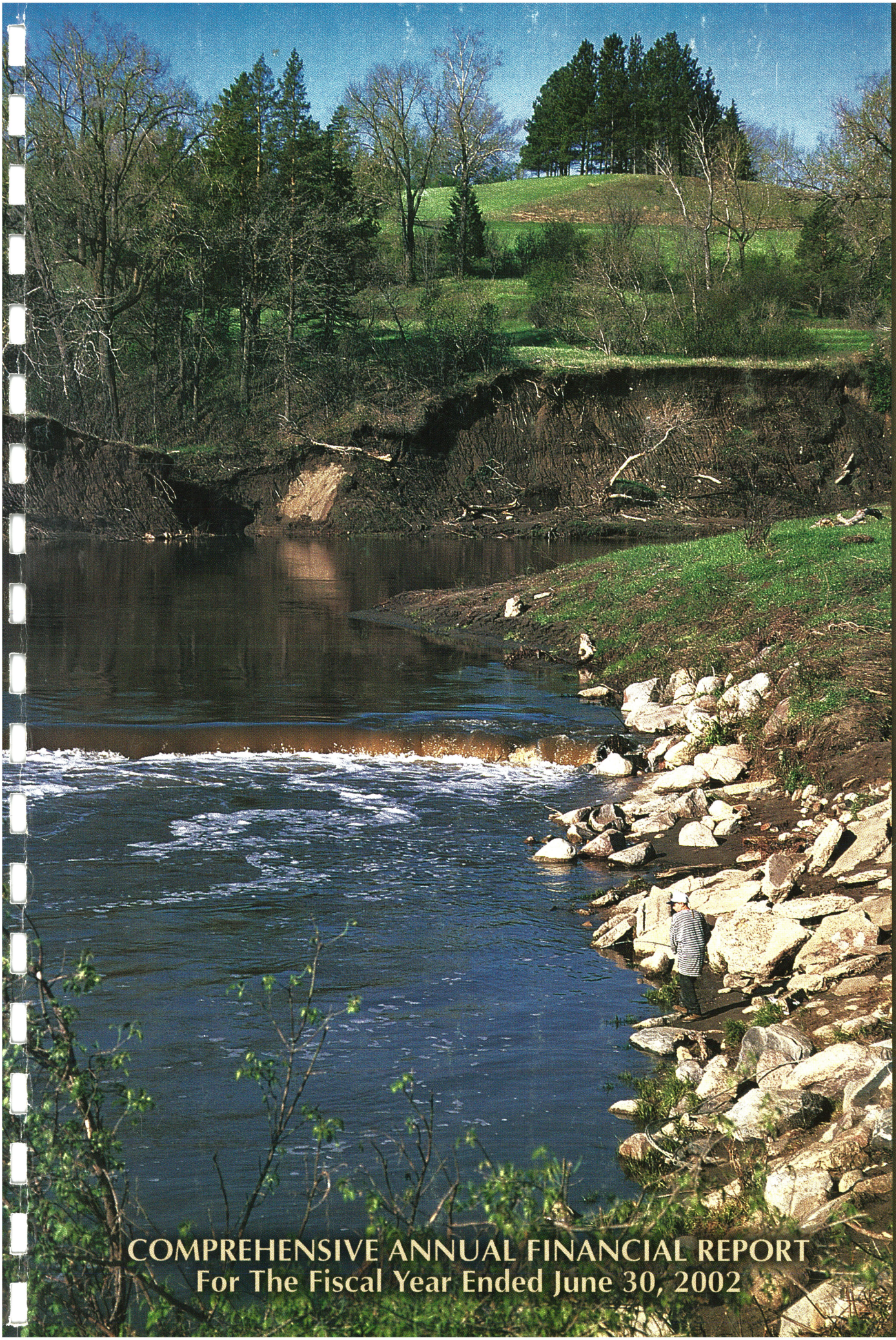


# State of North Dakota

## COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended June 30, 2002

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# STATE OF NORTH DAKOTA

# Comprehensive Annual Financial Report

**FOR THE FISCAL YEAR ENDED**

## June 30, 2002

*Prepared by the Office of Management and Budget*

State of North Dakota
Office of Management and Budget
Fiscal Management Division
600 East Boulevard Avenue Dept. 110
Bismarck, ND 58505-0400
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**Internet Access:**

**http://www.state.nd.us/fiscal**

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Photo by Harold Umber, North Dakota Game & Fish Department, taken on the Heart River near the Highway 6 bridge in Mandan, North Dakota.

# OFFICE OF MANAGEMENT AND BUDGET

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

December 19, 2002

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, 2002. This report has been prepared by the Office of Management and Budget. The financial statements contained in the CAFR have been prepared in accordance with generally accepted accounting principles (GAAP) applicable to state and local governments, as promulgated by the Governmental Accounting Standards Board (GASB). 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 information contained in the CAFR is accurate in all material respects and reported in a manner that presents fairly the financial position and results of operations of the State's primary government and the component units for which it is financially accountable. All disclosures necessary to enable the reader to gain an understanding of the State of North Dakota's financial affairs have been included.

The CAFR is presented in three sections: Introductory, Financial and Statistical. The introductory section 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 independent auditor's report on the basic financial Statements; Management's Discussion and Analysis (MD&A), which provides an introduction, overview and analysis of the basic financial statements; the basic financial statements, which present the government-wide financial statements and fund financial statements for governmental funds, proprietary funds, fiduciary funds, and component units, together with notes to the basic financial statements; required supplementary information, other than MD&A, which presents budgetary comparison schedules; and the supplemental financial data which includes the combining financial statements. The statistical section includes a history of selected financial and demographic 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 accounting principles generally accepted in the United States of America. 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 costs of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

In compliance with State statute, the Office of the State Auditor (SAO) audited the State's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the State for the fiscal year ended June 30, 2002 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and evaluating the overall financial statement presentation. Their examination was conducted in accordance with GAAP and the standards applicable to financial audits contained in *Government Auditing Standards* as published by the Comptroller

General of the United States. The SAO concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the State's financial statements for the fiscal year ended June 30, 2002, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report

The State of North Dakota is also 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.

GASB Statement No. 34 requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal is intended to complement MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

## PROFILE OF THE GOVERNMENT

The State of North Dakota 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 natural resource development. The State's reporting entity reflected in the CAFR includes all the funds of the state as legally defined, as well as all of its component units in conformity with the requirements of GASB Statement No. 14. Statement No. 14 provides that the financial statements should emphasize the primary government and permit financial statement users to distinguish between the primary government and its component units. Consequently, the transmittal letter, MD&A, and the financial statements focus on the primary government and its activities. Although information pertaining to the discretely presented component units is provided, their separately issued financial statement should be read to obtain a complete overview of their financial position. The State's reporting entity is described more fully in Note 1A to the basic financial statements.

The State operates through a biennial appropriation, which represents agency appropriations recommended by the governor and presented to the Legislative Assembly at the beginning of each legislative session. The budget is legally required to be adopted through passage of appropriation bills by the Legislative Assembly and signed by the Governor. 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, allotment, or referendum action.

The State does not budget by fund nor does it formally budget revenues. The legal level of budgetary control is at the agency, appropriation authority and expenditure line item level. The state's budgetary policies and procedures are further explained in Note 1E on the notes to the basic financial statements.

## ECONOMIC CONDITIONS AND OUTLOOK

North Dakota's economy has slowed along with the national economy. Although total employment has remained relatively constant in 2002 and is expected to remain constant throughout 2003, North Dakota should see a slight improvement in employment growth in 2004.

Recently, North Dakota's agriculture industry has experienced rough times as a result of drought and wildfires in the southern part of the state. Ranchers were especially hard hit and cattle prices have declined, so many ranchers have moved cattle to market rather than pay to feed them. In addition, North Dakota's wheat production in 2002 declined by 25% from the previous year and was at the lowest production level since 1988.

Agriculture's role in North Dakota's economy is five times larger than nationwide, with direct farm production (on a value-added basis) accounting for approximately 7.6% of total economic output verses 1.5% nationwide. When adding in farm-related industries such as food processing and the transportation and distribution of food products, this figure rises to nearly 13% of the economy versus 5% nationwide.

The overall unemployment rate in the state as of September 2002 was 2.6% compared to 5.6% nationally. Throughout 2002, the state's unemployment rate has been consistently above 2001 levels for the same month, which is not surprising given that employment is relatively flat from one year ago.

Taxable sales and purchases reported by the state's merchants grew by a modest 1.7% in the second quarter of 2002 compared to the second quarter of 2001.

North Dakota's per capita income ranks 37th in the nation. While this amounts to about $4,000 less to spend per capita than the average American, this inhibits consumer spending less than might be expected because of the state's low cost of living.

The decrease in employment growth in the service industry and the retail industry is indicative of a downturn in consumer confidence. However, the large volume of federal spending that the state will receive from the farm bill and defense appropriations should keep the service and retail industries from slowing much further.

North Dakota currently has 14 oil rigs drilling in North Dakota. The current price of oil is in the range of $21 per barrel. Oil production is expected to remain flat at around 84,000 barrels per day throughout the 2003-05 biennium.

## MAJOR INITIATIVES AND FUTURE PROJECTS

Excellence in Education: The 57th Legislative Assembly approved a plan to close the gap on teacher salaries, increasing teacher compensation by $3000. The funding used for teacher compensation includes salaries, benefits, or other taxable income. The governor's recommendation in the executive budget is to increase teacher salaries an additional $1500 over the next biennium. The recommendation also restructured the North Dakota University System, giving spending flexibility and more control over University Systems' resources to sustain excellence in education, stimulate economic growth, and expand workforce development on each campus. Recommendations in the executive budget also include pooling student grant programs and creating centers of excellence where campuses can gain national recognition.

Economic Development: The 57th Legislative Assembly approved the creation of a Department of Commerce to leverage our resources for one-stop assistance in financing, marketing and workforce development. Also approved were expanded low-interest loan programs and targeted scholarship and loan forgiveness programs. Recommended in the executive budget is funding of a $10 million New Venture Fund in partnership with the private sector, the Small Business Administration, and the Department of Commerce to provide significant resources for our businesses and entrepreneurs.

Technology: Education opportunities have been expanded through the state's interactive data and video system STAGEnet. Currently every public high school district in North Dakota and 25 K-8 districts have been provided high-speed broadband connections. Over 90 video network sites are operating statewide. Additional funding provided by the 57th Legislative Assembly includes startup funding for an enterprise resource planning system for colleges and universities, K-12 schools, and state government. This system will allow the streamlining of resources and effective and efficient management of data. Recommended in the executive budget is authority to bond for ConnectND in order to complete implementation of the project. Other projects included in the current biennium funding are a centralized geographic information system established to host the infrastructure for the state, a system for sharing criminal justice information across political boundaries, a centralized electronic document management system which allows electronic imaging of data, and the health alert network providing communication of health emergency information.

Lewis and Clark: Recognizing the significance of the upcoming Lewis and Clark Bicentennial event, the state continues focusing efforts and resources in this area. Historic sites related to the expedition and state

parks located on the Lewis and Clark Trail are being improved. The North Dakota Council on the Arts is integrating music, drama, art, and American Indian performances to enhance activity planning. Exhibit development and educational programming are underway to enhance public awareness.

Capital Projects: The executive budget recommendation, to be presented to the Legislative Assembly in 2003, provides for the cost-effective management of the state's inmate population by avoiding the need to contract for additional prison beds with out-of-state private correctional facilities for the first time since 1997. To house the offender population in-state, the executive recommendation provides for the opening of a new women's prison in the LaHaug Building on the State Hospital grounds. The Health Department will be renovating the East Laboratory and constructing a morgue for the State Forensic Examiner. Construction of the morgue will provide timely and complete medical examiner services to assist with death investigations throughout the state. The recommendation also provides approval to the Department of Parks and Recreation for various projects throughout the parks in North Dakota.

## FINANCIAL INFORMATION

The MD&A provides an overview of the State's financial activities addressing both governmental and business-type activities reported in the government-wide financial statements. In addition, MD&A focuses on the State's major funds: the General Fund, Federal Fund, Common Schools Trust Fund, Bank of North Dakota, Housing Finance, Workers Compensation, and the University System.

Cash Management: North Dakota Century Code section 21-04-02 provides that public funds belonging to or in the custody of the state shall be deposited in the Bank of North Dakota. 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, 2002, pooled deposits in the Bank of North Dakota yielded an average of 1.28 percent on a cash pool that ranged from $154 to $370 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: The 1995 Legislature established the Risk Management Fund to pay 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 2001 Legislature established a single Workers Compensation account for state entities to be administered by the department that also administers the Risk Management Fund.

The state has several other funds that 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. 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 that covers the state's employers and employees. See Note 14 to the financial statements for additional disclosures on the State's risk management activities.

Pension Trust Plans: 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). Certain employees may elect to participate in a deferred contribution pension plan.

PERS is the largest of the defined benefit plan for which the State is responsible for providing funding. This plan covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. Total assets of PERS at June 30, 2002, were $1.1 billion. The State also provides postemployment health-care benefits to members receiving retirement benefits from the PERS, NDHPRS, Retirement Plan for Employees of JSND, and certain retired judges. Additional disclosures relating to the State's pension funds are provided in Note 6 to the financial statements.

## OTHER INFORMATION

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, 2001. This was the 11th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the State of North Dakota received the GFOA's Award for Distinguished Budget Presentation for its 2001-2003 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: This report was prepared by staff members of the Fiscal Management Division of the Office of Management and Budget. Their dedication and efforts are greatly appreciated. We also extend our gratitude to the numerous individuals from virtually all the state agencies and institutions, especially the Office of the State Auditor, for their commitment to assist us in preparing this report.

Sincerely,

Rod Backman, Director
Office of Management and Budget

STATE AUDITOR
ROBERT R. PETERSON

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STATE OF NORTH DAKOTA
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STATE CAPITOL
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BISMARCK, ND 58505

# INDEPENDENT AUDITOR'S REPORT

The Honorable John Hoeven, Governor
of the State of North Dakota

Members of the Legislative Assembly
of the State of North Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of North Dakota as of and for the year ended June 30, 2002, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of North Dakota's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following state entities and discretely presented component units:

- Bank of North Dakota
- Beginning Farmers Revolving Loan Fund
- Board of University and School Lands
- Building Authority
- College SAVE Plan
- Community Water Facility Loan Fund
- Developmentally Disabled Facility Loan Program
- Guaranteed Student Loan Program
- Housing Finance Agency
- Job Service North Dakota
- PACE and AG PACE Funds
- Public Employees Retirement System
- Retirement and Investment Office
- State Fair Association
- Student Loan Trust
- Workers Compensation Bureau

Discretely Presented Component Units:

- Comprehensive Health Association
- Municipal Bond Bank
- ND Development Fund
- NDSU Research and Technology Park
- UND Aerospace Foundation

The financial statements of the above entities reflect total assets and revenues of the government-wide financial statements and fund financial statements as follows:

| | Percent of Assets | Percent of Revenues |
|---|---|---|
| Government-Wide Financial Statements | | |
| Governmental Activities | 26.1% | 3.2% |
| Business-Type Activities | 81.6% | 43.8% |
| Component Units | 98.9% | 92.1% |
| Fund Financial Statements | | |
| Major Governmental Funds | | |
| Federal Fund | 1.7% | 3.0% |
| School Permanent Trust Fund | 100% | 100% |
| Major Enterprise Funds | | |
| Bank of North Dakota | 100% | 100% |
| Housing Finance Agency | 100% | 100% |
| Workers Compensation Bureau | 100% | 100% |
| Aggregate Remaining Fund Statements | 82.9% | 32.2% |

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

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of North Dakota, as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 T. to the basic financial statements, the State of North Dakota adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and local Governments*, GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, GASB Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2001.

Also as described in Note 1 T. to the basic financial statements, the State changed its availability period for governmental fund revenue recognition from 30 days to one year following the end of the fiscal year.

As described in Note 16 to the basic financial statements, the Bank of North Dakota elected to present an unclassified balance sheet because current assets are not matched with current liabilities. Presentation of a classified balance sheet would give the false impression that there is a liquidity problem at the bank. Presentation of a classified balance sheet for the Bank of North Dakota would be misleading to the extent that the financial statements may be materially misstated.

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated December 19, 2002 on our consideration of the State of North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Schedule on pages 19 through 28 and 96 through 98 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of North Dakota's basic financial statements. The combining and individual fund 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 basic financial statements. This supplementary information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and in, our opinion, based on our audit and the report of other audits, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The data included in the introductory and statistical sections of this report has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion thereon.

Robert R. Peterson
State Auditor

Edwin J. Nagel, Jr., CPA
Director

December 19, 2002

# COMPREHENSIVE ANNUAL FINANCIAL REPORT
# FOR THE FISCAL YEAR ENDED JUNE 30, 2002
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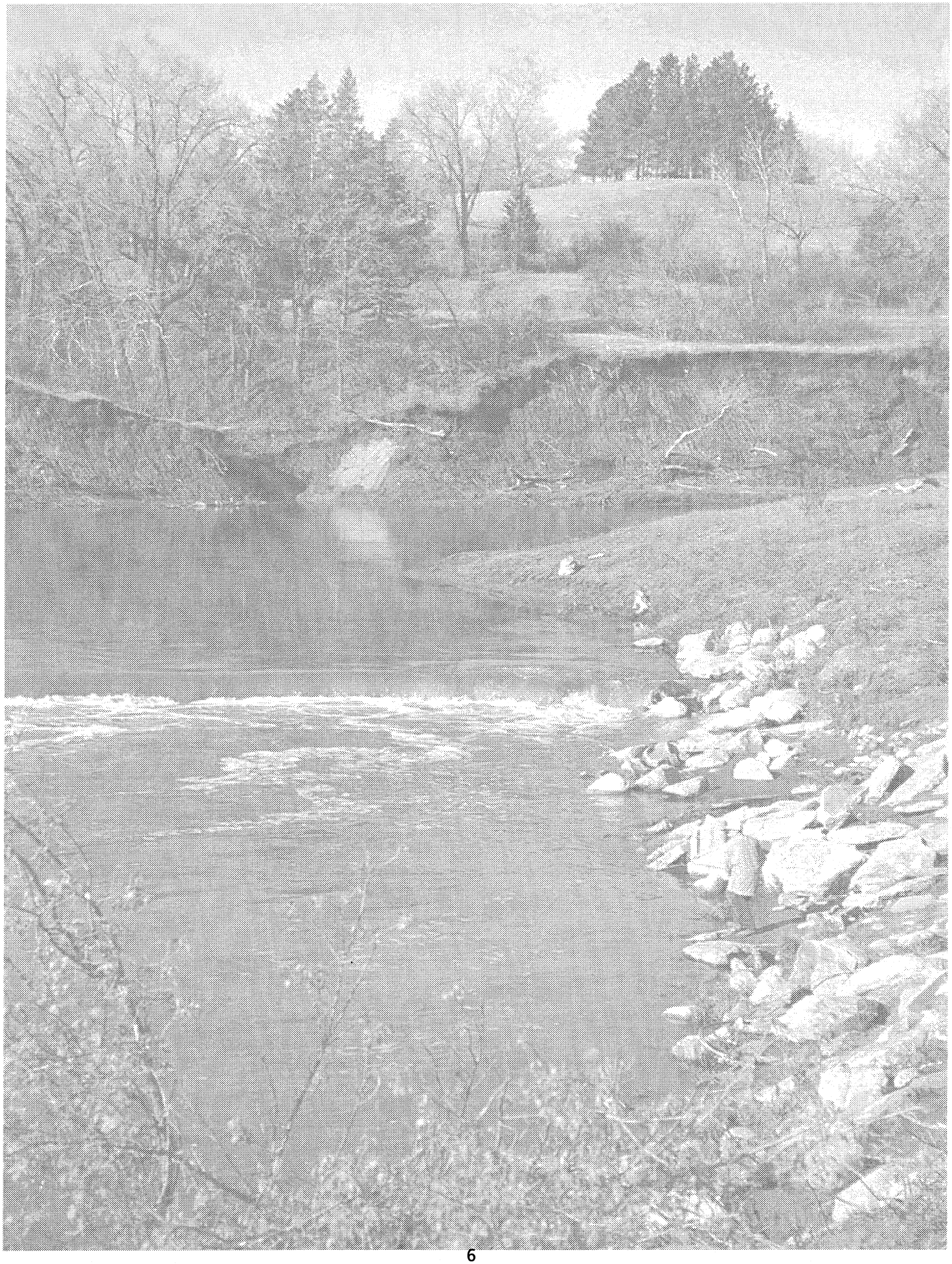
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# *INTRODUCTORY SECTION*



# OFFICE OF MANAGEMENT AND BUDGET

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

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## PROFILE OF THE GOVERNMENT

The State of North Dakota 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 natural resource development. The State's reporting entity reflected in the CAFR includes all the funds of the state as legally defined, as well as all of its component units in conformity with the requirements of GASB Statement No. 14. Statement No. 14 provides that the financial statements should emphasize the primary government and permit financial statement users to distinguish between the primary government and its component units. Consequently, the transmittal letter, MD&A, and the financial statements focus on the primary government and its activities. Although information pertaining to the discretely presented component units is provided, their separately issued financial statement should be read to obtain a complete overview of their financial position. The State's reporting entity is described more fully in Note 1A to the basic financial statements.

The State operates through a biennial appropriation, which represents agency appropriations recommended by the governor and presented to the Legislative Assembly at the beginning of each legislative session. The budget is legally required to be adopted through passage of appropriation bills by the Legislative Assembly and signed by the Governor. 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, allotment, or referendum action.

The State does not budget by fund nor does it formally budget revenues. The legal level of budgetary control is at the agency, appropriation authority and expenditure line item level. The state's budgetary policies and procedures are further explained in Note 1E on the notes to the basic financial statements.

## ECONOMIC CONDITIONS AND OUTLOOK

North Dakota's economy has slowed along with the national economy. Although total employment has remained relatively constant in 2002 and is expected to remain constant throughout 2003, North Dakota should see a slight improvement in employment growth in 2004.

Recently, North Dakota's agriculture industry has experienced rough times as a result of drought and wildfires in the southern part of the state. Ranchers were especially hard hit and cattle prices have declined, so many ranchers have moved cattle to market rather than pay to feed them. In addition, North Dakota's wheat production in 2002 declined by 25% from the previous year and was at the lowest production level since 1988.

Agriculture's role in North Dakota's economy is five times larger than nationwide, with direct farm production (on a value-added basis) accounting for approximately 7.6% of total economic output verses 1.5% nationwide. When adding in farm-related industries such as food processing and the transportation and distribution of food products, this figure rises to nearly 13% of the economy versus 5% nationwide.

The overall unemployment rate in the state as of September 2002 was 2.6% compared to 5.6% nationally. Throughout 2002, the state's unemployment rate has been consistently above 2001 levels for the same month, which is not surprising given that employment is relatively flat from one year ago.

Taxable sales and purchases reported by the state's merchants grew by a modest 1.7% in the second quarter of 2002 compared to the second quarter of 2001.

North Dakota's per capita income ranks 37th in the nation. While this amounts to about $4,000 less to spend per capita than the average American, this inhibits consumer spending less than might be expected because of the state's low cost of living.

The decrease in employment growth in the service industry and the retail industry is indicative of a downturn in consumer confidence. However, the large volume of federal spending that the state will receive from the farm bill and defense appropriations should keep the service and retail industries from slowing much further.

North Dakota currently has 14 oil rigs drilling in North Dakota. The current price of oil is in the range of $21 per barrel. Oil production is expected to remain flat at around 84,000 barrels per day throughout the 2003-05 biennium.

