - | - | - | 360 | - | - | 144,562 |
| - | - | - | - | - | 3,150 | - | - | 153,657 |
| 6,221,003 | (3,157,000) | 771,579 | 4,997,100 | 6,603,226 | (1,747,789) | 224,729 | (52,972) | 20,995,921 |
| 4,209,609 | 1,063,757 | 504,213 | 2,498,535 | 737,359 | (724,156) | 439,199 | 60,852 | 24,342,764 |
| 9,596,945 | 9,402,692 | 1,186,513 | 9,759,049 | 1,610,561 | 15,349,945 | 940,870 | 5,479,312 | 237,054,713 |
| \$ 13,806,554 | \$ 10,466,449 | \$ 1,690,726 | \$ 12,257,584 | \$ 2,347,920 | \$ 14,625,789 | \$ 1,380,069 | \$ 5,540,164 | \$ 261,397,477 |



Theodore Roosevelt s cabin from his ranching days in the North Dakota Badlands is on display at the entrance of the Theodore Roosevelt National Park in Medora.

Debt Service Funds

A debt service fund is used to account for accumulation of resources for, and the payment of, principal and interest on general long-term debt.

DEBT SERVICE FUNDS

BUILDING AUTHORITY

919 - Building Authority Debt Service Fund

Account for accumulation of resources for, and the payment of, principal and interest on bonds issued by the North Dakota Building Authority. (NDCC 54-17.2)

LIGNITE RESEARCH

928 - Lignite Research Debt Service Fund

Account for accumulation of resources for, and the payment of, principal and interest on bonds issued by the Industrial Commission of North Dakota to assist Dakota Gasification Company with the funding of construction of an anhydrous ammonia plant.

WATER COMMISSION

962 - Water Commission Debt Service Fund

Account for accumulation of resources for, and the payment of, principal and interest on bonds issued by the State Water Commission. (NDCC 61-02)

STATE OF NORTH DAKOTA

Combining Balance Sheet
Debt Service Funds
June 30, 1998

| | | | | Total |
|---|-----------------------|---------------------|---------------------|----------------------|
| | Building Authority | Lignite Research | Water Commission | June 30 1998 |
| Assets | | | | |
| Cash Deposits At The Bank Of North Dakota | \$ 508,000 | \$ 91 | \$ - | \$ 508,091 |
| Cash And Cash Equivalents | - | - | 942,353 | 942,353 |
| Investments At The Bank Of North Dakota | 8,415,000 | 882,500 | - | 9,297,500 |
| Investments | 1,692,000 | - | - | 1,692,000 |
| Interest Receivable - Net | 153,000 | 6,784 | - | 159,784 |
| Total Assets | \$ 10,768,000 | \$ 889,375 | \$ 942,353 | \$ 12,599,728 |
| Liabilities | | | | |
| Interest Payable | \$ - | \$ 46,293 | \$ - | \$ 46,293 |
| Total Liabilities | - | 46,293 | - | 46,293 |
| Equity | | | | |
| Fund Balance: | | | | |
| Reserved For: | | | | |
| Debt Service | 10,768,000 | 843,082 | 942,353 | 12,553,435 |
| Total Equity | 10,768,000 | 843,082 | 942,353 | 12,553,435 |
| Total Liabilities And Equity | \$ 10,768,000 | \$ 889,375 | \$ 942,353 | \$ 12,599,728 |

STATE OF NORTH DAKOTA

**Combining Statement Of Revenues, Expenditures And
Changes In Fund Balance
Debt Service Funds
For The Fiscal Year Ended June 30, 1998**

| | | | | <u>Total</u> |
|---|-------------------------------|-----------------------------|-----------------------------|-------------------------|
| | <u>Building Authority</u> | <u>Lignite Research</u> | <u>Water Commission</u> | <u>June 30 1998</u> |
| Revenues: | | | | |
| Intergovernmental | \$ - | \$ - | \$ 405,510 | \$ 405,510 |
| Interest And Investment Income | 616,000 | 54,564 | 38,811 | 709,375 |
| Miscellaneous | 125,000 | - | - | 125,000 |
| Total Revenues | <u>741,000</u> | <u>54,564</u> | <u>444,321</u> | <u>1,239,885</u> |
| Expenditures: | | | | |
| Debt Service: | | | | |
| Principal | 4,535,000 | 645,000 | - | 5,180,000 |
| Interest And Other Charges | 4,694,000 | 397,521 | 253,820 | 5,345,341 |
| Total Expenditures | <u>9,229,000</u> | <u>1,042,521</u> | <u>253,820</u> | <u>10,525,341</u> |
| Revenues Over (Under) Expenditures | <u>(8,488,000)</u> | <u>(987,957)</u> | <u>190,501</u> | <u>(9,285,456)</u> |
| Other Financing Sources: | | | | |
| Operating Transfers In | 8,009,000 | 990,682 | 177,122 | 9,176,804 |
| Proceeds Of Refunding Bonds | 12,483,000 | - | - | 12,483,000 |
| Payment To Refunded Bond Escrow Agent | (11,196,000) | - | - | (11,196,000) |
| Total Other Financing Sources | <u>9,296,000</u> | <u>990,682</u> | <u>177,122</u> | <u>10,463,804</u> |
| Revenues And Other Financing Sources Over Expenditures | <u>808,000</u> | <u>2,725</u> | <u>367,623</u> | <u>1,178,348</u> |
| Fund Balances - Beginning Of Year, As Adjusted | 9,959,000 | 840,357 | 574,730 | 11,374,087 |
| Residual Equity Transfers In | 1,000 | - | - | 1,000 |
| Fund Balances - End Of Year | <u>\$ 10,768,000</u> | <u>\$ 843,082</u> | <u>\$ 942,353</u> | <u>\$ 12,553,435</u> |

Capital Projects Funds

A capital projects fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

CAPITAL PROJECTS FUNDS

BUILDING AUTHORITY

960 - Building Authority Capital Projects Fund

Account for the acquisition or construction of buildings primarily for use by the State and making any improvements connected to those buildings. (NDCC 54-17.2)

WATER COMMISSION

961 - Water Commission - Capital Projects Fund

Account for the construction of water related projects, including rural water systems. (NDCC 61-02)

STATE OF NORTH DAKOTA

**Combining Balance Sheet
Capital Projects Funds
June 30, 1998**

| | | | <u>Total</u> |
|---|-------------------------------|-----------------------------|-------------------------|
| | Building Authority | Water Commission | June 30 1998 |
| Assets | | | |
| Cash Deposits At The Bank Of North Dakota | \$ 7,360,000 | \$ - | \$ 7,360,000 |
| Cash And Cash Equivalents | - | 1,856,507 | 1,856,507 |
| Total Assets | \$ 7,360,000 | \$ 1,856,507 | \$ 9,216,507 |
| Liabilities | | | |
| Accounts Payable | \$ - | \$ 590,967 | \$ 590,967 |
| Due To Other Funds | 1,610,000 | - | 1,610,000 |
| Total Liabilities | 1,610,000 | 590,967 | 2,200,967 |
| Equity | | | |
| Fund Balance: | | | |
| Reserved For: | | | |
| Capital Projects | 5,750,000 | 1,265,540 | 7,015,540 |
| Total Equity | 5,750,000 | 1,265,540 | 7,015,540 |
| Total Liabilities And Equity | \$ 7,360,000 | \$ 1,856,507 | \$ 9,216,507 |

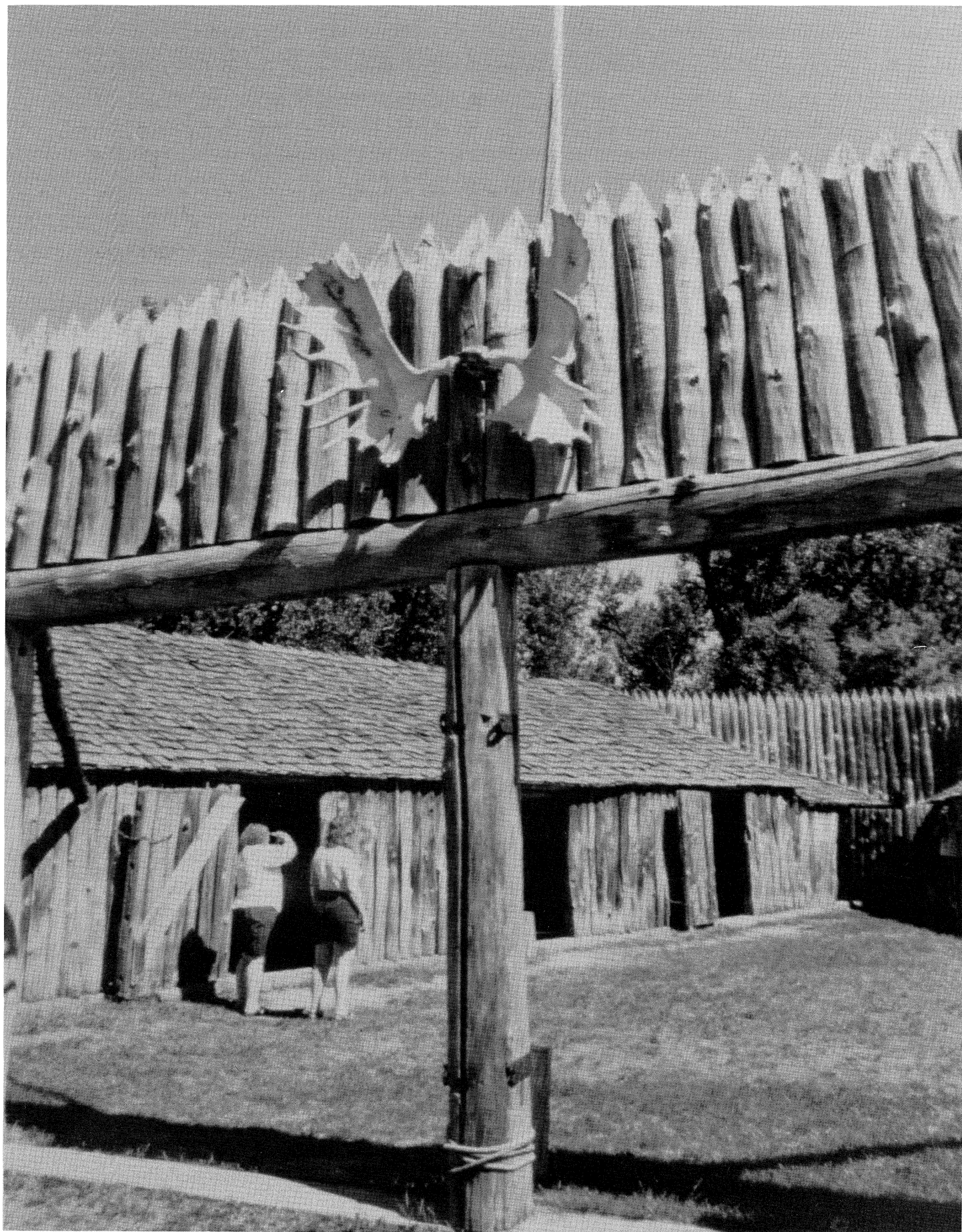
STATE OF NORTH DAKOTA

**Combining Statement of Revenues, Expenditures And
Changes In Fund Balance
Capital Projects Funds
For The Fiscal Year Ended June 30, 1998**

| | Total | | |
|--|-------------------------------|-----------------------------|-------------------------|
| | Building Authority | Water Commission | June 30 1998 |
| Revenues: | | | |
| Interest And Investment Income | \$ 301,000 | \$ 183,412 | \$ 484,412 |
| Total Revenues | 301,000 | 183,412 | 484,412 |
| Expenditures: | | | |
| Capital Outlay | 689,000 | 6,068,263 | 6,757,263 |
| Total Expenditures | 689,000 | 6,068,263 | 6,757,263 |
| Revenues Under Expenditures | (388,000) | (5,884,851) | (6,272,851) |
| Other Financing Sources (Uses): | | | |
| Operating Transfers Out | (5,301,000) | (177,122) | (5,478,122) |
| Proceeds From Bonds And Notes | 6,768,000 | 1,220,000 | 7,988,000 |
| Total Other Financing Sources (Uses) | 1,467,000 | 1,042,878 | 2,509,878 |
| Revenues Over (Under) Expenditures And Other Financing Uses | 1,079,000 | (4,841,973) | (3,762,973) |
| Fund Balances - Beginning Of Year, As Adjusted | 4,672,000 | 6,107,513 | 10,779,513 |
| Residual Equity Transfers Out | (1,000) | - | (1,000) |
| Fund Balances - End Of Year | \$ 5,750,000 | \$ 1,265,540 | \$ 7,015,540 |

Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises -- where the intent of the State is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the State has decided that periodic determination of net income is appropriate for accountability purposes.



Fort Mandan Historic Site, located near Washburn, was home to the Lewis and Clark Expedition during the winter of 1804-05.

ENTERPRISE FUNDS

BANK OF NORTH DAKOTA

999 - Bank of North Dakota

Accounts for all of the financial resources associated with the Bank of North Dakota. (NDCC 6-09)

BEGINNING FARMER REVOLVING LOAN

973 - Beginning Farmer Revolving Loan Fund

Fund used to make loans to North Dakota beginning farmers for the purchase of agricultural real estate. (NDCC 6-09)

BONDING

210 (924) - State Bonding Fund

Fund used to maintain the bonding of public employees and officials of the state, county, city or other unit of local government. (NDCC 26-1.21)

COMMUNITY WATER FACILITY LOAN

974 - Community Water Facility Loan Fund

Accounts for supplementary financing in conjunction with federal moneys available to improve adequate water supplies. (NDCC 6-09.5)

DEVELOPMENTALLY DISABLED FACILITY LOAN

971 - Developmentally Disabled Facility Loan Fund

Accounts for loans to nonprofit corporations for costs related to facilities for developmentally disabled, chronically mentally ill, and physically disabled persons. (NDCC 50-12)

FIRE AND TORNADO

211 (923) - State Fire and Tornado Fund

Accounts for state agencies and political subdivisions to insure against loss to the public buildings, fixtures and permanent contents therein, through fire, lightning, windstorm, etc. (NDCC 26.1-22)

GUARANTEED STUDENT LOAN

969 - North Dakota Guaranteed Student Loan

Accounts for the revenues and expenses associated with the administration, development and operation of the guaranteed loan program. (NDCC 6-09)

HOUSING FINANCE

998 - Housing and Finance Agency

Accounts for all the financial resources associated with the Housing and Finance Agency. (NDCC 54-17)

MILL AND ELEVATOR

970 - North Dakota Mill and Elevator

Accounts for the financial resources of the ND Mill and Elevator Association. (NDCC 54-18)

PERS UNIFORM GROUP INSURANCE

980 - Public Employees Retirement System Group Insurance

Accounts for the administrative revenues and expenses associated with this insurance purchasing pool. (NDCC 54-52)

REAL ESTATE TRUST

951 - Real Estate Trust

Accounts for sums collected for the purpose of retiring the principal of the bonds at their maturity and paying the interest thereon when due. (NDCC 54-30)

ROUGH RIDER INDUSTRIES

926 - Roughrider Industries

Accounts for the revenues and expenses associated with the operation, manufacture and sale of products made by the prison inmates. (NDCC 12-47)

STATE FAIR

601 (977) - State Fair

Accounts for revenues and expenditures associated with the operation of the State Fair. (NDCC 4-02.1)

STUDENT LOAN

975 - North Dakota Student Loan Trust

Accounts for loans to students in post secondary education. The trust acquires eligible loans guaranteed or insured by the United States government or the North Dakota Guaranteed Student Loan Program. (NDCC 6-09)

WORKERS COMPENSATION

213 (965) - ND Workers Compensation - Enterprise

Accounts for all financial resources associated with the Workmen's Compensation Bureau. (ND Constitution, Article X, Section 12)

STATE OF NORTH DAKOTA

Combining Balance Sheet Enterprise Funds

June 30, 1998

| | Bank Of North Dakota | Beginning Farmer Revolving Loan | Bonding | Community Water Facility Loan | Develop- mentally Disabled Facility Loan | Fire And Tornado | Guaranteed Student Loan |
|---|-------------------------------|--|---------------------|--|--|------------------------|-------------------------------|
| Assets | | | | | | | |
| Cash Deposits At The Bank Of North Dakota | \$ - | \$ 1,902,766 | \$ 569,726 | \$ 1,214,184 | \$ 837,364 | \$ 1,621,979 | \$ 2,072,923 |
| Cash And Cash Equivalents | 263,654,000 | - | - | - | - | - | - |
| Investments At The Bank Of North Dakota | - | - | - | - | - | - | 11,213,514 |
| Investments | 254,156,000 | - | 4,681,068 | - | - | 16,734,358 | - |
| Accounts Receivable - Net | - | - | 42,334 | - | - | 10,040 | 166,533 |
| Interest Receivable - Net | 15,418,000 | 434,065 | 15,461 | 149,038 | 33,224 | 76,652 | 211,947 |
| Loans And Notes Receivable - Net | 603,354,000 | 12,412,411 | - | 14,215,130 | 8,100,350 | - | - |
| Due From Other Funds | 1,412,000 | - | 316 | - | - | 886 | - |
| Intergovernmental Receivable - Net | - | - | - | - | - | - | 1,431,497 |
| Advances To Component Units | 15,704,000 | - | - | - | - | - | - |
| Advances To Other Funds | 2,736,000 | - | - | - | - | - | - |
| Prepaid Items | - | 1,527,207 | 2,722 | - | - | 12,701 | - |
| Inventory | - | - | - | - | - | - | - |
| Unamortized Bond Issuance Costs | - | - | - | - | - | - | - |
| Fixed Assets (Net Of Depreciation) | 3,168,000 | - | - | - | - | 12,856 | - |
| Other Assets | 2,813,000 | - | - | - | - | - | 86,792 |
| Total Assets | \$ 1,162,415,000 | \$ 16,276,449 | \$ 5,311,627 | \$ 15,578,352 | \$ 8,970,938 | \$ 18,469,472 | \$ 15,183,206 |
| Liabilities | | | | | | | |
| Accounts Payable | \$ - | \$ - | \$ 83,816 | \$ - | \$ - | \$ 10,114 | \$ 106,221 |
| Notes Payable | 54,087,000 | - | - | - | - | - | - |
| Interest Payable | 3,704,000 | - | - | - | - | - | - |
| Federal Funds Purchased | 205,814,000 | - | - | - | - | - | - |
| Securities Lending Collateral | 28,300,000 | - | 862,715 | - | - | 3,087,755 | - |
| Intergovernmental Payable | - | - | - | - | - | - | 8,242,794 |
| Claims/Judgements Payable | - | - | 109,130 | - | - | 5,175,807 | - |
| Accrued Payroll | - | - | 3,037 | - | - | 18,941 | - |
| Compensated Absences Payable | - | - | 4,593 | - | - | 21,556 | - |
| Amounts Held In Custody For Others | - | - | - | - | - | - | - |
| Deposits Held For Other Funds | 500,680,000 | - | - | - | - | - | - |
| Other Deposits | 203,124,000 | - | - | - | - | - | - |
| Interfund Payable | 12,412,000 | - | - | - | - | - | - |
| Due To Other Funds | 322,000 | 16,109 | 267 | 18,590 | 11,202 | 37,945 | 511,317 |
| Advances From Other Funds | - | - | - | - | 5,026,022 | - | - |
| Advances From Component Units | 15,704,000 | - | - | - | - | - | - |
| Bonds Payable | - | - | - | - | - | - | - |
| Capital Leases Payable | - | - | - | - | - | - | - |
| Deferred Revenue | - | - | - | - | - | - | 1,931,927 |
| Other Liabilities | 9,380,000 | - | - | - | - | - | 413,767 |
| Total Liabilities | 1,033,527,000 | 16,109 | 1,063,558 | 18,590 | 5,037,224 | 8,352,118 | 11,206,026 |
| Equity | | | | | | | |
| Contributed Capital | 2,000,000 | 7,725,478 | - | 10,000,000 | 1,928,791 | - | 2,115,050 |
| Unrealized Gain On Investments | 102,000 | - | - | - | - | - | - |
| Retained Earnings: | | | | | | | |
| Reserved For: | | | | | | | |
| Debt Requirements | - | - | - | - | - | - | - |
| Loan Purposes | - | 8,534,862 | - | 5,559,762 | 2,004,923 | - | - |
| Capital Growth | 42,000,000 | - | - | - | - | - | - |
| Escrow Requirements | - | - | - | - | - | - | 1,833,417 |
| Contingencies | - | - | - | - | - | - | - |
| Unreserved | 84,786,000 | - | 4,248,069 | - | - | 10,117,354 | 28,713 |
| Total Equity | 128,888,000 | 16,260,340 | 4,248,069 | 15,559,762 | 3,933,714 | 10,117,354 | 3,977,180 |
| Total Liabilities And Equity | \$ 1,162,415,000 | \$ 16,276,449 | \$ 5,311,627 | \$ 15,578,352 | \$ 8,970,938 | \$ 18,469,472 | \$ 15,183,206 |