## MAJOR INITIATIVES AND FUTURE PROJECTS

Excellence in Education: The 57th Legislative Assembly approved a plan to close the gap on teacher salaries, increasing teacher compensation by $3000. The funding used for teacher compensation includes salaries, benefits, or other taxable income. The governor's recommendation in the executive budget is to increase teacher salaries an additional $1500 over the next biennium. The recommendation also restructured the North Dakota University System, giving spending flexibility and more control over University Systems' resources to sustain excellence in education, stimulate economic growth, and expand workforce development on each campus. Recommendations in the executive budget also include pooling student grant programs and creating centers of excellence where campuses can gain national recognition.

Economic Development: The 57th Legislative Assembly approved the creation of a Department of Commerce to leverage our resources for one-stop assistance in financing, marketing and workforce development. Also approved were expanded low-interest loan programs and targeted scholarship and loan forgiveness programs. Recommended in the executive budget is funding of a $10 million New Venture Fund in partnership with the private sector, the Small Business Administration, and the Department of Commerce to provide significant resources for our businesses and entrepreneurs.

Technology: Education opportunities have been expanded through the state's interactive data and video system STAGEnet. Currently every public high school district in North Dakota and 25 K-8 districts have been provided high-speed broadband connections. Over 90 video network sites are operating statewide. Additional funding provided by the 57th Legislative Assembly includes startup funding for an enterprise resource planning system for colleges and universities, K-12 schools, and state government. This system will allow the streamlining of resources and effective and efficient management of data. Recommended in the executive budget is authority to bond for ConnectND in order to complete implementation of the project. Other projects included in the current biennium funding are a centralized geographic information system established to host the infrastructure for the state, a system for sharing criminal justice information across political boundaries, a centralized electronic document management system which allows electronic imaging of data, and the health alert network providing communication of health emergency information.

Lewis and Clark: Recognizing the significance of the upcoming Lewis and Clark Bicentennial event, the state continues focusing efforts and resources in this area. Historic sites related to the expedition and state

parks located on the Lewis and Clark Trail are being improved. The North Dakota Council on the Arts is integrating music, drama, art, and American Indian performances to enhance activity planning. Exhibit development and educational programming are underway to enhance public awareness.

Capital Projects: The executive budget recommendation, to be presented to the Legislative Assembly in 2003, provides for the cost-effective management of the state's inmate population by avoiding the need to contract for additional prison beds with out-of-state private correctional facilities for the first time since 1997. To house the offender population in-state, the executive recommendation provides for the opening of a new women's prison in the LaHaug Building on the State Hospital grounds. The Health Department will be renovating the East Laboratory and constructing a morgue for the State Forensic Examiner. Construction of the morgue will provide timely and complete medical examiner services to assist with death investigations throughout the state. The recommendation also provides approval to the Department of Parks and Recreation for various projects throughout the parks in North Dakota.

## FINANCIAL INFORMATION

The MD&A provides an overview of the State's financial activities addressing both governmental and business-type activities reported in the government-wide financial statements. In addition, MD&A focuses on the State's major funds: the General Fund, Federal Fund, Common Schools Trust Fund, Bank of North Dakota, Housing Finance, Workers Compensation, and the University System.

Cash Management: North Dakota Century Code section 21-04-02 provides that public funds belonging to or in the custody of the state shall be deposited in the Bank of North Dakota. 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, 2002, pooled deposits in the Bank of North Dakota yielded an average of 1.28 percent on a cash pool that ranged from $154 to $370 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: The 1995 Legislature established the Risk Management Fund to pay 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 2001 Legislature established a single Workers Compensation account for state entities to be administered by the department that also administers the Risk Management Fund.

The state has several other funds that 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. 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 that covers the state's employers and employees. See Note 14 to the financial statements for additional disclosures on the State's risk management activities.

Pension Trust Plans: 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). Certain employees may elect to participate in a deferred contribution pension plan.

PERS is the largest of the defined benefit plan for which the State is responsible for providing funding. This plan covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. Total assets of PERS at June 30, 2002, were $1.1 billion. The State also provides postemployment health-care benefits to members receiving retirement benefits from the PERS, NDHPRS, Retirement Plan for Employees of JSND, and certain retired judges. Additional disclosures relating to the State's pension funds are provided in Note 6 to the financial statements.

## OTHER INFORMATION

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, 2001. This was the 11th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the State of North Dakota received the GFOA's Award for Distinguished Budget Presentation for its 2001-2003 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: This report was prepared by staff members of the Fiscal Management Division of the Office of Management and Budget. Their dedication and efforts are greatly appreciated. We also extend our gratitude to the numerous individuals from virtually all the state agencies and institutions, especially the Office of the State Auditor, for their commitment to assist us in preparing this report.

Sincerely,

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, 2001

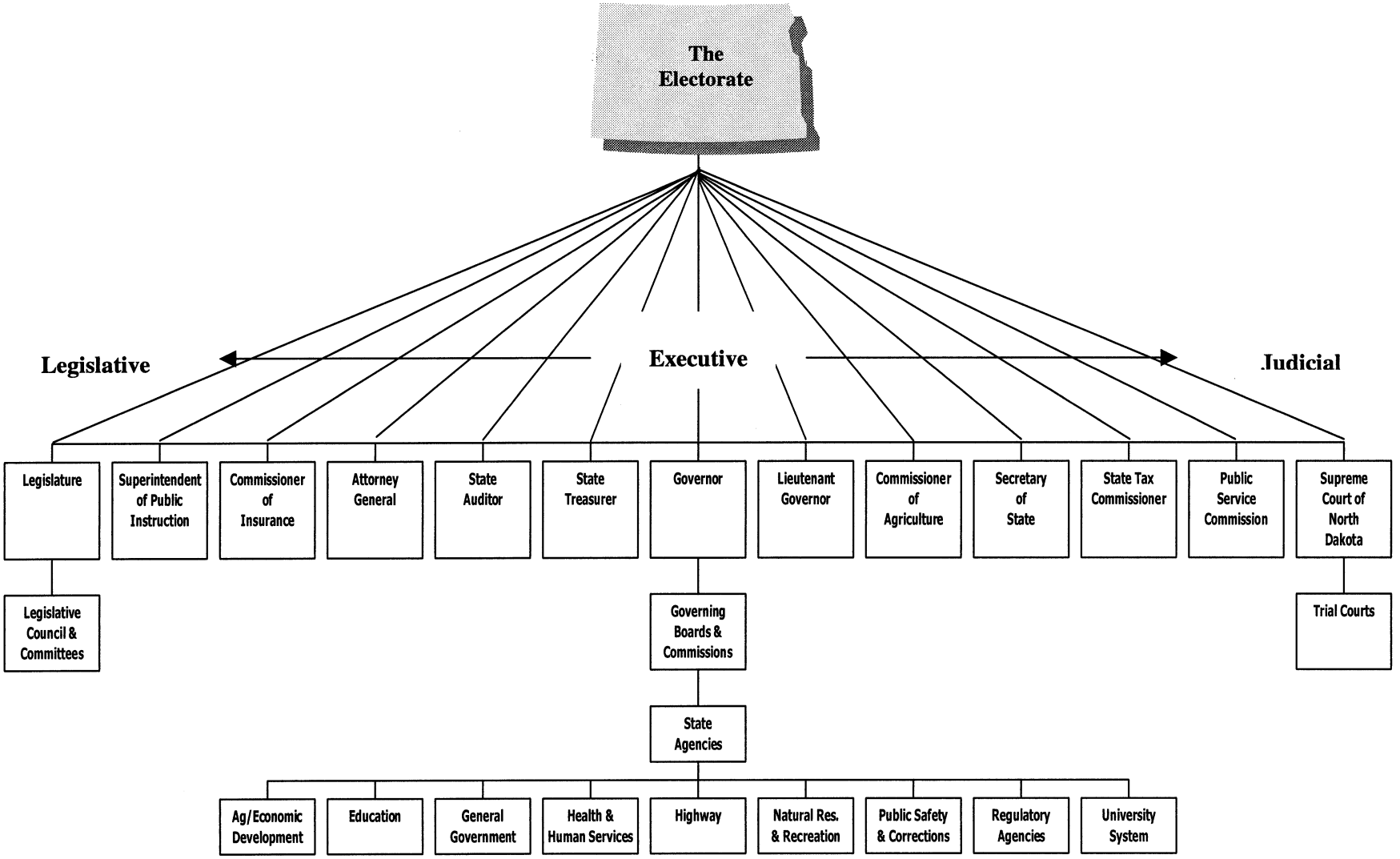
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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




President

Executive Director

# STATE OF NORTH DAKOTA ORGANIZATIONAL CHART



# NORTH DAKOTA
# PRINCIPAL STATE OFFICIALS
## June 30, 2002

### ELECTED OFFICIALS

John Hoeven, Governor

Jack Dalrymple, Lieutenant Governor

Alvin A. Jaeger, Secretary of State

Wayne Stenehjem, Attorney General

Tony Clark, Public Service Commissioner

Leo Reinbold, Public Service Commissioner

Susan Wefald, Public Service Commissioner

Roger Johnson, Commissioner of Agriculture

Robert R. Peterson, State Auditor

Jim Poolman, Commissioner of Insurance

Dr. Wayne Sanstead, Superintendent of Public Instruction

Rick Clayburgh, Tax Commissioner

Kathi Gilmore, State Treasurer

### LEGISLATIVE

LeRoy Bernstein, Speaker of the House

Wesley Belter, House Majority Leader

Merle Boucher, House Minority Leader

Lt. Gov. Jack Dalrymple, President of the Senate

Bob Stenehjem, Senate Majority Leader

Aaron Krauter, Senate Minority Leader

### JUDICIAL

Gerald VandeWalle, Chief Justice, North Dakota Supreme Court

Carol Ronning Kapsner, Justice

Mary Muehlen Maring, Justice

William A. Neumann, Justice

Dale V. Sandstrom, Justice

# FINANCIAL SECTION

STATE AUDITOR
ROBERT R. PETERSON

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(701) 328-2241
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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVE. - DEPT. 117
BISMARCK, ND 58505

# INDEPENDENT AUDITOR'S REPORT

The Honorable John Hoeven, Governor
of the State of North Dakota

Members of the Legislative Assembly
of the State of North Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of North Dakota as of and for the year ended June 30, 2002, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of North Dakota's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following state entities and discretely presented component units:

- Bank of North Dakota
- Beginning Farmers Revolving Loan Fund
- Board of University and School Lands
- Building Authority
- College SAVE Plan
- Community Water Facility Loan Fund
- Developmentally Disabled Facility Loan Program
- Guaranteed Student Loan Program
- Housing Finance Agency
- Job Service North Dakota
- PACE and AG PACE Funds
- Public Employees Retirement System
- Retirement and Investment Office
- State Fair Association
- Student Loan Trust
- Workers Compensation Bureau

Discretely Presented Component Units:

- Comprehensive Health Association
- Municipal Bond Bank
- ND Development Fund
- NDSU Research and Technology Park
- UND Aerospace Foundation

The financial statements of the above entities reflect total assets and revenues of the government-wide financial statements and fund financial statements as follows:

| | Percent of Assets | Percent of Revenues |
|---|---|---|
| Government-Wide Financial Statements | | |
| Governmental Activities | 26.1% | 3.2% |
| Business-Type Activities | 81.6% | 43.8% |
| Component Units | 98.9% | 92.1% |
| Fund Financial Statements | | |
| Major Governmental Funds | | |
| Federal Fund | 1.7% | 3.0% |
| School Permanent Trust Fund | 100% | 100% |
| Major Enterprise Funds | | |
| Bank of North Dakota | 100% | 100% |
| Housing Finance Agency | 100% | 100% |
| Workers Compensation Bureau | 100% | 100% |
| Aggregate Remaining Fund Statements | 82.9% | 32.2% |

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

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of North Dakota, as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 T. to the basic financial statements, the State of North Dakota adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and local Governments*, GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, GASB Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2001.

Also as described in Note 1 T. to the basic financial statements, the State changed its availability period for governmental fund revenue recognition from 30 days to one year following the end of the fiscal year.

As described in Note 16 to the basic financial statements, the Bank of North Dakota elected to present an unclassified balance sheet because current assets are not matched with current liabilities. Presentation of a classified balance sheet would give the false impression that there is a liquidity problem at the bank. Presentation of a classified balance sheet for the Bank of North Dakota would be misleading to the extent that the financial statements may be materially misstated.

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated December 19, 2002 on our consideration of the State of North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Schedule on pages 19 through 28 and 96 through 98 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of North Dakota's basic financial statements. The combining and individual fund 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 basic financial statements. This supplementary information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and in, our opinion, based on our audit and the report of other audits, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The data included in the introductory and statistical sections of this report has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion thereon.

Robert R. Peterson
State Auditor

Edwin J. Nagel, Jr., CPA
Director

December 19, 2002

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the State of North Dakota's (the State's) Comprehensive Annual Financial Report presents a discussion and analysis of the State's financial performance, providing an overview of the activities for the fiscal year ended June 30, 2002. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section. Because fiscal year 2002 represents the first year in which the State implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, this discussion and analysis provides few comparisons with the previous year. Future reports are required to include extensive comparisons.

### FINANCIAL HIGHLIGHTS

**Government-wide:**
The assets of the State exceeded its liabilities at fiscal year end by $3.68 billion (reported as net assets), an increase of $30 million from the previous year. The net assets of governmental activities decreased approximately 1%, while the net assets of the business-type activities showed an increase of 3.5%.

**Fund Level:**
As of the close of fiscal year 2002, the State's governmental funds reported combined ending fund balances of $1.2 billion a decrease of $36 million. Of this amount, $507.6 million represents unreserved fund balance with the remaining amount of $676.5 million reserved for specific purposes, such as debt service, capital projects, and permanent trust for education. At the end of the fiscal year, unreserved fund balance for the General Fund was $114.7 million.

The proprietary funds reported net assets at year-end of $1.5 billion, an increase of $54 million during the year.

**Long-term Debt**:
The State's total debt (bonds and notes payable) fell during the fiscal year to $1.5 billion, a decrease of $4 million, 0.3%, which represents the net difference between new issuances, and payments and refundings of outstanding debt. During the year the State issued $100.9 million in bonds and $153.9 million in notes.

More detailed information regarding these activities and funds is included in Note I.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements, which consists of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide Statements**

The government-wide financial statements provide a broad view of the State's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the State's financial position, which assists in assessing the State's economic condition at the end of the fiscal year. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents all of the State's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in net assets are an indicator of whether the State's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both statements report three activities:

*Governmental Activities* – The activities in this section are primarily supported by taxes and intergovernmental revenue. Most of the State's basic services, such as education, health and human services and transportation, are reported under this category.

*Business-type Activities* – These functions are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The Bank of North Dakota, Workers Compensation, and the University System are examples of the State's business-type activities.

*Discretely Presented Component Units* – These are operations for which the State has financial accountability but they have certain independent qualities as well. These entities operate similar to private-sector business and the business-type activities described above. The State has 6 discretely presented component units. Financial information for these entities is presented separately from the financial information presented for the primary government.

The government-wide financial statements can be found immediately following this discussion and analysis.

**Fund Financial Statements**

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the State uses to keep track of specific sources of funding and spending for a particular purpose. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

The basic fund financial statements begin immediately after the government-wide statements and provide more detail about the major individual funds. The State's funds are divided into three categories – governmental, proprietary, and fiduciary. It is important to note that these fund categories use different accounting approaches and should be interpreted differently.

*Governmental funds* -- Most of the State's basic services are reported in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on the near-term inflows and outflows of spendable resources. They also focus on the balances left at year-end that are available for future spending. Such information may be useful in evaluating whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. These funds are reported using *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

Governmental funds include the General Fund and special revenue, capital project, debt service, and permanent funds. The State has several governmental funds, of which three (3) are considered major individual funds. Those three are the General Fund, the Federal Fund, and the School Permanent Trust

Fund. Each of these major funds are presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance. The remaining governmental funds are combined in a single aggregated column on the basic fund statements. Individual fund data for each of these nonmajor governmental funds can be found in the other supplementary information section of this report.

*Proprietary funds* – Services for which the State charges customers a fee are generally reported in proprietary funds. The state maintains two different types of proprietary funds, enterprise funds and internal service funds. Enterprise funds report activities that provide supplies and services to the general public. Internal service funds report activities that provide supplies and services for the State's other programs and activities. Like the government-wide statements, proprietary funds use the accrual basis of accounting. Although the basis of accounting is the same for the government-wide and proprietary fund statements, reconciliation between these statements is presented because of the allocation of internal service funds' allocation of net income.

The State has four (4) major enterprise funds, The Bank of North Dakota, Housing Finance, University System, and Workers Compensation. These four funds are each presented in separate columns on the basic proprietary fund financial statements. The remaining enterprise funds are combined in a single total column on these statements. Individual fund data for each of the nonmajor enterprise funds can be found in the other supplementary information section of this report.

The State's internal service funds are reported as governmental activities on the government-wide statements, because the services they provide predominantly benefit governmental activities. The State's five (5) internal service funds are reported on the basic proprietary fund financial statements in a single combined column. Individual fund data for the internal service funds is provided in the form of combining statements found elsewhere in this report.

*Fiduciary funds* -- The State acts as a trustee or fiduciary, for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These funds, which include pension (and other employee benefit) trust, investment trust, private-purpose trust, and agency funds, are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because the State cannot use these assets to finance its operations.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following component units' financial statements.

**Required Supplementary Information**

The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule, which includes reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund as presented in the governmental fund financial statements.

**Other Supplementary Information**

Other supplementary information includes combining financial statements for non-major governmental, non-major enterprise, internal service, and fiduciary funds. These funds are added together, by fund type, and presented in single columns in the basic financial statements.

## FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

As noted previously, net assets may serve over time as a useful indicator of a government's financial position. The State's combined net assets (governmental and business-type activities) totaled $3.68 billion at the end of fiscal year 2002, compared to $3.65 billion at the end of the prior fiscal year.

**State of North Dakota's Net Assets as of June 30, 2002**
(Expressed in Thousands)

| | Governmental Activities | Business-Type Activities | Total Primary Government |
|---|---|---|---|
| Current and Other Assets | $ 1,490,230 | $ 4,244,064 | $ 5,734,294 |
| Capital Assets | 1,183,561 | 560,211 | 1,743,771 |
| Total Assets | 2,673,791 | 4,804,275 | 7,478,065 |
| Long-Term Liabilities Outstanding | 175,214 | 1,948,875 | 2,124,089 |
| Other Liabilities | 279,770 | 1,396,521 | 1,676,291 |
| Total Liabilities | 454,984 | 3,345,396 | 3,800,380 |
| Net Assets | | | |
| Invested in Capital Assets, Net of Related Debt | 1,066,085 | 459,592 | 1,525,677 |
| Restricted | 833,944 | 310,457 | 1,144,401 |
| Unrestricted | 318,778 | 688,828 | 1,007,606 |
| Total Net Assets | $ 2,218,807 | $ 1,458,877 | $ 3,677,684 |

The largest component (41.48%) of the State's net assets reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges and other immovable assets) less any related debt outstanding that was needed to acquire or construct the assets. The State uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources need to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets represent 31.1% of the State's net assets. These represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The remaining portion, unrestricted net assets, may be used at the State's discretion, but often have limitations on use based on State statutes.

The condensed financial information on the following page was derived from the government-wide Statement of Activities and reflects how the State's net assets changed during the fiscal year:

**State of North Dakota's Changes in Net Assets**
**For the Fiscal Year ended June 30, 2002**
(Expressed in Thousands)

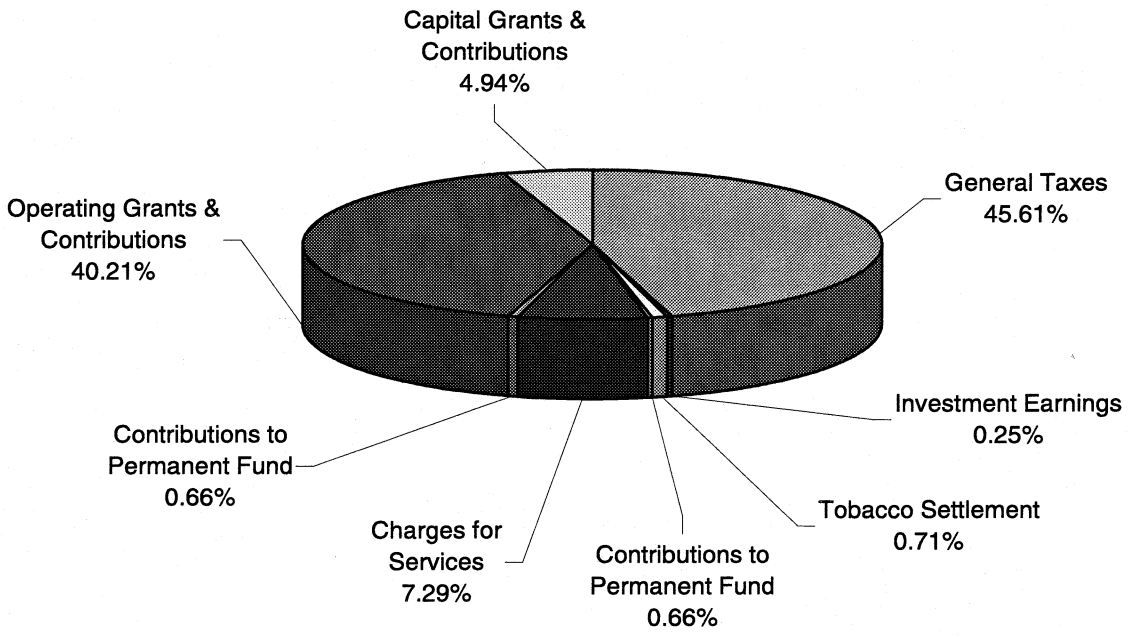
| | Governmental Activities | Business-Type Activities | Total Primary Government |
|---|---|---|---|
| **Revenues:** | | | |
| Program Revenues: | | | |
| Charges for Services | $ 152,109 | $ 649,496 | $ 801,605 |
| Operating Grants and Contributions | 838,815 | 180,078 | 1,018,893 |
| Capital Grants and Contributions | 103,013 | 6,484 | 109,497 |
| General Revenues: | | | |
| Income Taxes | 233,288 | - | 233,288 |
| Sales Taxes | 567,901 | - | 567,901 |
| Other Taxes | 150,261 | - | 150,261 |
| Investment Earnings | 5,214 | - | 5,214 |
| Tobacco Settlement | 14,729 | - | 14,729 |
| Other | 6,858 | - | 6,858 |
| **Total Revenues** | 2,072,188 | 836,058 | 2,908,246 |
| **Expenses** | | | |
| General Government | 74,720 | - | 74,720 |
| Education | 418,599 | - | 418,599 |
| Health and Human Services | 730,285 | - | 730,285 |
| Regulatory | 15,106 | - | 15,106 |
| Public Safety and Corrections | 129,220 | - | 129,220 |
| Agriculture and Commerce | 51,345 | - | 51,345 |
| Natural Resources | 44,326 | - | 44,326 |
| Transportation | 320,773 | - | 320,773 |
| Intergovernmental - Revenue Sharing | 142,778 | - | 142,778 |
| Interest on Long Term Debt | 8,335 | - | 8,335 |
| Bank of North Dakota | - | 90,103 | 90,103 |
| Housing Finance | - | 59,503 | 59,503 |
| Loan Programs | - | 13,769 | 13,769 |
| Mill and Elevator | - | 79,009 | 79,009 |
| State Fair | - | 4,079 | 4,079 |
| Unemployment Compensation | - | 50,485 | 50,485 |
| University System | - | 587,779 | 587,779 |
| Workers Compensation | - | 78,051 | 78,051 |
| Other | - | 11,589 | 11,589 |
| **Total Expenses** | 1,935,487 | 974,367 | 2,909,854 |
| Increase (decrease) in Net Assets Before Contributions and Transfers | 136,701 | (138,309) | (1,608) |
| Contributions to Permanent Fund Principal | 13,665 | - | 13,665 |
| Transfers | (170,233) | 188,310 | 18,077 |
| **Increase (Decrease) in Net Assets** | (19,867) | 50,001 | 30,134 |
| Net Assets - Beginning -As Restated | 2,238,674 | 1,408,876 | 3,647,550 |
| Net Assets- Ending | $ 2,218,807 | $ 1,458,877 | $ 3,677,684 |

**Governmental Activities:**

Governmental Activities decreased the State's net assets by $19.8 million primarily due to a decrease in tax collections. Individual income taxes decreased by about $14 million, corporate income taxes decreased by $10 million, and oil taxes decreased more than $10 million. The reduction in income tax collections was due to the slowdown of the national economy and a reduction in the capital gains income for individuals. The oil tax revenue decreased because of lower world oil prices. Approximately 46% of the revenues for governmental activities is from taxes, with grants and contributions, including federal revenues, accounting for another 45% of the revenues. The largest governmental expenditures are for education (public schools), health and human services, and transportation.