| Housing Finance | Mill And Elevator | PERS Uniform Group Insurance | Real Estate Trust | Roughrider Industries | State Fair | Student Loan | Workers Compensation | Total |
|--------------------|-------------------------|---------------------------------------|-------------------------|--------------------------|---------------|-----------------|-------------------------|------------------|
| | | | | | | | | June 30 1998 |
| \$ 3,824,000 | \$ 5,122,374 | \$ 338,728 | \$ 4,016,404 | \$ 657,270 | \$ 914,034 | \$ 76,446,873 | \$ 1,785,652 | \$ 101,324,277 |
| 307,130,000 | - | 11,527,355 | - | 300 | 94,941 | - | - | 582,406,596 |
| - | - | - | 18,362,193 | - | - | 65,496,068 | 41,033,240 | 136,105,015 |
| 42,637,000 | - | - | - | - | 250,000 | 7,661,750 | 785,823,734 | 1,111,943,910 |
| 275,000 | 12,882,660 | 16,772 | - | 216,379 | 108,849 | - | 27,926,215 | 41,644,782 |
| 4,162,000 | - | - | 975,547 | - | - | 2,596,549 | 4,708,516 | 28,780,999 |
| 407,831,000 | 870,405 | - | 9,388,996 | - | - | 127,133,390 | - | 1,183,305,682 |
| 28,000 | - | 4,754 | 23 | 93,068 | - | - | - | 1,539,047 |
| 222,000 | - | - | - | - | - | 1,128,966 | - | 2,782,463 |
| - | - | - | - | - | - | - | - | 15,704,000 |
| - | - | - | - | - | - | - | - | 2,736,000 |
| 1,201,000 | 114,820 | - | - | - | 17,182 | - | 7,092 | 2,882,724 |
| - | 12,083,071 | - | - | 496,843 | - | - | - | 12,579,914 |
| 7,635,000 | - | - | 18,654 | - | - | 1,833,615 | - | 9,487,269 |
| 57,000 | 16,116,287 | - | - | 487,229 | 8,116,124 | - | 1,707,546 | 29,665,042 |
| - | - | - | 143,930 | - | 18,750 | 95,573 | - | 3,158,045 |
| \$ 775,002,000 | \$ 47,189,617 | \$ 11,887,609 | \$ 32,905,747 | \$ 1,951,089 | \$ 9,519,880 | \$ 282,392,784 | \$ 862,991,995 | \$ 3,266,045,765 |
| \$ 795,000 | \$ 1,932,130 | \$ 22,353 | \$ - | \$ 35,986 | \$ 22,415 | \$ 67,900 | \$ 1,932,514 | \$ 5,008,449 |
| 1,094,000 | - | - | - | - | - | - | - | 55,181,000 |
| 18,116,000 | - | - | 725,190 | - | 13,232 | 3,761,582 | - | 26,320,004 |
| - | - | - | - | - | - | - | - | 205,814,000 |
| - | - | - | - | - | - | - | 143,605,174 | 175,855,644 |
| 4,407,000 | - | - | - | - | - | 199,072 | - | 12,848,866 |
| - | - | - | - | - | - | - | 591,700,000 | 596,984,937 |
| - | 461,179 | 28,549 | - | 77,755 | - | - | - | 589,461 |
| 96,000 | 416,280 | 30,794 | - | 65,089 | 35,290 | - | 417,042 | 1,086,644 |
| 2,938,000 | - | 9,155,270 | - | - | - | - | - | 12,093,270 |
| - | - | - | - | - | - | - | - | 500,680,000 |
| - | - | - | - | - | - | - | - | 203,124,000 |
| - | - | - | - | - | - | - | - | 12,412,000 |
| 3,000 | - | 51,848 | - | 11,449 | - | 735,428 | 100,118 | 1,819,273 |
| - | - | - | - | - | - | - | - | 5,026,022 |
| - | - | - | - | - | - | - | - | 15,704,000 |
| 712,872,000 | - | - | 31,441,073 | - | 2,851,363 | 210,752,210 | - | 957,916,646 |
| - | - | - | - | 84,864 | - | - | - | 84,864 |
| 297,000 | - | - | 7,656 | 85 | - | - | 48,918,182 | 51,154,850 |
| - | - | 35,790 | 6,058 | 1,692 | - | - | - | 9,837,307 |
| 740,618,000 | 2,809,589 | 9,324,604 | 32,179,977 | 276,920 | 2,922,300 | 215,516,192 | 786,673,030 | 2,849,541,237 |
| - | 5,985 | - | - | - | - | - | - | 23,775,304 |
| - | - | - | - | - | - | - | - | 102,000 |
| 25,549,000 | - | - | - | - | 250,000 | - | - | 25,799,000 |
| - | - | - | - | - | - | 66,876,592 | - | 82,976,139 |
| - | - | - | - | - | - | - | - | 42,000,000 |
| - | - | - | - | - | - | - | - | 1,833,417 |
| - | - | 2,563,005 | - | - | - | - | - | 2,563,005 |
| 8,835,000 | 44,374,043 | - | 725,770 | 1,674,169 | 6,347,580 | - | 76,318,965 | 237,455,663 |
| 34,384,000 | 44,380,028 | 2,563,005 | 725,770 | 1,674,169 | 6,597,580 | 66,876,592 | 76,318,965 | 416,504,528 |
| \$ 775,002,000 | \$ 47,189,617 | \$ 11,887,609 | \$ 32,905,747 | \$ 1,951,089 | \$ 9,519,880 | \$ 282,392,784 | \$ 862,991,995 | \$ 3,266,045,765 |

STATE OF NORTH DAKOTA

Combining Statement Of Revenues, Expenses And Changes In Fund Equity Enterprise Funds

For The Fiscal Year Ended June 30, 1998

| | Bank Of North Dakota | Beginning Farmer Revolving Loan | Bonding | Community Water Facility Loan | Develop- mentally Disabled Facility Loan | Fire And Tornado | Guaranteed Student Loan |
|---|----------------------------|--|---------------------|--|--|------------------------|-------------------------------|
| Operating Revenues: | | | | | | | |
| Sales And Services | \$ 8,103,000 | \$ - | \$ 33,786 | \$ - | \$ - | \$ 4,812,023 | \$ 2,295,982 |
| Royalties And Rents | - | - | - | - | - | - | - |
| Fines And Forfeits | - | - | - | - | - | - | - |
| Interest And Investment Income | 70,977,000 | 714,739 | - | 477,085 | 613,264 | - | - |
| Reduction In Provision For Loan Loss | - | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - | 3,333 |
| Total Operating Revenues | 79,080,000 | 714,739 | 33,786 | 477,085 | 613,264 | 4,812,023 | 2,299,315 |
| Operating Expenses: | | | | | | | |
| Cost Of Sales And Services | - | - | - | - | - | - | - |
| Salaries And Benefits | 6,132,000 | - | 36,392 | - | - | 228,282 | - |
| Operating | 6,080,000 | 61,038 | 110,348 | 76,657 | 48,696 | 717,358 | 2,416,841 |
| Benefits | - | - | 127,600 | - | - | 5,521,303 | - |
| Refunds | - | - | - | - | - | - | - |
| Interest | 40,768,000 | 362,694 | - | - | 305,277 | - | - |
| Depreciation | 556,000 | - | - | - | - | 6,281 | - |
| Miscellaneous | - | 3,291 | - | - | - | - | 17,242 |
| Total Operating Expenses | 53,536,000 | 427,023 | 274,340 | 76,657 | 353,973 | 6,473,224 | 2,434,083 |
| Operating Income (Loss) | 25,544,000 | 287,716 | (240,554) | 400,428 | 259,291 | (1,661,201) | (134,768) |
| Nonoperating Revenues (Expenses): | | | | | | | |
| Interest And Investment Income | - | - | 598,916 | - | - | 2,317,525 | 631,549 |
| Interest Expense | - | - | (58,390) | - | - | (225,243) | - |
| Gain (Loss) On Sale Of Fixed Assets | - | - | - | - | - | - | - |
| Loss On Sale Of Investments | - | - | - | - | - | - | - |
| Recall Of Federal Reserve Funds/Other | - | - | - | - | - | - | (7,574,859) |
| Total Nonoperating Revenues (Expenses) | - | - | 540,526 | - | - | 2,092,282 | (6,943,310) |
| Income (Loss) Before Operating Transfers | 25,544,000 | 287,716 | 299,972 | 400,428 | 259,291 | 431,081 | (7,078,078) |
| Operating Transfers In | 17,202,000 | 921,500 | - | - | - | 47,131 | - |
| Operating Transfers Out | (12,498,000) | - | - | - | - | (417,486) | - |
| Net Income (Loss) | 30,248,000 | 1,209,216 | 299,972 | 400,428 | 259,291 | 60,726 | (7,078,078) |
| Fund Equity - Beginning Of Year, As Adjusted | 98,477,000 | 15,051,124 | 3,948,097 | 15,159,334 | 6,364,938 | 10,056,628 | 11,055,258 |
| Residual Equity Transfers Out | - | - | - | - | (2,690,515) | - | - |
| Unrealized Gain On Investments | 163,000 | - | - | - | - | - | - |
| Fund Equity - End Of Year | \$ 128,888,000 | \$ 16,260,340 | \$ 4,248,069 | \$ 15,559,762 | \$ 3,933,714 | \$ 10,117,354 | \$ 3,977,180 |

| Housing Finance | Mill And Elevator | PERS Uniform Group Insurance | Real Estate Trust | Roughrider Industries | State Fair | Student Loan | Workers Compensation | Totals |
|--------------------|-------------------------|---------------------------------------|-------------------------|--------------------------|---------------|-----------------|-------------------------|-----------------|
| | | | | | | | | June 30 1998 |
| \$ 395,000 | \$ 76,028,981 | \$ 695,109 | \$ - | \$ 3,111,976 | \$ 2,841,393 | \$ - | \$ 123,014,953 | \$ 221,332,203 |
| - | - | - | 15,241 | 9,266 | - | - | - | 24,507 |
| - | - | - | - | - | - | - | 3,502,040 | 3,502,040 |
| 53,304,000 | - | - | 2,602,183 | - | - | 17,923,460 | - | 146,611,731 |
| - | - | - | 249,439 | - | - | - | - | 249,439 |
| - | - | 41 | - | 3,572 | 156,435 | - | - | 163,381 |
| 53,699,000 | 76,028,981 | 695,150 | 2,866,863 | 3,124,814 | 2,997,828 | 17,923,460 | 126,516,993 | 371,883,301 |
| - | 68,820,480 | - | - | 1,780,223 | - | - | - | 70,600,703 |
| - | 1,013,715 | 337,855 | - | 811,562 | 683,783 | - | - | 9,243,589 |
| 4,002,000 | 1,424,213 | 300,077 | 158,833 | 258,046 | 2,065,353 | 3,863,207 | 13,446,839 | 35,029,506 |
| - | - | - | - | - | - | - | 162,066,645 | 167,715,548 |
| - | - | - | - | 36,287 | - | - | - | 36,287 |
| 43,723,000 | - | - | 2,196,211 | - | - | 9,223,746 | - | 96,578,928 |
| 40,000 | 1,564,290 | - | - | 65,338 | 444,388 | - | 656,833 | 3,333,130 |
| - | - | - | - | - | 3,750 | - | - | 24,283 |
| 47,765,000 | 72,822,698 | 637,932 | 2,355,044 | 2,951,456 | 3,197,274 | 13,086,953 | 176,170,317 | 382,561,974 |
| 5,934,000 | 3,206,283 | 57,218 | 511,819 | 173,358 | (199,446) | 4,836,507 | (49,653,324) | (10,678,673) |
| - | 122,425 | 160,670 | - | 17,347 | 41,161 | - | 96,539,120 | 100,428,713 |
| - | (2,107) | - | - | (1,827) | (171,887) | - | (8,668,637) | (9,128,091) |
| - | - | - | - | 235 | - | - | (23,134) | (22,899) |
| - | - | - | - | - | (1,163) | - | - | (1,163) |
| - | (48,958) | - | - | (44,559) | - | - | - | (7,668,376) |
| - | 71,360 | 160,670 | - | (28,804) | (131,889) | - | 87,847,349 | 83,608,184 |
| 5,934,000 | 3,277,643 | 217,888 | 511,819 | 144,554 | (331,335) | 4,836,507 | 38,194,025 | 72,929,511 |
| - | - | - | - | - | 370,000 | - | - | 18,540,631 |
| (27,000) | (31,552) | - | - | - | - | - | - | (12,974,038) |
| 5,907,000 | 3,246,091 | 217,888 | 511,819 | 144,554 | 38,665 | 4,836,507 | 38,194,025 | 78,496,104 |
| 28,477,000 | 41,133,937 | 2,345,117 | 213,951 | 1,529,615 | 6,558,915 | 62,040,085 | 38,124,940 | 340,535,939 |
| - | - | - | - | - | - | - | - | (2,690,515) |
| - | - | - | - | - | - | - | - | 163,000 |
| \$ 34,384,000 | \$ 44,380,028 | \$ 2,563,005 | \$ 725,770 | \$ 1,674,169 | \$ 6,597,580 | \$ 66,876,592 | \$ 76,318,965 | \$ 416,504,528 |

STATE OF NORTH DAKOTA

Combining Statement Of Cash Flows
Enterprise Funds
For The Fiscal Year Ended June 30, 1998

| | Bank Of North Dakota | Beginning Farmer Revolving Loan | Bonding | Community Water Facility Loan | Develop- mentally Disabled Facility Loan | Fire And Tornado |
|--|-------------------------------|--|--------------|--|--|------------------------|
| Cash Flows From Operating Activities: | | | | | | |
| Operating Income (Loss) | \$ 25,544,000 | \$ 287,716 | \$ (240,554) | \$ 400,428 | \$ 259,291 | \$ (1,661,201) |
| Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities: | | | | | | |
| Depreciation | 556,000 | - | - | - | - | 6,281 |
| Amortization/Accretion | 319,000 | - | - | - | - | - |
| Reclassification Of Interest Revenue/Expense | (30,123,000) | (714,739) | - | (477,085) | (307,987) | - |
| Net (Appreciation) Depreciation In Fair Value Of Investments | (86,000) | - | - | - | - | - |
| Interest Received On Program Loans | - | - | - | - | - | - |
| Disbursements For Loans And Loan Purchases | - | - | - | - | - | - |
| Receipt Of Loan Principal Repayments | - | - | - | - | - | - |
| Provision For Losses | 600,000 | - | - | - | - | - |
| Reduction In Provision For Loan Loss | - | - | - | - | - | - |
| Premiums Collected | - | - | - | - | - | - |
| Premiums Paid | - | - | - | - | - | - |
| Other | 14,000 | - | - | - | - | - |
| Change In Assets And Liabilities: | | | | | | |
| (Increase) Decrease In Accounts Receivable | - | - | (230) | - | - | (6,038) |
| (Increase) Decrease In Due From | (161,000) | - | 99,573 | - | - | 641 |
| (Increase) Decrease In Intergovernmental Receivable | - | - | - | - | - | - |
| (Increase) Decrease In Prepaid Items | - | 155,230 | (2,722) | - | - | (12,701) |
| (Increase) Decrease In Inventories | - | - | - | - | - | - |
| (Increase) Decrease In Other Assets | (480,000) | - | - | - | - | - |
| Increase (Decrease) In Accounts Payable | - | - | 79,963 | - | - | (275,410) |
| Increase (Decrease) In Claims/Judgements Payable | - | - | (23,870) | - | - | 706,611 |
| Increase (Decrease) In Intergovernmental Payable | - | - | - | - | - | - |
| Increase (Decrease) In Accrued Payroll | - | - | 64 | - | - | (801) |
| Increase (Decrease) In Compensated Absences Payable | - | - | (153) | - | - | 2,461 |
| Increase In Amounts Held For Others | - | - | - | - | - | - |
| Increase (Decrease) In Due To | (693,000) | 2,462 | (33,213) | 236 | (726) | 1,588 |
| Increase (Decrease) In Deferred Revenue | - | - | - | - | - | - |
| Increase (Decrease) In Other Liabilities | (1,145,000) | - | - | - | - | - |
| Net Cash Provided By (Used For) Operating Activities | (5,655,000) | (269,331) | (121,142) | (76,421) | (49,422) | (1,238,569) |
| Cash Flows From Noncapital Financing Activities: | | | | | | |
| Proceeds From Bonds | - | - | - | - | - | - |
| Proceeds From Sale Of Notes And Other Borrowings | 39,587,000 | - | - | - | - | - |
| Principal Payments - Bonds | - | - | - | - | - | - |
| Principal Payments - Notes And Other Borrowings | - | - | - | - | - | - |
| Interest Payments - Bonds | - | - | - | - | - | - |
| Interest Payments - Notes And Other Borrowings | (1,931,000) | - | - | - | (305,277) | - |
| Payment Of Bond Issue Costs | - | - | - | - | - | - |
| Operating Transfers In | 17,116,000 | 921,500 | - | - | - | 47,131 |
| Operating Transfers Out | (12,755,000) | - | - | - | - | (417,486) |
| Residual Equity Transfer Out | - | - | - | - | (2,690,515) | - |
| Net Increase In Non-Interest Bearing Deposits | 11,588,000 | - | - | - | - | - |
| Net Decrease In Interest Bearing Deposits | (23,158,000) | - | - | - | - | - |
| Payments Of Interest On Deposits | (29,303,000) | - | - | - | - | - |
| Proceeds From Advances | 3,947,000 | - | - | - | - | - |
| Principal Payments On Advances | (991,000) | - | - | - | (340,344) | - |
| Interest Paid On Federal Funds And Reverse Repurchase Agreements | (10,411,000) | - | - | - | - | - |
| Net Increase In Federal Funds And Reverse Repurchase Agreements | 36,006,000 | - | - | - | - | - |
| Advances Made | (6,683,000) | - | - | - | - | - |
| Collection Of Advances Made | 991,000 | - | - | - | - | - |
| Net Cash Provided By (Used For) Noncapital Financing Activities | 24,003,000 | 921,500 | - | - | (3,336,136) | (370,355) |

| | | | | | | | | | Total |
|-------------------------------|--------------------|-------------------------|---------------------------------------|-------------------------|--------------------------|---------------|-----------------|-------------------------|-----------------|
| Guaranteed Student Loan | Housing Finance | Mill And Elevator | PERS Uniform Group Insurance | Real Estate Trust | Roughrider Industries | State Fair | Student Loan | Workers Compensation | June 30 1998 |
| \$ (134,768) \$ | 5,934,000 \$ | 3,206,283 \$ | 57,218 \$ | 511,819 \$ | 173,358 \$ | (199,446) \$ | 4,836,507 \$ | (49,653,324) \$ | (10,678,673) |
| - | 40,000 | 1,564,290 | - | - | 65,338 | 444,388 | - | 656,833 | 3,333,130 |
| - | 1,563,000 | - | - | 154,223 | - | 3,750 | 1,724,733 | - | 3,764,706 |
| - | (91,000) | - | - | (405,972) | - | - | (10,357,613) | - | (42,477,396) |
| - | (2,624,000) | - | - | - | - | - | 312,456 | - | (2,397,544) |
| - | 20,959,000 | - | - | - | - | - | 13,310,357 | - | 34,269,357 |
| - | (127,271,000) | - | - | - | - | - | - | - | (127,271,000) |
| - | 43,806,000 | - | - | - | - | - | 17,817,589 | - | 61,623,589 |
| 120,502 | - | - | - | - | - | 4,500 | 21,000 | 3,098,461 | 3,844,463 |
| - | - | - | - | (249,439) | - | - | - | - | (249,439) |
| - | - | - | 73,866,333 | - | - | - | - | - | 73,866,333 |
| - | - | - | (73,866,333) | - | - | - | - | - | (73,866,333) |
| - | 3,000 | - | - | - | - | - | - | - | 17,000 |
| (55,580) | 269,000 | 629,865 | 5,154 | - | (86,262) | (100,711) | - | 2,627,532 | 3,282,730 |
| 619,853 | (23,000) | - | 2,120 | 1,909 | 103,332 | - | - | - | 643,428 |
| 338,956 | (129,000) | - | - | - | - | - | - | - | 209,956 |
| - | (433,000) | 42,126 | - | - | - | (8,400) | - | 6,009 | (253,458) |
| - | - | (4,335,592) | - | - | 6,777 | - | - | - | (4,328,815) |
| 48,168 | - | - | - | - | - | - | - | - | (431,832) |
| (132,839) | (30,000) | (208,218) | 16,399 | - | (85,112) | (1,482) | 3,474 | 1,036,694 | 403,469 |
| - | - | - | - | - | - | - | - | 94,800,000 | 95,482,741 |
| (63,109) | 2,584,000 | - | - | - | - | - | (35,704) | - | 2,485,187 |
| - | - | 320,363 | 1,912 | - | 3,973 | - | - | - | 325,511 |
| - | 3,000 | 20,380 | 4,213 | - | 5,078 | 6,726 | - | 99,984 | 141,689 |
| - | 794,000 | - | 576,072 | - | - | - | - | - | 1,370,072 |
| 342,056 | (1,000) | - | 39,442 | - | (1,370) | - | (105,862) | 58,549 | (390,838) |
| 67,488 | 70,000 | - | - | 71 | 85 | - | - | (2,913,127) | (2,775,483) |
| - | - | - | 16,678 | - | - | - | - | - | (1,128,322) |
| 1,150,727 | (54,577,000) | 1,239,497 | 719,208 | 12,611 | 185,197 | 149,325 | 27,526,937 | 49,817,611 | 18,814,228 |
| - | 363,283,000 | - | - | - | - | - | 46,550,000 | - | 409,833,000 |
| - | (2,206,000) | - | - | (1,795,000) | - | - | (69,372,000) | - | 39,587,000 |
| - | (120,478,000) | - | - | - | - | - | - | - | (73,373,000) |
| - | (31,520,000) | - | - | (2,237,496) | - | - | (8,989,815) | - | (120,478,000) |
| - | - | - | - | - | - | - | - | - | (42,747,311) |
| - | - | - | - | - | - | - | - | - | (2,236,277) |
| - | - | - | - | - | - | - | (561,968) | - | (561,968) |
| - | - | - | - | - | - | 370,000 | - | - | 18,454,631 |
| - | (27,000) | (31,552) | - | - | - | - | - | - | (13,231,038) |
| - | - | - | - | - | - | - | - | - | (2,690,515) |
| - | - | - | - | - | - | - | - | - | 11,588,000 |
| - | - | - | - | - | - | - | - | - | (23,158,000) |
| - | - | - | - | - | - | - | - | - | (29,303,000) |
| - | - | - | - | - | - | - | - | - | 3,947,000 |
| - | - | - | - | - | - | - | - | - | (1,331,344) |
| - | - | - | - | - | - | - | - | - | (10,411,000) |
| - | - | - | - | - | - | - | - | - | 36,006,000 |
| - | - | - | - | - | - | - | - | - | (6,683,000) |
| - | - | - | - | - | - | - | - | - | 991,000 |
| - | 209,052,000 | (31,552) | - | (4,032,496) | - | 370,000 | (32,373,783) | - | 194,202,178 |