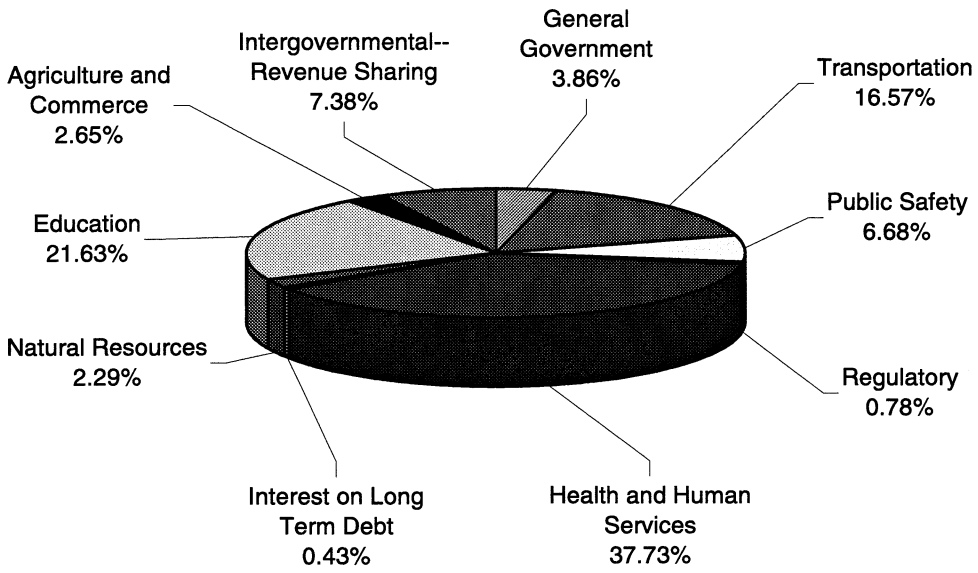
The following chart depicts revenues of the governmental activities for the fiscal year:

**Revenues - Governmental Activities**
**Fiscal Year Ending June 30, 2002**



The following chart depicts expenses of the governmental activities for the fiscal year:

**Expenditures - Governmental Activities**
**Fiscal Year Ending June 30, 2002**




**Business-type Activities**

Net assets of the business-type activities increased by $50 million during the fiscal year. Factors contributing to these results included:

The Bank of North Dakota's net assets increased nearly $18 million. The Bank's results of operations are primarily dependent upon the level of net interest income, which is the difference between total interest income and total interest expense. Net interest income increased from the previous year due to the overall increase in average earning assets of approximately $300 million offset by a .42% reduction in net interest margin percentage.

Worker's Compensation's net assets increased $7.3 million due to underwriting and investing activities. Underwriting consists of pricing premiums to cover the workers compensation loss exposure. Although annual premium rates are set to achieve break-even results for the current fiscal year, an independent actuarial analysis indicated favorable development on prior years' loss reserves. While underwriting activities' income increased about $37 million from the prior year, investing income decreased about $30 million because of market conditions.

The net assets of Housing Finance increased over $7 million due to increased income from program operations primarily because of fewer program dollars being invested and financed.

The North Dakota State University System had an increase of $6.6 million in net assets due to continuing investment in capital assets; reserves for repairs, maintenance and future debt service; and an increase in restricted assets relating to grants.

## FINANCIAL ANALYSIS OF THE STATE'S FUNDS

### Governmental Funds

As the State completed the year, its governmental funds reported combined fund balances of $1.2 billion, a decrease of $36 million from the prior fiscal year. Approximately $507 million of this total amount constitutes unreserved fund balance, which is available for appropriation for the general purposes of the funds. The remainder of fund balance is reserved and is not available for new spending because it has already been dedicated to various commitments such as long-term receivables, debt service, and capital projects.

The General Fund is the chief operating fund of the State. At the end of current fiscal year, unreserved fund balance of the General Fund was $114.7 million and reserved fund balance was $770,922. Total fund balance declined during the fiscal year by $43.5 million, primarily as a result of a decrease in tax revenues explained above under governmental activities and a slowdown of the economy. By the end of fiscal year 2002, net General Fund revenues had declined 2.66 percent from the prior year.

The School Permanent Trust Fund balance at June 30, 2002, totaled $568 million, a decrease of $12 million from the prior year. The fund had $5.8 million in net investment losses this year as opposed to normally reporting positive net investment revenues. The change was due to unfavorable market conditions.

The Federal Fund balance at June 30, 2002, totaled $25 million, a decrease of $7 million from the prior year due to an increase in the amount of federal revenues reported as deferred revenue this year.

### Proprietary Funds

The State's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The increases in the net assets of the proprietary funds is discussed under "Business-type Activities" above.

### General Fund Budgetary Highlights:

The State has a biennial appropriated budget. The fiscal year ended June 30, 2002, was the first year of the 2001-03 budget cycle. Differences between the original budget and the final budget were minor, a $7.97 million increase. The increases are due to the authorized carryover of general fund appropriation authority from the 1999-2001 biennium, which is reported as an appropriation adjustment for the 2001-03 budget. Some of those carryover amounts are noted below:

Several agencies received general fund carryover dollars from the 1999-2001 biennium for capital construction projects including the Department of Human Services, $335,784; Department of Corrections, $495,474; the Historical Society, $667,000; and Parks and Recreation, $810,829.

The Division of Emergency Management was authorized to carryover general fund appropriation authority of $2.7 million from the 1999-2001 biennium to provide state matching funds for public assistance and disaster hazard mitigation.

Several other state agencies were authorized by appropriation laws to carryover a portion or all of their general fund appropriation for various purposes, including the Office of Management and Budget, $1.2 million, Legislative Council and Assembly, $1.2 million, and the State Courts, $.35 million.

There were no expenditures in excess of budgeted amounts.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

*Capital Assets*: At the end of the fiscal year 2002, the State had invested $1.7 billion, net of accumulated depreciation, in a broad range of capital assets (see the table on the following page). Depreciation charges for this fiscal year totaled $180 million.

**State of North Dakota's Capital Assets as of June 30, 2002**
(Net of Depreciation, Expressed in Thousands)

| | Governmental Activities | Business-Type Activities | Total Primary Government |
|---|---|---|---|
| Land and Land Improvements | $ 39,974 | $ 15,850 | $ 55,824 |
| Building and Building Improvements | 194,445 | 329,504 | 523,949 |
| Equipment | 85,385 | 120,627 | 206,012 |
| Infrastructure | 752,549 | 75,994 | 828,543 |
| Construction in Progress | 111,208 | 18,235 | 129,443 |
| **Total** | $ 1,183,561 | $ 560,210 | $ 1,743,771 |

The total decrease in the State's investments in capital assets for the current fiscal year was about 0.4% in terms of net book value. However, actual expenditures to purchase or construct capital assets were approximately $229 million for the year. Most of this amount was used to construct or reconstruct assets at the University Systems and for highway construction. More detailed information on the State's capital assets can be found in Note F to the financial statements.

*Long-term Debt*: 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 authorized the bond issue must specifically appropriate the provisions to the payment of the principal and interest of the bond. The state has no general obligation bonds outstanding at June 30, 2002.

The State does have a number of revenue bonds outstanding at June 30, 2002. Current state statutes empower certain state agencies and the Building Authority, a component unit of the State, 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 revenue bonds issued by state agencies is payable from designated revenue sources. The Building Authority's bonds generate revenue to finance the construction and improvements of State buildings. Revenues derived from leases on the buildings fund the debt service requirements.

The Bank of North Dakota has advances from the Federal Home Loan Bank in the amounts of $399 million. The advances have a fixed rate of interest, ranging from 4.15 percent to 7.35 percent.

More detailed information regarding the State's long-term obligations is presented in Note I to the financial statements.

**State of North Dakota's Outstanding Debt as of June 30, 2002**
(Expressed in Thousands)

| | Governmental Activities | Business-Type Activities | Total Primary Government |
|---|---|---|---|
| Revenue Bonds | $ 140,161 | $ 965,243 | $ 1,105,404 |
| Notes Payable | 507 | 403,860 | 404,367 |
| **Total** | $ 140,668 | $ 1,369,103 | $ 1,509,771 |

The State's total debt decreased by only 0.3 % during the current fiscal year.

## ECONOMIC CONDITION AND OUTLOOK

The revenue forecast for the 2001-03 biennium was approved by the Legislature in March 2001. In December 2001, an updated revenue forecast was prepared which reduced general fund revenues by $15 million. In June 2002 the revenue forecast was updated again, resulting in another reduction of $50 million to general fund revenues. Revenue projections were decreased primarily in the areas of individual income tax collections, corporate income tax collections, and interest.

To deal with the projected shortfall, Governor Hoeven implemented a 1.05 percent general fund reduction allotment and proposed to transfer additional funds from the Bank of North Dakota. The 2001 Legislative Assembly provided that up to $25 million in transfers from the Bank of North Dakota could be made to the general fund in the event of a revenue shortfall. As of the end of September 2002, the anticipated transfer required from the Bank of North Dakota is estimated to be approximately $15 million.

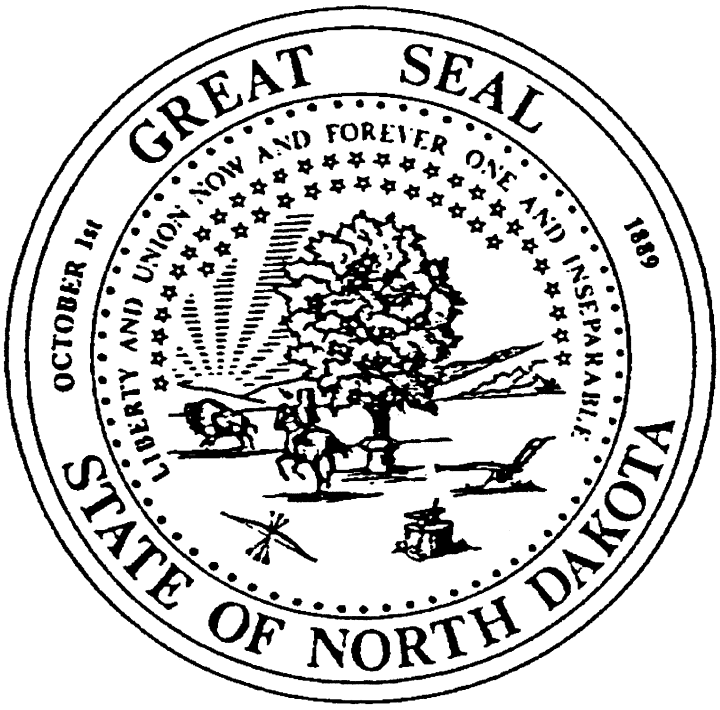
The 1.05 percent reduction allotment implemented by the governor applied to all general fund expenditures, although the Foundation Aid Stabilization Fund replaced the general funds cut in foundation aid payments so the payments to school districts remained whole.

Recognizing that general fund revenue growth would be minimal in the 2003-05 biennium, Governor Hoeven required agencies to submit a 95 percent budget request for 2003-05.

The outlook for general fund revenues in the 2003-05 biennium is for positive growth, although the growth will be slow and moderate. Because of the continued downturn in the stock market, individual income tax collections will not rebound quickly. In addition, there is a significant lag from the time the economy turns around to when the economic turnaround is reflected in general fund revenue collections.

## CONTACTING THE STATE'S OFFICE OF FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. Questions about this report or additional financial information should be addressed to the State of North Dakota, Office of Management and Budget, 600 E. Boulevard, Dept. 110, Bismarck, ND 58505.




# *Basic Financial Statements*

## Statement of Net Assets
June 30, 2002

| | Primary Government | | | Component Units |
|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total | |
| **ASSETS** | | | | |
| Cash and Cash Equivalents | $ 8,935,871 | $ 673,933,940 | $ 682,869,811 | $ 16,803,612 |
| Investments | 620,241,292 | 1,399,172,797 | 2,019,414,089 | 265,639,669 |
| Accounts Receivable - Net | 17,347,679 | 61,770,476 | 79,118,155 | 394,906 |
| Taxes Receivable - Net | 173,215,575 | - | 173,215,575 | - |
| Interest Receivable - Net | 6,681,838 | 34,824,033 | 41,505,871 | 3,025,702 |
| Intergovernmental Receivable - Net | 130,206,818 | 31,639,944 | 161,846,762 | - |
| Internal Receivable | 408,660,500 | - | 81,344,949 | - |
| Due from Fiduciary Funds | - | 39,493 | 39,493 | - |
| Due from Primary Government | - | - | - | 124,014 |
| Prepaid Items | 3,576,801 | 1,325,698 | 4,902,499 | - |
| Inventory | 12,043,359 | 17,300,572 | 29,343,931 | 47,531 |
| Unamortized Bond Financing Costs | 280,000 | 10,600,086 | 10,880,086 | 1,599,373 |
| Loans and Notes Receivable - Net | 107,932,130 | 2,005,205,587 | 2,113,137,717 | 8,254,470 |
| Other Assets | - | 7,142,306 | 7,142,306 | 31,545 |
| Capital Assets: | | | | |
| Land and Construction in Progress | 151,181,632 | 34,085,327 | 185,266,959 | 1,157,462 |
| Infrastructure - Net | 752,549,220 | 75,994,449 | 828,543,669 | 506,979 |
| Buildings and Equipment - Net | 279,829,911 | 450,130,622 | 729,960,533 | 11,263,823 |
| Total Assets | 2,672,682,626 | 4,803,165,330 | 7,148,532,405 | 308,849,086 |

**The Accompanying Notes are an Integral Part of the Financial Statements**

| | Primary Government | | | Component Units |
|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total | |
| **LIABILITIES** | | | | |
| Accounts Payable | 124,689,946 | 24,355,015 | 149,044,961 | 1,249,967 |
| Accrued Payroll | 27,075,781 | 7,170,229 | 34,246,010 | - |
| Securities Lending Collateral | 35,656,075 | 117,510,114 | 153,166,189 | - |
| Interest Payable | 6,710,659 | 23,361,392 | 30,072,051 | 2,005,861 |
| Intergovernmental Payable | 29,047,251 | 1,591,045 | 30,638,296 | - |
| Tax Refunds Payable | 36,463,383 | - | 36,463,383 | |
| Contracts Payable | 6,416,689 | - | 6,416,689 | - |
| Internal Payable | - | 327,315,551 | - | - |
| Due to Primary Government | - | - | - | 7,692 |
| Federal Funds Purchased | - | 292,323,000 | 292,323,000 | |
| Reverse Repurchase Agreements | - | 23,390,000 | 23,390,000 | - |
| Claimant Liability | 3,333,000 | - | 3,333,000 | 1,125,000 |
| Other Deposits | - | 507,173,623 | 507,173,623 | - |
| Amounts Held in Custody for Others | - | 7,718,284 | 7,718,284 | - |
| Deferred Revenue | 9,002,247 | 54,897,342 | 63,899,589 | 518,271 |
| Other Liabilities | 267,000 | 8,607,644 | 8,874,644 | - |
| Long-Term Liabilities | | | | |
| Due within one year | 10,844,517 | 205,624,367 | 216,468,884 | 8,831,128 |
| Due in more than one year | 164,369,126 | 1,743,250,411 | 1,907,619,537 | 154,626,978 |
| Total Liabilities | 453,875,674 | 3,344,288,017 | 3,470,848,140 | 168,364,897 |
| **NET ASSETS** | | | | |
| Invested in Capital Assets, Net of Related Debt | 1,066,084,756 | 459,592,422 | 1,525,677,178 | 3,127,093 |
| Restricted for: | | | | |
| General Government | 7,692,738 | - | 7,692,738 | - |
| Education | 11,862,440 | - | 11,862,440 | - |
| Health and Human Services | 48,991,787 | - | 48,991,787 | - |
| Regulatory Purposes | 11,011,444 | - | 11,011,444 | - |
| Agriculture and Commerce | 8,227,829 | - | 8,227,829 | - |
| Cultural and Natural Resources | 63,516,082 | - | 63,516,082 | - |
| Transporation | 88,211,949 | - | 88,211,949 | - |
| Capital Projects | 11,765,168 | 10,067,463 | 21,832,631 | - |
| Debt Service | 15,270,064 | 85,304,790 | 100,574,854 | 38,737,000 |
| Loan Purposes | - | 44,443,500 | 44,443,500 | 73,527,000 |
| Pledged Assets | - | 92,861,570 | 92,861,570 | - |
| Unemployment Compensation | - | 48,126,922 | 48,126,922 | - |
| Permanent and Endowment Funds - Expendable | 15,981,565 | 12,125,737 | 28,107,302 | - |
| Permanent and Endowment Funds - Nonexpendable | 551,413,037 | 8,839,888 | 560,252,925 | - |
| Other | - | 8,687,000 | 8,687,000 | 3,345,605 |
| Unrestricted | 318,778,093 | 688,828,021 | 1,007,606,114 | 21,747,491 |
| Total Net Assets | $ 2,218,806,952 | $ 1,458,877,313 | $ 3,677,684,265 | $ 140,484,189 |

**The Accompanying Notes are an Integral Part of the Financial Statements**

## Statement of Activities
**For the Fiscal Year Ended June 30, 2002**

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions |
|---|---|---|---|---|
| **Primary Government:** | | | | |
| Governmental Activities: | | | | |
| General Government | $ 74,719,520 | $ 20,113,433 | $ 2,319,049 | $ - |
| Education | 418,598,694 | 2,890,417 | 98,200,490 | 20,000 |
| Health and Human Services | 730,285,413 | 19,868,736 | 514,492,530 | 45,415 |
| Regulatory | 15,105,644 | 14,309,927 | 2,408,552 | - |
| Public Safety and Corrections | 129,220,216 | 2,626,650 | 71,795,347 | - |
| Agriculture and Commerce | 51,344,782 | 17,223,430 | 19,435,444 | - |
| Natural Resources | 44,326,140 | 14,728,718 | 9,490,449 | 6,777,496 |
| Transportation | 320,773,349 | 60,347,992 | 120,672,848 | 96,169,993 |
| Intergovernmental - Revenue Sharing | 142,778,046 | - | - | - |
| Interest on Long Term Debt | 8,335,096 | - | - | - |
| Total Governmental Activities | 1,935,486,900 | 152,109,303 | 838,814,709 | 103,012,904 |
| Business-Type Activities: | | | | |
| Bank of North Dakota | 90,103,458 | 123,315,000 | - | - |
| Housing Finance | 59,502,532 | 51,350,000 | 15,384,000 | - |
| Loan Programs | 13,768,752 | 10,724,770 | 6,672,186 | - |
| Mill and Elevator | 79,009,119 | 80,960,600 | 13,979 | - |
| State Fair | 4,078,523 | 2,884,451 | 337,232 | - |
| Unemployment Compensation | 50,485,399 | 48,361,519 | 17,340,236 | - |
| University System | 587,778,460 | 229,915,020 | 149,019,569 | 6,483,747 |
| Workers Compensation | 78,051,165 | 94,167,427 | (8,614,191) | - |
| Other | 11,589,458 | 7,817,585 | (75,188) | - |
| Total Business-Type Activities | 974,366,866 | 649,496,372 | 180,077,823 | 6,483,747 |
| Total Primary Government | $ 2,909,853,766 | $ 801,605,675 | $ 1,018,892,532 | $ 109,496,651 |
| **Component Units:** | $ 24,303,198 | $ 11,377,955 | $ 34,857,822 | $ - |

General Revenues:
- Taxes:
  - Individual and Corporate Income Taxes
  - Sales and Use Taxes
  - Oil, Gas and Coal Taxes
  - Business and Other Taxes
- Unrestricted Investment Earnings
- Tobacco Settlement
- Miscellaneous
- Payment from State of North Dakota

Contributions to Permanent Fund Principal
Transfers
Total General Revenues and Transfers
Change in Net Assets
Net Assets, Beginning of Year, as Restated
Net Assets, Ending

**The Accompanying Notes are an Integral Part of the Financial Statements**

| Net (Expense) Revenue and Change in Net Assets | | | |
|---|---|---|---|
| Primary Government | | | |
| Governmental Activities | Business-Type Activities | Total | Component Units |
| $ (52,287,038) | | $ (52,287,038) | |
| (317,487,787) | | (317,487,787) | |
| (195,878,732) | | (195,878,732) | |
| 1,612,835 | | 1,612,835 | |
| (54,798,219) | | (54,798,219) | |
| (14,685,908) | | (14,685,908) | |
| (13,329,477) | | (13,329,477) | |
| (43,582,516) | | (43,582,516) | |
| (142,778,046) | | (142,778,046) | |
| (8,335,096) | | (8,335,096) | |
| (841,549,984) | | (841,549,984) | |
| | $ 33,211,542 | 33,211,542 | |
| | 7,231,468 | 7,231,468 | |
| | 3,628,204 | 3,628,204 | |
| | 1,965,460 | 1,965,460 | |
| | (856,840) | (856,840) | |
| | 15,216,356 | 15,216,356 | |
| | (202,360,124) | (202,360,124) | |
| | 7,502,071 | 7,502,071 | |
| | (3,847,061) | (3,847,061) | |
| - | (138,308,924) | (138,308,924) | |
| (841,549,984) | (138,308,924) | (979,858,908) | |
| | | | $ 21,932,579 |
| 233,288,277 | - | 233,288,277 | - |
| 567,901,369 | - | 567,901,369 | - |
| 90,976,331 | - | 90,976,331 | - |
| 59,284,332 | - | 59,284,332 | - |
| 5,213,490 | - | 5,213,490 | - |
| 14,729,391 | - | 14,729,391 | - |
| 6,858,007 | - | 6,858,007 | - |
| - | - | - | 1,175,000 |
| 13,665,257 | - | 13,665,257 | - |
| (170,233,044) | 188,309,895 | 18,076,851 | - |
| 821,683,410 | 188,309,895 | 1,009,993,305 | 1,175,000 |
| (19,866,574) | 50,000,971 | 30,134,397 | 23,107,579 |
| 2,238,673,526 | 1,408,876,342 | 3,647,549,868 | 117,376,610 |
| $ 2,218,806,952 | $ 1,458,877,313 | $ 3,677,684,265 | $ 140,484,189 |