STATE OF NORTH DAKOTA

Combining Statement Of Cash Flows
Enterprise Funds (Continued)
For The Fiscal Year Ended June 30, 1998

| | Bank Of North Dakota | Beginning Farmer Revolving Loan | Bonding | Community Water Facility Loan | Develop- mentally Disabled Facility Loan | Fire And Tornado |
|---|-------------------------------|--|-------------------|--|--|------------------------|
| Cash Flows From Capital And Related Financing Activities: | | | | | | |
| Acquisition And Construction Of Capital Assets | (234,000) | - | - | - | - | - |
| Proceeds From Sale Of Fixed Assets | - | - | - | - | - | - |
| Principal Payments - Bonds | - | - | - | - | - | - |
| Interest Payments - Bonds | - | - | - | - | - | - |
| Interest Payments - Notes And Other Borrowings | - | - | - | - | - | - |
| Payment On Capital Leases | - | - | - | - | - | - |
| Net Cash Used For Capital And Related Financing Activities | (234,000) | - | - | - | - | - |
| Cash Flows From Investing Activities: | | | | | | |
| Proceeds From Sale And Maturities Of Investment Securities | 157,085,000 | - | 167,179 | - | - | 1,293,498 |
| Purchase Of Investment Securities | (139,568,000) | - | - | - | - | - |
| Interest And Dividends On Investments | 22,737,000 | 63,099 | 455,455 | 43,411 | 74,700 | 1,816,125 |
| Net Increase In Loans | (67,660,000) | - | - | - | - | - |
| Disbursements For Loans And Loan Purchases | - | (2,488,850) | - | (902,600) | - | - |
| Receipt Of Loan Principal Repayments | - | 560,341 | - | 463,831 | 591,825 | - |
| Loan Income Received | 46,712,000 | 589,828 | - | 412,325 | 541,664 | - |
| Net Cash Provided By (Used For) Investing Activities | 19,306,000 | (1,275,582) | 622,634 | 16,967 | 1,208,189 | 3,109,623 |
| Net Change In Cash: | | | | | | |
| Net Increase (Decrease) In Cash And Cash Equivalents And Cash Deposits At The Bank Of North Dakota | 37,420,000 | (623,413) | 501,492 | (59,454) | (2,177,369) | 1,500,699 |
| Cash And Cash Equivalents And Cash Deposits At The Bank Of North Dakota At June 30, 1997 | 226,234,000 | 2,526,179 | 68,234 | 1,273,638 | 3,014,733 | 121,280 |
| Cash And Cash Equivalents And Cash Deposits At The Bank Of North Dakota At June 30, 1998 | <u>\$ 263,654,000</u> | <u>\$ 1,902,766</u> | <u>\$ 569,726</u> | <u>\$ 1,214,184</u> | <u>\$ 837,364</u> | <u>\$ 1,621,979</u> |
| Reconciliation: | | | | | | |
| Cash Deposits At The Bank Of North Dakota | \$ - | \$ 1,902,766 | \$ 569,726 | \$ 1,214,184 | \$ 837,364 | \$ 1,621,979 |
| Cash And Cash Equivalents | 263,654,000 | - | - | - | - | - |
| Cash And Cash Equivalents And Cash Deposits At The Bank Of North Dakota | <u>\$ 263,654,000</u> | <u>\$ 1,902,766</u> | <u>\$ 569,726</u> | <u>\$ 1,214,184</u> | <u>\$ 837,364</u> | <u>\$ 1,621,979</u> |
| Noncash Transactions: | | | | | | |
| Net Appreciation In Fair Value Of Investments | \$ - | \$ - | \$ 77,005 | \$ - | \$ - | \$ 286,938 |
| Unrealized Gains On Investments | 163,000 | - | - | - | - | - |
| Reduction In Appropriation | 86,000 | - | - | - | - | - |
| Appropriations Transfer From Undivided Profits To Various State Agencies | 12,498,000 | - | - | - | - | - |
| Purchased Fixed Assets Through Capital Lease | - | - | - | - | - | - |
| Securities Lending Collateral | - | - | - | - | - | - |
| Total Noncash Transactions | <u>\$ 12,747,000</u> | <u>\$ -</u> | <u>\$ 77,005</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 286,938</u> |

| | | | | | | | | | Total |
|-------------------------------|--------------------|-------------------------|---------------------------------------|-------------------------|--------------------------|---------------|-----------------|-------------------------|-----------------|
| Guaranteed Student Loan | Housing Finance | Mill And Elevator | PERS Uniform Group Insurance | Real Estate Trust | Roughrider Industries | State Fair | Student Loan | Workers Compensation | June 30 1998 |
| - | (17,000) | (418,957) | - | - | (63,884) | (238,468) | - | (229,632) | (1,201,941) |
| - | 3,000 | - | - | - | 5,000 | 95,000 | - | 1,159 | 104,159 |
| - | - | - | - | - | - | (195,000) | - | - | (195,000) |
| - | - | - | - | - | - | (167,460) | - | - | (167,460) |
| - | - | (73,898) | - | - | (1,827) | - | - | - | (75,725) |
| - | - | - | - | - | (7,059) | - | - | - | (7,059) |
| - | (14,000) | (492,855) | - | - | (67,770) | (505,928) | - | (228,473) | (1,543,026) |
| 10,614,000 | 2,143,000 | - | - | - | - | 248,000 | 91,206,014 | 35,944,544 | 298,701,235 |
| (11,213,514) | (1,817,000) | - | - | - | - | (250,000) | (112,403,645) | (136,842,148) | (402,094,307) |
| 774,148 | 13,869,000 | 145,258 | 160,670 | 1,576,817 | 17,347 | 41,161 | 4,791,661 | 51,798,529 | 98,364,381 |
| - | - | - | - | - | - | - | - | - | (67,660,000) |
| - | - | - | - | - | - | - | - | - | (3,391,450) |
| - | - | - | - | 1,711,406 | - | - | - | - | 3,327,403 |
| - | - | - | - | 1,062,855 | - | - | - | - | 49,318,672 |
| 174,634 | 14,195,000 | 145,258 | 160,670 | 4,351,078 | 17,347 | 39,161 | (16,405,970) | (49,099,075) | (23,434,066) |
| 1,325,361 | 168,656,000 | 860,348 | 879,878 | 331,193 | 134,774 | 52,558 | (21,252,816) | 490,063 | 188,039,314 |
| 747,562 | 142,298,000 | 4,262,026 | 10,986,205 | 3,685,211 | 522,796 | 956,417 | 97,699,689 | 1,295,589 | 495,691,559 |
| \$ 2,072,923 | \$ 310,954,000 | \$ 5,122,374 | \$ 11,866,083 | \$ 4,016,404 | \$ 657,570 | \$ 1,008,975 | \$ 76,446,873 | \$ 1,785,652 | \$ 683,730,873 |
| \$ 2,072,923 | \$ 3,824,000 | \$ 5,122,374 | \$ 338,728 | \$ 4,016,404 | \$ 657,270 | \$ 914,034 | \$ 76,446,873 | \$ 1,785,652 | \$ 101,324,277 |
| - | 307,130,000 | - | 11,527,355 | - | 300 | 94,941 | - | - | 582,406,596 |
| \$ 2,072,923 | \$ 310,954,000 | \$ 5,122,374 | \$ 11,866,083 | \$ 4,016,404 | \$ 657,570 | \$ 1,008,975 | \$ 76,446,873 | \$ 1,785,652 | \$ 683,730,873 |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 11,656,876 | \$ 12,020,819 |
| - | - | - | - | - | - | - | - | - | 163,000 |
| - | - | - | - | - | - | - | - | - | 86,000 |
| - | - | - | - | - | - | - | - | - | 12,498,000 |
| - | - | - | - | - | 91,923 | - | - | - | 91,923 |
| - | - | - | - | - | - | - | - | 8,114,269 | 8,114,269 |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 91,923 | \$ - | \$ - | \$ 19,771,145 | \$ 32,974,011 |



Camp Hancock State Historic Site in Bismarck was built in 1872 to provide protection for the Northern Pacific Railroad workers, and it now houses the log headquarters building and one of the oldest churches in Bismarck.

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the State and to other government units, on a cost reimbursement basis.

INTERNAL SERVICE FUNDS

CENTRAL SERVICES

790 (927) - Central Services

Accounts for the revenues and expenditures associated with central printing and office supply services to state agencies and the Legislative Assembly; a surplus property program for the acquisition, distribution, and disposition of federal and state surplus property and procurement services for all state agencies not exempt by statute. (NDCC 54-44)

FLEET SERVICES

700 (918) - Fleet Services

Accounts for costs of operating and maintaining State-owned vehicles. Costs are billed to user agencies and include depreciation on equipment. (NDCC 39-04)

INFORMATION SERVICES

780 (929) - Information Services Division

Accounts used for the procurement and maintenance of data processing equipment and supplies and telecommunications equipment and supplies and for providing data processing and telecommunications services to state departments and agencies. (NDCC 54-44)

RISK MANAGEMENT FUND

(912) - Risk Management Fund

This fund provides insurance coverage and loss prevention to all state agencies and the University System. Coverage is provided using an optional combination of self-insurance and private excess insurance. (NDCC 32-12.2)

STATE INVESTMENT BOARD

207 (936) - State Investment Board

Accounts for the administrative operations provided to the State Investment Board and Teachers Fund For Retirement for the boards investing activities. (NDCC 15-39)

STATE OF NORTH DAKOTA

Combining Balance Sheet Internal Service Funds June 30, 1998

| | Central Services | Fleet Services | Information Services Division | Risk Management | State Investment Board | Total June 30 1998 |
|---|---------------------|----------------------|-------------------------------------|---------------------|------------------------------|--------------------------|
| Assets | | | | | | |
| Cash Deposits At The Bank Of North Dakota | \$ 589,369 | \$ 15,589 | \$ 608,323 | \$ 1,275,420 | \$ 190,597 | \$ 2,679,298 |
| Cash And Cash Equivalents | 100 | - | - | - | - | 100 |
| Investments | - | - | - | 5,529,806 | - | 5,529,806 |
| Accounts Receivable - Net | 12,920 | 399,617 | 2,775 | - | 923 | 416,235 |
| Interest Receivable - Net | - | - | - | 16,457 | - | 16,457 |
| Due From Component Units | - | - | 319 | - | - | 319 |
| Due From Other Funds | 170,005 | 1,399,900 | 1,860,066 | 189,215 | 11,687 | 3,630,873 |
| Intergovernmental Receivable - Net | 39,820 | 3,677 | 13,556 | 1,748 | - | 58,801 |
| Prepaid Items | 2,220 | - | 546,456 | - | - | 548,676 |
| Inventory | 160,098 | - | - | - | - | 160,098 |
| Fixed Assets (Net Of Depreciation) | 271,708 | 34,336,747 | 5,105,760 | 38,418 | 46,656 | 39,799,289 |
| Total Assets | \$ 1,246,240 | \$ 36,155,530 | \$ 8,137,255 | \$ 7,051,064 | \$ 249,863 | \$ 52,839,952 |
| Liabilities | | | | | | |
| Accounts Payable | \$ 35,099 | \$ 277,018 | \$ 305,270 | \$ 25,327 | \$ 147,709 | \$ 790,423 |
| Notes Payable | - | - | 2,234,283 | - | - | 2,234,283 |
| Securities Lending Collateral | - | - | - | 1,025,279 | - | 1,025,279 |
| Intergovernmental Payable | 266 | - | - | - | - | 266 |
| Claims/Judgements Payable | - | - | - | 2,821,206 | - | 2,821,206 |
| Accrued Payroll | 56,588 | 65,373 | 579,947 | 16,064 | - | 717,972 |
| Compensated Absences Payable | 73,627 | 44,295 | 584,841 | - | - | 702,763 |
| Due To Other Funds | 19,969 | 368,227 | - | 13,707 | 66,984 | 468,887 |
| Advances From Other Funds | - | 4,000,000 | - | - | - | 4,000,000 |
| Capital Leases Payable | 206,017 | 143,834 | - | - | - | 349,851 |
| Deferred Revenue | - | - | - | 56,586 | - | 56,586 |
| Total Liabilities | 391,566 | 4,898,747 | 3,704,341 | 3,958,169 | 214,693 | 13,167,516 |
| Equity | | | | | | |
| Contributed Capital | 774,154 | 19,614,547 | 911,861 | - | - | 21,300,562 |
| Retained Earnings: | | | | | | |
| Unreserved | 80,520 | 11,642,236 | 3,521,053 | 3,092,895 | 35,170 | 18,371,874 |
| Total Equity | 854,674 | 31,256,783 | 4,432,914 | 3,092,895 | 35,170 | 39,672,436 |
| Total Liabilities And Equity | \$ 1,246,240 | \$ 36,155,530 | \$ 8,137,255 | \$ 7,051,064 | \$ 249,863 | \$ 52,839,952 |

STATE OF NORTH DAKOTA

Combining Statement Of Revenues, Expenses And Changes In Fund Equity
Internal Service Funds
For The Fiscal Year Ended June 30, 1998

| | Central Services | Fleet Services | Information Services Division | Risk Management | State Investment Board | Totals June 30 1998 |
|--|---------------------|-------------------|-------------------------------------|--------------------|------------------------------|---------------------------|
| Operating Revenues: | | | | | | |
| Sales And Services | \$ 2,320,305 | \$ 12,764,362 | \$ 20,158,783 | \$ 2,367,619 | \$ 1,102,193 | \$ 38,713,262 |
| Miscellaneous | - | 44,216 | - | 2,755 | 11,147 | 58,118 |
| Total Operating Revenues | 2,320,305 | 12,808,578 | 20,158,783 | 2,370,374 | 1,113,340 | 38,771,380 |
| Operating Expenses: | | | | | | |
| Cost Of Sales And Services | 758,569 | - | - | - | - | 758,569 |
| Salaries And Benefits | 658,878 | 884,220 | 6,890,118 | 174,407 | 631,807 | 9,239,430 |
| Operating | 596,175 | 5,175,617 | 10,606,268 | 1,057,674 | 470,305 | 17,906,039 |
| Benefits | - | - | - | (1,495,575) | - | (1,495,575) |
| Depreciation | 120,017 | 4,173,481 | 3,090,272 | 19,033 | 16,355 | 7,419,158 |
| Total Operating Expenses | 2,133,639 | 10,233,318 | 20,586,658 | (244,461) | 1,118,467 | 33,827,621 |
| Operating Income (Loss) | 186,666 | 2,575,260 | (427,875) | 2,614,835 | (5,127) | 4,943,759 |
| Nonoperating Revenues (Expenses): | | | | | | |
| Interest And Investment Income | - | - | - | 702,418 | 1,638 | 704,056 |
| Interest Expense | (26,673) | (19,277) | (144,087) | (63,799) | - | (253,836) |
| Gain (Loss) On Sale Of Fixed Assets | 3,900 | (193,078) | (288,901) | - | - | (478,079) |
| Other | 1,155 | - | - | - | - | 1,155 |
| Total Nonoperating Revenues (Expenses) | (21,618) | (212,355) | (432,988) | 638,619 | 1,638 | (26,704) |
| Net Income (Loss) | 165,048 | 2,362,905 | (860,863) | 3,253,454 | (3,489) | 4,917,055 |
| Fund Equity - Beginning Of Year, As Adjusted | 689,626 | 28,893,878 | 5,293,777 | (160,559) | 38,659 | 34,755,381 |
| Fund Equity - End Of Year | \$ 854,674 | \$ 31,256,783 | \$ 4,432,914 | \$ 3,092,895 | \$ 35,170 | \$ 39,672,436 |

STATE OF NORTH DAKOTA
**Combining Statement Of Cash Flows
Internal Service Funds**

For The Fiscal Year Ended June 30, 1998

| | Central Services | Fleet Services | Information Services Division | Risk Management | State Investment Board | Total June 30 1998 |
|---|---------------------|--------------------|-------------------------------------|--------------------|------------------------------|--------------------------|
| Cash Flows From Operating Activities: | | | | | | |
| Operating Income (Loss) | \$ 186,866 | \$ 2,575,260 | \$ (427,875) | \$ 2,614,835 | \$ (5,127) | \$ 4,943,759 |
| Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities: | | | | | | |
| Depreciation | 120,017 | 4,173,481 | 3,090,272 | 19,033 | 16,355 | 7,419,158 |
| Amortization/Accretion | - | - | 808,136 | - | - | 808,136 |
| Other | 1,155 | - | - | - | - | 1,155 |
| Change In Assets And Liabilities: | | | | | | |
| (Increase) Decrease In Accounts Receivable | (2,380) | (106,346) | 51,174 | - | 24 | (57,528) |
| (Increase) Decrease In Due From | 40,274 | (319,353) | 21,350 | 90,254 | 33,068 | (134,407) |
| (Increase) Decrease In Intergovernmental Receivable | 2,659 | 1,303 | (7,594) | (248) | - | (3,880) |
| Decrease In Inventories | 1,030 | - | - | - | - | 1,030 |
| Increase In Accounts Payable | 19,732 | 105,136 | 5,022 | 14,136 | 5,529 | 149,555 |
| Decrease In Claims/Judgements Payable | - | - | - | (1,758,455) | - | (1,758,455) |
| Increase In Intergovernmental Payable | 22 | - | - | - | - | 22 |
| Increase (Decrease) In Accrued Payroll | 949 | (4,519) | 74,014 | 10,411 | - | 80,855 |
| Increase (Decrease) In Compensated Absences Payable | (4,330) | 11,972 | 47,496 | - | - | 55,138 |
| Increase (Decrease) In Due To | 8,049 | 133,788 | (17,071) | (53,558) | (7,208) | 64,000 |
| Increase In Deferred Revenue | - | - | - | 56,586 | - | 56,586 |
| Net Cash Provided By Operating Activities | 373,843 | 6,570,722 | 3,644,924 | 992,994 | 42,641 | 11,625,124 |
| Cash Flows From Noncapital Financing Activities: | | | | | | |
| Proceeds From Advances From Other Funds | - | 500,000 | - | - | - | 500,000 |
| Net Cash Provided By Noncapital Financing Activities | - | 500,000 | - | - | - | 500,000 |
| Cash Flows From Capital And Related Financing Activities: | | | | | | |
| Acquisition And Construction Of Capital Assets | (35,801) | (9,369,358) | (1,815,218) | (23,842) | (14,149) | (11,258,368) |
| Proceeds From Sale Of Fixed Assets | - | 2,039,603 | 15,440 | - | - | 2,055,043 |
| Principal Payments - Notes And Other Borrowings | (95,139) | (98,064) | (1,902,433) | - | - | (2,095,636) |
| Interest Payments - Notes And Other Borrowings | (26,673) | (19,277) | (144,087) | - | - | (190,037) |
| Net Cash Used For Capital And Related Financing Activities | (157,613) | (7,447,096) | (3,846,298) | (23,842) | (14,149) | (11,488,998) |
| Cash Flows From Investing Activities: | | | | | | |
| Purchase Of Investment Securities | - | - | - | (1,096,611) | - | (1,096,611) |
| Interest And Dividends On Investments | - | - | - | 573,786 | 1,638 | 575,424 |
| Net Cash Provided By (Used For) Investing Activities | - | - | - | (522,825) | 1,638 | (521,187) |
| Net Change In Cash: | | | | | | |
| Net Increase (Decrease) In Cash And Cash Equivalents And Cash Deposits At The Bank Of North Dakota | 216,230 | (376,374) | (201,374) | 446,327 | 30,130 | 114,939 |
| Cash And Cash Equivalents And Cash Deposits At The Bank Of North Dakota At June 30, 1997 | 373,239 | 391,963 | 809,697 | 829,093 | 160,467 | 2,564,459 |
| Cash And Cash Equivalents And Cash Deposits At The Bank Of North Dakota At June 30, 1998 | \$ 589,469 | \$ 15,589 | \$ 608,323 | \$ 1,275,420 | \$ 190,597 | \$ 2,679,398 |
| Reconciliation: | | | | | | |
| Cash Deposits At The Bank Of North Dakota | 589,369 | 15,589 | 608,323 | 1,275,420 | 190,597 | 2,679,298 |
| Cash And Cash Equivalents | 100 | - | - | - | - | 100 |
| Cash And Cash Equivalents And Cash Deposits At The Bank Of North Dakota | \$ 589,469 | \$ 15,589 | \$ 608,323 | \$ 1,275,420 | \$ 190,597 | \$ 2,679,398 |
| Noncash Transactions: | | | | | | |
| Purchased Fixed Assets Through Assumption Of Note Payable | \$ - | \$ - | \$ 674,403 | \$ - | \$ - | \$ 674,403 |
| Purchased Prepaid Expenses Through Assumption Of Note Payable | - | - | 500,000 | - | - | 500,000 |
| Purchased Fixed Assets Through Capital Lease | - | 123,586 | - | - | - | 123,586 |
| Net Appreciation In Fair Value Of Investments | - | - | - | 59,920 | - | 59,920 |
| Total Noncash Transactions | \$ - | \$ 123,586 | \$ 1,174,403 | \$ 59,920 | \$ - | \$ 1,357,909 |



The Chateau de Mores is a 26-room mansion built in 1883 as a summer residence of a French nobleman who came to the Badlands to start a cattle empire.

Trust and Agency Funds

Trust funds are used to account for assets held by the State in a trustee capacity. Agency funds are used to account for assets held by the State as an agent for individuals, private organizations, other governments and/or other funds.