The Accompanying Notes are an Integral Part of the Financial Statements

# STATE OF NORTH DAKOTA

## Balance Sheet
## Governmental Funds
### June 30, 2002

| | General | Federal | School Permanent Trust Fund | Other Governmental Funds | Total |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash Deposits at the Bank of ND | $ 33,853,613 | $ 40,664,924 | $ 2,057,823 | $ 264,245,743 | $ 340,822,103 |
| Cash and Cash Equivalents | 1,522,722 | 565,436 | - | 6,832,134 | 8,920,292 |
| Investments at the Bank of ND | - | - | - | 60,940,020 | 60,940,020 |
| Investments | - | - | 546,843,069 | 70,107,371 | 616,950,440 |
| Accounts Receivable - Net | 396,349 | 4,599,371 | - | 12,302,971 | 17,298,691 |
| Taxes Receivable - Net | 127,930,291 | - | 174,926 | 45,110,358 | 173,215,575 |
| Interest Receivable - Net | 15,018 | 24 | 5,353,283 | 1,263,723 | 6,632,048 |
| Intergovernmental Receivable - Net | - | 127,124,377 | - | 2,972,874 | 130,097,251 |
| Due from Other Funds | 34,495,118 | 5,675,418 | 6,170,573 | 28,413,109 | 74,754,218 |
| Prepaid Items | - | - | - | 943,786 | 943,786 |
| Inventory | 686,231 | 3,259,423 | - | 5,185,360 | 9,131,014 |
| Loans and Notes Receivable - Net | 84,691 | - | 46,317,869 | 61,529,570 | 107,932,130 |
| Total Assets | $ 198,984,033 | $ 181,888,973 | $ 606,917,543 | $ 559,847,019 | $ 1,547,637,568 |
| **LIABILITIES AND FUND BALANCES** | | | | | |
| Liabilities: | | | | | |
| Accounts Payable | $ 22,938,127 | $ 81,912,409 | $ 196,545 | $ 18,765,529 | $ 123,812,610 |
| Accrued Payroll | 10,848,378 | 9,700,541 | - | 5,426,777 | 25,975,696 |
| Securities Lending Collateral | - | - | 35,149,796 | 4,818,670 | 39,968,466 |
| Interest Payable | 88,135 | - | - | 31,220 | 119,355 |
| Intergovernmental Payable | 41,295 | 6,944,668 | - | 22,061,288 | 29,047,251 |
| Tax Refunds Payable | 35,820,823 | - | - | 642,560 | 36,463,383 |
| Contracts Payable | 11,165 | 5,197,447 | - | 1,208,077 | 6,416,689 |
| Due to Other Funds | 11,327,093 | 42,020,624 | 92,106 | 21,268,386 | 74,708,209 |
| Claims/Judgments Payable | - | - | 3,333,000 | - | 3,333,000 |
| Deferred Revenue | 2,420,907 | 10,911,096 | - | 10,099,491 | 23,431,494 |
| Other Liabilities | - | - | - | 267,000 | 267,000 |
| Total Liabilities | 83,495,923 | 156,686,785 | 38,771,447 | 84,588,998 | 363,543,153 |
| Fund Balances: | | | | | |
| Reserved for: | | | | | |
| Inventory | 686,231 | 177,370 | - | 5,185,360 | 6,048,961 |
| Long - Term Receivables | 84,691 | - | - | 61,529,570 | 61,614,261 |
| Debt Service | - | - | - | 17,159,371 | 17,159,371 |
| Capital Projects | - | - | - | 11,765,168 | 11,765,168 |
| Prepaid Expenditures | - | - | - | 943,786 | 943,786 |
| Undistributed Revenue | - | - | 5,353,283 | - | 5,353,283 |
| Permanent Trust Fund | - | - | 562,792,813 | - | 562,792,813 |
| Legal Requirements | - | - | - | 10,763,063 | 10,763,063 |
| Unreserved: | | | | | |
| Designated for: | | | | | |
| Fund Activities | - | - | - | 4,545,166 | 4,545,166 |
| Patients Welfare | - | - | - | 460,463 | 460,463 |
| Unreserved, Reported in : | | | | | |
| General Fund | 114,717,188 | - | - | - | 114,717,188 |
| Special Revenue Funds | - | 25,024,818 | - | 362,906,074 | 387,930,892 |
| Total Fund Balances | 115,488,110 | 25,202,188 | 568,146,096 | 475,258,021 | 1,184,094,415 |
| Total Liabilities and Fund Balances | $ 198,984,033 | $ 181,888,973 | $ 606,917,543 | $ 559,847,019 | $ 1,547,637,568 |

**The Accompanying Notes are an Integral Part of the Financial Statements**

## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

**June 30, 2002**

| | | |
|---|---|---|
| **Total Fund Balances-Governmental Funds** | | $ 1,184,094,415 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is $3,372,859,301 and the accumulated depreciation is $2,237,922,763. | | 1,134,936,538 |
| Some of the state's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. | | 17,285,548 |
| Prepaid items are paid from current available financial resources in the funds, but are capitalized in the statement of net assets. | | 2,324,103 |
| Internal service funds are used to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.. | | 52,478,213 |
| Bonds issued by the State have associated costs that are paid from current available financial resources in the funds. However, these costs are deferred on the statement of net assets. | | 280,000 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Those liabilities consist of: | | |
| Bonds Payable | (140,161,180) | |
| Notes Payable | (150,151) | |
| Accrued Interest on Long-Term Liabilities | (1,889,358) | |
| Compensated Absences | (26,188,108) | |
| Intergovernmental Payable | (590,809) | |
| Capital Leases | (1,395,662) | |
| Claims and Judgments | (2,216,597) | |
| Total Long-Term Liabilities | | (172,591,865) |
| **Net Assets of Governmental Activities** | | $ 2,218,806,952 |

**The Accompanying Notes are an Integral Part of the Financial Statements**

# STATE OF NORTH DAKOTA

## Statement of Revenues, Expenditures and Changes in Fund Balances
## Governmental Funds
**For the Fiscal Year Ended June 30, 2002**

| | General | Federal | School Permanent Trust Fund | Other Governmental Funds | Total |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| Individual and Corporate Income Taxes | $ 225,484,517 | $ - | $ - | $ 9,327,938 | $ 234,812,455 |
| Sales and Use Taxes | 421,869,390 | - | - | 145,595,669 | 567,465,059 |
| Oil, Gas, and Coal Taxes | 53,826,559 | - | 1,696,709 | 35,453,063 | 90,976,331 |
| Business Taxes | 42,634,774 | - | - | 16,649,558 | 59,284,332 |
| Licenses, Permits and Fees | 11,327,505 | - | - | 78,970,199 | 90,297,704 |
| Intergovernmental | - | 917,579,621 | - | 1,352,377 | 918,931,998 |
| Sales and Services | 1,358,059 | 3,895,716 | - | 34,043,276 | 39,297,051 |
| Royalties and Rents | 3,797,829 | 207 | 12,084,257 | 2,035,594 | 17,917,887 |
| Fines and Forfeits | 2,296,396 | - | 1,613,937 | 6,981,758 | 10,892,091 |
| Interest and Investment Income | 3,431,724 | 67,837 | (5,778,277) | 6,568,115 | 4,289,399 |
| Tobacco Settlement | | - | 12,051,320 | 14,729,391 | 26,780,711 |
| Commodity Assessments | - | - | - | 9,443,805 | 9,443,805 |
| Miscellaneous | 363,255 | 11,581 | - | 2,716,689 | 3,091,525 |
| Total Revenues | 766,390,008 | 921,554,962 | 21,667,946 | 363,867,432 | 2,073,480,348 |
| **EXPENDITURES** | | | | | |
| Current: | | | | | |
| General Government | 63,145,955 | 805,264 | - | 6,297,143 | 70,248,362 |
| Education | 287,577,112 | 86,220,618 | 2,559,118 | 37,059,624 | 413,416,472 |
| Health and Human Services | 196,337,923 | 486,994,260 | - | 45,178,718 | 728,510,901 |
| Regulatory | 7,569,309 | 2,289,132 | - | 4,803,591 | 14,662,032 |
| Public Safety and Corrections | 60,631,989 | 70,273,843 | - | 4,685,184 | 135,591,016 |
| Agriculture and Commerce | 10,312,451 | 18,512,440 | - | 22,438,139 | 51,263,030 |
| Natural Resources | 13,069,208 | 14,444,948 | - | 19,444,668 | 46,958,824 |
| Transportation | 334,817 | 214,527,008 | - | 109,959,559 | 324,821,384 |
| Intergovernmental - Revenue Sharing | - | - | - | 142,778,046 | 142,778,046 |
| Capital Outlay | 58,354 | 102,061 | - | 8,987,009 | 9,147,424 |
| Debt Service: | | | | | |
| Principal | - | - | - | 6,374,010 | 6,374,010 |
| Interest and Other Charges | - | - | - | 7,327,477 | 7,327,477 |
| Total Expenditures | 639,037,118 | 894,169,574 | 2,559,118 | 415,333,168 | 1,951,098,978 |
| Revenues over (under) Expenditures | 127,352,890 | 27,385,388 | 19,108,828 | (51,465,736) | 122,381,370 |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Proceeds from Bonds and Notes | - | - | - | 11,368,445 | 11,368,445 |
| Proceeds from Capital Leases | 58,354 | 102,061 | - | - | 160,415 |
| Proceeds from Sale of Capital Assets | 146,361 | - | - | 293,035 | 439,396 |
| Other | - | - | - | 3,813 | 3,813 |
| Transfers In | 42,294,412 | 408,419 | - | 89,380,264 | 132,083,095 |
| Transfers Out | (213,412,321) | (34,828,640) | (31,516,262) | (23,159,192) | (302,916,415) |
| Total Other Financing Sources (Uses) | (170,913,194) | (34,318,160) | (31,516,262) | 77,886,365 | (158,861,251) |
| Net Change in Fund Balances | (43,560,304) | (6,932,772) | (12,407,434) | 26,420,629 | (36,479,881) |
| Fund Balances - Beginning of Year, as Adjusted | 159,048,414 | 32,134,960 | 580,553,530 | 448,837,392 | 1,220,574,296 |
| Fund Balances - End of Year | $ 115,488,110 | $ 25,202,188 | $ 568,146,096 | $ 475,258,021 | $ 1,184,094,415 |

**The Accompanying Notes are an Integral Part of the Financial Statements**

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2002

| | | |
|---|---|---|
| **Net Change in Fund Balances-Total Governmental Funds** | | $ (36,479,881) |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are: | | |
| Capital Outlay | 150,352,628 | |
| Depreciation Expense | (136,249,472) | |
| Excess of capital outlay over depreciation expense | | 14,103,156 |
| In the statement of activities, only the *gain(loss)* on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold. | | (924,737) |
| Donations of capital assets increase net assets in the statement of activities but do not appear in the governmental funds because they are not financial resources. | | 152,915 |
| Some of the assets acquired this year were financed through capital leases. The amount financed is reported in the governmental funds as a source of financing. However, capital leases are reported as long-term liabilities in the statement of net assets. | | (160,415) |
| Based on receipt dates, some revenues are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased/decreased by this amount this year. | | 3,888,011 |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of internal service funds is reported with governmental activities | | 3,932,526 |
| Prepaid items are paid from current available financial resources in the funds, but are capitalized in the statement of net assets. | | 1,170,283 |
| Bonds proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. | | (11,368,445) |
| Bonds issued by the State have associated costs that are paid from current available financial resources in the funds. However, these costs are deferred on the statement of net assets. | | 280,000 |
| Repayment of long-term debt is reported as an expenditure in governmental funds but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of: | | |
| Bond principal retirement | 6,374,010 | |
| Note payments | 168,919 | |
| Capital lease payments | 2,240,670 | |
| Total long-term debt repayment | | 8,783,599 |
| Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of: | | |
| Net increase/decrease in accrued interest | (974,650) | |
| Net increase/decrease in compensated absences | (1,412,104) | |
| Net increase/decrease in intergovernmental payable | (264,601) | |
| Net increase/decrease in claims and judgments | (592,231) | |
| Total additional expenditures | | (3,243,586) |
| **Change in Net Assets of Governmental Activities** | | $ (19,866,574) |

**The Accompanying Notes are an Integral Part of the Financial Statements**

# STATE OF NORTH DAKOTA

## Statement of Net Assets
## Proprietary Funds
### June 30, 2002

| | Business-Type Activities - Enterprise Funds | | | | | | Governmental Activities |
|---|---|---|---|---|---|---|---|
| | Bank of North Dakota | Housing Finance | University System | Workers Compensation | Other Enterprise Funds | Total | Internal Service Funds |
| ASSETS | | | | | | | |
| Current Assets: | | | | | | | |
| Cash Deposits at the Bank of ND | | $ 930,000 | $ 55,274,443 | $ 749,739 | $ 17,181,848 | $ 74,136,030 | $ 6,285,213 |
| Cash and Cash Equivalents | | 26,000 | 858,575 | - | 39,421,265 | 40,305,840 | 15,579 |
| Investments at the Bank of ND | | - | 14,709,566 | 30,666,499 | 38,315,882 | 83,691,947 | - |
| Investments | | 14,037,000 | - | 983,897,936 | 18,087,126 | 1,016,022,062 | 3,290,852 |
| Accounts Receivable - Net | | 459,000 | 13,703,753 | 19,939,239 | 27,668,484 | 61,770,476 | 48,988 |
| Interest Receivable - Net | | 319,000 | 152,582 | 8,084,740 | 1,409,711 | 9,966,033 | 49,790 |
| Intergovernmental Receivable - Net | | 383,000 | 28,557,277 | - | 2,699,667 | 31,639,944 | 109,567 |
| Due from Other Funds | | 30,000 | 12,023,103 | 23,268 | 1,220,469 | 13,296,840 | 4,882,322 |
| Due from Fiduciary Funds | | - | - | - | 39,493 | 39,493 | - |
| Prepaid Items | | 16,000 | - | 324,772 | 984,926 | 1,325,698 | 308,912 |
| Inventory | | - | 6,649,214 | - | 10,651,358 | 17,300,572 | 125,728 |
| Loans and Notes Receivable - Net | | 900,000 | 5,465,301 | - | 2,104,684 | 8,469,985 | - |
| Other Current Assets | | - | 1,121,776 | - | - | 1,121,776 | - |
| Restricted Cash at the Bank of ND | | 6,967,000 | - | - | 32,427,000 | 39,394,000 | - |
| Restricted Cash and Cash Equivalents | | 130,660,000 | - | - | - | 130,660,000 | - |
| Restricted Investments at the Bank Of ND | | - | - | - | 94,392,000 | 94,392,000 | - |
| Restricted Interest Receivable - Net | | 3,450,000 | - | - | 983,000 | 4,433,000 | - |
| Restricted Loans Receivable - Net | | 10,904,000 | - | - | 16,595,000 | 27,499,000 | - |
| Total Current Assets | | 169,081,000 | 138,515,590 | 1,043,686,193 | 304,181,913 | 1,655,464,696 | 15,116,951 |
| Noncurrent Assets: | | | | | | | |
| Restricted Cash at the Bank of ND | | - | - | - | 2,353,000 | 2,353,000 | - |
| Restricted Cash and Cash Equivalents | | - | 4,568,607 | - | 18,493 | 4,587,100 | - |
| Investments at the Bank of ND | | - | 59,905,035 | - | - | 59,905,035 | - |
| Investments | | - | 13,481,088 | - | - | 13,481,088 | - |
| Restricted Investments at the Bank Of ND | | - | - | - | 27,426,827 | 27,426,827 | - |
| Restricted Investments | | 17,722,000 | 15,826,444 | - | 6,498,203 | 40,046,647 | - |
| Loans and Notes Receivable - Net | | - | 35,821,513 | - | 28,436,089 | 64,257,602 | - |
| Restricted Loans Receivable - Net | | 612,146,000 | - | - | 65,813,000 | 677,959,000 | - |
| Unamortized Bond Issuance Costs | | 8,281,000 | 1,140,086 | - | 1,179,000 | 10,600,086 | - |
| Other Noncurrent Assets | | - | 6,550 | - | 868,980 | 875,530 | - |
| Capital Assets: | | | | | | | |
| Land and Construction in Progress | | - | 28,714,236 | 4,148,158 | 550,933 | 33,413,327 | - |
| Infrastructure - Net | | - | 74,390,350 | - | 1,604,099 | 75,994,449 | - |
| Buildings and Equipment -Net | | 86,000 | 400,026,774 | 773,813 | 45,945,035 | 446,831,622 | 48,624,225 |
| Total Noncurrent Assets | | 638,235,000 | 633,880,683 | 4,921,971 | 180,693,659 | 1,457,731,313 | 48,624,225 |
| Bank Related Assets: | | | | | | | |
| Cash and Cash Equivalents | $ 498,381,000 | | | | | 498,381,000 | |
| Investments | 329,623,000 | | | | | 329,623,000 | |
| Interest Receivable - Net | 20,425,000 | | | | | 20,425,000 | |
| Due from Other Funds | 22,882,000 | | | | | 22,882,000 | |
| Loans and Notes Receivable - Net | 1,227,020,000 | | | | | 1,227,020,000 | |
| Other Assets | 5,145,000 | | | | | 5,145,000 | |
| Capital Assets: | | | | | | | |
| Land and Construction in Progress | 672,000 | | | | | 672,000 | |
| Buildings and Equipment - Net | 3,299,000 | | | | | 3,299,000 | |
| Total Bank Related Assets | 2,107,447,000 | | | | | 2,107,447,000 | |
| Total Assets | 2,107,447,000 | 807,316,000 | 772,396,273 | 1,048,608,164 | 484,875,572 | 5,220,643,009 | 63,741,176 |

The Accompanying Notes are an Integral Part of the Financial Statements

| | Business-Type Activities - Enterprise Funds | | | | | | Governmental Activities |
|---|---|---|---|---|---|---|---|
| | Bank of North Dakota | Housing Finance | University System | Workers Compensation | Other Enterprise Funds | Total | Internal Service Funds |
| LIABILITIES | | | | | | | |
| Current Liabilities: | | | | | | | |
| Accounts Payable | | 502,000 | 15,058,218 | 3,949,284 | 4,845,513 | 24,355,015 | 868,734 |
| Accrued Payroll | | - | 7,008,071 | - | 162,158 | 7,170,229 | 1,108,687 |
| Securities Lending Collateral | | - | - | 115,393,911 | 2,116,203 | 117,510,114 | 386,924 |
| Interest Payable | | 19,481,000 | 1,117,690 | - | 922,242 | 21,520,932 | 2,631 |
| Intergovernmental Payable | | 2,869,000 | - | - | 9,829,904 | 12,698,904 | - |
| Due to Other Funds | | 1,981,000 | 12,092,615 | 46,076 | 20,466,585 | 34,586,276 | 3,206,720 |
| Other Deposits | | - | 5,822,996 | - | - | 5,822,996 | - |
| Amounts Held in Custody for Others | | 6,967,000 | - | - | 751,284 | 7,718,284 | - |
| Claims/Judgments Payable | | - | - | 75,000,000 | 5,939,681 | 80,939,681 | 850,528 |
| Compensated Absences Payable | | 82,000 | 903,759 | 52,510 | 29,983 | 1,068,252 | 55,097 |
| Notes Payable | | - | 408,852 | - | - | 408,852 | 348,653 |
| Capital Leases Payable | | - | 5,834,984 | 25,447 | 37,366 | 5,897,797 | 7,294 |
| Bonds Payable | | 10,605,000 | 4,907,298 | - | 64,039,461 | 79,551,759 | - |
| Deferred Revenue | | 77,000 | 12,158,173 | 41,861,328 | 894,723 | 54,991,224 | 69,684 |
| Other Current Liabilities | | - | 153,477 | - | 413,452 | 566,929 | - |
| Total Current Liabilities | | 42,564,000 | 65,466,133 | 236,328,556 | 110,448,555 | 454,807,244 | 6,904,952 |
| Noncurrent Liabilities: | | | | | | | |
| Intergovernmental Payable | | 3,143,000 | - | - | 8,906,870 | 12,049,870 | - |
| Claims/Judgments Payable | | - | - | 425,800,000 | 1,255,874 | 427,055,874 | 2,178,273 |
| Compensated Absences Payable | | 54,000 | 14,805,751 | 472,585 | 751,454 | 16,083,790 | 1,063,440 |
| Notes Payable | | - | 3,898,056 | - | - | 3,898,056 | 7,851 |
| Capital Leases Payable | | - | 24,346,532 | 33,929 | 63,087 | 24,443,548 | - |
| Bonds Payable | | 700,737,000 | 57,393,498 | - | 127,561,148 | 885,691,646 | - |
| Other Noncurrent Liabilities | | - | 1,740,479 | - | 143,636 | 1,884,115 | - |
| Total Noncurrent Liabilities | | 703,934,000 | 102,184,316 | 426,306,514 | 138,682,069 | 1,371,106,899 | 3,249,564 |
| Bank Related Liabilities: | | | | | | | |
| Interest Payable | 1,341,000 | | | | | 1,341,000 | |
| Due to Other Funds | 3,643,000 | | | | | 3,643,000 | |
| Federal Funds Purchased | 292,323,000 | | | | | 292,323,000 | |
| Reverse Repurchase Agreements | 23,390,000 | | | | | 23,390,000 | |
| Deposits Held for Other Funds | 752,993,000 | | | | | 752,993,000 | |
| Other Deposits | 455,608,000 | | | | | 455,608,000 | |
| Other Liabilities | 8,109,000 | | | | | 8,109,000 | |
| Long Term Liabilities: | | | | | | | |
| Due within one year | 26,488,000 | | | | | 26,488,000 | |
| Due in more than one year | 373,065,000 | | | | | 373,065,000 | |
| Total Bank Related Liabilities | 1,936,960,000 | | | | | 1,936,960,000 | |
| Total Liabilities | 1,936,960,000 | 746,498,000 | 167,650,449 | 662,635,070 | 249,130,624 | 3,762,874,143 | 10,154,516 |
| NET ASSETS | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 3,971,000 | 86,000 | 410,257,506 | 4,852,435 | 40,425,481 | 459,592,422 | 48,578,943 |
| Restricted for: | | | | | | | |
| Capital Projects | - | - | 10,049,019 | - | 18,444 | 10,067,463 | - |
| Debt Service | - | 27,441,000 | 10,448,844 | - | 47,414,946 | 85,304,790 | - |
| Loan Purposes | - | - | 44,443,500 | - | - | 44,443,500 | - |
| Pledged Assets | 92,046,000 | - | - | - | 815,570 | 92,861,570 | - |
| Unemployment Compensation | - | - | - | - | 48,126,922 | 48,126,922 | - |
| Endowment Funds-Nonexpendable | - | - | 12,125,737 | - | - | 12,125,737 | - |
| Endowment Funds-Expendable | - | - | 8,839,888 | - | - | 8,839,888 | - |
| Other | - | 8,687,000 | - | - | - | 8,687,000 | - |
| Unrestricted | 74,470,000 | 24,604,000 | 108,581,330 | 381,120,659 | 98,943,585 | 687,719,574 | 5,007,717 |
| Total Net Assets | $ 170,487,000 | $ 60,818,000 | $ 604,745,824 | $ 385,973,094 | $ 235,744,948 | $ 1,457,768,866 | $ 53,586,660 |