TRUST AND AGENCY FUNDS

I. EXPENDABLE TRUSTS

DONATION EXPENDABLE

989 - School for the Deaf Student Expendable Trust Funds

Accounts for funds donated to the School for the Deaf for the benefit of the students. (NDCC 25-07)

JOB SERVICE EXPENDABLE

967 - Job Service - Expendable Trust Fund

Accounts for State unemployment taxes collected from employers for the purpose of paying unemployment benefits. Also, accounts for taxes collected from state and local governmental employers for the purpose of paying retirement benefits under the North Dakota Old Age Survivors and Insurance System. (NDCC 52-09)

LAND DEPARTMENT - ABANDONED PROPERTY

418 (954) - Abandoned and Unclaimed Property Fund
Funds received from the sale of abandoned property, credited to the common schools trust fund. (NDCC 47-30.1)

LAND DEPARTMENT - CAPITOL BUILDING

997 - Land Department - Capitol Building Fund

Accounts for moneys accumulated from the sale or leasing of any lands granted in the Enabling Act for the purpose of erecting public buildings at the capital for legislative, executive and judicial purposes. (The Enabling Act, Section 12)

PERS FLEXCOMP

932 - Flex Program

Accounts for pre-tax premium conversions, a medical spending account and a dependent care spending account according to Section 125 of the Internal Revenue Code. (NDCC 54-52.3)

VETERANS HOME

941 - Veteran's Fund (Commandants Fund)

A conglomerate of funds from interest, sales of crafts, bus charges, cable television, and donations to the home from the many organizations that donate to the home. These donations are earmarked for a specific use or purpose. (NDCC 37-15)

II. NONEXPENDABLE TRUSTS

DONATION NONEXPENDABLE

937 - Department of Public Instruction Thordarson Scholarship Nonexpendable Trust Fund

Fund used to provide scholarship grants to students enrolled in courses offered by the independent study division. (NDCC 15-21)

988 - School for the Deaf Nonexpendable Trust Fund

Account for funds donated to provide scholarships to deaf students. (NDCC 25-07)

LAND DEPARTMENT - PERMANENT

957 - Land Department - Permanent Fund

Accounts for moneys belonging to common schools and other public institutions derived from the sale of any lands. Such money must be paid over on the order of the board for investment. (NDCC 15-03)

Also includes all moneys accumulated in the interest and income fund arising from the sale or leasing of any lands granted by the state or by the Constitution of North Dakota. (NDCC 15-03)

III. PENSION

HIGHWAY PATROLMEN'S RETIREMENT

982 - Highway Patrolmen's Retirement Fund

A single employer defined benefit pension plan covering officers of the State Highway Patrol. (NDCC 39-03)

JOB SERVICE RETIREMENT

920 - Job Service Retirement Fund

A single employer defined benefit pension plan for Job Service employees. Participation in this plan is limited to employees participating in the program as of September 30, 1980. (NDCC 52-01)

PENSION - OTHER

933 - Prefunded Retiree Health Program

Members receiving retirement benefits from NDPERS receive a credit toward their monthly health insurance premium under the state health plan. (NDCC 54-52)

PUBLIC EMPLOYEES' RETIREMENT

470 (983) - Public Employees Retirement System

Accounts for the financial resources associated with the Public Employees Retirement System. (NDCC 54-52)

TEACHERS' RETIREMENT

964 - North Dakota Teachers' Fund For Retirement

Accounts for the financial resources of the Teachers' Retirement Fund. (NDCC 15-39)

IV. INVESTMENT TRUST FUND

913 - City of Bismarck RIO Investments

Account for the investment assets held by the State Investment Board in a trustee capacity as an agent for the City of Bismarck. (NDCC 21-10)

V. AGENCY

BONDING

403 - Motor Fuel Cash Bond Deposit Fund

Accounts for cash received in lieu of a surety bond for motor vehicle fuel dealers. (NDCC 57-43.1)

479 - Mine Operating Escrow

Accounts for cash received in lieu of a surety bond to obtain a surface coal mine and reclamation permit (NDCC 38-14.1)

939 - Public Service Commission Trustee Account

Accounts for savings certificates posted in lieu of performance bonds for surface mining activities and grain elevator insolvency cases. (NDCC 60-02)

940 - Water Commission Contract Retainage Fund

Accounts for contractual obligations of the commission. (NDCC 61-02)

942 - Agriculture Cash and Investment

Accounts for securities or bonds in lieu of a surety bond relating to the operation of livestock dealers, auction markets and dairy plants. (NDCC 36-05)

944 - Cash Bonds

Accounts for the financial resources for the plugging of abandoned oil and gas wells and the reclamation of abandoned oil and gas well sites. (NDCC 38-08)

945 - Insurance Company Deposits

Accounts for securities of domestic insurance companies required by the NDCC to keep on deposit with the Insurance Commissioner securities in a value equal to the policies they have in force. (NDCC 26.1-05)

DEFERRED COMPENSATION

981 - Deferred Compensation Fund

Accounts for the activity of the deferred compensation plan adopted under the provisions of Internal Revenue Service Code, Section 457, for State employees. (NDCC 54-52.2)

PAYROLL

461 - OMB Unemployment/Payroll Clearing Fund

Accounts for financial resources of unemployment claims to Job Service North Dakota, employers and employees payroll taxes and other deductions such as, insurance and credit union deductions, etc. (NDCC 54-44)

STUDENT AND OTHER

406 - Drivers License Trust Fund

Accounts for cash received from a motor vehicle operator involved in an accident and has no automobile liability policy and the driver was negligent. (NDCC 54-27)

984 - Highway Patrol Collection

Accounts for the collection of fees for motor carrier permits and load assessments and for the transfer of those collections to other North Dakota state agencies. (NDCC 39-12)

986 - Developmental Center Residents' Funds

Accounts for funds belonging to patients of the State Developmental Center. (NDCC 25-01.1)

990 - Veteran's Home-Custodial

Accounts for resident's personal funds. (NDCC 37-15)

991 - State Hospital Patients

Accounts for patient's personal funds. (NDCC 25-01.1)

992 - Prisoner Accounts

Accounts for prisoner's personal fund. (NDCC 12-48)

993 - Industrial School Student Accounts

Account for the student's personal funds. (NDCC 27-20)

994 - School for the Deaf Students

Account for the students personal funds. (NDCC 25-07)

TAX COLLECTION

240 - Insurance Tax Distribution Fund

Accounts for financial resources for fire departments within the State. (NDCC 18-04)

396 - Solid Waste Management Distribution Fund

Accounts for a tax imposed on solid waste tax users to provide funds for development of waste and management plans. (NDCC 23-29)

STATE OF NORTH DAKOTA

Combining Statement of Plan Net Assets
Pension And Investment Trust Funds
June 30, 1998

| | Pension | | | | | Investment | Total |
|---|--------------------------------------|------------------------------|--|------------------------------------|-------------------------|---------------------|------------------|
| | Highway Patrolmen's Retirement | Job Service Retirement | Prefunded Retiree Health Program | Public Employees' Retirement | Teachers' Retirement | City Of Bismarck | June 30 1998 |
| Assets | | | | | | | |
| Cash Deposits At The Bank Of North Dakota | \$ - | \$ 179,154 | \$ 168,445 | \$ 326,080 | \$ 4,439,611 | \$ - | \$ 5,113,290 |
| Receivables: | | | | | | | |
| Contributions Receivable | - | 25,189 | 277,801 | 2,340,712 | 4,358,027 | - | 7,001,729 |
| Interest Receivable - Net | 118,208 | 3,548 | 74 | 3,357,012 | 5,146,354 | 10,725 | 8,635,921 |
| Accounts Receivable | - | - | - | 161 | - | - | 161 |
| Due From Other Funds | - | - | - | 147,933 | 18,278 | - | 166,211 |
| Total Receivables | 118,208 | 28,737 | 277,875 | 5,845,818 | 9,522,659 | 10,725 | 15,804,022 |
| Investments, At Fair Value: | | | | | | | |
| Equity Pool | 18,951,948 | 33,449,536 | 12,181,268 | 538,222,300 | 679,737,854 | 14,925,746 | 1,297,468,652 |
| Fixed Income | 673,999 | 47,432 | 7,920,404 | 19,141,111 | 335,756,679 | - | 363,539,625 |
| Fixed Income Pool | 13,577,700 | 9,302,564 | - | 385,597,346 | - | 12,542,698 | 421,020,308 |
| Cash And Cash Pool | 227,409 | 46,230 | - | 6,458,262 | 31,033,091 | 155,236 | 37,920,228 |
| Guaranteed Investment Contract | - | 20,549,109 | - | - | - | - | 20,549,109 |
| Real Estate Pool | 1,387,322 | - | - | 39,399,001 | 67,925,847 | 1,031,705 | 109,743,875 |
| Venture Capital | 169,301 | - | - | 4,808,034 | 6,112,738 | 448,510 | 11,538,583 |
| Total Investments | 34,987,679 | 63,394,871 | 20,101,672 | 993,626,054 | 1,120,566,209 | 29,103,895 | 2,261,780,380 |
| Invested Securities Lending Collateral | 3,963,575 | 4,439,351 | - | 111,331,046 | 96,816,244 | 3,244,817 | 219,795,033 |
| Fixed Assets (Net Of Depreciation) | - | - | - | 22,235 | - | - | 22,235 |
| Total Assets | 39,069,462 | 68,042,113 | 20,547,992 | 1,111,151,233 | 1,231,344,723 | 32,359,437 | 2,502,514,960 |
| Liabilities | | | | | | | |
| Accrued Payroll | - | - | - | 27,723 | - | - | 27,723 |
| Accounts Payable | - | 44,527 | 10,108 | 810,440 | 1,049,833 | 74,940 | 1,989,848 |
| Due To Other Funds | 15,668 | 1,392 | 110,907 | 13,509 | 9,402 | - | 150,878 |
| Securities Lending Collateral | 3,963,575 | 4,439,351 | - | 111,331,046 | 96,816,244 | 3,244,817 | 219,795,033 |
| Compensated Absences Payable | - | - | - | 20,123 | - | - | 20,123 |
| Total Liabilities | 3,979,243 | 4,485,270 | 121,015 | 112,202,841 | 97,875,479 | 3,319,757 | 221,983,605 |
| Net Assets Held In Trust For: | | | | | | | |
| Pension Benefits | 35,090,219 | 63,556,843 | 20,426,977 | 998,948,392 | 1,133,469,244 | - | 2,251,491,675 |
| External Investment Pool Participants | - | - | - | - | - | 29,039,680 | 29,039,680 |
| Total Net Assets Held In Trust: | \$ 35,090,219 | \$ 63,556,843 | \$ 20,426,977 | \$ 998,948,392 | \$ 1,133,469,244 | \$ 29,039,680 | \$ 2,280,531,355 |

STATE OF NORTH DAKOTA

**Combining Statement Of Revenues, Expenditures And
Changes In Fund Balance
Expendable Trust Funds
For The Fiscal Year Ended June 30, 1998**

| | Donation Expendable | Job Service Expendable | Land Abandoned Property | Land Capitol Building | PERS Flexcomp | Veterans Home | Total June 30 1998 |
|--|------------------------|------------------------------|-------------------------------|-----------------------------|---------------------|------------------|--------------------------|
| Revenues: | | | | | | | |
| Taxes | \$ - | \$ 29,559,743 | \$ - | \$ - | \$ - | \$ - | \$ 29,559,743 |
| Intergovernmental | - | 1,083,833 | - | - | - | - | 1,083,833 |
| Sales And Services | - | - | - | - | 3,866,166 | 4,663 | 3,870,829 |
| Royalties And Rents | - | - | - | 111,087 | - | - | 111,087 |
| Fines And Forfeits | - | - | 1,633,018 | - | - | - | 1,633,018 |
| Interest And Investment Income | 2,960 | 2,414,820 | 4,582 | 40,516 | 30,623 | 5,490 | 2,498,991 |
| Miscellaneous | 10,274 | - | - | - | - | 96,049 | 106,323 |
| Total Revenues | 13,234 | 33,058,396 | 1,637,600 | 151,603 | 3,896,789 | 106,202 | 38,863,824 |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| General Government | - | - | - | - | 3,786,402 | - | 3,786,402 |
| Education | 30,320 | - | 278,055 | 9,566 | - | - | 317,941 |
| Health And Human Services | - | 34,237,755 | - | - | - | 81,505 | 34,319,260 |
| Total Expenditures | 30,320 | 34,237,755 | 278,055 | 9,566 | 3,786,402 | 81,505 | 38,423,603 |
| Revenues Over (Under) Expenditures | (17,086) | (1,179,359) | 1,359,545 | 142,037 | 110,387 | 24,697 | 440,221 |
| Other Financing Uses: | | | | | | | |
| Operating Transfers Out | - | - | (1,359,545) | (580,000) | - | - | (1,939,545) |
| Total Other Financing Uses | - | - | (1,359,545) | (580,000) | - | - | (1,939,545) |
| Revenues Over (Under) Expenditures And Other Financing Uses | (17,086) | (1,179,359) | - | (437,963) | 110,387 | 24,697 | (1,499,324) |
| Fund Balances - Beginning Of Year As Previously Reported | 102,621 | 38,810,672 | - | 1,078,750 | 916,706 | 19,015 | 40,927,764 |
| Fund Balances - End Of Year | \$ 85,535 | \$ 37,631,313 | \$ - | \$ 640,787 | \$ 1,027,093 | \$ 43,712 | \$ 39,428,440 |

STATE OF NORTH DAKOTA

Combining Statement Of Revenues, Expenses And Changes In Fund Equity Nonexpendable Trust Funds For The Fiscal Year Ended June 30, 1998

| | Donation Non- Expendable | Land Department Permanent | Totals June 30 1998 |
|--|--------------------------------|---------------------------------|---------------------------|
| Operating Revenues: | | | |
| Royalties And Rents | \$ - | \$ 12,303,267 | \$ 12,303,267 |
| Interest And Investment Income | 1,925 | 59,835,709 | 59,837,634 |
| Miscellaneous | 2,274 | - | 2,274 |
| Total Operating Revenues | 4,199 | 72,138,976 | 72,143,175 |
| Operating Expenses: | | | |
| Operating | - | 2,126,109 | 2,126,109 |
| Depreciation | - | 38,868 | 38,868 |
| Total Operating Expenses | | 2,164,977 | 2,164,977 |
| Operating Income | 4,199 | 69,973,999 | 69,978,198 |
| Nonoperating Revenues (Expenses): | | | |
| Tax Revenue | - | 1,438,485 | 1,438,485 |
| Total Nonoperating Revenues (Expenses) | - | 1,438,485 | 1,438,485 |
| Income Before Operating Transfers | 4,199 | 71,412,484 | 71,416,683 |
| Operating Transfers In | - | 1,359,544 | 1,359,544 |
| Operating Transfers Out | - | (25,377,200) | (25,377,200) |
| Net Income | 4,199 | 47,394,828 | 47,399,027 |
| Fund Equity - Beginning Of Year, As Adjusted | 36,635 | 442,068,401 | 442,105,036 |
| Fund Equity - End Of Year | \$ 40,834 | \$ 489,463,229 | \$ 489,504,063 |

STATE OF NORTH DAKOTA
**Combining Statement Of Cash Flows
Nonexpendable Trust Funds**

For The Fiscal Year Ended June 30, 1998

| | Donation Non- Expendable | Land Department Permanent | Total June 30 1998 |
|---|--------------------------------|---------------------------------|--------------------------|
| Cash Flows From Operating Activities: | | | |
| Operating Income | \$ 4,199 | \$ 69,973,999 | \$ 69,978,198 |
| Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities: | | | |
| Depreciation | - | 38,868 | 38,868 |
| Reclassification Of Interest Revenue/Expense | (1,925) | (59,825,805) | (59,827,730) |
| Gain On Sale Of Real Estate | - | (9,904) | (9,904) |
| Change In Assets And Liabilities: | | | |
| Decrease In Due From | - | 2,435 | 2,435 |
| Decrease In Accounts Payable | - | (48,406) | (48,406) |
| Decrease In Due To | - | (7,213) | (7,213) |
| Net Cash Provided By Operating Activities | 2,274 | 10,123,974 | 10,126,248 |
| Cash Flows From Noncapital Financing Activities: | | | |
| Tax Collections | - | 1,438,485 | 1,438,485 |
| Operating Transfers In | - | 1,359,544 | 1,359,544 |
| Operating Transfers Out | - | (25,377,200) | (25,377,200) |
| Proceeds From Advances From Other Funds | - | 389,455 | 389,455 |
| Collection Of Advances Made | - | 274,584 | 274,584 |
| Interest Received On Advances Made | - | 645,893 | 645,893 |
| Net Cash Used For Noncapital Financing Activities | - | (21,269,239) | (21,269,239) |
| Cash Flows From Capital And Related Financing Activities: | | | |
| Acquisition And Construction Of Capital Assets | - | (209,508) | (209,508) |
| Net Cash Used For Capital And Related Financing Activities | - | (209,508) | (209,508) |
| Cash Flows From Investing Activities: | | | |
| Proceeds From Sale And Maturities Of Investment Securities | - | 55,053,934 | 55,053,934 |
| Purchase Of Investment Securities | (9,099) | (71,411,410) | (71,420,509) |
| Interest And Dividends On Investments | 1,917 | 19,891,879 | 19,893,796 |
| Proceeds From Sale Of Other Real Estate | - | 26,251 | 26,251 |
| Disbursements For Loans And Loan Purchases | - | (5,248,359) | (5,248,359) |
| Receipt Of Loan Principal Repayments | - | 8,814,334 | 8,814,334 |
| Loan Income Received | - | 4,433,678 | 4,433,678 |
| Net Cash Provided By (Used For) Investing Activities | (7,182) | 11,560,307 | 11,553,125 |
| Net Change In Cash: | | | |
| Net Increase (Decrease) In Cash And Cash Equivalents And Cash Deposits At The Bank Of North Dakota | (4,908) | 205,534 | 200,626 |
| Cash And Cash Equivalents And Cash Deposits At The Bank Of North Dakota At June 30, 1997 | 11,973 | 401,877 | 413,850 |
| Cash And Cash Equivalents And Cash Deposits At The Bank Of North Dakota At June 30, 1998 | \$ 7,065 | \$ 607,411 | \$ 614,476 |
| Reconciliation: | | | |
| Cash Deposits At The Bank Of North Dakota | \$ 451 | \$ 607,411 | \$ 607,862 |
| Cash And Cash Equivalents | 6,614 | - | 6,614 |
| Cash And Cash Equivalents And Cash Deposits At The Bank Of North Dakota | \$ 7,065 | \$ 607,411 | \$ 614,476 |
| Noncash Transactions: | | | |
| Net Appreciation In Fair Value Of Investments | \$ - | \$ 34,406,864 | \$ 34,406,864 |
| Total Noncash Transactions | \$ - | \$ 34,406,864 | \$ 34,406,864 |

STATE OF NORTH DAKOTA

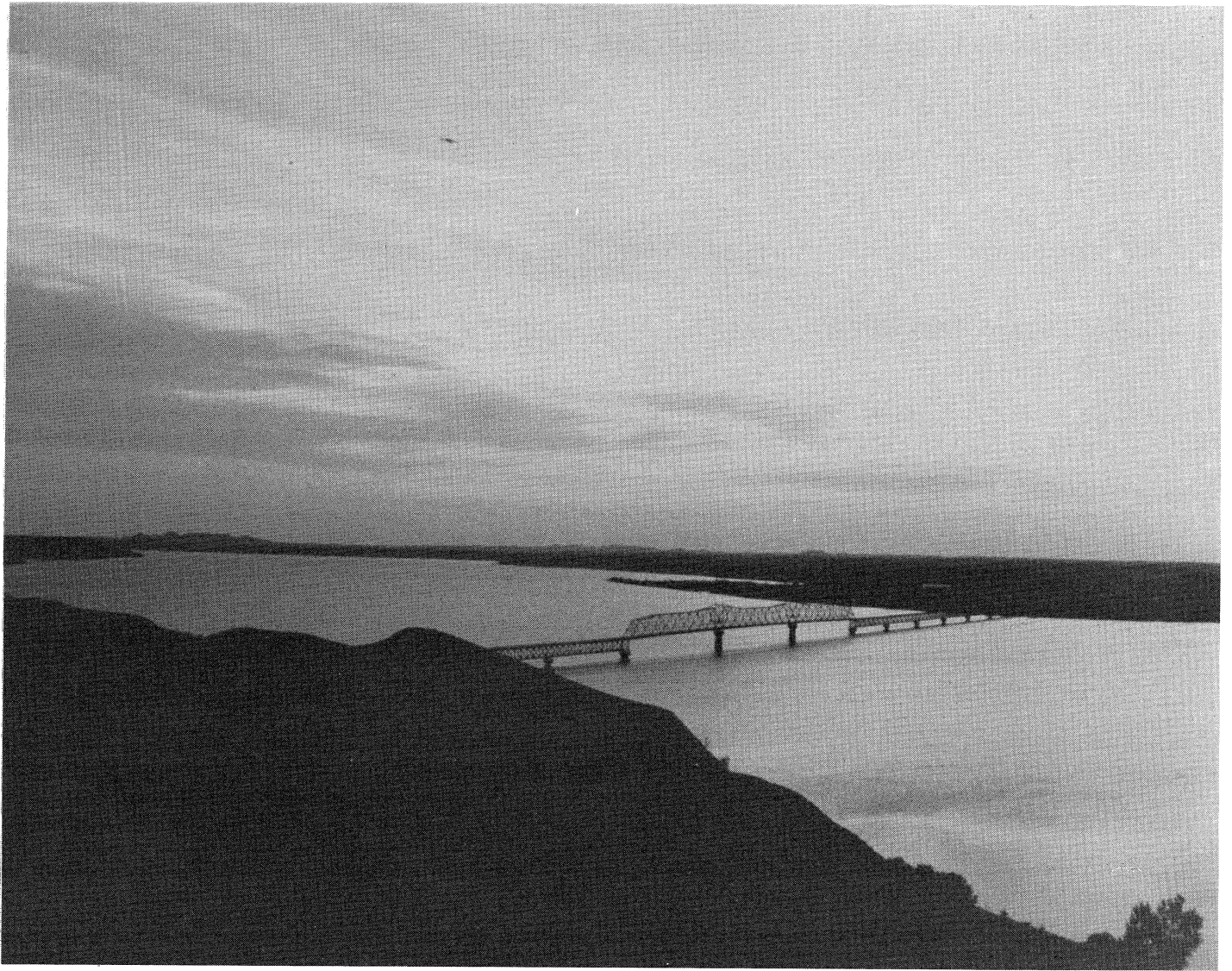
Combining Statement Of Changes In Assets And Liabilities