## Reconciliation of the Proprietary Funds Statement of Net Assets to the Statement of Net Assets

**June 30, 2002**

| | |
|---|---|
| **Total Net Assets - Enterprise Funds** | $ 1,457,768,866 |
| Amounts reported for business-type activities in the statement of net assets are different because: | |
| Prior year net assets restatement and reduction of current year expenses based on the allocation of internal service fund's net income | 1,108,447 |
| **Net Assets of Business-Type Activities** | $ 1,458,877,313 |

The Accompanying Notes are an Integral Part of the Financial Statements

# STATE OF NORTH DAKOTA

## Statement of Revenues, Expenses and Changes in Fund Net Assets
## Proprietary Funds
### For the Fiscal Year Ended June 30, 2002

| | Business-Type Activities - Enterprise Funds | | | | | | Governmental Activities |
|---|---|---|---|---|---|---|---|
| | Bank of North Dakota | Housing Finance | University System | Workers Compensation | Other Enterprise Funds | Total | Internal Service Funds |
| **OPERATING REVENUES** | | | | | | | |
| Sales and Services | $ 8,644,000 | $ 1,584,000 | $ 64,216,072 | $ 92,562,230 | $ 142,625,051 | $ 309,631,353 | $ 56,361,773 |
| Auxiliary Sales Pledged for Bonds | - | - | 52,612,292 | - | - | 52,612,292 | - |
| Tuition and Fees | - | - | 105,568,946 | - | - | 105,568,946 | - |
| Grants and Contributions | - | - | 126,735,701 | - | 15,202,279 | 141,937,980 | - |
| Royalties and Rents | - | - | - | - | 7,820 | 7,820 | - |
| Fines and Forfeits | - | - | - | 1,605,197 | - | 1,605,197 | - |
| Interest and Investment Income | 114,671,000 | 49,766,000 | - | - | 8,053,975 | 172,490,975 | - |
| Miscellaneous | - | - | 842,469 | - | 62,079 | 904,548 | 197,118 |
| Total Operating Revenues | 123,315,000 | 51,350,000 | 349,975,480 | 94,167,427 | 165,951,204 | 784,759,111 | 56,558,891 |
| **OPERATING EXPENSES** | | | | | | | |
| Cost of Sales and Services | - | - | 35,436,825 | - | 76,986,989 | 112,423,814 | 1,202,504 |
| Salaries and Benefits | 7,179,000 | - | 347,630,078 | - | 4,020,116 | 358,829,194 | 13,779,074 |
| Operating | 9,227,000 | 5,093,000 | 142,975,820 | 11,663,862 | 13,060,359 | 182,020,041 | 26,848,116 |
| Claims | - | - | - | 59,676,037 | 55,992,675 | 115,668,712 | 2,014,530 |
| Refunds | - | - | - | - | 504 | 504 | - |
| Scholarships and Fellowships | - | - | 23,484,682 | - | - | 23,484,682 | - |
| Interest | 72,840,000 | 41,392,000 | - | - | 5,501,770 | 119,733,770 | - |
| Depreciation | 831,000 | 52,000 | 32,377,317 | 270,519 | 2,317,192 | 35,848,028 | 8,172,396 |
| Miscellaneous | - | - | - | - | 4,094 | 4,094 | - |
| Total Operating Expenses | 90,077,000 | 46,537,000 | 581,904,722 | 71,610,418 | 157,883,699 | 948,012,839 | 52,016,620 |
| Operating Income (Loss) | 33,238,000 | 4,813,000 | (231,929,242) | 22,557,009 | 8,067,505 | (163,253,728) | 4,542,271 |
| **NONOPERATING REVENUES (EXPENSES)** | | | | | | | |
| Grants and Contracts | - | - | 4,176,277 | - | 283,843 | 4,460,120 | - |
| Gifts | - | - | 13,601,789 | - | - | 13,601,789 | - |
| Interest and Investment Income | - | 15,384,000 | 4,505,802 | (8,614,191) | 8,799,786 | 20,075,397 | (34,146) |
| Interest Expense | - | (12,963,000) | (3,490,222) | (6,451,741) | (586,364) | (23,491,327) | (68,719) |
| Loss on Sale of Capital Assets | - | (2,000) | (2,941,423) | - | (263,654) | (3,207,077) | (534,128) |
| Other | - | - | 6,675,241 | - | (228,068) | 6,447,173 | 2,108 |
| Total Nonoperating Revenues (Expenses) | - | 2,419,000 | 22,527,464 | (15,065,932) | 8,005,543 | 17,886,075 | (634,885) |
| Income (Loss) Before Contributions and Transfers | 33,238,000 | 7,232,000 | (209,401,778) | 7,491,077 | 16,073,048 | (145,367,653) | 3,907,386 |
| Capital Grants and Contributions | - | - | 6,483,747 | - | - | 6,483,747 | - |
| Transfers In | 12,000 | - | 213,864,972 | - | 4,592,500 | 218,469,472 | 600,275 |
| Transfer Out | (15,541,000) | (24,000) | (4,276,675) | (150,000) | (10,167,902) | (30,159,577) | - |
| Change in Net Assets | 17,709,000 | 7,208,000 | 6,670,266 | 7,341,077 | 10,497,646 | 49,425,989 | 4,507,661 |
| Total Net Assets - Beginning of Year, as Adjusted | 152,778,000 | 53,610,000 | 598,075,558 | 378,632,017 | 225,247,302 | 1,408,342,877 | 49,078,999 |
| Total Net Assets - End of Year | $ 170,487,000 | $ 60,818,000 | $ 604,745,824 | $ 385,973,094 | $ 235,744,948 | $1,457,768,866 | $ 53,586,660 |

## Reconciliation of Statement of Revenues, Expenses and Changes in Fund Net Assets of Proprietary Funds to the Statement of Activities
### For the Fiscal Year Ended June 30, 2002

| | |
|---|---|
| **Net Change in Net Assets-Total Enterprise Funds** | $ 49,425,989 |
| Amounts reported for business-type activities in the statement of activities are different because: | |
| Expenses were reduced based on the allocation of internal service fund's net income | 574,982 |
| **Change in Net Assets of Business-Type Activities** | $ 50,000,971 |

**The Accompanying Notes are an Integral Part of the Financial Statements**

(Continued on the Next Page)

# Statement Of Cash Flows
# Proprietary Funds
## For The Fiscal Year Ended June 30, 2002

| | Business-Type Activities - Enterprise Funds | | | | | | Governmental Activities |
|---|---|---|---|---|---|---|---|
| | Bank Of North Dakota | Housing Finance | University System | Workers Compensation | Other Enterprise Funds | Total | Internal Service Funds |
| **Cash Flows From Operating Activities:** | | | | | | | |
| Receipts From Customers and Users | $ 9,997,000 | $ 129,396,000 | $ 116,746,731 | $ 103,560,693 | $ 285,702,295 | $ 645,402,719 | $ 56,919,309 |
| Receipts From Tuition and Fees | - | - | 101,972,524 | - | - | 101,972,524 | - |
| Interest Income on Loans | - | - | - | - | 621,222 | 621,222 | - |
| Receipts From Loan Principal Repayments | - | - | 7,974,332 | - | 12,470,057 | 20,444,389 | - |
| Receipts From Federal And Local Agencies | - | - | 6,074,895 | - | - | 6,074,895 | 25 |
| Receipts From Other Funds | - | - | - | - | 455 | 455 | 94,327 |
| Receipts From Grants and Contracts | - | - | 123,187,823 | - | - | 123,187,823 | - |
| Reed Act Distribution | - | - | - | - | 15,267,835 | 15,267,835 | - |
| Receipts From Others | - | - | 3,008,569 | - | 59,512 | 3,068,081 | 76,848 |
| Payments For Loan Funds | - | - | (8,174,177) | - | (10,302,155) | (18,476,332) | - |
| Payments To Other Funds | - | - | - | - | (5,782) | (5,782) | - |
| Payments For Scholarships and Fellowships | - | - | (23,180,782) | - | - | (23,180,782) | - |
| Payments To Suppliers | (4,612,000) | (103,654,000) | (178,125,747) | (89,547,660) | (284,834,791) | (660,774,198) | (29,642,751) |
| Payments To Employees | (7,157,000) | (1,622,000) | (344,903,107) | (7,528,644) | (8,973,008) | (370,183,759) | (12,763,239) |
| Payments To Others | - | (2,877,000) | - | (6,947,558) | (4,598) | (9,829,156) | (394,052) |
| Net Cash Provided By (Used For) Operating Activities | (1,772,000) | 21,243,000 | (195,418,939) | (463,169) | 10,001,042 | (166,410,066) | 14,290,467 |
| **Cash Flows From Noncapital Financing Activities:** | | | | | | | |
| Proceeds From Bonds | - | 77,056,000 | - | - | - | 77,056,000 | - |
| Proceeds From Sale Of Notes And Other Borrowings | 151,141,000 | - | - | - | - | 151,141,000 | 1,000,000 |
| Principal Payments - Bonds | - | - | - | - | (27,082,000) | (27,082,000) | - |
| Principal Payments - Notes And Other Borrowings | (6,027,000) | (207,465,000) | - | - | - | (213,492,000) | (2,313,453) |
| Interest Payments - Bonds | - | (46,450,000) | - | - | (5,430,000) | (51,880,000) | - |
| Interest Payments - Notes And Other Borrowings | (19,479,000) | - | - | - | (279,770) | (19,758,770) | (45,350) |
| Payment Of Bond Issue Costs | - | (921,000) | - | - | - | (921,000) | - |
| Operating Transfers In | - | - | - | - | 4,892,500 | 4,892,500 | 600,275 |
| Operating Transfers Out | (50,036,000) | (24,000) | - | (150,000) | (1,167,902) | (51,377,902) | - |
| Net Increase In Non-Interest Bearing Deposits | 62,884,000 | - | - | - | - | 62,884,000 | - |
| Net Increase (Decrease) In Interest Bearing Deposits | 10,469,000 | - | - | - | - | 10,469,000 | - |
| Payments Of Interest On Deposits | (45,673,000) | - | - | - | - | (45,673,000) | - |
| Interest Paid On Federal Funds And Reverse Repurchase Agreements | (10,396,000) | - | - | - | - | (10,396,000) | - |
| Net Increase In Federal Funds And Reverse Repurchase Agreements | 100,641,000 | - | - | - | - | 100,641,000 | - |
| Proceeds From Due From Primary Government | 483,000 | - | 2,500,000 | - | 75,000 | 3,058,000 | - |
| Collection Of Due To Primary Government | (483,000) | - | - | - | (797,474) | (1,280,474) | - |
| Grants Received | - | - | 12,277,790 | - | 283,843 | 12,561,633 | - |
| State Appropriations | - | - | 214,619,560 | - | - | 214,619,560 | - |
| Agency Fund Cash Increase | - | - | 3,306,547 | - | - | 3,306,547 | - |
| Cash Received On Deposits | - | - | 91,353 | - | - | 91,353 | - |
| Cash Paid On Deposits | - | - | (1,936,417) | - | - | (1,936,417) | - |
| Other | - | - | 2,118,213 | - | - | 2,118,213 | - |
| Net Cash Provided By (Used For) Noncapital Financing Activities | 193,524,000 | (177,804,000) | 232,977,046 | (150,000) | (29,505,803) | 219,041,243 | (758,528) |
| **Cash Flows From Capital And Related Financing Activities:** | | | | | | | |
| Acquisition And Construction Of Capital Assets | (1,158,000) | (12,000) | (42,008,364) | (2,991,034) | (2,714,141) | (48,883,539) | (13,051,352) |
| Proceeds From Sale Of Capital Assets | - | 4,000 | 56,451 | - | 14,867 | 75,318 | 1,945,422 |
| Proceeds From Sale Of Notes And Other Borrowings | - | - | 19,991,081 | - | 20,900,000 | 40,891,081 | - |
| Principal Payments - Bonds | - | - | - | - | (195,000) | (195,000) | - |
| Principal Payments - Notes And Other Borrowings | - | - | (15,509,175) | - | (22,208,426) | (37,717,601) | - |
| Interest Payments - Bonds | - | - | - | - | (133,335) | (133,335) | - |
| Interest Payments - Notes And Other Borrowings | - | - | (3,249,608) | - | (319,947) | (3,569,555) | - |
| Capital Appropriations | - | - | 6,783,968 | - | - | 6,783,968 | - |
| Payment On Capital Leases | - | - | - | - | (43,590) | (43,590) | (35,364) |
| Interest Payments - Capital Leases | - | - | - | - | - | - | (1,598) |
| Other | - | - | - | - | (137,484) | (137,484) | - |
| Payment Of Bond Discounts | - | - | (170,218) | - | - | (170,218) | - |
| Operating Transfers In From Other Funds | - | - | 1,466,206 | - | - | 1,466,206 | - |
| Operating Transfers (Out) To Other Funds | - | - | (4,276,675) | - | - | (4,276,675) | - |
| Capital Grants and Gifts Received | - | - | 5,214,392 | - | - | 5,214,392 | - |
| Insurance Proceeds | - | - | 4,828,667 | - | - | 4,828,667 | - |
| Net Cash Used For Capital And Related Financing Activities | (1,158,000) | (8,000) | (26,873,275) | (2,991,034) | (4,837,056) | (35,867,365) | (11,142,892) |

**The Accompanying Notes are an Integral Part of the Financial Statements**

# Statement Of Cash Flows
# Proprietary Funds (Continued)
## For The Fiscal Year Ended June 30, 2002

| | Business-Type Activities - Enterprise Funds | | | | | | Governmental Activities |
|---|---|---|---|---|---|---|---|
| | Bank Of North Dakota | Housing Finance | University System | Workers Compensation | Other Enterprise Funds | Total | Internal Service Funds |
| **Cash Flows From Investing Activities:** | | | | | | | |
| Proceeds From Sale And Maturities Of Investment Securities | 529,408,000 | 6,976,000 | 54,829,544 | 19,000,000 | 309,115,722 | 919,329,266 | 41,502 |
| Purchase Of Investment Securities | (667,258,000) | - | (48,703,082) | (15,500,000) | (329,437,614) | (1,060,898,696) | - |
| Interest And Dividends On Investments | 27,453,000 | 2,423,000 | 5,573,444 | - | 11,313,610 | 46,763,054 | 125,956 |
| Net Increase In Loans | (117,338,000) | - | - | - | - | (117,338,000) | - |
| Disbursements For Loans And Loan Purchases | - | - | - | - | (815,000) | (815,000) | - |
| Receipt Of Loan Principal Repayments | - | - | - | - | 1,303,104 | 1,303,104 | - |
| Loan Income Received | 91,417,000 | - | - | - | 901,240 | 92,318,240 | - |
| Other | - | - | - | - | 2,537 | 2,537 | - |
| Net Cash Provided By (Used For) Investing Activities | (136,318,000) | 9,399,000 | 11,699,906 | 3,500,000 | (7,616,401) | (119,335,495) | 167,458 |
| **Net Change In Cash:** | | | | | | | |
| Net Increase (Decrease) In Cash And Cash Equivalents | 54,276,000 | (147,170,000) | 22,384,738 | (104,203) | (31,958,218) | (102,571,683) | 2,556,505 |
| Cash And Cash Equivalents At June 30, 2001 | 444,105,000 | 285,753,000 | 38,266,887 | 853,942 | 123,359,824 | 892,338,653 | 3,744,287 |
| Cash And Cash Equivalents At June 30, 2002 | $ 498,381,000 | $ 138,583,000 | $ 60,651,625 | $ 749,739 | $ 91,401,606 | $ 789,766,970 | $ 6,300,792 |
| **Reconciliation:** | | | | | | | |
| Current: | | | | | | | |
| Cash Deposits At The Bank Of North Dakota | $ - | $ 930,000 | $ 55,274,443 | $ 749,739 | $ 17,181,848 | $ 74,136,030 | $ 6,285,213 |
| Cash And Cash Equivalents | 498,381,000 | 26,000 | 858,575 | - | 39,421,265 | 538,686,840 | 15,579 |
| Restricted Cash Deposits At The Bank Of North Dakota | - | 6,967,000 | - | - | 32,427,000 | 39,394,000 | - |
| Restricted Cash And Cash Equivalents | - | 130,660,000 | - | - | - | 130,660,000 | - |
| Noncurrent: | | | | | | | |
| Restricted Cash Deposits At The Bank Of North Dakota | - | - | - | - | 2,353,000 | 2,353,000 | - |
| Restricted Cash And Cash Equivalents | - | - | 4,568,607 | - | 18,493 | 4,587,100 | - |
| Cash And Cash Equivalents | $ 498,381,000 | $ 138,583,000 | $ 60,701,625 | $ 749,739 | $ 91,401,606 | $ 789,816,970 | $ 6,300,792 |
| **Reconciliation Of Operating Income (Loss) To Net Cash Provided (Used For) Operating Activities:** | | | | | | | |
| Operating Income (Loss) | $ 33,238,000 | $ 4,813,000 | $ (231,929,242) | $ 22,557,009 | $ 8,067,505 | $ (163,253,728) | $ 4,542,271 |
| Adjustments To Reconcile Operating | | | | | | | |
| Income To Net Cash Provided By Operating Activities: | | | | | | | |
| Depreciation | 831,000 | 52,000 | 32,377,317 | 270,519 | 2,317,192 | 35,848,028 | 8,172,396 |
| Amortization\Accretion | - | 870,000 | 25,929 | - | 1,351,000 | 2,246,929 | 305,775 |
| Reclassification Of Interest Revenue\Expense | (41,401,000) | 409,000 | - | - | (3,735,853) | (44,727,853) | - |
| Net Depreciation In Fair Value Of Investments | (430,000) | (547,000) | - | - | (166,000) | (1,143,000) | - |
| Interest Received On Program Loans | - | 41,144,000 | - | - | 5,341,000 | 46,485,000 | - |
| Disbursements For Loans And Loan Purchases | - | (98,733,000) | - | - | (23,614,000) | (122,347,000) | - |
| Receipt Of Loan Principal Repayments | - | 75,721,000 | - | - | 19,091,000 | 94,812,000 | - |
| Provision For Losses | 2,700,000 | - | 1,030,830 | - | 84,400 | 3,815,230 | - |
| Premiums Collected | - | - | - | - | 103,244,660 | 103,244,660 | - |
| Premiums Paid | - | - | - | - | (103,244,660) | (103,244,660) | - |
| Other | 1,000 | (2,383,000) | 555,570 | - | - | (1,826,430) | - |
| Change In Assets And Liabilities: | | | | | | | |
| (Increase) Decrease In Accounts Receivable | - | (129,000) | (3,099,739) | 4,071,070 | (1,675,270) | (832,939) | 193,220 |
| Increase In Interest Receivable | - | - | - | - | 61,495 | 61,495 | - |
| (Increase) Decrease In Due From | (19,000) | 13,000 | - | - | (13,501) | (19,501) | 298,465 |
| Increase In Due From Fiduciary Funds | - | - | - | - | (14,234) | (14,234) | - |
| (Increase) Decrease In Intergovernmental Receivable | - | (140,000) | - | - | 1,040,801 | 900,801 | (11,415) |
| Decrease In Notes Receivable | - | - | - | - | 255,214 | 255,214 | - |
| (Increase) Decrease In Prepaid Items | - | - | - | 145,812 | (29,269) | 116,543 | 6,728 |
| Increase In Inventories | - | - | (171,285) | - | (90,264) | (261,549) | (14,768) |
| Increase (Decrease) In Other Assets | 1,230,000 | - | 1,275,019 | - | - | 2,505,019 | (624,937) |
| Increase (Decrease) In Accounts Payable | - | (799,000) | 140,336 | (9,821,973) | 617,405 | (9,863,232) | 88,166 |
| Increase (Decrease) In Claims\Judgements Payable | - | - | - | (14,200,000) | 533,459 | (13,666,541) | 935,801 |
| Increase (Decrease) In Intergovernmental Payable | - | (108,000) | - | - | (434,222) | (542,222) | 14,788 |
| Increase In Accrued Payroll | - | - | - | - | 287,049 | 287,049 | 134,657 |
| Increase In Compensated Absences Payable | - | - | 803,192 | 68,929 | 65,429 | 937,550 | 97,113 |
| Increase (Decrease) In Amounts Held For Others | - | 1,078,000 | - | - | (10,058) | 1,067,942 | - |
| Increase (Decrease) In Other Deposits | - | - | (66,999) | - | - | (66,999) | - |
| Increase (Decrease) In Due To Other Funds | (57,000) | (6,000) | - | 1,903 | 159,083 | 97,986 | 100,747 |
| Increase (Decrease) In Deferred Revenue | - | (12,000) | 4,260,945 | (3,625,974) | 470,174 | 1,093,145 | 51,460 |
| Increase (Decrease) In Other Liabilities | 2,135,000 | - | (620,812) | 69,536 | 41,507 | 1,625,231 | - |
| Total Adjustments | (35,010,000) | 16,430,000 | 36,510,303 | (23,020,178) | 1,933,537 | (3,156,338) | 9,748,196 |
| **Net Cash Provided By (Used For) Operating Activities** | $ (1,772,000) | $ 21,243,000 | $ (195,418,939) | $ (463,169) | $ 10,001,042 | $ (166,410,066) | $ 14,290,467 |
| **Noncash Transactions:** | | | | | | | |
| Net Decrease In Fair Value Of Investments | $ - | $ - | $ - | $ (48,135,159) | $ (1,075,159) | $ (49,210,318) | $ (185,588) |
| Change In Securities Lending Collateral | - | - | - | (45,812,802) | (1,253,121) | (47,065,923) | (169,361) |
| Acquisition Of Equipment Under Capital Lease | - | - | 11,850,139 | 82,340 | - | 11,932,479 | - |
| Interest On Investments | - | - | - | 33,069,227 | - | 33,069,227 | - |
| Amortization Of Bond Discount | - | - | - | - | 5,539 | 5,539 | - |
| Like Kind Exchange Of Capital Asset | - | - | 4,000,000 | - | - | 4,000,000 | - |
| Total Noncash Transactions | $ - | $ - | $ 15,850,139 | $ (60,796,394) | $ (2,322,741) | $ (47,268,996) | $ (354,949) |