Agency Funds

For The Fiscal Year Ended June 30, 1998

| | June 30 1997 | Additions | Deductions | June 30 1998 |
|---|-----------------|----------------|----------------|-----------------|
| Bonding | | | | |
| Assets | | | | |
| Cash Deposits At The Bank Of North Dakota | \$ 1,535,253 | \$ 1,914,028 | \$ 2,486,395 | \$ 962,886 |
| Cash And Cash Equivalents | - | 1,000 | - | 1,000 |
| Investments At The Bank Of North Dakota | 7,374,099 | 403,993 | 857,328 | 6,920,764 |
| Investments | 2,609,957 | 3,626 | 65,247 | 2,548,336 |
| Accounts Receivable - Net | - | 4,500 | 4,500 | - |
| Total Assets | \$ 11,519,309 | \$ 2,327,147 | \$ 3,413,470 | \$ 10,432,986 |
| Liabilities | | | | |
| Accounts Payable | \$ - | \$ 1,500 | \$ 1,500 | \$ - |
| Amounts Held In Custody For Others | 11,519,309 | 2,322,647 | 3,408,970 | 10,432,986 |
| Total Liabilities | \$ 11,519,309 | \$ 2,324,147 | \$ 3,410,470 | \$ 10,432,986 |
| Deferred Compensation | | | | |
| Assets | | | | |
| Investments | \$ 61,775,177 | \$ 16,738,381 | \$ 2,089,537 | \$ 76,424,021 |
| Total Assets | \$ 61,775,177 | \$ 16,738,381 | \$ 2,089,537 | \$ 76,424,021 |
| Liabilities | | | | |
| Deferred Compensation | \$ 61,775,177 | \$ 16,738,381 | \$ 2,089,537 | \$ 76,424,021 |
| Total Liabilities | \$ 61,775,177 | \$ 16,738,381 | \$ 2,089,537 | \$ 76,424,021 |
| Payroll | | | | |
| Assets | | | | |
| Cash Deposits At The Bank Of North Dakota | \$ 5,219,701 | \$ 60,756,114 | \$ 61,250,823 | \$ 4,724,992 |
| Accounts Receivable - Net | 577,940 | 60,046,686 | 60,624,626 | - |
| Due From Other Funds | 530 | 64,877 | 65,407 | - |
| Total Assets | \$ 5,798,171 | \$ 120,867,677 | \$ 121,940,856 | \$ 4,724,992 |
| Liabilities | | | | |
| Intergovernmental Payable | \$4,708,842.00 | - | \$4,708,842.00 | - |
| Amounts Held In Custody For Others | 1,062,785 | 116,179,247 | 112,517,040 | 4,724,992 |
| Due To Other Funds | 26,544 | 423,466 | 450,010 | - |
| Total Liabilities | \$ 5,798,171 | \$ 116,602,713 | \$ 117,675,892 | \$ 4,724,992 |
| Student And Other | | | | |
| Assets | | | | |
| Cash Deposits At The Bank Of North Dakota | \$ 571,167 | \$ 4,191,559 | \$ 4,213,908 | \$ 548,818 |
| Cash And Cash Equivalents | 79,334 | 1,626,747 | 1,657,085 | 48,996 |
| Investments At The Bank Of North Dakota | 50,000 | - | - | 50,000 |
| Investments | 105,097 | 300,454 | 290,765 | 114,786 |
| Accounts Receivable - Net | 51,205 | 512,869 | 517,217 | 46,857 |
| Due From Other Funds | - | 50 | - | 50 |
| Other Assets | 68,490 | 432,970 | 434,470 | 66,990 |
| Total Assets | \$ 925,293 | \$ 7,064,649 | \$ 7,113,445 | \$ 876,497 |
| Liabilities | | | | |
| Accounts Payable | \$ 648 | \$ 16,754 | \$ 16,125 | \$ 1,277 |
| Amounts Held In Custody For Others | 924,645 | 6,879,272 | 6,928,697 | 875,220 |
| Due To Other Funds | - | 650 | 650 | - |
| Total Liabilities | \$ 925,293 | \$ 6,896,676 | \$ 6,945,472 | \$ 876,497 |

| | June 30 1997 | Additions | Deductions | June 30 1998 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Tax Collection | | | | |
| Assets | | | | |
| Cash Deposits At The Bank Of North Dakota | \$ 55,214,208 | \$ 341,801,444 | \$ 342,464,347 | \$ 54,551,305 |
| Cash And Cash Equivalents | 1,469,593 | - | 623,571 | 846,022 |
| Accounts Receivable - Net | 284,947 | 195,216 | - | 480,163 |
| Taxes Receivable - Net | 31,601,671 | 344,182,274 | 343,273,130 | 32,510,815 |
| Due From Other Funds | - | 95,762 | 95,274 | 488 |
| Total Assets | \$ 88,570,419 | \$ 686,274,696 | \$ 686,456,322 | \$ 88,388,793 |
| Liabilities | | | | |
| Tax Refunds Payable | \$ 753,946 | \$ 443,608 | \$ - | \$ 1,197,554 |
| Intergovernmental Payable | 56,236,134 | 588,623,311 | 590,080,937 | 54,778,508 |
| Due To Other Funds | 31,580,339 | 87,382,085 | 86,549,693 | 32,412,731 |
| Total Liabilities | \$ 88,570,419 | \$ 676,449,004 | \$ 676,630,630 | \$ 88,388,793 |
| Total Assets And Liabilities-Agency Funds | | | | |
| Assets | | | | |
| Cash Deposits At The Bank Of North Dakota | \$ 62,540,329 | \$ 408,663,145 | \$ 410,415,473 | \$ 60,788,001 |
| Cash And Cash Equivalents | 1,548,927 | 1,627,747 | 2,280,656 | 896,018 |
| Investments At The Bank Of North Dakota | 7,424,099 | 403,993 | 857,328 | 6,970,764 |
| Investments | 64,490,231 | 17,042,461 | 2,445,549 | 79,087,143 |
| Accounts Receivable - Net | 914,092 | 60,759,271 | 61,146,343 | 527,020 |
| Taxes Receivable - Net | 31,601,671 | 344,182,274 | 343,273,130 | 32,510,815 |
| Due From Other Funds | 530 | 160,689 | 160,681 | 538 |
| Other Assets | 68,490 | 432,970 | 434,470 | 66,990 |
| Total Assets | \$ 168,588,369 | \$ 833,272,550 | \$ 821,013,630 | \$ 180,847,289 |
| Liabilities | | | | |
| Accounts Payable | \$ 648 | \$ 18,254 | \$ 17,625 | \$ 1,277 |
| Tax Refunds Payable | 753,946 | 443,608 | - | 1,197,554 |
| Intergovernmental Payable | 60,944,976 | 588,623,311 | 594,789,779 | 54,778,508 |
| Amounts Held In Custody For Others | 13,506,739 | 125,381,166 | 122,854,707 | 16,033,198 |
| Due To Other Funds | 31,606,883 | 87,806,201 | 87,000,353 | 32,412,731 |
| Deferred Compensation | 61,775,177 | 16,738,381 | 2,089,537 | 76,424,021 |
| Total Liabilities | \$ 168,588,369 | \$ 819,010,921 | \$ 806,752,001 | \$ 180,847,289 |



Four Bears Bridge spans the Missouri River near New Town.

General Fixed Assets Account Group

General Fixed Assets account group records fixed assets acquired or constructed for general governmental purposes. These include all fixed assets except those accounted for in the Proprietary, Trust Funds, and University System Funds.

STATE OF NORTH DAKOTA**Schedule Of General Fixed Assets By Source**

June 30, 1998

(Expressed In Thousands)

| | June 30 1998 |
|---|-------------------|
| General Fixed Assets | |
| Land | \$ 18,597 |
| Buildings | 285,127 |
| Improvements Other Than Buildings | 48,810 |
| Equipment | 117,801 |
| Construction In Progress | 5,459 |
| Total General Fixed Assets | <u>\$ 475,794</u> |
| Investment In General Fixed Assets By Source | |
| Pre-June 30, 1991 | \$ 302,705 |
| General Fund | 52,484 |
| Federal Grants | 73,105 |
| Special Revenue Funds | 45,794 |
| Donations | 1,706 |
| Total Investment In General Fixed Assets | <u>\$ 475,794</u> |

STATE OF NORTH DAKOTA

Schedule Of General Fixed Assets By Function

June 30, 1998

(Expressed In Thousands)

| Function | Land | Buildings | Improvements Other Than Buildings | Equipment | Construction In Progress | Total |
|--------------------------------------|------------------|-------------------|--|-------------------|---|-------------------|
| General Government | \$ 2,210 | \$ 49,333 | \$ 295 | \$ 9,686 | \$ 426 | \$ 61,950 |
| Education | 110 | 6,316 | 859 | 4,041 | 124 | 11,450 |
| Health And Human Services | 1,304 | 80,908 | 4,260 | 39,723 | 1,783 | 127,978 |
| Regulatory | 503 | 746 | - | 2,939 | - | 4,188 |
| Public Safety | 2,305 | 114,079 | 20,515 | 8,662 | 2,894 | 148,455 |
| Agriculture And Economic Development | - | 2,343 | - | 1,124 | - | 3,467 |
| Natural Resources | 8,917 | 16,734 | 19,970 | 9,359 | 38 | 55,018 |
| Highways | 3,248 | 14,668 | 2,911 | 42,267 | 194 | 63,288 |
| Total General Fixed Assets | \$ 18,597 | \$ 285,127 | \$ 48,810 | \$ 117,801 | \$ 5,459 | \$ 475,794 |

Note: General fixed assets information by activity is not available.

STATE OF NORTH DAKOTA

Schedule Of Changes In General Fixed Assets By Function

For The Fiscal Year Ended June 30, 1998

(Expressed In Thousands)

| Function | General Fixed Assets June 30, 1997 | Adjustments To Beginning Balance | Additions | Retirements | Transfers Between Asset Class And Funds | General Fixed Assets June 30, 1998 |
|---|---|---|------------------|--------------------|--|---|
| General Government | \$ 61,209 | \$ (36) | \$ 1,808 | \$ (1,033) | \$ 2 | \$ 61,950 |
| Education | 10,960 | 5 | 740 | (255) | - | 11,450 |
| Health And Human Services | 129,667 | (20) | 6,744 | (4,147) | (4,267) | 127,977 |
| Regulatory | 4,338 | (89) | 115 | (188) | 12 | 4,188 |
| Public Safety | 134,902 | 3 | 9,517 | (373) | 4,406 | 148,455 |
| Agriculture And Economic Development | 3,575 | - | 83 | (191) | - | 3,467 |
| Natural Resources | 53,635 | 79 | 1,877 | (571) | - | 55,020 |
| Highways | 59,370 | 1 | 6,585 | (2,669) | - | 63,287 |
| Total General Fixed Assets | \$ 457,656 | \$ (57) | \$ 27,469 | \$ (9,427) | \$ 153 | \$ 475,794 |

Note: General fixed assets information by activity is not available.

University System

University System funds account for all financial transactions of the colleges and universities that compose the University System of North Dakota.



*The International Peace Garden is nestled in the beautiful Turtle Mountains
on the border of North Dakota and Manitoba.*

UNIVERSITY SYSTEM

UNIVERSITY SYSTEM

The University System Funds account for transactions related to resources received and used for the operation of the State's institutions of higher education and related medical teaching hospitals. The University System Funds are an aggregation of the following funds:

Current Funds (including auxiliary enterprises) account for resources the university system institutions may use for any purpose in carrying out their primary objectives. Restricted Current Funds include resources that donors or other outside agencies have restricted for specific current operating purposes. All other current funds are Unrestricted Current Funds.

Loan Funds account for resources available principally for loans to students of higher education.

Endowment and Similar Funds account for endowment, term endowment and quasi-endowment transactions. Endowment and term endowment funds are similar to trust funds. The State must comply with the terms of any applicable agreements. While quasi-endowment funds have been established by the institutions for the same purposes as endowment funds, any portion of the quasi-endowment funds may be expended at the institutions' discretion.

Plant Funds account for transactions involving physical properties of the university system institutions. The Unexpended Plant subgroup accounts for monies that institutions will use to acquire physical properties in future accounting periods. The Retirement of Indebtedness subgroup includes monies to pay debt service and to retire indebtedness on institutional properties. The Investment in Plant subgroup accounts for funds that institutions have expended for (and thus have invested in) their properties and any related outstanding debt.

Agency Funds within the University System Funds account for amounts that university system institutions hold as custodians or fiscal agents for others.

226 - Agronomy Seed Farm Fund

243 - Northern Crops Institute Fund

323 - Cntrl. Grassland Ex. Station Fund

326 - Forest Service Fund

331 - NDSU 18th Street Development Fund

332 - Hettinger Exp. Station Fund

333 - Langdon Experiment Station Fund

334 - Land Reclamation Res. Ctr. Fund

335 - North Central Exp. Station Fund

336 - Williston Exper. Station Fund

337 - Carrington Exp. Station Fund

338 - Agricultural Research Fund

341 - University of North Dakota Fund

343 - Medical Center Fund

344 - North Dakota State University Fund

345 - North Dakota State University - Bottineau Fund

346 - School of Forestry - Seedling Reserve

347 - Science School Fund - North Dakota State College of Science

348 - Dickinson State University Fund

349 - Mayville State University Fund

350 - Minot State University Fund

351 - Valley City State University Fund

357 - Extension Division Fund

358 - Main Experiment Station Fund

359 - Dickinson Exper. Station Fund

387 - Bismarck State College Fund

388 - University of North Dakota - Lake Region Fund

389 - University of North Dakota - Williston Center Fund

451 - Centennial Tree Program Trust Fund

845 - School of Forestry Dormitory Fund

847 - School of Science Dormitory Fund

851 - Valley City Dormitory Fund

STATE OF NORTH DAKOTA
**Combining Balance Sheet
University System
June 30, 1998**

| | Current Funds | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|-----------------------------|--|
| | Unrestricted | | | | Endowment And Similar | |
| | General Operating | Auxiliary | Restricted | Loan | | |
| Assets | | | | | | |
| Cash Deposits At The Bank Of North Dakota | \$ 10,506,550 | \$ 3,223,018 | \$ 206,069 | \$ 1,851,746 | \$ 1,865,723 | |
| Cash And Cash Equivalents | 1,852,643 | 568,322 | 36,337 | 326,523 | 328,987 | |
| Investments At The Bank Of North Dakota | 9,032,877 | 4,686,737 | 1,911,574 | 51,499 | 6,108,409 | |
| Investments | 7,366,682 | 3,822,226 | 1,558,967 | 41,999 | 16,651,054 | |
| Accounts Receivable - Net | 6,902,959 | 1,362,881 | 19,880 | 8,903 | - | |
| Leases Receivable - Net | - | - | - | - | - | |
| Interest Receivable - Net | 180,447 | 80,340 | 14,835 | 2,061 | 1,050 | |
| Loans And Notes Receivable - Net | - | - | - | 39,369,863 | - | |
| Interfund Receivable | 6,160,329 | 429,470 | 1,807,649 | - | 430,096 | |
| Due From Component Units | - | - | 6,915 | - | - | |
| Due From General Fund | 3,974,266 | - | - | - | - | |
| Due From Other State Funds | 177,851 | - | 1,789,235 | - | - | |
| Intergovernmental Receivable | 1,178,783 | - | 18,687,641 | 31,114 | - | |
| Advances To Other Funds | - | - | - | - | - | |
| Prepaid Items | 366,654 | - | 730 | - | - | |
| Inventory | 2,479,554 | 4,972,229 | - | - | - | |
| Fixed Assets | 136,452 | - | - | - | - | |
| Other Assets | 1,326,851 | 765,068 | 3,380 | 16,030 | - | |
| Total Assets | \$ 51,642,898 | \$ 19,910,291 | \$ 26,043,212 | \$ 41,699,738 | \$ 25,385,319 | |
| Liabilities | | | | | | |
| Accounts Payable | \$ 6,776,803 | \$ 985,845 | \$ 1,426,968 | \$ 5,100 | \$ - | |
| Notes Payable | 327,703 | - | - | - | - | |
| Interest Payable | 1,038 | - | - | - | - | |
| Contracts Payable | 1,087,667 | - | - | - | - | |
| Accrued Payroll | 1,760,575 | 220,542 | 531,061 | - | - | |
| Compensated Absences Payable | 12,234,569 | 857,825 | 6,161 | - | - | |
| Amounts Held In Custody For Others | - | - | - | - | - | |
| Deposits | 1,087,256 | 835,527 | 364 | - | - | |
| Interfund Payable | 987,892 | 3,974 | 5,670,563 | 39,060 | 1,787,395 | |
| Due To Other Funds | 570,447 | 33,576 | - | - | - | |
| Advances From Other Funds | 193,681 | - | - | - | - | |
| Advances From State Funds | 1,454,130 | - | 3,342,309 | - | - | |
| Bonds Payable | - | - | - | - | - | |
| Capital Leases Payable | - | - | - | - | - | |
| Deferred Revenue | 974,689 | 231,638 | 6,103,379 | - | - | |
| Other Liabilities | 2,237 | 1,016 | - | - | - | |
| Total Liabilities | 27,458,687 | 3,169,943 | 17,080,805 | 44,160 | 1,787,395 | |
| Equity | | | | | | |
| Investment In Fixed Assets | - | - | - | - | - | |
| Fund Balance: | | | | | | |
| Restricted: | | | | | | |
| Reserved For: | | | | | | |
| Federal Loan Funds | - | - | - | 32,509,165 | - | |
| Specified Purposes | - | - | 8,962,407 | 9,050,390 | 10,040,523 | |
| Unrestricted: | | | | | | |
| Undesignated | 24,184,211 | 16,740,348 | - | 96,023 | 13,557,401 | |
| Total Equity | 24,184,211 | 16,740,348 | 8,962,407 | 41,655,578 | 23,597,924 | |
| Total Liabilities And Equity | \$ 51,642,898 | \$ 19,910,291 | \$ 26,043,212 | \$ 41,699,738 | \$ 25,385,319 | |

| Plant Funds | | | | Total |
|----------------------|-------------------------------|------------------------|----------------------|-------------------------|
| Unexpended | Retirement Of Indebtedness | Investment In Plant | Agency | June 30 1998 |
| \$ 4,963,388 | \$ 5,524,024 | \$ - | \$ 5,472,532 | \$ 33,613,050 |
| 875,205 | 974,063 | - | 2,063,851 | 7,025,931 |
| 6,601,150 | 4,734,128 | - | 4,212,629 | 37,339,003 |
| 5,383,509 | 3,860,875 | - | 3,435,570 | 42,120,882 |
| 845,568 | 113,178 | 883,333 | 243,347 | 10,380,049 |
| - | 1,723,821 | - | - | 1,723,821 |
| 181,882 | 109,851 | - | 25,813 | 596,279 |
| - | - | 187,500 | - | 39,557,363 |
| 180,994 | - | - | 229,867 | 9,238,405 |
| - | - | - | - | 6,915 |
| 1,279,894 | - | - | - | 5,254,160 |
| 1,451,539 | - | - | 21,637 | 3,440,262 |
| 155,007 | 6,109 | - | 54,169 | 20,112,823 |
| - | - | - | 193,681 | 193,681 |
| - | - | - | - | 367,384 |
| - | - | - | - | 7,451,783 |
| - | - | 851,179,667 | - | 851,316,119 |
| 34,325 | 32,986 | 910,170 | 4,069 | 3,092,879 |
| \$ 21,952,461 | \$ 17,079,035 | \$ 853,160,670 | \$ 15,957,165 | \$ 1,072,830,789 |
| \$ 2,048,742 | \$ 645 | \$ - | \$ 819,231 | \$ 12,063,334 |
| - | 1,723,821 | - | - | 2,051,524 |
| - | 1,156,913 | - | - | 1,157,951 |
| - | - | - | - | 1,087,667 |
| 100 | - | - | 3,346,881 | 5,859,159 |
| - | - | - | - | 13,098,555 |
| - | - | - | 9,664,071 | 9,664,071 |
| - | - | - | 41,352 | 1,964,499 |
| 738,412 | 5,077 | - | 6,032 | 9,238,405 |
| - | - | - | 2,079,598 | 2,683,621 |
| - | - | - | - | 193,681 |
| 5,500 | - | - | - | 4,801,939 |
| 761,936 | 280,000 | 55,738,040 | - | 56,779,976 |
| - | 1,943,050 | 25,055,316 | - | 26,998,366 |
| 15,466 | - | - | - | 7,325,172 |
| 671,048 | - | 604,734 | - | 1,279,035 |
| 4,241,204 | 5,109,506 | 81,398,090 | 15,957,165 | 156,246,955 |
| - | - | 771,762,580 | - | 771,762,580 |
| - | - | - | - | 32,509,165 |
| 5,905,059 | 7,835,496 | - | - | 41,793,875 |
| 11,806,198 | 4,134,033 | - | - | 70,518,214 |
| 17,711,257 | 11,969,529 | 771,762,580 | - | 916,583,834 |
| \$ 21,952,461 | \$ 17,079,035 | \$ 853,160,670 | \$ 15,957,165 | \$ 1,072,830,789 |

Component Units

The Component Units are organizations which are legally separate from the State of North Dakota for which the State is financially accountable, or for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete.

COMPONENT UNITS

COMPREHENSIVE HEALTH ASSOCIATION

910 - Comprehensive Health Association

Fund to provide low cost access to health insurance coverage for residents of the State who are denied adequate health insurance and are considered uninsurable. (NDCC 26.1-08)

MUNICIPAL BOND BANK

976 - Municipal Bond Bank

Fund to provide adequate capital markets and facilities for borrowing money by political subdivisions and for the financing of their respective public improvements. (NDCC 6-09.4)

NORTH DAKOTA DEVELOPMENT FUND

915 - North Dakota Development Fund

Fund to provide loans to, or to use other innovative mechanisms to provide capital for new or expanding businesses in North Dakota or relocating businesses to North Dakota. (NDCC 10-30.5-02)

TECHNOLOGY TRANSFER, INC.

914 - Technology Transfer, Inc. Fund

Funds used to focus the intellectual and technical resources of the University System concepts on North Dakota's primary sector business. (NDCC 54-34.3)

STATE OF NORTH DAKOTA
**Combining Balance Sheet
Component Units - Proprietary Funds
June 30, 1998**

| | Comprehensive Health Association | Municipal Bond Bank | North Dakota Development Fund | Technology Transfer Inc. | Total June 30 1998 |
|--|--|---------------------------|-------------------------------------|--------------------------------|--------------------------|
| Assets | | | | | |
| Cash Deposits At The Bank Of North Dakota | \$ - | \$ 554,000 | \$ 4,958,055 | \$ 276,509 | \$ 5,788,564 |
| Cash And Cash Equivalents | 423,170 | - | - | - | 423,170 |
| Investments At The Bank Of North Dakota | - | 7,794,000 | 3,800,000 | - | 11,594,000 |
| Investments | - | 140,728,000 | 2,495,000 | 362,000 | 143,585,000 |
| Interest Receivable - Net | - | 1,973,000 | 199,718 | - | 2,172,718 |
| Loans And Notes Receivable - Net | - | - | 8,358,822 | 1,203,410 | 9,562,232 |
| Intergovernmental Receivable - Net | 26,054 | - | - | - | 26,054 |
| Advances To Primary Government | - | 15,704,000 | - | - | 15,704,000 |
| Prepaid Items | - | - | - | 135,000 | 135,000 |
| Unamortized Bond Issuance Costs | - | 1,090,000 | - | - | 1,090,000 |
| Fixed Assets (Net Of Depreciation) | - | 12,000 | 2,266 | 7,528 | 21,794 |
| Total Assets | \$ 449,224 | \$ 167,855,000 | \$ 19,813,861 | \$ 1,984,447 | \$ 190,102,532 |
| Liabilities | | | | | |
| Accounts Payable | \$ 82,570 | \$ 18,000 | \$ - | \$ 450 | \$ 101,020 |
| Interest Payable | - | 1,448,000 | - | - | 1,448,000 |
| Intergovernmental Payable | - | 532,000 | - | - | 532,000 |
| Claims/Judgements Payable | 1,125,000 | - | - | - | 1,125,000 |
| Due To Primary Government | - | - | - | 6,915 | 6,915 |
| Advances From Primary Government | - | 15,704,000 | - | - | 15,704,000 |
| Bonds Payable | - | 103,510,000 | - | - | 103,510,000 |
| Deferred Revenue | 214,428 | 925,000 | 1,750 | - | 1,141,178 |
| Total Liabilities | 1,421,998 | 122,137,000 | 1,750 | 7,365 | 123,568,113 |
| Equity | | | | | |
| Retained Earnings: | | | | | |
| Reserved For: | | | | | |
| Contingencies | (972,774) | - | - | - | (972,774) |
| Equity Investments-Loans-Grants And Collections | - | - | 2,795,555 | - | 2,795,555 |
| Debt Service Or Purchase Of Municipal Securities | - | 45,718,000 | - | - | 45,718,000 |
| Unreserved | - | - | 17,016,556 | 1,977,082 | 18,993,638 |
| Total Equity | (972,774) | 45,718,000 | 19,812,111 | 1,977,082 | 66,534,419 |
| Total Liabilities And Equity | \$ 449,224 | \$ 167,855,000 | \$ 19,813,861 | \$ 1,984,447 | \$ 190,102,532 |

STATE OF NORTH DAKOTA

Combining Statement Of Revenues, Expenses And Changes In Fund Equity
Component Units - Proprietary Funds
For The Fiscal Year Ended June 30, 1998

| | Comprehensive Health Association | Municipal Bond Bank | North Dakota Development Fund | Technology Transfer Inc. | Total June 30 1998 |
|---|---|------------------------------------|--|---|-----------------------------------|
| Operating Revenues: | | | | | |
| Sales And Services | \$ 4,995,234 | \$ 322,000 | \$ 25,445 | \$ - | \$ 5,342,679 |
| Interest And Investment Income | - | 8,550,000 | 954,221 | - | 9,504,221 |
| Total Operating Revenues | 4,995,234 | 8,872,000 | 979,666 | - | 14,846,900 |
| Operating Expenses: | | | | | |
| Salaries And Benefits | - | 120,000 | - | 16,161 | 136,161 |
| Operating | 229,402 | 914,000 | 2,745,115 | 394,010 | 4,282,527 |
| Benefits | 4,262,070 | - | - | - | 4,262,070 |
| Interest | - | 7,288,000 | - | - | 7,288,000 |
| Depreciation | - | 5,000 | - | 4,156 | 9,156 |
| Total Operating Expenses | 4,491,472 | 8,327,000 | 2,745,115 | 414,327 | 15,977,914 |
| Operating Income (Loss) | 503,762 | 545,000 | (1,765,449) | (414,327) | (1,131,014) |
| Nonoperating Revenues: | | | | | |
| Operating Grants | - | 10,332,000 | - | - | 10,332,000 |
| Interest And Investment Income | 25,348 | - | - | 10,589 | 35,937 |
| Total Nonoperating Revenues | 25,348 | 10,332,000 | - | 10,589 | 10,367,937 |
| Income (Loss) Before Operating Transfers | 529,110 | 10,877,000 | (1,765,449) | (403,738) | 9,236,923 |
| Operating Transfers From Primary Government | - | - | 954,936 | 250,000 | 1,204,936 |
| Operating Transfers To Primary Government | - | - | - | (157,672) | (157,672) |
| Net Income (Loss) | 529,110 | 10,877,000 | (810,513) | (311,410) | 10,284,187 |
| Fund Equity - Beginning Of Year As Previously Reported | (1,501,884) | 34,841,000 | 20,622,624 | 2,288,492 | 56,250,232 |
| Fund Equity - End Of Year | \$ (972,774) | \$ 45,718,000 | \$ 19,812,111 | \$ 1,977,082 | \$ 66,534,419 |

STATE OF NORTH DAKOTA

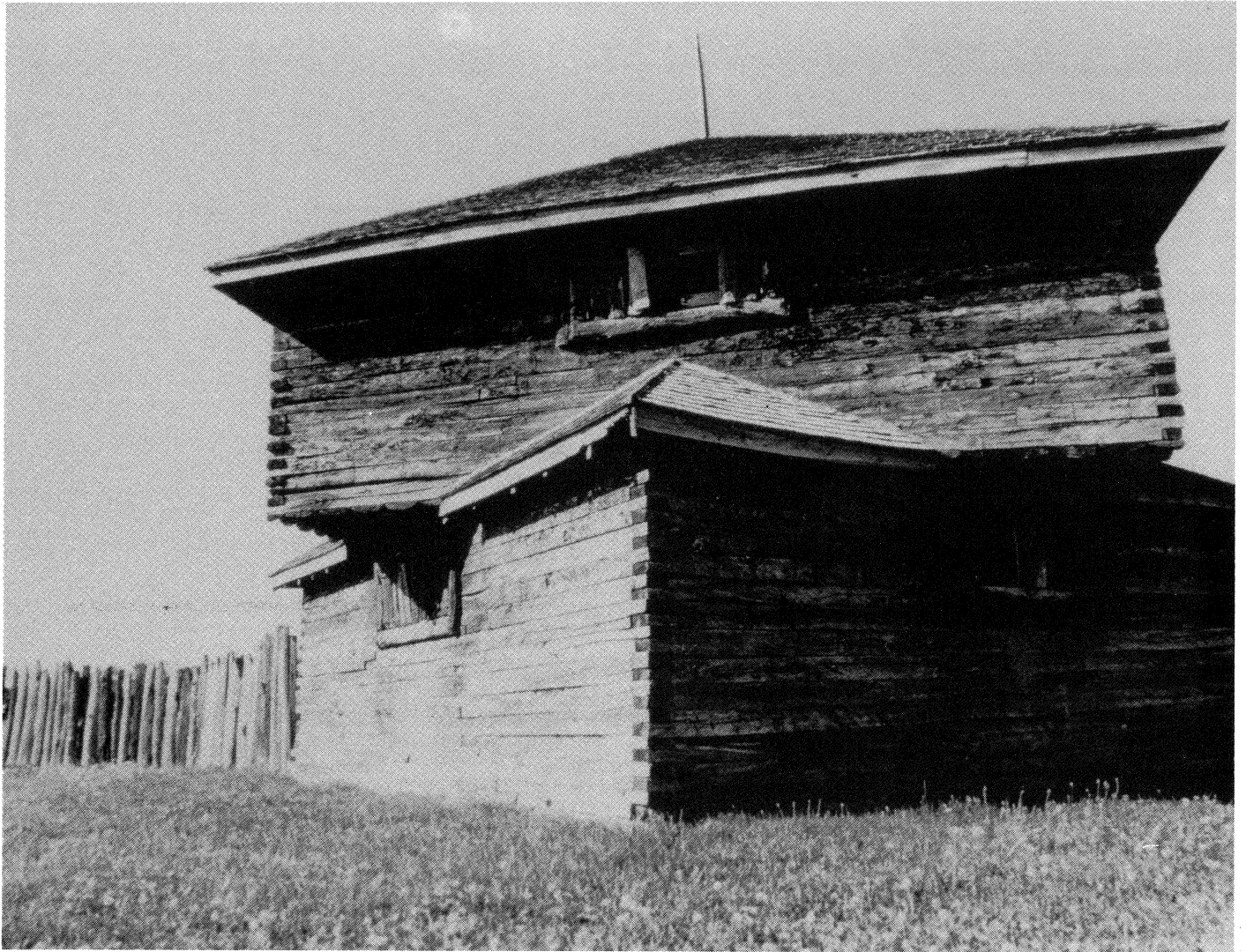
Combining Statement Of Cash Flows
Component Units - Proprietary Funds
For The Fiscal Year Ended June 30, 1998

| | Comprehensive Health Association | Municipal Bond Bank | North Dakota Development Fund | Technology Transfer Inc. | Total June 30 1998 |
|--|--|---------------------------|-------------------------------------|--------------------------------|--------------------------|
| Cash Flows From Operating Activities: | | | | | |
| Operating Income (Loss) | \$ 503,762 | \$ 545,000 | \$ (1,765,449) | \$ (414,327) | \$ (1,131,014) |
| Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities: | | | | | |
| Depreciation | - | 5,000 | - | 4,156 | 9,156 |
| Amortization\Accretion | - | 79,000 | - | - | 79,000 |
| Reclassification Of Interest Revenue\Expense | - | (1,299,000) | (954,221) | - | (2,253,221) |
| Provision For Losses | - | - | 2,643,056 | 344,569 | 2,987,625 |
| Other | - | - | 5,092 | - | 5,092 |
| Change In Assets And Liabilities: | | | | | |
| Increase (Decrease) In Accounts Payable | (508,735) | 18,000 | - | (3,358) | (494,093) |
| Increase In Intergovernmental Payable | - | 415,000 | - | - | 415,000 |
| Decrease In Accrued Payroll | - | - | - | (8,365) | (8,365) |
| Decrease In Compensated Absences Payable | - | - | - | (10,096) | (10,096) |
| Decrease In Due To | - | (14,000) | - | - | (14,000) |
| Increase In Deferred Revenue | 18,540 | - | 750 | - | 19,290 |
| Decrease In Other Liabilities | - | - | - | (2,595) | (2,595) |
| Net Cash Provided By (Used For) Operating Activities | 13,567 | (251,000) | (70,772) | (90,016) | (398,221) |
| Cash Flows From Noncapital Financing Activities: | | | | | |
| Proceeds From Bonds | - | 15,390,000 | - | - | 15,390,000 |
| Principal Payments - Bonds | - | (8,987,000) | - | - | (8,987,000) |
| Interest Payments - Bonds | - | (7,198,000) | - | - | (7,198,000) |
| Payment Of Bond Issue Costs | - | (78,000) | - | - | (78,000) |
| Operating Grant Received | - | 10,332,000 | 954,936 | 250,000 | 11,536,936 |
| Operating Transfers Out | - | - | - | (162,936) | (162,936) |
| Proceeds From Advances | - | 6,769,000 | - | - | 6,769,000 |
| Principal Payments On Advances | - | (9,725,000) | - | - | (9,725,000) |
| Advances Made | - | (6,769,000) | - | - | (6,769,000) |
| Collection Of Advances Made | - | 9,725,000 | - | - | 9,725,000 |
| Net Cash Provided By Noncapital Financing Activities | \$ - | \$ 9,459,000 | \$ 954,936 | \$ 87,064 | \$ 10,501,000 |

STATE OF NORTH DAKOTA

Combining Statement Of Cash Flows
Component Units - Proprietary Funds
For The Fiscal Year Ended June 30, 1998

| | Comprehensive Health Association | Municipal Bond Bank | North Dakota Development Fund | Technology Transfer Inc. | Total June 30 1998 |
|---|--|---------------------------|-------------------------------------|--------------------------------|------------------------------|
| Cash Flows From Capital And Related Financing Activities: | | | | | |
| Acquisition And Construction Of Capital Assets | - | (4,000) | - | - | (4,000) |
| Proceeds From Sale Of Fixed Assets | - | - | 389 | - | 389 |
| Net Cash Provided By (Used For) Capital And Related Financing Activities | - | (4,000) | 389 | - | (3,611) |
| Cash Flows From Investing Activities: | | | | | |
| Proceeds From Sale And Maturities Of Investment Securities | - | 39,968,000 | 6,700,000 | - | 46,668,000 |
| Purchase Of Investment Securities | - | (57,506,000) | (4,100,000) | (100,000) | (61,706,000) |
| Interest And Dividends On Investments | 25,348 | 8,169,000 | 73,998 | 10,589 | 8,278,935 |
| Disbursements For Loans And Loan Purchases | - | - | (5,053,499) | (171,600) | (5,225,099) |
| Receipt Of Loan Principal Repayments | - | - | 1,747,036 | 70,287 | 1,817,323 |
| Loan Income Received | - | - | 825,836 | - | 825,836 |
| Net Cash Provided By (Used For) Investing Activities | 25,348 | (9,369,000) | 193,371 | (190,724) | (9,341,005) |
| Net Change In Cash: | | | | | |
| Net Increase (Decrease) In Cash And Cash Equivalents And Cash Deposits At The Bank Of North Dakota | 38,915 | (165,000) | 1,077,924 | (193,676) | 758,163 |
| Cash And Cash Equivalents And Cash Deposits At The Bank Of North Dakota At June 30, 1997 | 384,255 | 719,000 | 3,880,131 | 470,185 | 5,453,571 |
| Cash And Cash Equivalents And Cash Deposits At The Bank Of North Dakota At June 30, 1998 | \$ 423,170 | \$ 554,000 | \$ 4,958,055 | \$ 276,509 | \$ 6,211,734 |
| Reconciliation: | | | | | |
| Cash Deposits At The Bank Of North Dakota | \$ - | \$ 554,000 | \$ 4,958,055 | \$ 276,509 | \$ 5,788,564 |
| Cash And Cash Equivalents | 423,170 | - | - | - | 423,170 |
| Cash And Cash Equivalents And Cash Deposits At The Bank Of North Dakota | \$ 423,170 | \$ 554,000 | \$ 4,958,055 | \$ 276,509 | \$ 6,211,734 |
| Noncash Transactions: | | | | | |
| Loans Written Off | \$ - | \$ - | \$ 124,401 | \$ 615,069 | \$ 739,470 |
| Investments Written Off | - | - | 950,000 | - | 950,000 |
| Transfer Of Property And Equipment | - | - | - | 12,487 | 12,487 |
| Total Noncash Transactions | \$ - | \$ - | \$ 1,074,401 | \$ 627,556 | \$ 1,701,957 |



The Fort Abercrombie State Historic Site north of Wahpeton served as a military post from 1857 to 1878 and as a gateway to the Dakota frontier.

STATISTICAL SECTION

**STATE OF NORTH DAKOTA
Statistical Section Schedules
That Are Not Applicable**

The following schedules are not included in the Statistical Section for the reasons stated below:

Property Tax Levies and Collections

This schedule relates to property taxes, which the State does not assess.

Assessed and Estimated Actual Value of Taxable Property

This schedule relates to property taxes, which the State does not assess.

Property Tax Rates - All Overlapping Governments

This schedule relates to property taxes, which the State does not assess.

Special Assessment Billings and Collections

This schedule relates to special assessments, which the State does not assess.

Ratio of Annual Debt Service for General Bonded Debt to Total General Expenditures

The general obligation debt is supported fully by enterprise fund revenues.

Computation of Overlapping Debt

This schedule relates to property taxes, which the State does not assess.

Property Value and Construction

The information on property values and construction is not applicable as the State does not assess property taxes.

Principal Taxpayers

The disclosure of principal taxpayers is not permitted by state statute.

General Governmental Expenditures (GAAP Basis) By Function
Last Eight Fiscal Years

| Expenditures By Function | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| General Government | \$ 55,455,135 | \$ 55,164,423 | \$ 60,824,502 | \$ 57,291,947 | \$ 74,254,071 | \$ 76,033,607 | \$ 77,967,662 | \$ 78,414,114 |
| Education | 295,803,837 | 310,846,537 | 319,303,546 | 319,807,479 | 329,249,027 | 340,073,362 | 347,109,196 | 364,389,165 |
| Health And Human Services | 389,343,954 | 458,734,584 | 487,209,146 | 487,094,893 | 528,052,295 | 558,607,421 | 586,421,021 | 598,833,156 |
| Regulatory | 33,903,400 | 13,213,371 | 14,598,564 | 13,198,075 | 14,799,694 | 17,713,334 | 20,543,513 | 14,493,297 |
| Public Safety | 31,956,403 | 36,702,182 | 36,606,107 | 45,062,470 | 47,240,295 | 54,442,837 | 97,498,084 | 149,811,164 |
| Agriculture And Economic Development | 15,996,052 | 15,749,268 | 19,006,063 | 17,312,943 | 19,657,470 | 19,318,823 | 20,543,969 | 21,070,235 |
| Natural Resources | 29,368,681 | 34,942,708 | 38,210,468 | 35,053,145 | 38,248,780 | 42,401,757 | 34,905,020 | 31,560,674 |
| Highways | 161,888,073 | 192,209,216 | 176,732,463 | 198,391,634 | 226,625,805 | 212,334,723 | 236,743,159 | 280,646,497 |
| Capital Outlay | 3,967,794 | 2,512,203 | 2,746,558 | 624,000 | 3,356,931 | 5,427,000 | 5,854,977 | 13,127,968 |
| Debt Service: | | | | | | | | |
| Principal | 4,450,000 | 2,760,000 | 3,160,000 | 5,185,000 | 2,988,000 | 3,878,000 | 4,446,000 | 5,180,000 |
| Interest And Other Charges | 4,234,508 | 4,399,683 | 4,621,429 | 3,660,000 | 4,254,000 | 4,936,201 | 5,294,496 | 5,345,341 |
| Advance Refunding | | | | | | | | |
| Escrow | - | 687,763 | 1,052,500 | - | - | - | - | - |
| Total Expenditures By Function | \$1,026,367,837 | \$1,127,921,938 | \$1,164,071,346 | \$1,182,681,586 | \$1,288,726,368 | \$1,335,167,065 | \$1,437,327,097 | \$1,562,871,611 |

Notes: 1) Information For 1989-1990 Is Not Available.

2) General Government Includes General, Special Revenue, Capital Projects, And Debt Service Fund.

Source: General Purpose Financial Statements

**General Governmental Revenues (GAAP Basis) By Source
Last Eight Fiscal Years**

| Revenues By Source | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|---------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Taxes | \$ 608,336,380 | \$ 563,832,903 | \$ 614,461,047 | \$ 654,865,023 | \$ 680,620,174 | \$ 722,953,993 | \$ 745,896,474 | \$ 802,456,299 |
| Licenses And Permits | 26,901,790 | 29,519,822 | 33,144,069 | 31,786,386 | 34,820,364 | 39,120,413 | 38,243,743 | 44,007,767 |
| Intergovernmental | 445,679,137 | 514,798,251 | 542,878,583 | 566,392,538 | 623,519,979 | 669,853,161 | 705,173,890 | 827,772,211 |
| Sales And Service | 23,215,916 | 31,568,354 | 32,679,878 | 26,247,855 | 34,887,995 | 30,402,575 | 36,090,193 | 36,420,372 |
| Royalties And Rents | 9,578,233 | 9,242,544 | 10,000,973 | 6,384,580 | 7,110,601 | 7,361,399 | 7,873,578 | 7,786,808 |
| Fines And Forfeits | 1,482,408 | 1,711,145 | 1,774,814 | 1,845,085 | 1,900,506 | 4,583,362 | 4,950,523 | 6,610,115 |
| Interest | 24,152,410 | 15,492,677 | 10,321,126 | 9,455,022 | 13,576,229 | 14,458,661 | 16,379,480 | 15,879,471 |
| Miscellaneous | 6,642,986 | 11,569,365 | 5,698,309 | 4,634,577 | 4,747,351 | 4,520,210 | 4,972,671 | 5,876,772 |
| Total Revenues By Source | \$1,145,989,260 | \$1,177,735,061 | \$1,250,958,799 | \$1,301,611,066 | \$1,401,183,199 | \$1,493,253,774 | \$1,559,580,552 | \$1,746,809,815 |

Notes: 1) Information For 1989-1990 Is Not Available.

2) General Government Includes General, Special Revenue, Capital Projects, And Debt Service Fund.

Source: General Purpose Financial Statements

General Governmental Revenues (Budgetary Basis) By Source
Last Nine Fiscal Years (In Bienniums)

| Revenues By Source | 1989-1991 | 1991-1993 | 1993-1995 | 1995-1997 | 1998 |
|---|------------------------|------------------------|------------------------|------------------------|-----------------------|
| Sales And Use Tax | \$ 465,991,671 | \$ 472,354,351 | \$ 551,585,835 | \$ 605,471,019 | \$ 319,584,864 |
| Income Tax | 225,349,317 | 244,094,270 | 279,780,472 | 315,516,252 | 177,493,715 |
| Corporate Income Tax | 89,807,210 | 79,304,171 | 94,755,138 | 99,347,937 | 65,543,025 |
| Business Privilege Tax | 4,468,129 | 4,501,873 | 5,488,535 | 3,854,132 | 2,826,325 |
| Oil And Gas Production Tax | 51,866,716 | 34,068,927 | 23,560,500 | 33,042,320 | 15,744,940 |
| Oil Extraction Tax | 62,139,140 | 48,153,450 | 29,328,185 | 21,987,655 | 9,373,218 |
| Insurance Premium Tax | 32,723,215 | 32,522,677 | 32,120,236 | 36,968,670 | 17,357,574 |
| Cigarette, Cigar And Tobacco Tax | 29,680,052 | 27,524,919 | 44,864,988 | 45,030,090 | 22,694,602 |
| Liquor And Beer Tax | 11,550,832 | 10,151,036 | 10,370,481 | 10,339,078 | 5,283,309 |
| Department Fees And Collections | 22,653,224 | 23,362,701 | 22,083,103 | 28,737,207 | 17,275,343 |
| Gaming Tax | 7,749,304 | 11,477,000 | 22,371,750 | 22,848,486 | 11,656,001 |
| Coal Severance Tax | 21,924,265 | 23,244,128 | 23,828,544 | 22,245,267 | 11,065,648 |
| Interest On Public Funds | 27,848,014 | 16,134,417 | 13,603,488 | 15,554,914 | 10,073,066 |
| Coal Conversion Tax | 18,648,878 | 19,557,661 | 22,960,212 | 24,064,781 | 11,790,623 |
| Mineral Leasing Tax | 10,985,554 | 8,815,204 | 5,445,476 | 5,629,526 | 4,771,905 |
| Bank Of North Dakota Profits - Transfer | 14,000,000 | 27,217,457 | 14,100,000 | 50,214,540 | 15,000,000 |
| Mill And Elevator Profits - Transfer | 3,500,000 | 3,000,000 | - | 1,000,000 | - |
| Gas Tax Administration - Transfer | 959,268 | 988,904 | 1,025,000 | 1,071,878 | 564,436 |
| Budget Stabilization Fund - Transfer | - | 23,328,283 | - | - | - |
| Other Transfers | 14,923,233 | - | 50,067,240 | 38,445,224 | 25,197,870 |
| Total Revenues By Source | \$1,116,768,022 | \$1,109,801,429 | \$1,247,339,183 | \$1,381,368,976 | \$ 743,296,464 |

Notes: General Government Includes Principally Appropriated "General Fund".

Source: Office Of Management And Budget

Computation Of Legal Debt Limit

The state may issue or guarantee the payment of bonds, provided that all bonds in excess of two million dollars shall be secured by first mortgage upon real estate in amounts not to exceed sixty-five percent of its value; or upon real and personal property of state-owned utilities, enterprises, or industries, in amounts not exceeding its value, and provided further, that the state shall not issue or guarantee bonds upon property of state-owned utilities, enterprises, or industries in excess of ten million dollars.

No further indebtedness shall be incurred by the state unless evidenced by a bond issue, which shall be authorized by law for certain purposes, to be clearly defined. Every law authorizing a bond issue shall provide for levying an annual tax, or make other provision, sufficient to pay the interest semiannually, and the principal within thirty years from the date of the issue of such bonds and shall specially appropriate the proceeds of such tax, or of such other provisions to the payment of said principal and interest, and such appropriation shall not be repealed nor the tax or other provisions discontinued until such debt, both principal and interest, shall have been paid. No debt in excess of the limit named herein shall be incurred except for the purpose of repelling invasion, suppressing insurrection, defending the state in time of war or to provide for the public defense in case of threatened hostilities.

The State is in compliance with the Legal Debt Margin.

Source: North Dakota Constitution, Art. X, Section 13.

**Ratio Of Net General Obligation Bonded Debt
To Net General Obligation Bonded Debt Per Capita
Last Eight Fiscal Years**

| <u>Fiscal Year</u> | <u>Population (3)</u> | <u>Gross Bonded Debt</u> | <u>Less Payable From Enterprise Revenues</u> | <u>Net Bonded Debt</u> | <u>Net Bonded Debt Per Capita</u> |
|------------------------|---------------------------|------------------------------|--|--------------------------------|---|
| 1991 | 634,160 | \$ 54,821,260 | \$ 29,309,246 | \$ 25,512,014 | \$ 40.23 |
| 1992 | 635,443 | 52,283,032 | 28,157,168 | 24,125,864 | 37.97 |
| 1993 | 637,205 | 43,636,833 | 20,329,658 | 23,307,175 | 36.58 |
| 1994 | 639,551 | 39,229,787 | 15,427,389 | 23,802,398 | 37.22 |
| 1995 | 641,344 | 39,045,747 | 15,888,554 | 23,157,193 | 36.11 |
| 1996 | 642,633 | 38,834,919 | 38,834,919 | - | - |
| 1997 | 640,883 | 33,083,824 | 33,083,824 | - | - |
| 1998 | 640,883 | 31,441,073 | 31,441,073 | - | - |

Note: 1) Assessed Value; Debt Payable From Enterprise Revenues; And Ratio of Net Bonded Debt Per Capita Are Not Applicable Because They Relate To Property Taxes, Which The State Does Not Assess.
 2) Information From 1988 - 1990 Is Not Available.
 3) Estimated Population.