**The Accompanying Notes are an Integral Part of the Financial Statements**

## Statement of Fiduciary Net Assets
## Fiduciary Funds
**June 30, 2002**

| | Pension and Other Employee Benefit Trust Funds | Investment Trust Funds | Private Purpose Trust Funds | Agency Funds |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash Deposits at the Bank of ND | $ 8,594,959 | $ 56,566 | $ 91,745 | $ 7,786,599 |
| Cash and Cash Equivalents | - | - | 266,605 | 1,959,213 |
| Receivables: | | | | |
| Contributions Receivable | 9,121,741 | - | - | - |
| Interest Receivable - Net | 7,832,399 | 26,328 | 46 | - |
| Accounts Receivable-Net | 350,470 | - | 84,305 | 6,121,278 |
| Taxes Receivable-Net | - | - | - | 10,211,316 |
| Due from Other Funds | 104,590 | - | - | 247 |
| | | | - | |
| Total Receivables | 17,409,200 | 26,328 | 84,351 | 16,332,841 |
| Investments, at Fair Value: | | | | |
| Investments at the Bank of ND | 28,475,229 | 507,439 | 18,208 | 7,971,940 |
| Equity Pool | 1,327,111,682 | 15,632,535 | 1,345,399 | - |
| Fixed Income | 67,133,019 | - | 807,407 | 2,359,523 |
| Fixed Income Pool | 628,526,286 | 15,059,367 | - | - |
| Cash and Cash Pool | 33,433,624 | 249,942 | 276,108 | - |
| Guaranteed Investment Contract | 4,280,410 | - | - | - |
| Real Estate Pool | 161,853,493 | 1,231,376 | - | - |
| Private Equity | 72,072,337 | 466,777 | - | - |
| Annuties | 250,723 | - | - | |
| Mutual Funds | 8,395,972 | - | - | - |
| Total Investments | 2,331,532,775 | 33,147,436 | 2,447,122 | 10,331,463 |
| Invested Securities Lending Collateral | 137,685,969 | 2,579,413 | - | - |
| Capital Assets (Net of Depreciation) | 47,928 | - | - | - |
| Other Assets | - | - | - | 136,467 |
| Total Assets | 2,495,270,831 | 35,809,743 | 2,889,823 | $ 36,546,583 |
| **LIABILITIES** | | | | |
| Accrued Payroll | 55,960 | - | - | - |
| Accounts Payable | 2,133,757 | 71,733 | 413,570 | 191,893 |
| Intergovernmental Payable | - | - | - | 21,097,519 |
| Securities Lending Collateral | 137,685,969 | 2,579,413 | - | - |
| Amounts Held in Custody for Others | - | - | - | 15,257,170 |
| Compensated Absences Payable | 59,319 | - | - | - |
| Capital Leases Payable | 42,190 | - | - | - |
| Due to Other Funds | 156,887 | - | - | 1 |
| Total Liabilities | 140,134,082 | 2,651,146 | 413,570 | $ 36,546,583 |
| **NET ASSETS** | | | | |
| Net Assets Held in Trust for: | | | | |
| Pension Benefits | 2,354,333,332 | - | - | |
| Other Employee Benefits | 803,417 | - | - | |
| External Investment Pool Participants | - | 33,158,597 | - | |
| Other Purposes | - | - | 2,476,253 | |
| Total Net Assets Held in Trust | $ 2,355,136,749 | $ 33,158,597 | $ 2,476,253 | |

**The Accompanying Notes are an Integral Part of the Financial Statements**

# STATE OF NORTH DAKOTA

## Statement of Changes in Fiduciary Net Assets
## Fiduciary Funds
### For the Fiscal Year Ended June 30, 2002

| | Pension and Other Employee Benefit Trust Funds | Investment Trust Funds | Private Purpose Trust Funds |
|---|---|---|---|
| **ADDITIONS** | | | |
| Contributions: | | | |
| Employer | $ 51,373,424 | $ - | $ - |
| Employee | 53,767,156 | - | - |
| From Participants | - | - | 2,305,617 |
| Transfers from Other Funds | 239,939 | - | - |
| Transfers from Other Plans | 138,275 | - | - |
| Donations | - | - | 7,050 |
| Total Contributions | 105,518,794 | - | 2,312,667 |
| Investment Income: | | | |
| Net Increase (Decrease) in Fair Value of Investments | (261,649,761) | (3,416,883) | 17,860 |
| Interest and Dividends | 71,070,114 | 1,250,759 | 9,377 |
| Less Investment Expense | 8,343,898 | 119,521 | - |
| Net Investment Income | (198,923,545) | (2,285,645) | 27,237 |
| Securities Lending Activity: | | | |
| Securities Lending Income | 3,617,432 | 75,743 | - |
| Less Securities Lending Expense | 3,144,937 | 67,441 | - |
| Net Securities Lending Income | 472,495 | 8,302 | - |
| Repurchase Service Credit | 1,135,635 | - | - |
| Miscellaneous Income | 431,533 | - | - |
| Total Additions | (91,365,088) | (2,277,343) | 2,339,904 |
| **DEDUCTIONS** | | | |
| Benefits Paid to Participants | 116,911,651 | - | 5,438 |
| Refunds | 5,999,269 | - | 1,537 |
| Prefunded Credit Applied | 3,759,567 | - | - |
| Transfers to Other Plans | 626,362 | - | - |
| Administrative Expenses | 2,580,242 | - | - |
| Total Deductions | 129,877,091 | - | 6,975 |
| Change in Net Assets Held in Trust for: | | | |
| Pension Benefits | (221,325,566) | - | - |
| Other Employee Benefits | 83,387 | - | - |
| External Investment Pool Participants | - | (2,277,343) | - |
| Other Purposes | - | - | 2,332,929 |
| Net Assets--Beginning of Year | 2,576,378,928 | 35,435,940 | 143,324 |
| Net Assets--End of Year | $ 2,355,136,749 | $ 33,158,597 | $ 2,476,253 |

The Accompanying Notes are an Integral Part of the Financial Statements

# STATE OF NORTH DAKOTA

## Combining Statement of Net Assets
## Component Units - Proprietary Funds
**June 30, 2002**

| | CHAND | Municipal Bond Bank | Non-Major | Total |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | $ 302,589 | $ 1,677,000 | $ 11,505,146 | $ 13,484,735 |
| Investments | - | - | 2,935,504 | 2,935,504 |
| Accounts Receivable - Net | 37,973 | - | 356,933 | 394,906 |
| Interest Receivable - Net | - | - | 155,702 | 155,702 |
| Due from Primary Government | - | - | 124,014 | 124,014 |
| Inventories | - | - | 47,531 | 47,531 |
| Loans and Notes Receivable - Net | - | - | 2,287,188 | 2,287,188 |
| Other Current Assets | - | - | 31,545 | 31,545 |
| Restricted Cash and Cash Equivalents | - | 3,011,000 | 307,877 | 3,318,877 |
| Restricted Investments | - | 12,038,000 | - | 12,038,000 |
| Restricted Interest Receivable-Net | - | 2,870,000 | - | 2,870,000 |
| Total Current Assets | 340,562 | 19,596,000 | 17,751,440 | 37,688,002 |
| Noncurrent Assets: | | | | |
| Investments | | - | 2,237,165 | 2,237,165 |
| Restricted Investments | - | 248,429,000 | - | 248,429,000 |
| Loans and Notes Receivable - Net | - | - | 5,967,282 | 5,967,282 |
| Unamortized Bond Issuance Costs | - | 1,372,000 | 227,373 | 1,599,373 |
| Capital Assets: | | | | |
| Land and Construction in Progress | - | - | 1,157,462 | 1,157,462 |
| Infrastructure - Net | - | - | 506,979 | 506,979 |
| Buildings and Equipment -Net | - | - | 11,263,823 | 11,263,823 |
| Total Noncurrent Assets | - | 249,801,000 | 21,360,084 | 271,161,084 |
| Total Assets | 340,562 | 269,397,000 | 39,111,524 | 308,849,086 |
| **LIABILITIES** | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | 104,188 | 6,000 | 1,139,779 | 1,249,967 |
| Interest Payable | | 1,919,000 | 86,861 | 2,005,861 |
| Due to Primary Government | - | - | 7,692 | 7,692 |
| Claims/Judgments Payable | 1,125,000 | - | - | 1,125,000 |
| Compensated Absences Payable | - | - | 119,935 | 119,935 |
| Notes Payable | | | 1,425,193 | 1,425,193 |
| Bonds Payable | - | 7,040,000 | 195,000 | 7,235,000 |
| Deferred Revenue | 117,308 | - | 400,963 | 518,271 |
| Other Current Liabilities | - | - | 51,000 | 51,000 |
| Total Current Liabilities | 1,346,496 | 8,965,000 | 3,426,423 | 13,737,919 |
| Noncurrent Liabilities: | | | | |
| Intergovernmental Payable | - | 822,000 | - | 822,000 |
| Notes Payable | - | 8,485,000 | 1,458,763 | 9,943,763 |
| Bonds Payable | - | 137,190,000 | 6,305,000 | 143,495,000 |
| Other Noncurrent Liabilities | - | - | 366,215 | 366,215 |
| Total Noncurrent Liabilities | - | 146,497,000 | 8,129,978 | 154,626,978 |
| Total Liabilities | 1,346,496 | 155,462,000 | 11,556,401 | 168,364,897 |
| **NET ASSETS** | | | | |
| Invested in Capital Assets, Net of Related Debt | - | - | 3,127,093 | 3,127,093 |
| Restricted for: | | | | |
| Debt Service | - | 38,737,000 | - | 38,737,000 |
| Loan Purposes | - | 73,527,000 | - | 73,527,000 |
| Other | - | - | 3,345,605 | 3,345,605 |
| Unrestricted | (1,005,934) | 1,671,000 | 21,082,425 | 21,747,491 |
| Total Net Assets | $ (1,005,934) | $ 113,935,000 | $ 27,555,123 | $ 140,484,189 |

**The Accompanying Notes are an Intergral Part of the Financial Statements**

## Combining Statement of Activities
## Component Units-Proprietary Funds
**For the Fiscal Year Ended June 30, 2002**

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Net (Expense) Revenue |
|---|---|---|---|---|
| CHAND | $ 6,233,268 | $ 3,581,799 | $ 37,162 | $ (2,614,307) |
| Municipal Bond Bank | 10,278,000 | 561,000 | 31,006,000 | 21,289,000 |
| Nonmajor Component Units | 7,791,930 | 7,235,156 | 3,814,660 | 3,257,886 |
| Total Component Units | $ 24,303,198 | $ 11,377,955 | $ 34,857,822 | 21,932,579 |
| General Revenues: | | | | |
| Payment from State of North Dakota | | | | 1,175,000 |
| Total General Revenues | | | | 1,175,000 |
| Change in Net Assets | | | | 23,107,579 |
| Net Assets, Beginning of Year | | | | 117,376,610 |
| Net Assets, Ending | | | | $ 140,484,189 |

**The Accompanying Notes are an Integral Part of the Financial Statements**

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# NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2002

## 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 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, 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 accounting principles generally accepted in the United States of America, 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 UNITS

These component units are entities that 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.

- Building Authority (Debt Service Fund and Capital Projects Fund) - 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, which consists of the governor, the attorney general, and the commissioner of agriculture, 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, 2002, and their report dated August 16, 2002, has been previously issued under a separate cover.

- The North Dakota University System Foundation is considered a blended component unit. Although it is a legally separate non-profit 501(c)(3) organization from the North Dakota University System, the North Dakota University System Foundation is reported as if it were part of the primary government because its sole purpose is to support the North Dakota University System. The members of the State Board of Higher Education serve as the Board of Trustees for the North Dakota University System Foundation. The financial information of the Foundation is on the Higher Education computer network and, as such, is subject to audit by the North Dakota State Auditor's Office.

- The NDSU Research Foundation is considered a blended component unit. Although it is a legally separate, not-for-profit 501(c)(3) organization from the North Dakota University System, the NDSU Research Foundation is reported as if it were part of the primary government because its sole purpose is to provide support to NDSU in its missions by enabling NDSU faculty to enhance their involvement in research, technology transfer, and business endeavors. Through linkages with public and private businesses and industries, the Foundation facilitates the commercialization of research technologies developed by NDSU faculty and staff. The Foundation was audited by other independent auditors for the fiscal year ended June 30, 2002, and their report dated August 2, 2002, has been previously issued under a separate cover.

DISCRETELY PRESENTED COMPONENT UNITS

These component units are entities that are legally separate from the State, but are financially accountable to the State. The component units' columns of government-wide 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 and is regulated by the State Insurance Department. The Association was audited by other

independent auditors for the calendar year ended December 31, 2001, and their report dated February 15, 2002, 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, 2001, and their report dated February 7, 2002, 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. A board of directors consisting of eight members, all of whom are appointed by the governor, manages the corporation. The deputy director of the Department of Commerce (a State agency) is the corporation's chief executive officer. The director of the Department of Commerce (governor-appointed cabinet position) is responsible for developing rules, subject to the approval of the board of directors, necessary to implement the administration of the corporation. The Fund was audited by other independent auditors for the fiscal year ended June 30, 2002, and their report dated August 21, 2002, has been previously issued under a separate cover.

- The NDSU Research and Technology Park, Inc., is a nonprofit organization developed to promote an economic environment dedicated to applied research and technology discovery for the benefit of NDSU, its faculty and staff, students, and the citizens of North Dakota. Its facilities are located on the campus of NDSU in Fargo, North Dakota. The organization was established in 1999 and is exempt from federal and state income taxes as it is organized under Section 501(c)(3) of the Internal Revenue Code. The majority of the Park's board of directors (six of nine) consists of people who work in private industry. Vacancies are filled by a majority vote of the board. Officers of NDSU fill three of the nine positions on the Park's board. The president of NDSU serves as president of the board of directors. The status of the Park as a discretely presented component unit is primarily due to the control by the NDSU president over the final building plans for any new building at the Park. This control is based on feedback from the Legislative Budget Section and is required by the land lease between the State Board of Higher Education and the Park, as well as NDUS policy. The Park was audited by other independent auditors for the fiscal year ended June 30, 2002, and their report dated July 25, 2002, has been previously issued under separate cover.

- The UND Aerospace Foundation is a North Dakota nonprofit organization organized in 1985 to encourage and develop the University of North Dakota's John D. Odegard School of Aerospace Sciences. The Foundation's principal activities consist of developing and conducting training programs, research and development, and consulting services related to the aerospace industry. The Foundation is managed by a board of directors consisting of five to seven members, including two or more persons who are active in the aerospace industry and/or graduates of UND with an interest in the aerospace industry, elected by the board; a senior manager of the Foundation, elected by the board; the dean of the Odegard School of Aerospace Sciences; and the president of the University. The Foundation benefits the University, financially and otherwise, through its promotion of the Odegard School and its programs and in the sharing of resources. The Foundation is reported as a discretely presented component unit as UND has voting members on the board of directors and because of the extent of the financial relationship between the entities. The Foundation was audited by other independent auditors for the fiscal year ended June 30, 2002, and their report dated August 23, 2002, has been previously issued under separate cover.

- The UND Center for Innovation Foundation is a North Dakota nonprofit organization organized in 1991 to engage in all types of activities relating directly or indirectly to supplying educational data and services to entrepreneurs, manufacturers, and emerging industries and to encourage and develop the Center for Innovation as it relates to the overall objectives of UND. The Foundation is managed by a board of directors of at least five voting members elected by the board and four ex-officio non-voting members: UND's president, vice president for Finance and Operations, dean of the College of Business and Public Administration, and the director of the Center for Innovation. The Foundation benefits the University, financially and otherwise, through its promotion of the College of Business and Public Administration and its Center for Innovation. Previously the Foundation was reported as a blended component unit, as the University held the majority of voting members on the board of directors. Recent changes in the board have removed the need for blended component reporting. The foundation is reported as a discretely presented component unit in this reporting period as the

Foundation implements changes in governance while it continues to enhance the University. The financial information of the foundation is on the Higher Education computer network and as such is subject to audit by the North Dakota State Auditor's Office.

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 Ave., 10th Floor
Bismarck, ND 58505-0310

North Dakota University System Foundation
600 E. Boulevard Ave., Dept. 215
Bismarck, ND 58505-0230

North Dakota State University Research Foundation
P.O. Box 5014
Fargo, ND 58105-5014

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

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

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

North Dakota State University Research and Technology Park, Inc.
P.O. Box 5014
Fargo, ND 58105-5014

University of North Dakota Aerospace Foundation
P.O. Box 9023
Grand Forks, ND 58202-9023

University of North Dakota Center for Innovation Foundation
P.O. Box 8372
Grand Forks, ND 58202-8372

## *B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS*

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Assets presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

**Invested in capital assets, net of related debt** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

**Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. Net assets restricted by enabling legislation are subject to change by a majority vote of the Legislative Assembly.

**Unrestricted net assets** consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue.

FUND FINANCIAL STATEMENTS

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column.

## C. *MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION*

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide statements are reported using the economic resources management focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

The State follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard-setting body for establishing accounting principles generally accepted in the United States of America for governmental entities. In accordance with Governmental Accounting Standards Board Statement 20, the State's enterprise funds, 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.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liablities 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. All revenues are determined to be available if collected within one year of fiscal year end. Revenues earned under the terms of reimbursement agreements with other governments or private sources are recorded at the time the related expenditures are made if other eligibility requirements have been met. Sales and use taxes are accrued based upon filings received and an estimate of filings due by June 30. Net income taxes from individuals and corporations are accrued based on current income earned by the taxpayer before June 30. Quarterly filings, withholding statements, and other historical data are used to estimate income. The revenue is accrued net of an allowance for uncollectible taxes. Deferred revenue is recorded for receivables that are measurable but not available at year-end.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments, are recorded only when payment is due and payable.

FINANCIAL STATEMENT PRESENTATION

The State reports the following major governmental funds:

The General Fund is the principal operating fund of the State. It is used to account for all financial resources that are not accounted for in other funds. Included are transactions for services such as education, general government, health services, legal and judiciary, natural resources, public safety, regulatory services, agriculture and commerce, and social services.

The Federal Fund accounts for all the financial resources from the federal government.

The School Permanent Trust Fund accounts for moneys belonging to common schools and other public institutions derived from the sale of, or leasing of lands owned by the State.

The State reports the following major enterprise funds:

The Bank of North Dakota Fund finances economic development throughout the state, participates in loans with North Dakota financial institutions and holds interest-bearing deposit accounts for state and political subdivisions of North Dakota.

The Housing Finance Agency Fund is authorized to issue bonds to make loans to mortgage lenders for qualified residential mortgage loans and to make mortgage and construction loans for multi-family housing within the State of North Dakota.

The University System Fund accounts for all financial transactions of the colleges and universities that compose the University System of North Dakota.

The Workers Compensation Fund is financed entirely by premiums assessed to the employers of North Dakota and provides no-fault medical and disability insurance to all North Dakota employees.

Additionally, the State reports the following fund types:

GOVERNMENTAL FUND TYPES:

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes. Examples include transportation, regulatory, and other activities.

Debt Service Funds account for resources obtained and used for the payment of interest and principal on revenue bonds that 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.

Permanent Funds report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry, such as the common schools within the state.

PROPRIETARY FUND TYPES

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. The State's loan programs, Mill and Elevator, and Fair are reported in this type.

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. These goods and services include motor pool services; printing, reproduction and mailing services; information technology; risk management; and investment administration services. In the government-wide statements, internal service funds are included with governmental activities.

FIDUCIARY FUND TYPES

Pension and Other Employee Benefits Trust Funds account for resources that are required to be held in trust for the members and beneficiaries of the State's defined benefit pension plans, defined contribution plan, deferred compensation plan, flexcomp plan, and other post-employment benefit plans.

Investment Trust Funds account for the transactions, assets, liabilities, and fund equity of the external pool participants (City of Bismarck and ND Association of Counties RIO Investments). The State Investment Board (SIB) provides administrative services for the external pool participants. SIB 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 58503. Investment Trust Funds are accounted for in essentially the same manner as Proprietary Funds.

Private Purpose Trust Funds account for resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. Examples include student donations and the State's college savings plan.

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.

## *D. GENERAL BUDGETARY POLICIES AND PROCEDURES*

The State operates through a biennial appropriation that represents departmental appropriations recommended by the governor and presented to the Legislative Assembly at the beginning of each legislative session. The Legislative 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, allotment, 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 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. The Legislature has also passed appropriation laws that authorize directors of certain 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 and the University System's unexpended general fund appropriation authority.

The State's biennial budget is prepared primarily on a cash basis. The State does not use encumbrance accounting. The legal level of budgetary control is at the agency, appropriation, funding source 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 authorizes General Fund appropriation authority by agency and Other Budgeted Income appropriation authority by agency. Other budgeted income includes all budgeted resources, other than the General Fund, and includes some governmental, proprietary, and fiduciary fund activities.

During 2002, the first year of the 2001-2003 biennium, there were general fund supplemental appropriations of $7,871,198.

### *E. 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 on the fund balance sheets 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 fund balance sheets as "Cash Deposits At The Bank Of North Dakota". For purposes of the Government-wide Statement of Net Assets, these amounts have been reclassified to internal balances.

**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 Government-wide Statement of Net Assets as "Cash And Cash Equivalents".

The State had no cash overdrafts from pooled cash and investments at June 30, 2002.

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.

### *F. INVESTMENTS*

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."* 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 change in fair value of investments consists of the realized gains or losses and the unrealized increase or decrease 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 increases or decreases are 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. (component unit of the State) are stated at estimated value in absence of a readily ascertainable market value. The Fund's Board of Directors estimates these values. Among the factors considered by the Fund's 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 Fund's 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. are valued at $1,650,749 at June 30, 2002. 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 on the fund balance sheets 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 fund balance sheets as "Investments At The Bank Of North Dakota." For purposes of the Government-wide Statement of Net Assets, these amounts have been reclassified to internal balances.

**Investments.** State agency investments invested at financial institutions other than the Bank of North Dakota are included on the Government-wide Statement of Net Assets as "Investments."

Differences on the Fund Balance Sheets 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.

### *G. 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 percent of the market value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral valued at 105 percent 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 ninety-four days; however, the average term of loans for the Land Department is sixty-three days.

Cash open collateral is invested in a short term investment pool, the Core USA Collateral Section, which had an average weighted maturity of thirty 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 (custodian of investments) 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 fails to pay income distributions on them.

For securities loaned at year end, the State has no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State.

## *H. INTERFUND ACTIVITY AND BALANCES*

INTERFUND ACTIVITY

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets (such as goods or cash) without equivalent flows of assets in return or a requirement for repayment. Residual transfer amounts exist in the Government-wide Statement of Activities due to different fiscal year ends of various agencies included in business-type activities.

INTERFUND BALANCES

Interfund receivables and payables have been eliminated from the Statement of Net Assets, except for the residual amounts due between governmental and business-type activities.

## *I. 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.

Federal fund inventories of commodities and vaccines totaling $2,786,617 are recorded as inventory and deferred revenue on the Government-wide Statement of Net Assets.

The Department of Human Services has approximately $3.1 million in food stamp inventory which is included in the Federal Fund Inventory.

All other government fund inventories are reflected as a reservation of fund balance on the balance sheet.

### *J. 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.

### *K. CAPITAL ASSETS*

Capital assets, which include land, buildings, equipment, construction in progress and infrastructure assets, are valued at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital 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 capital assets except for the University System.

All other capital assets with an original cost of $5,000 ($100,000 or more for infrastructure reported by the Department of Transportation) or more per unit and an estimated useful life in excess of one year are capitalized and reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital asset costs include the purchase price or construction cost, plus the costs necessary to place the asset in its intended location and condition for use. In governmental activities, interest costs on self-constructed assets are not capitalized. In business-type activities, interest costs (if material) on self-constructed assets are also 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.

Collections of works of art and historical treasures are not capitalized if the following three criteria are met: (1) Held for public exhibition, education, or research in furtherance of public service, rather than financial gain; (2) Protected, kept unencumbered, cared for, and preserved; (3) Subject to organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. The State's non-capitalized collections include the historical artifacts at the various state museums and historical sites, and monuments and other art throughout the capital grounds. Assets that do not meet all three criteria, or that were capitalized as of June 30, 1999, are capitalized and included in the government-wide financial statements.

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 reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Department of Transportation uses the first-in first-out method to remove the capitalized cost of a replaced road along with corresponding accumulated depreciation.