Source: Job Service North Dakota
 Real Estate Trust
 North Dakota Census Data Center

**Revenue Bond Coverage
Last Ten Fiscal Years**

MUNICIPAL BOND BANK (1)

| Fiscal Year | Gross Revenues | Principal Proceeds | Direct Operating Expenses (3) | Net Revenue Available For Debt Service | Debt Service Requirements | | | Coverage |
|----------------|-------------------|-----------------------|-------------------------------------|--|---------------------------|--------------|--------------|----------|
| | | | | | Principal | Interest | Total | |
| 1989 | \$ 3,157,341 | \$ 1,910,000 | \$ 339,727 | \$ 4,727,614 | \$ 1,990,000 | \$ 2,237,426 | \$ 4,227,426 | 1.12 |
| 1990 | 3,983,879 | 2,294,250 | 333,942 | 5,944,187 | 2,170,000 | 2,758,037 | 4,928,037 | 1.21 |
| 1991 | 4,010,823 | 3,448,000 | 250,125 | 7,208,698 | 3,760,000 | 3,595,522 | 7,355,522 | 0.98 |
| 1992 | 3,942,678 | 4,770,750 | 318,342 | 8,395,086 | 3,660,000 | 3,589,730 | 7,249,730 | 1.16 |
| 1993 | 5,142,000 | 4,301,000 | 605,000 | 8,838,000 | 4,435,000 | 4,373,000 | 8,808,000 | 1.00 |
| 1994 | 5,809,000 | 6,586,000 | 444,000 | 11,951,000 | 6,076,000 | 5,048,000 | 11,124,000 | 1.07 |
| 1995 | 6,312,000 | 5,654,000 | 808,000 | 11,158,000 | 5,398,000 | 5,363,000 | 10,761,000 | 1.04 |
| 1996 | 6,784,000 | 9,020,000 | 966,000 | 14,838,000 | 6,675,000 | 5,390,000 | 12,065,000 | 1.23 |
| 1997 | 8,872,000 | 10,108,000 | 1,124,000 | 17,856,000 | 8,987,000 | 7,198,000 | 16,185,000 | 1.10 |

STUDENT LOAN TRUST

| Fiscal Year | Gross Revenues | Principal Proceeds | Direct Operating Expenses (3) | Net Revenue Available For Debt Service | Debt Service Requirements | | | Coverage |
|----------------|-------------------|-----------------------|-------------------------------------|--|---------------------------|---------------|----------------|----------|
| | | | | | Principal | Interest | Total | |
| 1989 | \$ 25,535,449 | \$ 21,609,442 | \$ 7,328,503 | \$ 39,816,388 | \$ 141,805,381 | \$ 15,497,036 | \$ 157,302,417 | 0.25 |
| 1990 | 30,678,643 | 24,601,489 | 5,834,451 | 49,445,681 | 21,360,492 | 21,720,700 | 43,081,192 | 1.15 |
| 1991 | 28,394,604 | 24,697,479 | 3,022,689 | 50,069,394 | 18,970,872 | 22,809,459 | 41,780,331 | 1.20 |
| 1992 | 27,483,818 | 24,618,555 | 3,623,239 | 48,479,134 | 19,359,419 | 20,839,111 | 40,198,530 | 1.21 |
| 1993 | 23,700,602 | 24,947,328 | 1,935,043 | 46,712,887 | 70,173,700 | 18,413,523 | 88,587,223 | 0.53 |
| 1994 | 21,606,884 | 24,666,274 | 5,730,752 | 40,542,406 | 26,699,999 | 15,359,478 | 42,059,477 | 0.96 |
| 1995 | 20,760,838 | 19,957,007 | 4,806,235 | 35,911,610 | 25,942,600 | 13,794,767 | 39,737,367 | 0.90 |
| 1996 | 18,779,343 | 18,777,976 | 3,921,272 | 33,636,047 | 33,249,575 | 12,215,511 | 45,465,086 | 0.74 |
| 1997 | 18,312,200 | 20,190,543 | 5,069,338 | 33,433,405 | 39,583,541 | 10,844,752 | 50,428,293 | 0.66 |
| 1998 | 17,923,460 | 19,922,911 | 4,097,138 | 33,749,233 | 68,048,100 | 8,989,815 | 77,037,915 | 0.44 |

HOUSING FINANCE AGENCY

| Fiscal Year | Gross Revenues | Principal Proceeds | Direct Operating Expenses (3) | Net Revenue Available For Debt Service | Debt Service Requirements | | | Coverage |
|----------------|-------------------|-----------------------|-------------------------------------|--|---------------------------|---------------|---------------|----------|
| | | | | | Principal | Interest | Total | |
| 1989 | \$ 46,396,717 | \$ 18,662,246 | \$ 20,556,638 | \$ 44,502,325 | \$ 24,382,485 | \$ 24,620,079 | \$ 49,002,564 | 0.91 |
| 1990 | 52,285,398 | 19,559,899 | 19,619,104 | 52,226,193 | 22,890,000 | 31,084,009 | 53,974,009 | 0.97 |
| 1991 | 59,761,327 | 30,494,615 | 23,649,891 | 66,606,051 | 41,278,669 | 33,999,369 | 75,278,038 | 0.88 |
| 1992 | 60,678,404 | 40,866,000 | 17,103,712 | 84,440,692 | 76,118,968 | 40,954,820 | 117,073,788 | 0.72 |
| 1993 | 57,574,000 | 60,710,000 | 23,107,000 | 95,177,000 | 119,605,000 | 33,288,000 | 152,893,000 | 0.62 |
| 1994 | 43,830,000 | 92,977,000 | 17,108,000 | 119,699,000 | 123,462,000 | 25,277,000 | 148,739,000 | 0.80 |
| 1995 | 36,433,000 | 38,240,000 | 13,206,000 | 61,467,000 | 68,565,000 | 22,440,000 | 91,005,000 | 0.68 |
| 1996 | 41,877,000 | 25,540,000 | 13,396,000 | 54,021,000 | 78,754,000 | 25,269,000 | 104,023,000 | 0.52 |
| 1997 | 46,084,000 | 27,371,000 | 14,182,000 | 59,273,000 | 113,421,000 | 27,565,000 | 140,986,000 | 0.42 |
| 1998 | 53,699,000 | 43,806,000 | 16,232,000 | 81,273,000 | 122,684,000 | 31,520,000 | 154,204,000 | 0.53 |

STATE FAIR ASSOCIATION (2)

| Fiscal Year | Gross Revenues | Principal Proceeds | Direct Operating Expenses (3) | Net Revenue Available For Debt Service | Debt Service Requirements | | | Coverage |
|----------------|-------------------|-----------------------|-------------------------------------|--|---------------------------|-----------|-----------|----------|
| | | | | | Principal (4) | Interest | Total | |
| 1988 | \$ 2,439,143 | \$ - | \$ 2,085,415 | \$ 353,728 | \$ 9,000 | \$ 17,538 | \$ 26,538 | 13.33 |
| 1989 | 2,573,546 | - | 2,267,993 | 305,553 | 9,000 | 16,862 | 25,862 | 11.81 |
| 1990 | 2,608,008 | - | 2,223,881 | 384,127 | 10,000 | 16,150 | 26,150 | 14.69 |
| 1991 | 3,095,404 | - | 2,859,616 | 235,788 | 194,000 | 86,290 | 280,290 | 0.84 |
| 1992 | 2,969,265 | - | 2,225,906 | 743,359 | 185,000 | 240,500 | 425,500 | 1.75 |
| 1993 | 3,283,594 | - | 2,263,074 | 1,020,520 | 185,000 | 228,475 | 413,475 | 2.47 |
| 1994 | 3,464,160 | - | 2,299,643 | 1,164,517 | 185,000 | 300,187 | 485,187 | 2.40 |
| 1995 | 3,540,311 | - | 2,611,521 | 928,790 | 195,000 | 181,598 | 376,598 | 2.47 |
| 1996 | 3,171,361 | - | 2,729,123 | 442,238 | 195,000 | 174,772 | 369,772 | 1.20 |
| 1997 | 3,408,989 | - | 2,758,476 | 650,513 | 195,000 | 167,460 | 362,460 | 1.79 |

(1) Information Presented For The Fiscal Year Ended December 31.

(2) Information Presented For The Fiscal Year Ended September 30.

(3) Excludes Depreciation And Bond Interest Expense.

(4) Debt Service Requirements Excludes Principal Payments On Refunded Bonds.

**Population And Employment
Last Ten Calendar Years**

| | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Population (1) | 667,000 | 660,000 | 638,800 | 634,160 | 635,443 | 637,205 | 639,551 | 641,344 | 642,633 | 640,883 |
| Employed | 316,000 | 317,000 | 305,270 | 299,760 | 298,440 | 306,230 | 323,510 | 324,610 | 333,620 | 338,690 |
| Unemployed | 16,000 | 14,000 | 12,780 | 13,330 | 15,900 | 13,990 | 13,060 | 10,980 | 10,560 | 8,850 |
| Total Labor Force | 332,000 | 331,000 | 318,050 | 313,090 | 314,340 | 320,220 | 336,570 | 335,590 | 344,180 | 347,540 |
| N.D. Unemployment Rate | 4.8% | 4.3% | 4.0% | 4.3% | 5.1% | 4.4% | 3.9% | 3.3% | 3.1% | 2.5% |
| U.S. Unemployment Rate | 5.5% | 5.3% | 5.6% | 6.8% | 7.5% | 6.9% | 6.1% | 5.6% | 5.4% | 4.9% |

Source: Job Service North Dakota

**Demographic Statistics
Last Ten Fiscal Years**

| Fiscal Year | (1) Population | Per Capita Income | Public Median Age | (2) School Enrollment | Unemployment Rate |
|----------------|-------------------|----------------------|-------------------------|-----------------------------|----------------------|
| 1989 | 660,000 | 14,116 | N/A | 117,134 | 4.3% |
| 1990 | 638,800 | 15,320 | 32.4 | 117,134 | 4.0% |
| 1991 | 634,160 | 15,572 | 33.0 | 117,719 | 4.3% |
| 1992 | 635,443 | 16,374 | 33.5 | 118,094 | 5.1% |
| 1993 | 637,205 | 17,137 | 33.8 | 118,500 | 4.4% |
| 1994 | 639,551 | 18,240 | 34.2 | 118,649 | 3.9% |
| 1995 | 641,344 | 18,504 | 34.6 | 118,606 | 3.3% |
| 1996 | 642,633 | 20,479 | 35.1 | 117,816 | 3.1% |
| 1997 | 640,883 | 20,271 | 35.4 | 116,103 | 2.5% |
| 1998 | N/A | N/A | N/A | 113,929 | N/A |

Source: Job Service North Dakota
North Dakota Department Of Public Instruction
North Dakota State Data Center

N/A: Not Available

(1) Population Estimates Are From The North Dakota Census Data Center.
(2) Kindergarten Through 12th Grade.

**Taxable Sales And Purchases
And Total Federal Tax Liability
Last Ten Calendar Years**

| <u>Calendar Year</u> | <u>Total Taxable Sales And Purchases</u> | <u>Individual Income Total Federal Tax Liability</u> |
|--------------------------|--|--|
| 1988 | 3,896,987,581 | 760,218,000 |
| 1989 | 4,135,281,934 | 799,317,000 |
| 1990 | 4,423,624,684 | 866,295,000 |
| 1991 | 4,598,951,752 | 910,974,000 |
| 1992 | 4,858,827,346 | 961,973,000 |
| 1993 | 5,204,771,244 | 1,029,510,000 |
| 1994 | 5,570,199,514 | 1,242,598,318 |
| 1995 | 5,798,621,358 | 1,362,289,677 |
| 1996 | 6,093,815,356 | 1,621,769,127 |
| 1997 | 6,403,545,513 | N/A |

Source: Office Of State Tax Commissioner

N/A: Not Available

**Public School Enrollment And Average Cost Per Pupil
Last Ten Academic Years**

| <u>Academic Year</u> | <u>Kindergarten</u> | <u>Grades 1-3</u> | <u>Grades 4-6</u> | <u>Grades 7-8</u> | <u>Grades 9-12</u> | <u>Total Enrollment</u> | <u>Special Education Students Served</u> |
|--------------------------|---------------------|-------------------|-------------------|-------------------|--------------------|-----------------------------|--|
| 1989-90 | 9,510 | 29,879 | 27,275 | 17,574 | 32,896 | 117,134 | 12,614 |
| 1990-91 | 9,547 | 29,037 | 27,756 | 17,912 | 32,882 | 117,134 | 12,235 |
| 1991-92 | 9,273 | 28,596 | 28,358 | 18,057 | 33,435 | 117,719 | 12,402 |
| 1992-93 | 8,847 | 27,800 | 28,747 | 18,535 | 34,165 | 118,094 | 12,528 |
| 1993-94 | 8,747 | 27,181 | 28,519 | 19,058 | 34,995 | 118,500 | 12,180 |
| 1994-95 | 8,677 | 26,493 | 28,054 | 19,556 | 35,869 | 118,649 | 12,122 |
| 1995-96 | 8,600 | 26,097 | 27,492 | 19,636 | 36,781 | 118,606 | 12,355 |
| 1996-97 | 8,304 | 25,766 | 26,814 | 19,255 | 37,677 | 117,816 | 12,667 |
| 1997-98 | 8,177 | 25,204 | 26,037 | 18,740 | 37,945 | 116,103 | 12,858 |
| 1998-99 | 7,917 | 24,546 | 25,411 | 18,318 | 37,737 | 113,929 | N/A |

| <u>Academic Year</u> | <u>Average Daily Membership</u> | <u>Total Cost Of Education</u> | <u>Average cost Per Pupil</u> |
|--------------------------|-------------------------------------|------------------------------------|-----------------------------------|
| 1988-89 | 118,536 | 380,881,455 | 3,213 |
| 1989-90 | 118,097 | 404,733,991 | 3,427 |
| 1990-91 | 118,883 | 403,083,492 | 3,327 |
| 1991-92 | 119,509 | 439,411,420 | 3,677 |
| 1992-93 | 119,954 | 443,976,307 | 3,701 |
| 1993-94 | 120,411 | 454,146,657 | 3,772 |
| 1994-95 | 120,440 | 463,428,366 | 3,848 |
| 1995-96 | 120,538 | 484,073,788 | 4,016 |
| 1996-97 | 119,895 | 506,338,348 | 4,223 |
| 1997-98 | N/A | N/A | N/A |

N/A: Not Available

Source: Department of Public Instruction

**University System Full-Time Equivalent Student Enrollment
Last Ten Academic Years**

| | 1989 FTE | 1990 FTE | 1991 FTE | 1992 FTE | 1993 FTE | 1994 FTE | 1995 FTE | 1996 FTE | 1997 FTE | 1998 FTE |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Bismarck State College | 1,916 | 1,794 | 1,858 | 1,954 | 1,965 | 1,842 | 1,795 | 1,932 | 2,001 | 2,082 |
| Dickinson State University | 1,233 | 1,254 | 1,315 | 1,388 | 1,383 | 1,342 | 1,373 | 1,459 | 1,470 | 1,484 |
| Mayville State University | 730 | 732 | 739 | 693 | 676 | 708 | 739 | 723 | 635 | 643 |
| Minot State University | 3,313 | 3,394 | 3,349 | 3,278 | 3,417 | 3,216 | 3,134 | 2,964 | 2,727 | 2,597 |
| MiSU - Bottineau ¹ | 519 | 487 | 443 | 489 | 359 | 338 | 337 | 369 | 389 | 410 |
| ND State College Of Science | 2,278 | 2,093 | 2,047 | 2,091 | 2,014 | 2,170 | 2,259 | 2,340 | 2,271 | 2,219 |
| North Dakota State University | 8,193 | 7,243 | 7,254 | 7,504 | 7,917 | 8,092 | 8,196 | 8,190 | 8,079 | 8,142 |
| University of North Dakota | 10,315 | 9,837 | 9,786 | 10,059 | 9,671 | 9,463 | 9,390 | 9,221 | 8,725 | 8,684 |
| UND - Lake Region | 569 | 483 | 478 | 433 | 442 | 455 | 479 | 437 | 439 | 492 |
| UND - Williston | 545 | 599 | 622 | 717 | 738 | 702 | 714 | 702 | 663 | 592 |
| Valley City State University | 1,041 | 959 | 946 | 845 | 902 | 853 | 929 | 932 | 879 | 903 |
| Total | 30,652 | 28,875 | 28,837 | 29,451 | 29,484 | 29,181 | 29,345 | 29,269 | 28,278 | 28,248 |

Note: Full-Time Equivalent Enrollment Is Based Upon Student Credit Hours.

¹Prior to 1996, MiSU - Bottineau was aligned with NDSU and thus referred to as NDSU - Bottineau

Source: North Dakota University System

Taxable Sales And Purchases By Industry Last Ten Fiscal Years

| Fiscal Years | Mining And Oil Extraction | Construction | Manufacturing | Transportation, Communications And Public Utilities | Wholesale | Retail | Services | Misc. | Fiscal Year Total |
|-----------------|---------------------------------|--------------|---------------|--|---------------|---------------|-------------|------------|----------------------|
| 1989 | 46,611,632 | 93,953,268 | 232,088,168 | 284,649,259 | 762,473,654 | 2,181,411,027 | 344,950,599 | 24,367,937 | \$ 3,970,505,544 |
| 1990 | 51,679,206 | 100,108,633 | 218,926,270 | 321,986,553 | 823,504,298 | 2,320,050,567 | 414,764,647 | 25,783,810 | 4,276,803,984 |
| 1991 | 58,711,463 | 118,130,004 | 232,771,050 | 352,162,007 | 860,746,738 | 2,427,470,935 | 437,677,974 | 23,472,271 | 4,511,142,442 |
| 1992 | 45,701,595 | 119,252,571 | 223,253,295 | 345,563,281 | 884,805,380 | 2,603,028,805 | 464,659,795 | 22,738,892 | 4,709,003,614 |
| 1993 | 52,399,210 | 121,748,728 | 244,270,428 | 366,722,616 | 1,010,630,934 | 2,708,164,365 | 488,238,511 | 25,469,523 | 5,017,644,315 |
| 1994 | 48,233,026 | 132,235,848 | 243,159,443 | 397,125,367 | 1,126,606,906 | 2,873,185,491 | 504,776,201 | 28,574,196 | 5,353,896,478 |
| 1995 | 44,211,472 | 159,511,640 | 259,929,870 | 406,377,996 | 1,167,948,890 | 3,020,031,055 | 542,770,796 | 31,281,299 | 5,632,063,018 |
| 1996 | 44,787,355 | 160,435,468 | 277,474,861 | 448,984,237 | 1,265,500,733 | 3,119,107,791 | 580,017,504 | 47,816,164 | 5,944,124,113 |
| 1997 | 43,657,614 | 172,651,400 | 283,830,227 | 468,807,352 | 1,335,642,900 | 3,217,013,893 | 611,608,449 | 36,889,331 | 6,170,101,166 |
| 1998 | 45,704,201 | 190,953,879 | 311,172,120 | 530,697,438 | 1,348,847,569 | 3,410,886,443 | 655,596,265 | 42,366,524 | 6,536,224,439 |

Fiscal Years - Percentage Change

| | | | | | | | | | |
|------|--------|--------|-------|-------|-------|------|-------|--------|------|
| 1989 | 3.8% | -12.6% | 13.2% | -0.4% | -1.1% | 2.7% | 3.8% | -1.8% | 2.0% |
| 1990 | 10.9% | 6.6% | -5.7% | 13.1% | 8.0% | 6.4% | 20.2% | 5.8% | 7.7% |
| 1991 | 13.6% | 18.0% | 6.3% | 9.4% | 4.5% | 4.6% | 5.5% | -9.0% | 5.5% |
| 1992 | -22.2% | 0.9% | -4.2% | -1.8% | 2.8% | 7.2% | 6.2% | -3.1% | 4.4% |
| 1993 | 14.7% | 2.1% | 9.4% | 6.1% | 14.2% | 4.0% | 5.1% | 12.0% | 6.6% |
| 1994 | -7.9% | 8.6% | -0.4% | 8.3% | 11.5% | 6.1% | 3.4% | 12.2% | 6.7% |
| 1995 | -8.3% | 20.6% | 6.9% | 2.3% | 3.7% | 5.1% | 7.5% | 9.5% | 5.2% |
| 1996 | 1.3% | 0.6% | 6.7% | 10.5% | 8.4% | 3.3% | 6.9% | 52.9% | 5.5% |
| 1997 | -2.5% | 7.6% | 2.3% | 4.4% | 5.5% | 3.1% | 5.4% | -22.9% | 3.8% |
| 1998 | 4.7% | 10.6% | 9.6% | 13.2% | 1.0% | 6.0% | 7.2% | 14.8% | 5.9% |

Source: Office Of State Tax Commissioner

**Nonagricultural Wage And Salary Employees By Industry
Last Ten Calendar Years**

| Industry | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Manufacturing | 16,350 | 16,500 | 17,350 | 17,850 | 18,350 | 19,500 | 21,500 | 21,300 | 21,550 | 23,200 |
| Construction | 9,900 | 9,800 | 10,100 | 10,300 | 11,000 | 11,800 | 12,800 | 13,500 | 14,850 | 14,650 |
| Mining | 4,250 | 4,050 | 4,300 | 4,250 | 3,900 | 3,850 | 3,700 | 3,850 | 4,100 | 4,150 |
| Wholesale Trade | 19,500 | 19,500 | 19,300 | 19,100 | 19,200 | 19,300 | 20,000 | 20,800 | 21,200 | 21,850 |
| Retail Trade | 48,750 | 49,950 | 50,850 | 52,500 | 53,600 | 55,350 | 56,700 | 58,300 | 59,050 | 59,050 |
| Services | 64,100 | 65,950 | 68,650 | 70,650 | 73,750 | 76,550 | 80,650 | 80,950 | 84,450 | 86,800 |
| Finance, Insurance & Real Estate | 12,300 | 12,200 | 12,450 | 12,700 | 13,050 | 13,450 | 13,950 | 13,750 | 14,300 | 14,800 |
| Transp., Communi- cation & Utilities | 16,750 | 17,000 | 17,100 | 17,200 | 17,550 | 17,950 | 18,550 | 18,450 | 18,350 | 18,000 |
| Government | 64,600 | 65,600 | 65,500 | 65,700 | 66,800 | 67,100 | 67,300 | 71,300 | 70,800 | 70,500 |
| Total | 256,500 | 260,550 | 265,600 | 270,250 | 277,200 | 284,850 | 295,150 | 302,200 | 308,650 | 313,000 |

Source: Job Service North Dakota

Note: Does Not Include Self-Employed Or Unpaid Workers.