Fixed assets in Governmental Funds are recorded as expenditures in the funds used to acquire or construct them in the governmental fund financial statements. Capital assets, along with accumulated depreciation and depreciation expense are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Land and construction in progress are not depreciated. With the exception of infrastructure reported by the Department of Transportation (which uses the composite method), other capital assets are depreciated using the straight-line method over the following estimated useful lives:

| Assets | Years |
|---|---|
| Buildings | 10-50 |
| Infrastructure | 10-50 |
| Furniture and Furnishings | 3-10 |
| Office Equipment | 3-10 |
| Automobiles | 3-5 |
| Heavy Equipment | 6-20 |
| Other Equipment | 3-15 |

### *L. 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.

### *M. 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.

### *N. CLAIMS/JUDGMENTS PAYABLE*

Claims/Judgments Payable are primarily Workers Compensation Claims Incurred But Not Yet Reported (IBNR) by the claimants as well as claims related to various litigation matters.

### *O. 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.

The governmental fund financial statements recognize annual leave when the liability is incurred and payable from available expendable resources. The government-wide financial statements present the cost of accumulated annual leave as a liability. Proprietary and Fiduciary 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 ten years of creditable service, at which time the State is liable for ten percent of the employee's accumulated unused sick leave. The governmental fund financial statements recognize sick leave as it is incurred. The government-wide financial statements present the cost of the vested sick leave as a liability.

### *P. DEPOSITS*

The following two liability line items are presented in the Government-wide Statement of Net Assets and/or fund financial statements:

**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 and shown on the fund financial statements. For purposes of the Government-wide Statement of Net Assets, these amounts have been reclassified to internal balances.

**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 fund balance sheets 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.

### *Q. DEFERRED REVENUE*

In the government-wide statements and proprietary fund financial statements, deferred revenue is recognized when cash, receivables, or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable.

### *R. REVENUES AND EXPENDITURES/EXPENSES*

In the Government-wide Statement of Activities, revenues and expenses are segregated by activity (governmental or business-type), then further by function for governmental activities (e.g. general government, education, health and human services, etc.). Additionally, revenues are classified between program and general revenues. Program revenues include 1) charges to customers or applicants for goods or services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues, rather than as program revenue. General revenues include all taxes. Certain indirect costs are included in the program expenses reported for individual functions.

In the governmental fund financial statements, revenues are reported by source. For budgetary control purposes, revenues are further classified as either "general purpose" or "restricted". General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by State law or by outside restriction (e.g. federal grants), available only for specified purposes. Unused restricted revenues at year-end are recorded as reservations of fund balance. When both general purpose and restricted funds are available for use, it is the State's policy to use restricted resources first.

In the governmental fund financial statements, expenditures are reported by character: "Current," "Intergovernmental-revenue Sharing," "Capital Outlay," or "Debt Service." Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services.

Capital outlay includes expenditures for real property or infrastructure (e.g. highways). Intergovernmental-revenue sharing accounts for the distribution of certain tax revenues that are shared with local units based upon constitutional and statutory requirements. Debt service includes both interest and principal outlays related to bonds and payments on capitalized leases.

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are subclassified by object (e.g. salaries, depreciation, and purchases for resale). Operating revenues consist of sales of goods and services, quasi-external operating transactions with other funds, grant revenues for specific activities that are considered to be operating activities of the grantor, receipts from other agencies for reimbursement of operating transactions, and other miscellaneous revenue that should be classified as operating. Grants that would qualify as an operating activity are those that do not subsidize an existing program, rather they finance a program the agency would otherwise not undertake. For certain loan and investment programs, revenue that would normally be classified as non-operating should be classified as operating. Examples of this would include interest and investment income. All other revenues that do not meet the above criteria should be classified as non-operating.

### *S. NET ASSETS/FUND BALANCE*

The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary, and fiduciary fund statements, and "Fund Balance" on governmental fund statements.

### *T. CHANGE IN ACCOUNTING PRINCIPLES*

GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", and Statement No. 37, an omnibus to No. 34, are effective for years beginning after June 15, 2001. The requirements of these statements establish significant changes to the financial reporting model used by the State, including statement formats along with fund types and account groups. In addition to fund financial statements, governments are required to report government-wide financial statements, prepared using the accrual basis of accounting and the economic resources measurement focus. As a result, fund reclassifications and adjustments to beginning fund equities were required.

GASB Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities", is also effective for years beginning after June 15, 2001, and establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of Statement No. 34. The State universities adopted the requirements of Statement No. 35, and are included in the primary government as an enterprise fund.

GASB Statement No. 38, "Certain Financial Statement Note Disclosures", requires certain note disclosures when Statement No. 34 is implemented.

Effective July 1, 2001, the State revised its revenue recognition policy to classify all revenues as available if they are collected within one year of the fiscal year end. Previously the period of availability extended to thirty days after fiscal year end. However, for federal reimbursement revenue, the period of availability of one year was changed the previous fiscal year.

## NOTE 2 – RESTATEMENTS

Pursuant to the provisions of the new standards and change in accounting principle discussed previously, the following changes to beginning fund equity, as previously reported, are summarized in the following table (expressed in thousands):

| | General | Federal | School Permanent Trust Fund | Nonmajor Governmental Funds | University System |
|---|---|---|---|---|---|
| June 30, 2001, fund balances/net assets, as previously reported | $ 106,476 | $ 2,043 | $ - | $ 444,880 | $ 992,029 |
| Prior period adjustments: | | | | | |
| Changes in accounting principles: | | | | | |
| Reclassification of funds | - | 24,909 | 580,554 | (25,461) | (3,568) |
| Adoption of depreciation for capital assets | - | - | - | - | (407,189) |
| Capitalization of infrastructure assets | - | - | - | - | 19,301 |
| Revenue recognition | 50,422 | 3,049 | - | 25,394 | (2,497) |
| Correction of errors | 2,150 | 2,134 | - | 4,024 | - |
| June 30, 2001, fund balances/net assets, as restated | $ 159,048 | $ 32,135 | $ 580,554 | $ 448,837 | $ 598,076 |

| | Nonmajor Enterprise | Internal Service | Pension and Other Employee Benefit Trust Funds | Private Purpose Trust Funds | Nonmajor Component Units |
|---|---|---|---|---|---|
| June 30, 2001, fund balances/net assets, as previously reported | $ 194,565 | $ 46,798 | $ 2,567,811 | $ - | $ 20,252 |
| Prior period adjustments: | | | | | |
| Changes in accounting principles: | | | | | |
| Reclassification of funds | 32,910 | - | 8,568 | 143 | 2,870 |
| Revenue recognition | - | - | - | - | - |
| Correction of errors | (2,228) | 2,281 | - | - | - |
| June 30, 2001, fund balances/net assets, as restated | $ 225,247 | $ 49,079 | $ 2,576,379 | $ 143 | $ 23,122 |

CORRECTION OF ERRORS

The beginning fund balance of the general fund was restated by $2,150,043 to properly reflect unemployment insurance fees collected to pay unemployment claims. These were previously reported in an agency fund.

The beginning fund balance of the federal fund was restated by $2,133,600. The amount was previously reported as deferred revenue and should have been recognized as revenue.

The beginning fund balance of the Cultural and Natural Resources special revenue fund was restated by $4,024,110 for a loan receivable that had not previously been reported.

Beginning net assets of the Fire and Tornado enterprise fund was restated by $2,228,183. Previous years' claims and judgments payable was understated.

Beginning net assets of the Risk Management internal service fund was restated by $2,280,872 for a change in calculating incurred but not reported claims for the previous year.

## NOTE 3 - DETAILED NOTES ON ACCOUNT BALANCES

### *A. DEPOSITS*

State law generally requires that all State funds be deposited in the Bank of North Dakota. NDCC 21-04-01 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, "[a]ll state funds . . . must be deposited in the 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, 2002. 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 | | | Total Bank Balance | Carrying Amount |
|---|---|---|---|---|---|
| | 1 | 2 | 3 | | |
| Cash Deposits | $ 30,012 | $ 170 | $ 397,505 | $ 427,687 | $ 584,017 |
| Certificates Of Deposit Recorded As Investments | 3,553 | - | - | 3,553 | 3,455 |
| Total | $ 33,565 | $ 170 | $ 397,505 | $ 431,240 | $ 587,472 |

**Component Units:**

| | Category 1 | Category 2 | Category 3 | Total Bank Balance | Carrying Amount |
|---|---|---|---|---|---|
| Cash Deposits | $ 604 | $ - | $ 645 | $ 1,249 | $ 1,180 |
| Certificates Of Deposit Recorded As Investments | - | - | 12,657 | 12,657 | 12,657 |
| Total | $ 604 | $ - | $ 13,302 | $ 13,906 | $ 13,837 |

Included in the internal receivable amount in the governmental activities column in the Statement of Net Assets is $408,047,336 of Cash and Investments at the Bank of North Dakota for governmental activities. The internal payable amount in the business-type activities column includes $326,873,022 of deposits the Bank has for governmental activities. Because the Bank has a different fiscal year end, these internal balances do not equal.

### *B. INVESTMENTS*

The investment policies of the State of North Dakota are governed by NDCC 6-09-07, 15-10-12, 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, the 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 the 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 funds under its supervision.

   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 80 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 6-09.

4. The North Dakota State Treasurer's Office – The North Dakota 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.

5. University System – NDCC 15-55-05 and 15-55-06 govern the investment of proceeds of revenue bonds and revenues pledged to bondholders. Investments governed by a gift instrument are covered under NDCC 15-67-04. Subject to any limitations in the gift instrument, such funds may be invested in any real or personal property deemed advisable by the governing board.

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 which are held by the counterparty, or their trust department or agent, but not in the State's name. Category 3 includes uninsured and unregistered investments, with 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 1 | Category 2 | Category 3 | Fair Value |
|---|---|---|---|---|
| Commercial Paper | $ 159,856 | $ - | $ - | $ 159,856 |
| Equity Securities | | | | |
| Not On Securities Loan | 800,527 | - | 8,714 | 809,241 |
| On Securities Loan | 2,163 | - | - | 2,163 |
| Bonds And Notes | | | | |
| Not On Securities Loan | 895,664 | - | 11,310 | 906,974 |
| On Securities Loan | 5,126 | - | - | 5,126 |
| U.S. Government & Agency Issues | | | | |
| Not On Securities Loan | 409,490 | - | - | 409,490 |
| On Securities Loan | 56,818 | - | - | 56,818 |
| | $ 2,329,644 | $ - | $ 20,024 | 2,349,668 |
| Investments In Real Estate Pool | | | | 172,424 |
| Investments In Unemployment Compensation Pool | | | | 36,850 |
| Guaranteed Investment Contract | | | | 62,454 |
| Annuities | | | | 251 |
| Mutual Funds | | | | 1,305,489 |
| Private Equity | | | | 72,408 |
| Non-Security Investments | | | | 2,000 |
| Held By Brokers/Dealers | | | | 5,213 |
| Investments Held By Broker-Dealer Under Securities Loans With Cash Collateral: | | | | |
| Equity Securities | | | | 99,930 |
| Bonds And Notes | | | | 95,681 |
| U.S. Government & Agency Issues | | | | 92,930 |
| Securities Lending Short-Term Collateral Investment Pool | | | | 298,131 |
| Totals | | | | $ 4,593,429 |

| **Component Units:** | Category 1 | Category 2 | Category 3 | Fair Value |
|---|---|---|---|---|
| Equity Securities | $ - | $ - | $ 3,522 | $ 3,522 |
| U.S. Government & Agency Issues | 124 | - | - | 124 |
| Obligations Of State And Political Subdivisions | 548 | - | - | 548 |
| | $ 672 | $ - | $ 3,522 | 4,194 |
| Guaranteed Investment Contract | | | | 75,695 |
| Non-Security Investments | | | | 151,564 |
| Totals | | | | $ 231,453 |

There were no violations of statutory authority or contractual provisions for investments during the year ended June 30, 2002.

### 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 fair value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in fair value of the securities. All sales of investments under these agreements are for fixed terms. In investing the proceeds of these agreements, State policy is for the term to maturity of the investment to be the same as the term of the agreement. Such matching existed at year end. These agreements are secured by Fed book-entry securities held in the State's name. At June 30, 2002, the State had reverse repurchase agreements of $23,390,000 included in securities lending collateral on the statement of net assets. The highest month end balance for the previous year was $32,750,000 with an average daily balance of $19,495,000. The weighted average interest rate as of year end was 1.50 percent. The weighted average interest rate paid during the year was 4.39 percent. The fair value of these securities at June 30, 2002, was $23,390,000.

### D. RECEIVABLES

Receivables at June 30, 2002, consist of the following (expressed in thousands):

| | General | Federal | School Permanent Trust Fund | Other Governmental Funds | Bank of North Dakota | Housing Finance | University System | Workers Compensation |
|---|---|---|---|---|---|---|---|---|
| **Receivables:** | | | | | | | | |
| Accounts | $ 742 | $ 4,599 | $ - | $ 14,342 | $ - | $ 459 | $ 14,551 | $ 23,339 |
| Less Allowance | (346) | - | - | (2,039) | - | - | (847) | (3,400) |
| Taxes | 134,477 | - | 175 | 47,066 | - | - | - | - |
| Less Allowance | (6,547) | - | - | (1,956) | - | - | - | - |
| Interest | 15 | - | 5,353 | 1,412 | 20,425 | 3,769 | 152 | 8,085 |
| Less Allowance | - | - | - | (148) | - | - | - | - |
| Current Loans and Notes | - | - | - | - | - | 11,804 | 5,465 | - |
| Less Allowance | - | - | - | - | - | - | - | - |
| Noncurrent Loans and Notes | 98 | - | 46,318 | 66,020 | 1,250,978 | 612,146 | 39,269 | - |
| Less Allowance | (13) | - | - | (4,490) | (23,958) | - | (3,447) | - |
| Net Receivables | $ 128,426 | $ 4,599 | $ 51,846 | $ 120,207 | $ 1,247,445 | $628,178 | $ 55,143 | $ 28,024 |

| | Other Enterprise Funds | Internal Service Funds | Fiduciary Funds | Component Units: CHAND | Component Units: Municipal Bond Bank | Component Units: Non-Major Component Units | Total |
|---|---|---|---|---|---|---|---|
| **Receivables (continued):** | | | | | | | |
| Accounts | $ 31,718 | $ 49 | $ 6,556 | $ 38 | $ - | $ 357 | $ 96,750 |
| Less Allowance | (4,050) | - | - | - | - | - | (10,682) |
| Taxes | - | - | 10,635 | - | - | - | 192,353 |
| Less Allowance | - | - | (424) | - | - | - | (8,927) |
| Interest | 2,393 | 50 | 7,859 | - | 2,870 | 156 | 52,539 |
| Less Allowance | - | - | - | - | - | - | (148) |
| Current Loans and Notes | 18,700 | - | - | - | - | 2,287 | 38,256 |
| Less Allowance | - | - | - | - | - | - | - |
| Noncurrent Loans and Notes | 96,508 | - | - | - | - | 12,510 | 2,123,847 |
| Less Allowance | (2,259) | - | - | - | - | (6,543) | (40,710) |
| Net Receivables | $ 143,010 | $ 99 | $ 24,626 | $ 38 | $ 2,870 | $ 8,767 | $ 2,443,278 |

## *E. INTERFUND ACCOUNTS AND TRANSFERS*

DUE FROM OTHER FUNDS/DUE TO OTHER FUNDS

Interfund balances at June 30, 2002 consist of the following (expressed in thousands):

| | |
|---|---|
| Due To General Fund From: | |
| Federal Fund | $ 18,196 |
| Student Loan Trust | 9,000 |
| All Others | 7,299 |
| Total Due To General Fund | $ 34,495 |
| | |
| Due To Federal Fund From: | |
| Nonmajor Governmental Funds | $ 5,675 |
| | |
| Due To Internal Service Funds From: | |
| General Fund | $ 1,547 |
| Federal Fund | 855 |
| University System | 707 |
| All Others | 1,773 |
| Total Due To Internal Service Funds | $ 4,882 |
| | |
| Due To School Permanent Trust Fund From: | |
| Developmentally Disabled Fund | $ 4,600 |
| All Others | 1,571 |
| Total Due To School Permanent Trust Fund | $ 6,171 |

Of the $4,600,000 from Developmentally Disabled Fund $4,056,474 is an advance from the Land Department and is not expected to be repaid within one year.

| | |
|---|---|
| Due To Nonmajor Governmental Funds From: | |
| Federal Fund | $ 22,139 |
| Internal Service Funds | 3,019 |
| All Others | 3,255 |
| Total Due To Nonmajor Governmental Funds | $ 28,413 |
| | |
| Due To Bank Of North Dakota From: | |
| General Fund | $ 2,680 |
| Mill & Elevator | 5,492 |
| University System | 11,382 |
| Housing Finance | 1,973 |
| All Others | 1,355 |
| Total Due To Bank Of North Dakota | $ 22,882 |

The $11,382,000 from the University System and $2,139,000 from the Mill and Elevator are the result of loans made by the bank. These amounts are not expected to be repaid within one year.

| | |
|---|---|
| Due To University System From: | |
| General Fund | $ 3,560 |
| Federal Fund | 1,742 |
| Building Authority | 6,038 |
| All Others | 683 |
| Total Due To University System | $ 12,023 |
| | |
| Due To All Other Funds From | |
| All Other Funds | $ 1,420 |

Included in this category are all other enterprise funds, component units, and fiduciary funds.

These balances are a result of a time lag between the dates that (1) services are provided and goods received or reimbursable expenditures occur, (2) the payments are made, (3) the transactions are entered into the accounting system, and (4) because of transactions occurring between funds with a fiscal year other than June 30, 2002.

In addition, the total Internal Receivables and Internal Payables on the Government-wide Statement of Net Assets does not equal due to activity occurring between funds that have different fiscal year ends.

INTERFUND TRANSFERS

A summary of interfund transfers for the fiscal year ended June 30, 2002, follows (expressed in thousands):

| | Transfers In | | | | | | |
|---|---|---|---|---|---|---|---|
| | General | Federal | Non-major Governmental | University System | Non-major Enterprise | Internal Service | Total |
| Transfers Out | | | | | | | |
| General | $ - | $ 164 | $ 7,885 | $ 204,020 | $ 893 | $ 450 | $ 213,412 |
| Federal | - | - | 34,829 | - | - | - | 34,829 |
| School Permanent Trust Fund | - | - | 29,839 | 1,677 | - | - | 31,516 |
| Non-major Governmental | 3,309 | 187 | 11,522 | 8,141 | - | - | 23,159 |
| Bank of North Dakota | 15,456 | - | 85 | - | - | - | 15,541 |
| Housing Finance | - | - | 24 | - | - | - | 24 |
| University System | - | - | 4,277 | - | - | - | 4,277 |
| Workers Compensation | - | - | - | - | - | 150 | 150 |
| Non-major Enterprise | 9,000 | - | 1,168 | - | - | - | 10,168 |
| Total | $ 27,765 | $ 351 | $ 89,629 | $ 213,838 | $ 893 | $ 600 | $ 333,076 |

(Transfers In do not agree to the statements due to the timing differences noted below.)

Transfers are used for the following purposes:

- Move general fund appropriation amounts to certain agencies.
- Move revenues from the fund that statute requires to collect them to the fund authorized to spend them.
- Move certain excess revenues collected in other funds to the general fund.
- Move receipts restricted for debt service from the funds collected to the debt service funds as payments become due, and move capital project funds paying the construction costs.

For the year ended June 30, 2002, transfers of excess profits of $30 million and $9 million were made from the Bank of North Dakota and North Dakota Student Loan Trust, respectively, to the General Fund.

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

| | | |
|---|---|---|
| Transfers In | | $ 351,153 |
| Differences: | | |
| General Fund/Bank Of ND | (14,613) | |
| Industrial Commission/ Bank Of ND | 15 | |
| Human Services/Developmentally Disabled Loan Fund | 1,140 | |
| Land & Minerals Trust/Developmentally Disabled Loan Fund | (907) | |
| Guaranteed Student Loan/Student Loan Trust | (3,200) | |
| Beginning Farmer/General Fund | (500) | |
| Bank of ND/Industrial Commission | (12) | |
| Total Differences | | (18,077) |
| Transfers Out | | $ 333,076 |

The above timing differences of $18,076,851 result from transactions between agencies that have different fiscal year ends. This difference is also the total net transfers on the Government-wide Statement of Activities.

## *F. CAPITAL ASSETS*

PRIMARY GOVERNMENT:

The following is a summary of capital assets during the fiscal year (expressed in thousands):

| Description | Balance July 1, 2001 | Increases | Decreases | Balance June 30, 2002 |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| Capital Assets Not Being Depreciated | | | | |
| Land | $ 39,543 | $ 438 | $ (7) | $ 39,974 |
| Construction in Progress | 10,926 | 109,369 | (9,087) | 111,208 |
| Total Capital Assets Not Being Depreciated | 50,469 | 109,807 | (9,094) | 151,182 |
| Capital Assets Being Depreciated: | | | | |
| Buildings and Improvements | 321,888 | 6,472 | (1,149) | 327,211 |
| Equipment | 169,421 | 19,050 | (10,944) | 177,527 |
| Infrastructure | 2,779,650 | 29,908 | (187) | 2,809,371 |
| Total Capital Assets Being Depreciated | 3,270,959 | 55,430 | (12,280) | 3,314,109 |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Improvements | (125,925) | (7,693) | 852 | (132,766) |
| Equipment | (85,204) | (14,644) | 7,706 | (92,142) |
| Infrastructure | (1,934,864) | (122,085) | 127 | (2,056,822) |
| Total Accumulated Deprecation | (2,145,993) | (144,422) | 8,685 | (2,281,730) |
| Total Capital Assets Being Depreciated, Net | 1,124,966 | (88,992) | (3,595) | 1,032,379 |
| Governmental Activities Capital Assets, Net | $ 1,175,435 | $ 20,815 | $ (12,689) | $ 1,183,561 |
| | | | | |
| Business-Type Activities: | | | | |
| Capital Assets not being depreciated | | | | |
| Land | $ 15,311 | $ 539 | $ - | $ 15,850 |
| Construction in Progress | 35,108 | 19,152 | (36,025) | 18,235 |
| Total Capital Assets Not Being Depreciated | 50,419 | 19,691 | (36,025) | 34,085 |
| Capital Assets Being Depreciated: | | | | |
| Buildings and Improvements | 590,969 | 16,741 | (9,623) | 598,087 |
| Equipment | 261,936 | 21,710 | (6,373) | 277,273 |
| Infrastructure | 121,844 | 5,788 | (597) | 127,035 |
| Total Capital Assets Being Depreciated | 974,749 | 44,239 | (16,593) | 1,002,395 |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Improvements | (258,566) | (13,859) | 3,842 | (268,583) |
| Equipment | (143,638) | (18,227) | 5,219 | (156,646) |
| Infrastructure | (47,425) | (3,762) | 146 | (51,041) |
| Total Accumulated Deprecation | (449,629) | (35,848) | 9,207 | (476,270) |
| Total Capital Assets Being Depreciated, Net | 525,120 | 8,391 | (7,386) | 526,125 |
| Business-Type Activities Capital Assets, Net | $ 575,539 | $ 28,082 | $ (43,411) | $ 560,210 |

| Description | Balance July 1, 2001 | Increases | Decreases | Balance June 30, 2002 |
|---|---|---|---|---|
| Component Units: | | | | |
| Capital Assets Not Being Depreciated | | | | |
| Land | $ 891 | $ 24 | $ - | $ 915 |
| Construction in Progress | 952 | 242 | (952) | 242 |
| Total Capital Assets Not Being Depreciated | 1,843 | 266 | (952) | 1,157 |
| Capital Assets Being Depreciated: | | | | |
| Buildings and Improvements | - | 6,151 | - | 6,151 |
| Equipment | 3,864 | 2,298 | (170) | 5,992 |
| Infrastructure | 107 | 468 | - | 575 |
| Total Capital Assets Being Depreciated | 3,971 | 8,917 | (170) | 12,718 |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Improvements | - | (31) | - | (31) |
| Equipment | (618) | (259) | 29 | (848) |
| Infrastructure | (56) | (12) | - | (68) |
| Total Accumulated Deprecation | (674) | (302) | 29 | (947) |
| Total Capital Assets Being Depreciated, Net | 3,297 | 8,615 | (141) | 11,771 |
| Business-Type Activities Capital Assets, Net | $ 5,140 | $ 8,881 | $ (1,093) | $ 12,928 |

Depreciation expense was charged to functions/programs of the primary government as follows (expressed in thousands):

| | |
|---|---|
| Governmental Activities: | |
| General Government | $ 1,201 |
| Education | 319 |
| Health and Human Services | 5,706 |
| Regulatory | 130 |
| Public Safety | 4,447 |
| Agriculture and Economic Development | 126 |
| Natural Resources | 3,206 |
| Highway | 121,115 |
| Total Governmental Activities Depreciation Expense | $ 136,250 |

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

**Project Description:**

| Governmental Activities | Amount Authorized | Amount Expended Through June 30, 2002 | Balance Authorized |
|---|---|---|---|
| OMB | $ 56 | $ 14 | $ 42 |
| Human Services | 346 | 204 | 142 |
| Adjutant General | 12,021 | 8,886 | 3,135 |
| Historical Society | 2,070 | 189 | 1,881 |
| Department of Transportation | 138,317 | 101,010 | 37,307 |
| Job Service North Dakota | 2,310 | 905 | 1,405 |
| Total Governmental Activities | $ 155,120 | $ 111,208 | $ 43,912 |

| Business-Type Activities | Amount Authorized | Amount Expended Through June 30, 2002 | Balance Authorized |
|---|---|---|---|
| Mill and Elevator | $ 140 | $ 44 | $ 96 |
| Workers Compensation | 10,912 | 3,246 | 7,666 |
| University System | 31,052 | 14,945 | 16,107 |
| Total Business-Type Activities | $ 42,104 | $ 18,235 | $ 23,869 |

| Component Units | Amount Authorized | Amount Expended Through June 30, 2002 | Balance Authorized |
|---|---|---|---|
| NDSU Research & Technology Park, Inc. | $ 242 | $ 242 | $ 0 |

## *G. 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 resulting expenditures are recognized as incurred. Lease expenditures for the year ended June 30, 2002, amounted to $8,531,359 for governmental activities and $7,389,673 for business-type activities.