**Annual Average Salary Covered By Unemployment Insurance
By Industry
Last Ten Calendar Years**

| Sector | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Manufacturing | \$ 19,787 | \$ 20,657 | \$ 20,889 | \$ 21,799 | \$ 22,975 | \$ 23,541 | \$ 24,447 | \$ 25,504 | \$ 26,601 | \$ 27,396 |
| Construction | 20,119 | 20,297 | 21,564 | 21,649 | 22,079 | 22,874 | 23,274 | 24,833 | 26,579 | 27,282 |
| Mining | 29,115 | 30,635 | 31,696 | 32,272 | 34,541 | 36,104 | 35,914 | 37,016 | 37,126 | 38,924 |
| Wholesale Trade | 20,499 | 21,361 | 22,541 | 23,029 | 23,968 | 24,847 | 25,817 | 26,196 | 27,343 | 28,343 |
| Retail Trade | 9,178 | 9,311 | 9,646 | 9,976 | 10,501 | 10,791 | 11,219 | 11,453 | 11,857 | 12,427 |
| Services | 15,059 | 15,406 | 16,198 | 16,705 | 17,492 | 17,735 | 17,980 | 18,648 | 19,352 | 20,084 |
| Finance, Insurance & Real Estate | 19,414 | 19,908 | 20,554 | 21,290 | 22,828 | 23,521 | 24,066 | 25,008 | 25,769 | 26,889 |
| Transp., Communi- cation & Utilities | 24,288 | 24,628 | 25,573 | 26,396 | 27,089 | 27,564 | 28,427 | 29,182 | 29,954 | 31,228 |
| Government | 17,975 | 18,630 | 19,451 | 20,189 | 21,133 | 21,716 | 22,248 | 22,779 | 23,396 | 24,147 |
| All Industries | \$ 16,501 | \$ 16,924 | \$ 17,625 | \$ 18,132 | \$ 18,944 | \$ 19,382 | \$ 19,893 | \$ 20,493 | \$ 21,236 | \$ 22,045 |

Source: Job Service North Dakota, North Dakota Employment And Wages

**Annual Crude Oil Production In North Dakota
And Domestic Oil Price Per Barrel
Last Ten Calendar Years**

Crude Oil

| <u>Calendar Year</u> | <u>Barrels</u> | <u>Average Price Per Barrel</u> |
|--------------------------|----------------|-------------------------------------|
| 1988 | 39,340,051 | 14 |
| 1989 | 36,725,255 | 17 |
| 1990 | 36,720,396 | 22 |
| 1991 | 35,891,173 | 19 |
| 1992 | 32,900,171 | 19 |
| 1993 | 30,918,673 | 16 |
| 1994 | 27,575,371 | 15 |
| 1995 | 29,333,518 | 16 |
| 1996 | 32,316,487 | 19 |
| 1997 | 35,837,784 | 16 |

Source: North Dakota Industrial Commission,
Oil And Gas Division

**Taxable Coal Production And
Natural Gas Processed
Last Ten Fiscal Years**

| <u>Fiscal Years</u> | <u>Coal Production (Coal Tons)</u> | <u>Gas Processed (Cubic Feet)</u> |
|-------------------------|--|---------------------------------------|
| 1989 | 30,040,000 | 58,071,000,000 |
| 1990 | 29,370,000 | 59,611,264,000 |
| 1991 | 28,810,000 | 58,281,876,000 |
| 1992 | 30,296,000 | 57,737,581,000 |
| 1993 | 31,696,000 | 56,535,396,000 |
| 1994 | 31,886,860 | 54,754,476,000 |
| 1995 | 31,587,000 | 54,771,279,000 |
| 1996 | 29,512,000 | 54,893,774,000 |
| 1997 | 29,602,000 | 55,693,062,000 |
| 1998 | 29,552,000 | 57,081,716,000 |

Source: Office Of State Tax Commissioner
North Dakota Industrial Commission, Oil And Gas Division

Value Of Export Shares Of Agricultural Commodities - 1996-1997 (1)

| | 1996 <u>Dollars</u> (Mil.) | 1996 <u>% of U.S.</u> | 1997 <u>Dollars</u> (Mil.) | 1997 <u>% of U.S.</u> |
|-------------------------------------|----------------------------------|--------------------------|----------------------------------|--------------------------|
| Wheat And Products | \$1,179.9 | 16.6 | \$ 458.7 | 10.6 |
| Feeds Grains And Products | 151.6 | 1.4 | 152.3 | 1.8 |
| Sunflower Seed And Oil | 124.2 | 44.4 | 127.7 | 49.0 |
| Soybeans And Products | 67.5 | .9 | 95.2 | 1.1 |
| Vegetables And Preparations | 91.4 | 2.4 | 102.2 | 2.5 |
| Dairy Products | 3.1 | .4 | 3.3 | .4 |
| Animals And Meats Excluding Poultry | 19.6 | .4 | 19.5 | .4 |
| Hides And Skins | 6.6 | .4 | 7.9 | .5 |
| Fats, Oils And Greases | 2.6 | .4 | 2.4 | .5 |
| Feeds And Fodder | 55.1 | 3.3 | 70.1 | 3.9 |
| Seeds | 23.7 | 3.3 | 44.4 | 4.9 |
| Other | .6 | -- | -- | -- |
| Total | \$1,725.9 | 2.9 | \$ 1,083.4 | 1.9 |

Sources: Foreign Agricultural Trade Of U.S. - E.R.S. (1) State Agricultural Exports
Estimates Were Based On North Dakota's Production Or Sales Of Individual
Commodities Reported By The National Agricultural Statistics Service (NASS). It Is
Assumed That Each State Received Export Revenues In The Same Proportion As Its
Production.

1997 Crop Rank Among States

| North Dakota <u>Ranks</u> | <u>Crop Description</u> | North Dakota <u>Produces</u> |
|------------------------------|----------------------------------|---------------------------------|
| 1st | Spring Wheat | 38% |
| | Durum Wheat | 66% |
| | Sunflower | 50% |
| | Barley | 27% |
| | All Dry Edible Beans | 24% |
| | Pinto Beans | 41% |
| | Canola | 65% |
| | Flaxseed | 81% |
| 2nd | All Wheat | 11% |
| | Navy Beans | 34% |
| | Oats | 10% |
| | Honey | 13% |
| 3rd | Total Cropland - 1992 Census | 6% |
| | Sugarbeets | 14% |
| 4th | Area Harvested - Principal Crops | 7% |
| | Rye | 7% |

Source: North Dakota Agricultural Statistics 1998

**Cash Receipts From
Farm Marketings And Government Payments - 1994-1997**

| Item | 1994 | 1995 | 1996 | 1997 | Percent Total 1997 Pct. (1) |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|--------------------------------------|
| | Thousand Dollars | | | | |
| | 000 \$ | | | | |
| Crops | \$ 2,402,982 | \$ 2,568,912 | \$ 2,890,564 | \$ 2,661,753 | 73.2 |
| Food Grains | 1,263,512 | 1,431,235 | 1,470,705 | 1,239,592 | 34.1 |
| Wheat | 1,262,345 | 1,430,059 | 1,469,700 | 1,238,330 | 34.1 |
| Rye | 1,167 | 1,176 | 1,005 | 1,262 | -- |
| Feed Crops | 360,094 | 393,289 | 509,731 | 438,182 | 12.1 |
| Barley | 215,104 | 230,059 | 293,159 | 213,230 | 5.9 |
| Corn | 61,539 | 105,439 | 145,343 | 131,725 | 3.6 |
| Hay | 62,511 | 40,213 | 57,824 | 84,979 | 2.3 |
| Oats | 20,940 | 17,578 | 13,405 | 8,248 | 0.2 |
| Oil Crops | 330,149 | 342,611 | 381,994 | 517,665 | 14.2 |
| Sunflower | 218,287 | 192,836 | 184,009 | 238,304 | 6.6 |
| Soybeans | 82,233 | 108,940 | 155,274 | 205,317 | 5.6 |
| Veg., Fruits, Nuts | 230,929 | 206,229 | 293,518 | 229,287 | 6.3 |
| Dry Beans | 92,278 | 98,903 | 165,753 | 114,049 | 3.1 |
| Potatoes | 136,326 | 103,619 | 125,561 | 113,368 | 3.1 |
| Misc. | 2,325 | 3,707 | 2,204 | 1,870 | 0.1 |
| Other Crops | 218,298 | 195,548 | 234,616 | 237,027 | 6.5 |
| Sugarbeets | 172,589 | 153,624 | 194,219 | 193,851 | 5.3 |
| Other Field Crops | 17,402 | 13,395 | 11,905 | 14,764 | 0.4 |
| Miscellaneous | 28,307 | 28,529 | 28,492 | 28,412 | 0.8 |
| Livestock | 624,595 | 567,242 | 538,628 | 610,762 | 16.8 |
| Meat Animals | 476,079 | 411,188 | 360,836 | 451,919 | 12.4 |
| Cattle And Calves | 428,866 | 366,347 | 305,457 | 406,785 | 11.2 |
| Hogs | 38,704 | 38,228 | 48,401 | 36,795 | 1.0 |
| Sheep And Lambs | 8,509 | 6,613 | 6,978 | 8,339 | 0.2 |
| Dairy Products | 102,480 | 96,524 | 107,545 | 84,940 | 2.3 |
| Poultry And Eggs | 11,716 | 15,750 | 25,052 | 25,835 | 0.7 |
| Turkeys | 9,108 | 12,863 | 21,252 | 22,612 | 0.6 |
| Eggs | 1,530 | 1,504 | 2,681 | 2,208 | .1 |
| Other Poultry | 1,078 | 1,383 | 1,119 | 1,015 | -- |
| Misc. Livestock | 34,320 | 43,780 | 45,195 | 48,068 | 1.3 |
| Honey | 15,566 | 15,919 | 17,802 | 18,130 | 0.5 |
| Other Livestock | 18,754 | 27,861 | 27,393 | 29,938 | 0.8 |
| Total Crops & Livestock | 3,027,577 | 3,136,154 | 3,429,192 | 3,272,515 | 90.0 |
| Government Payments | 457,317 | 296,215 | 353,417 | 361,549 | 10.0 |
| Grand Total | \$ 3,484,894 | \$ 3,432,369 | \$ 3,782,609 | \$ 3,634,064 | 100.0 |

Source: North Dakota Agricultural Statistics 1998

(1) Items May Not Add Due to Rounding

**Claims Development Information
Last Ten Fiscal Years**

The following tables illustrate how the individual funds' earned revenues and investment income compare to related costs of loss and other expenses assumed by the funds as of the end of each of the last ten years. The rows of the tables are defined as follows: (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues. (2) This line shows each fiscal year's other operation costs of the fund including overhead and claims expense not allocable to individual claims. (3) This line shows the funds' incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year). (4) This section of 10 columns shows the cumulative amounts paid as of the end of successive years for each policy year. (5) This section of 10 columns shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received regarding unknown claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. (6) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the tables show data for successive policy years (expressed in thousands).

Claims Development Information
Last Ten Fiscal Years
 (Expressed In Thousands)

Bonding Fund

| | Fiscal And Policy Year Ended | | | | | | | | | |
|---|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>1989</u> | <u>1990</u> | <u>1991</u> | <u>1992</u> | <u>1993</u> | <u>1994</u> | <u>1995</u> | <u>1996</u> | <u>1997</u> | <u>1998</u> |
| 1 Net Earned Required Contribution And Investment Revenues | \$ 839 | \$ 807 | \$ 647 | \$ 485 | \$ 428 | \$ 128 | \$ 161 | \$ 305 | \$ 370 | \$ 633 |
| 2 Unallocated Expenses | 47 | 44 | 43 | 27 | 13 | 34 | 59 | 68 | 63 | 205 |
| 3 Estimated Incurred Claims And Expense, End Of Policy Year | 61 | 10 | 4 | 50 | 31 | 208 | 249 | 325 | 91 | 128 |
| 4 Paid (Cumulative) As Of: | | | | | | | | | | |
| End Of Policy Year | 61 | 10 | 4 | 5 | 31 | 208 | 249 | 11 | 91 | 18 |
| One Year Later | 61 | 10 | 4 | 50 | 31 | 208 | 309 | 11 | 91 | |
| Two Years Later | 61 | 10 | 4 | 50 | 31 | 208 | 309 | 11 | | |
| Three Years Later | 61 | 10 | 4 | 50 | 31 | 208 | 309 | | | |
| Four Years Later | 61 | 10 | 4 | 50 | 31 | 208 | | | | |
| Five Years Later | 61 | 10 | 4 | 50 | 31 | | | | | |
| Six Years Later | 61 | 10 | 4 | 50 | | | | | | |
| Seven Years Later | 61 | 10 | 4 | | | | | | | |
| Eight Years Later | 61 | 10 | | | | | | | | |
| Nine Years Later | 61 | | | | | | | | | |
| 5 Reestimated Incurred Claims And Expenses: | | | | | | | | | | |
| End Of Policy Year | 61 | 10 | 4 | 50 | 31 | 208 | 309 | 11 | 91 | 128 |
| One Year Later | 61 | 10 | 4 | 50 | 31 | 208 | 309 | 11 | 91 | |
| Two Years Later | 61 | 10 | 4 | 50 | 31 | 208 | 309 | 11 | | |
| Three Years Later | 61 | 10 | 4 | 50 | 31 | 208 | 309 | | | |
| Four Years Later | 61 | 10 | 4 | 50 | 31 | 208 | | | | |
| Five Years Later | 61 | 10 | 4 | 50 | 31 | | | | | |
| Six Years Later | 61 | 10 | 4 | 50 | | | | | | |
| Seven Years Later | 61 | 10 | 4 | | | | | | | |
| Eight Years Later | 61 | 10 | | | | | | | | |
| Nine Years Later | 61 | | | | | | | | | |
| 6 Increase In Estimated Incurred Claims And Expense From End Of Policy Year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Claims Development Information
Last Ten Fiscal Years
 (Expressed In Thousands)

Fire And Tornado Fund

| | Fiscal And Policy Year Ended | | | | | | | | | |
|---|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>1989</u> | <u>1990</u> | <u>1991</u> | <u>1992</u> | <u>1993</u> | <u>1994</u> | <u>1995</u> | <u>1996</u> | <u>1997</u> | <u>1998</u> |
| 1 Net Earned Required Contribution And Investment Revenues | \$ 2,628 | \$ 3,279 | \$ 3,290 | \$ 3,257 | \$ 3,494 | \$ 3,552 | \$ 3,349 | \$ 3,545 | \$ 3,946 | \$ 5,870 |
| 2 Unallocated Expenses | 446 | 398 | 428 | 407 | 553 | 539 | 596 | 422 | 345 | 1,282 |
| 3 Estimated Incurred Claims And Expense, End Of Policy Year | 2,111 | 652 | 656 | 384 | 255 | 1,125 | 2,116 | 1,598 | 7,612 | 4,877 |
| 4 Paid (Cumulative) As Of: | | | | | | | | | | |
| End Of Policy Year | 555 | 377 | 310 | 174 | 213 | 733 | 448 | (5) | 3,143 | 345 |
| One Year Later | 2,111 | 652 | 655 | 174 | 213 | 733 | 448 | (5) | 3,143 | |
| Two Years Later | 2,111 | 652 | 655 | 174 | 213 | 733 | 448 | (5) | | |
| Three Years Later | 2,111 | 652 | 655 | 174 | 213 | 733 | 448 | | | |
| Four Years Later | 2,111 | 652 | 655 | 174 | 213 | 733 | | | | |
| Five Years Later | 2,111 | 652 | 655 | 174 | 213 | | | | | |
| Six Years Later | 2,111 | 652 | 655 | 174 | | | | | | |
| Seven Years Later | 2,111 | 652 | 655 | | | | | | | |
| Eight Years Later | 2,111 | 652 | | | | | | | | |
| Nine Years Later | 2,111 | | | | | | | | | |
| 5 Reestimated Incurred Claims And Expenses: | | | | | | | | | | |
| End Of Policy Year | 2,111 | 652 | 559 | 384 | 255 | 1,125 | 2,116 | 1,589 | 7,612 | 4,877 |
| One Year Later | 2,111 | 652 | 559 | 384 | 255 | 1,125 | 2,116 | 1,589 | 7,612 | |
| Two Years Later | 2,111 | 652 | 559 | 384 | 255 | 1,125 | 2,116 | 1,589 | | |
| Three Years Later | 2,111 | 652 | 559 | 384 | 255 | 1,125 | 2,116 | | | |
| Four Years Later | 2,111 | 652 | 559 | 384 | 255 | 1,125 | | | | |
| Five Years Later | 2,111 | 652 | 559 | 384 | 255 | | | | | |
| Six Years Later | 2,111 | 652 | 559 | 384 | | | | | | |
| Seven Years Later | 2,111 | 652 | 559 | | | | | | | |
| Eight Years Later | 2,111 | 652 | | | | | | | | |
| Nine Years Later | 2,111 | | | | | | | | | |
| 6 Increase In Estimated Incurred Claims And Expense From End Of Policy Year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Claims Development Information
Last Ten Fiscal Years
 (Expressed In Thousands)

Workers Compensation
Bureau

| | Fiscal And Policy Year Ended | | | | | | | | | |
|---|------------------------------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
| 1 Net Earned Required Contribution And Investment Revenues | \$40,939 | \$53,508 | \$70,752 | \$90,373 | \$113,640 | \$127,730 | \$142,220 | \$173,614 | \$186,648 | \$211,339 |
| 2 Unallocated Expenses | 3,178 | 4,067 | 4,627 | 7,004 | 8,324 | 9,024 | 11,321 | 10,983 | 12,357 | 14,127 |
| 3 Estimated Incurred Claims And Expense, End Of Policy Year | 67,000 | 79,500 | 110,000 | 116,650 | 124,200 | 114,300 | 106,081 | 94,160 | 84,551 | 89,020 |
| 4 Paid (Cumulative) As Of: | | | | | | | | | | |
| End Of Policy Year | 15,125 | 16,001 | 16,921 | 13,949 | 11,777 | 14,092 | 14,406 | 13,275 | 12,953 | 15,332 |
| One Year Later | 28,146 | 33,318 | 32,987 | 30,891 | 27,987 | 28,390 | 26,810 | 25,832 | 25,463 | |
| Two Years Later | 37,173 | 43,145 | 42,685 | 39,703 | 36,222 | 36,420 | 33,256 | 30,473 | | |
| Three Years Later | 43,697 | 50,799 | 49,156 | 45,675 | 41,511 | 41,497 | 37,487 | | | |
| Four Years Later | 48,285 | 56,256 | 51,387 | 47,286 | 43,561 | 45,495 | | | | |
| Five Years Later | 52,094 | 60,381 | 54,782 | 50,032 | 46,493 | | | | | |
| Six Years Later | 55,014 | 63,394 | 57,490 | 52,436 | | | | | | |
| Seven Years Later | 57,462 | 66,072 | 59,631 | | | | | | | |
| Eight Years Later | 59,956 | 68,679 | | | | | | | | |
| Nine Years Later | 62,333 | | | | | | | | | |
| 5 Reestimated Incurred Claims And Expenses: | | | | | | | | | | |
| End Of Policy Year | 67,000 | 79,500 | 110,000 | 116,650 | 124,200 | 114,300 | 106,081 | 94,160 | 84,551 | 89,020 |
| One Year Later | 72,000 | 103,500 | 110,500 | 119,650 | 120,850 | 98,417 | 96,838 | 89,357 | 86,080 | |
| Two Years Later | 91,750 | 109,500 | 110,100 | 117,450 | 94,420 | 90,663 | 91,740 | 85,720 | | |
| Three Years Later | 96,050 | 109,400 | 109,000 | 94,371 | 87,884 | 85,948 | 88,905 | | | |
| Four Years Later | 97,600 | 110,600 | 98,750 | 91,640 | 82,730 | 88,270 | | | | |
| Five Years Later | 98,800 | 106,050 | 95,876 | 93,329 | 85,630 | | | | | |
| Six Years Later | 93,385 | 105,907 | 105,776 | 91,685 | | | | | | |
| Seven Years Later | 92,851 | 102,100 | 104,790 | | | | | | | |
| Eight Years Later | 92,623 | 118,925 | | | | | | | | |
| Nine Years Later | 107,165 | | | | | | | | | |
| 6 Increase In Estimated Incurred Claims And Expense From End Of Policy Year | 40,165 | 39,425 | (5,210) | (24,965) | (38,570) | (26,030) | (17,176) | (8,440) | 1,529 | |

Reconciliation Of Claims Liabilities
By Type Of Contract
Last Two Fiscal Years
(Expressed In Thousands)

The Schedule Below Presents The Changes In Claims Liabilities For The Past Two Years By Type Of Contract (Expressed In Thousands)

| | Property | | Bonding | | Workers Compensation | |
|---|-----------------|-----------------|---------------|---------------|-------------------------|-------------------|
| | <u>1998</u> | <u>1997</u> | <u>1998</u> | <u>1997</u> | <u>1998</u> | <u>1997</u> |
| Unpaid Claims And Claims Adjustment Expenses At The Beginning Of The Year | \$ 4,469 | \$ 1,603 | \$ 133 | \$ 127 | \$ 496,900 | \$ 480,400 |
| Incurred Claims And Claims Adjustment Expenses: | | | | | | |
| Provision For Current Fiscal Year | 4,877 | 7,612 | 127 | 133 | 89,020 | 84,551 |
| Change In Provision For Prior Fiscal Year | - | - | - | - | 30,832 | (18,553) |
| 1992 Reform Legislation | - | - | - | - | - | - |
| Payments And Claims And Adjustment Expenses Attributable To: | | | | | | |
| Current Fiscal Year Insured Events | (345) | (3,143) | (18) | - | (15,332) | (12,953) |
| Prior Fiscal Years Insured Events | (4,469) | (1,603) | (133) | (127) | (53,560) | (53,505) |
| Total Payments | (4,814) | (4,746) | (151) | (127) | (68,892) | (66,458) |
| Premium Deficiency | - | - | - | - | - | - |
| Change In Provision For Discount | - | - | - | - | (73,600) | (46,100) |
| Other | - | - | - | - | 2,440 | 1,060 |
| Estimated Benefit From Impact Of 1995 Legislation | - | - | - | - | - | - |
| Contingency Reserve For Adverse Deviation | - | - | - | - | 115,000 | 62,000 |
| Total Unpaid Claims And Claims Adjustment Expenses At The End Of The Year | <u>\$ 4,532</u> | <u>\$ 4,469</u> | <u>\$ 109</u> | <u>\$ 133</u> | <u>\$ 591,700</u> | <u>\$ 496,900</u> |

Source: Financial Statements