Future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2002, for all fund types are as follows (expressed in thousands):

| Year Ending June 30 | Governmental Activities | Business-type Activities |
|---|---|---|
| 2003 | $ 6,180 | $ 4,930 |
| 2004 | 1,119 | 2,993 |
| 2005 | 678 | 2,026 |
| 2006 | 332 | 995 |
| 2007 | 249 | 387 |
| 2008-2012 | 494 | 147 |
| 2013-2017 | 173 | 14 |
| Total Minimum Lease Payments | $ 9,225 | $ 11,492 |

## *H. CAPITAL LEASES*

The State is obligated under certain leases accounted for as capital leases. In the government-wide and proprietary fund statements, capital assets and a corresponding liability are recorded at the inception of the lease. The liability is reduced by payments of principal, with a portion of the payment allocated to interest expense. For capital leases in governmental funds, other financing sources and expenditures are recorded at lease inception. Lease payments are recorded as debt service expenditures.

The schedule on the next page lists the future minimum lease payments under these capital leases and the present value of the net minimum lease payments at June 30, 2002 (expressed in thousands):

| Year Ending June 30 | Governmental Activities | Business-type Activities | Fiduciary Funds |
|---|---|---|---|
| 2003 | $ 885 | $ 7,292 | $ 19 |
| 2004 | 572 | 5,586 | 19 |
| 2005 | 17 | 4,642 | 5 |
| 2006 | 14 | 4,138 | 1 |
| 2007 | 5 | 2,626 | 1 |
| 2008-2012 | - | 8,658 | - |
| 2013-2017 | - | 2,656 | - |
| 2018-2022 | - | 2,642 | - |
| Total Minimum Lease Payments | 1,493 | 38,240 | 45 |
| Less: Amount Representing Interest | (90) | (7,899) | (3) |
| Present Value of Future Minimum Lease Payments | $ 1,403 | $ 30,341 | $ 42 |

The historical costs of assets acquired under capital leases, and included as capital assets on the government-wide statement of net assets at June 30, 2002, is as follows (expressed in thousands):

| | Governmental Activities | Business-Type Activities |
|---|---|---|
| Infrastructure | $ - | $ 1,100 |
| Buildings | - | 6,850 |
| Equipment | 4,936 | 35,424 |
| Less: Accumulated Depreciation | (1,205) | (6,493) |
| Total | $ 3,731 | $ 36,881 |

## *I. 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: (1) secured by first mortgage upon property and no further indebtedness may be incurred by the State unless evidenced by a bond issue; (2) authorized by law; (3) for a certain purpose; (4) provisioned to pay the interest semiannually; and (5) the principal is paid 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, 2002, consisted of bonds issued by the State and are accounted for by the respective state agencies in the government-wide financial statements that issued the bonds.

1. 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 1993 Series B Bonds have interest payable semiannually on February 15 and August 15 of each year. The 1993 Series A Bonds, the 1995 Series A Bonds, the 1998 Series A, B, and C Bonds, the 2000 Series A Bonds, the 2001 Series A Bonds, and the 2002 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 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, 2002, there were $16 million of authorized and $8,825,000 issued through the Lignite Research Fund. The Commission's intention is not to issue any bonds in the future.

The 1995 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*

The Water Commission is authorized by Senate Bill No. 2188 to issue bonds to finance various flood control and pipeline projects throughout the state of North Dakota. Authorized and unissued bonds totaled $79,155,800 at June 30, 2002. Water development projects that will benefit from the financing are as follows:

| | |
|---|---|
| Water Development Trust Fund | $ 77,300,000 |
| Southwest Pipeline Project | 1,855,800 |

Interest is payable semiannually on January 1 and July 1 of each year for the Series 1997 A and Series 2000 A Term Bonds, March 1 and September 1 of each year for the Series 1998 A Bonds, and February 1 and August 1 for the Series 2000 A Serial Bonds. Interest is payable annually on July 1 of each year for all other series bonds. The bonds of each series are subject to optional and/or extraordinary optional redemption prior to maturity at the option of the Water Commission or the occurrence of certain events. All redemption prices are at 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 C Bonds are zero coupon bonds with interest accruing monthly and the face value payable at maturity. These bonds were issued to refund a portion of the 1979 Series A and 1984 Series A Bonds and to provide funds for the acquisition of student loans from the Bank of North Dakota.

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 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 were 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, 2006, 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 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 $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 Second 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 plus accrued interest to date of redemption.

The 2000 Series A Bonds are variable rate bonds initially issued as auction rate certificates. Interest is payable semiannually on June 1 and December 1 of each year. The maximum rate of interest is 12% per annum. The proceeds of the Series 2000 Bonds were used to provide funds for the acquisition of student loans from the Bank of North Dakota. Details of the terms and provisions of the auction rate bonds are outlined in Schedule A of the Second Supplemental Resolution. The 2000 Series B Bonds are fixed rate bonds. Under certain conditions, the Industrial Commission may call for early redemption of the 2000 Series A and B Bonds at a redemption price equal to 100% of the principal amount plus accrued interest to date of redemption.

*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.

**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):

| Fund Type/Fund | Maturities | Interest Rates | Balance 6/30/02 |
|---|---|---|---|
| **Primary Government** | | | |
| Governmental: | | | |
| Building Authority | 2003-2023 | 3.50 – 6.10 | $ 89,923 |
| Lignite Research | 2003-2006 | 4.80 – 5.75 | 4,600 |
| Water Commission | 2003-2042 | 2.50 – 6.00 | 45,638 |
| Proprietary: | | | |
| State Fair | 2003-2011 | 5.20 – 6.00 | 2,095 |
| Student Loan Trust | 2003-2036 | 1.39 – 7.90 | 189,506 |
| Housing Finance: | | | |
| Multi Family | 2003-2024 | 4.75 – 7.75 | 10,541 |
| Single Family | 2003-2034 | 2.70 – 8.375 | 700,801 |
| University System: | | | |
| VCSU—Valley City | 2003-2011 | 4.30 – 7.25 | 553 |
| Williston State College | 2003-2019 | 3.00 – 4.75 | 1,653 |
| Lake Region State College | 2003-2013 | 4.20 – 5.90 | 675 |
| UND—Grand Forks | 2003-2021 | 3.00 – 6.40 | 28,347 |
| NDSU—Fargo | 2003-2029 | 4.30 – 7.70 | 19,317 |

| Fund Type/Fund | Maturities | Interest Rates | Balance 6/30/02 |
|---|---|---|---|
| NDSCS—Wahpeton | 2003-2016 | 4.00 – 5.50 | 3,007 |
| MiSU–Minot | 2003-2014 | 2.80 – 6.75 | 5,682 |
| MiSU—Bottineau | 2003-2011 | 4.30 – 6.90 | 229 |
| MaSU—Mayville | 2003-2009 | 3.00 – 4.80 | 723 |
| DSU—Dickinson | 2003-2019 | 4.30 – 5.90 | 1,140 |
| BSC—Bismarck | 2003-2009 | 4.00 – 7.40 | 975 |
| Total Revenue Bonds Payable— Primary Government | | | $ 1,105,405 |
| **Component Units** | | | |
| Proprietary: | | | |
| Municipal Bond Bank | 2003-2023 | 2.70 – 10.00 | $ 144,230 |
| NDSU Research & Technology Park | 2022 | 5.40 | 6,500 |
| | | | $ 150,730 |

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

*Primary Government:*

Governmental Activities

| Fiscal Year | Principal | Interest |
|---|---|---|
| 2003 | $ 6,485 | $ 7,594 |
| 2004 | 8,002 | 6,927 |
| 2005 | 8,063 | 6,516 |
| 2006 | 9,989 | 6,252 |
| 2007 | 8,175 | 5,772 |
| 2008-2012 | 40,334 | 21,775 |
| 2013-2017 | 30,467 | 12,058 |
| 2018-2022 | 21,151 | 4,484 |
| 2023-2027 | 4,262 | 1,270 |
| 2028-2032 | 1,447 | 596 |
| 2033-2037 | 1,258 | 316 |
| 2038-2042 | 528 | 43 |
| Total | $ 140,161 | $ 73,603 |

Business-type Activities

| Fiscal Year | Principal | Interest |
|---|---|---|
| 2003 | $ 79,552 | $ 45,143 |
| 2004 | 18,282 | 44,003 |
| 2005 | 20,151 | 43,162 |
| 2006 | 63,522 | 42,248 |
| 2007 | 20,796 | 40,689 |
| 2008-2012 | 114,212 | 187,076 |
| 2013-2017 | 120,879 | 155,278 |
| 2018-2022 | 133,531 | 119,957 |
| 2023-2027 | 189,721 | 73,407 |
| 2028-2032 | 141,670 | 22,444 |
| 2033-2037 | 64,260 | 3,423 |
| Less Bond Discount | (334) | 284 |
| Deferred Amount On | (317) | 317 |
| Accrued Interest At | (682) | 682 |
| Total | $ 965,243 | $ 778,113 |

Component Units

| Fiscal Year | Principal | Interest |
|---|---|---|
| 2003 | $ 7,235 | $ 8,149 |
| 2004 | 7,490 | 7,612 |
| 2005 | 7,970 | 7,221 |
| 2006 | 8,295 | 6,766 |
| 2007 | 8,555 | 6,299 |
| 2008-2012 | 45,245 | 24,240 |
| 2013-2017 | 42,840 | 12,552 |
| 2018-2022 | 23,310 | 3,102 |
| 2023-2027 | 230 | 10 |
| Less Bond Discount | (440) | 440 |
| Total | $ 150,730 | $ 76,391 |

2. NOTES PAYABLE

The following is a schedule of notes payable outstanding at June 30, 2002 (expressed in thousands):

| Fund Type/Fund | Maturities | Interest Rates | Balance 6/30/02 |
|---|---|---|---|
| **Primary Government** | | | |
| Governmental: | | | |
| Job Service North Dakota | 2004 | 7.90-9.00 | $ 150 |
| Information Technology Department | 2003-2004 | 5.25-6.64 | 357 |
| Proprietary: | | | |
| Bank of North Dakota | 2003-2022 | 3.55-7.35 | 399,553 |
| University Systems | 2006-2012 | 4.87-8.00 | 4,307 |
| **Component Units** | | | |
| Municipal Bond Bank (1) | 2019 | 3.55 | 8,485 |
| UND Aerospace Foundation | 2003-2009 | 4.73-4.75 | 2,884 |

(1) The Municipal Bond Bank note payable is to the Bank of North Dakota, part of the primary government.

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

*Primary Government:*

Governmental Activities

| Fiscal Year | Principal | Interest |
|---|---|---|
| 2003 | $ 463 | $ 18 |
| 2004 | 44 | 1 |
| 2005 | - | - |
| 2006 | - | - |
| 2007 | - | - |
| Total | $ 507 | $ 19 |

Business-type Activities

| Fiscal Year | Principal | Interest |
|---|---|---|
| 2003 | $ 26,897 | $ 22,617 |
| 2004 | 35,735 | 20,674 |
| 2005 | 16,578 | 20,165 |
| 2006 | 54,983 | 19,297 |
| 2007 | 34,631 | 16,998 |
| 2008-2012 | 148,389 | 70,329 |
| 2013-2017 | 43,047 | 40,818 |
| 2018-2022 | 43,600 | 7,327 |
| Total | $ 403,860 | $ 218,225 |

Component Units

| Fiscal Year | Principal | Interest |
|---|---|---|
| 2003 | $ 1,425 | $ 424 |
| 2004 | 759 | 354 |
| 2005 | 777 | 320 |
| 2006 | 390 | 292 |
| 2007 | 291 | 280 |
| 2008-2012 | 1,030 | 1,203 |
| 2013-2017 | 4,839 | 824 |
| 2018-2022 | 1,858 | 139 |
| Total | $ 11,369 | $ 3,836 |

Changes in General Long-Term Liabilities

Changes in Long-Term Liabilities for the year ended June 30, 2002, are summarized as follows (expressed in thousands):

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Governmental Activities: | | | | | |
| Notes Payable | $ 2,989 | $ 535 | $ (3,017) | $ 507 | $ 463 |
| Bonds Payable | 135,167 | 11,368 | (6,374) | 140,161 | 6,485 |
| Capital Leases Payable | 3,275 | 161 | (2,033) | 1,403 | 814 |
| Intergovernmental Payable | 242 | 349 | - | 591 | - |
| Compensated Absences | 25,798 | 18,897 | (17,388) | 27,307 | 1,417 |
| Claims/Judgments Payable | 3,717 | 3,186 | (1,658) | 5,245 | 1,666 |
| Total Long-Term Liabilities | $ 171,188 | $ 34,496 | $ (30,470) | $ 175,214 | $ 10,845 |
| Business-Type Activities: | | | | | |
| Notes Payable | $ 257,944 | $ 153,400 | $ (7,484) | $ 403,860 | $ 26,897 |
| Bonds Payable | 1,117,828 | 89,601 | (242,186) | 965,243 | 79,552 |
| Capital Leases Payable | 24,291 | 11,902 | (5,852) | 30,341 | 5,898 |
| Intergovernmental Payable | 26,931 | 10,541 | (13,189) | 24,283 | 11,270 |
| Compensated Absences | 16,223 | 1,732 | (803) | 17,152 | 1,068 |
| Claims/Judgments Payable | 519,434 | 69,507 | (80,945) | 507,996 | 80,939 |
| Total Long-Term Liabilities | $ 1,962,651 | $ 336,683 | $ (350,459) | $ 1,948,875 | $ 205,624 |
| Component Units: | | | | | |
| Notes Payable | $ 9,950 | $ 2,239 | $ (820) | $ 11,369 | $ 1,425 |
| Bonds Payable | 151,483 | 24,460 | (25,213) | 150,730 | 7,235 |
| Intergovernmental Payable | 1,379 | 654 | (794) | 1,239 | 51 |
| Compensated Absences | - | 120 | - | 120 | 120 |
| Total Long-Term Liabilities | $ 162,812 | $ 27,473 | $ (26,827) | $ 163,458 | $ 8,831 |

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, $1,118,537 of internal service fund compensated absences, $3,028,081 of claims and judgments, and $7,294 of capital leases are included in the above amounts. Other governmental activities compensated absences generally have been liquidated by the General Fund (48%), the Highway Fund (22%), the Federal Fund (19%), and other various funds. Other governmental activities claims and judgments are generally liquidated by the Insurance Regulatory Trust Fund (78%), Highway Fund (21%), and the Petroleum Release Compensation Fund (1%).

3. DEFEASED DEBT

**Primary Government**

*Housing Finance*

Previous to July 1, 1999, Housing Finance defeased certain general obligation bonds by placing bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements. At June 30, 2002, $9,340,000 of bonds outstanding are considered defeased.

**University System**

*Mayville State University*

On July 1, 1998, Mayville State University issued $695,000 of Student Center Refunding Revenue Bonds (Series 1998) with an average interest rate of 4.40%. These bonds were used to advance refund $640,000 of outstanding 1989 Student Center Revenue Bonds (with an average interest rate of 7.40%). The net proceeds of $666,673 (after payment of $28,327 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. Government Securities. Those securities are deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1989 Student Center Revenue Bonds. As a result, the 1989 bonds are considered to be defeased and the liability for

those bonds has been removed from the balance sheet. The University advance refunded the bonds to reduce its total debt service payments over the next ten years by approximately $77,000 and to obtain an economic gain (difference of the present values of the debt service payments on the old and new debt) of $59,500. The principal amount outstanding as of June 30, 2002, of the original bonds refunded by the advance refunding of 1998 totaled $510,000.

*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 the State's financial statements.

The principal amount outstanding as of June 30, 2002, of the original bonds refunded (considered defeased) by the advance refunding total $200,000.

*University of North Dakota*

On March 1, 2002, the University of North Dakota issued $6,710,000 of Housing and Auxiliary Facilities Improvement and Refunding Revenue Bonds (Series 2002), with an average interest rate of 4.56%. These bonds, together with other available funds, were used to provide means to currently refund $3,840,000 Housing and Auxiliary Facilities Revenue Bonds, Series 1993 A, and to provide $3,500,000 for renovation of the Memorial Union. The University of North Dakota refunded the 1993 A Bonds to reduce its total debt service payments over the next eleven years by approximately $825,000 and to obtain an economic gain of $173,482.

On January 1, 1998, the University of North Dakota issued $22.6 million of Housing and Auxiliary Facilities Improvement and Refunding Revenue Bonds (Series 1998 A) with an average interest rate of 4.70%. These bonds were used to advance refund $20.4 million of outstanding 1988 Series A and B Housing and Auxiliary Facilities Refunding Revenue Bonds (with an average interest rate of 7.50%) and to provide $450,000 for parking lot construction at the Rural Technology Center. The net proceeds of $21.6 million (after payment of $387,000 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. Government Securities. These securities are deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1988 Series A and B Bonds. As a result, the 1988 Series A and B Bonds are considered to be defeased and the liability for those bonds has been removed from the balance sheet. The principal amount outstanding as of June 30, 2002, of the original bonds refunded by the advanced refunding of 1998 totaled $16,940,000.

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, 2002, of the original bonds refunded by the advance refunding of 1984 totaled $280,000.

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, 2002, of the original bonds refunded by the advance refunding of 1975 totaled $960,000.

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, 2002, of the defeased certificates totals $2,780,000.

*North Dakota State University*

The North Dakota State 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,

2002, of the original bonds refunded by the advance refunding total $1,270,000.

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, 2002.

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, 2002, the principal amount outstanding of the advance refunded portion of the Series 1988 Bonds is $980,000. As of June 30, 2002, the portion of the Series 1988 Bonds that were not advance refunded by the Series 1996 A Bonds is reported in the State's balance sheet in the amount of $145,000.

*North Dakota State College of Science*

On June 20, 2001, North Dakota State College of Science issued $2,785,000 of Housing and Auxiliary Facilities Improvement and Refunding Revenue Bonds (Series 2001) with an average interest rate of 4.92%. These bonds were used to (1) refund, defease and discharge outstanding North Dakota State School of Science Married Student Housing Revenue Bonds 1970 at 7.0% and 7.25%, Dormitory Revenue Bonds of 1970 at 7.25% and Dormitory Revenue Bonds of 1972 at 6.3%. Funds were deposited in a trust account with an escrow agent to provide for all future debt service payments for the above bonds; (2) finance the cost of the construction of the parking lot and related improvements at the College; and (3) to pay certain costs associated with the issuance of the Series 2001 bonds.

As a result of this issue, trust account assets and liabilities for the defeased bonds are not included in the North Dakota State College of Science financial statements. The project costs for the parking lot and related improvements were set at $1,000,000. The College, through this bond issue, will realize an economic gain of $53,210 on the $1,634,000 original principal amount outstanding as of June 30, 2002.

**Component Units**

*Municipal Bond Bank Bonds*

On August 20, 2001, the Bond Bank issued $23,675,000 of revenue bonds with an average interest rate of 4.48 percent. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments on the refunded bonds. As of December 31, 2001, $13,010,000 of bonds outstanding is considered defeased, and the liability has been removed from the balance sheet. The reacquisition price exceeded the net carrying amount of the old debt by $1,029,000. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is the same as the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next fifteen years by $1,709,000 and resulted in an economic gain of $714,000.

### *J. 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 $9,716,809 at June 30, 2002. These amounts are reported in the Government-wide and Proprietary Fund Type financial statements as an intergovernmental payable.

## NOTE 4 - DEFICIT FUND EQUITY

RETIREMENT AND INVESTMENT OFFICE (RIO)

At June 30, 2002, RIO had a deficit of $13,163. It is expected that charges for services during fiscal year 2003 will reduce the deficit.

COMPREHENSIVE HEALTH ASSOCIATION OF NORTH DAKOTA (CHAND)

At December 31, 2001, CHAND had a deficit of $1,005,934. Additional member assessments are expected to cover the deficit.

## NOTE 5 - 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. The State also administers the North Dakota Defined Contribution Retirement Plan, which was established January 1, 2000. 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 (Main System). 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 Security 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.

At June 30, 2002, the number of participating local political subdivisions in PERS was:

| | |
|---|---|
| Cities and Park Districts | 71 |
| Counties | 42 |
| School Districts | 93 |
| Other | 52 |
| Total Participating Local Political Subdivisions | 258 |

Death and disability benefits are set by statute. If an active employee dies with less than five years (three years of service for the Main System and National Guard) 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 (three years of service for the Main System and National Guard), 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.

For judges only, the death benefit is changed to the greater of (i) lump sum payment of accumulated contributions, and (ii) 100% of the member's accrued benefit (not reduced on account of age), payable for the spouse's lifetime.

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.

For Judges only, the disability benefit formula is changed to 70% of final average salary minus social security and workers compensation benefits.

Pension benefits are set by statute. The System has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. (Effective August 1, 2001, there is an addition of ad hoc post-retirement increases for retirees, disableds, and beneficiaries equal to 6% for the Main System and National Guard, and two ad hoc post-retirement increases for retirees and beneficiaries for judges equal to 2% beginning January 1, 2002, and January 1, 2003.) Employees are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equals or exceeds 85 or at normal retirement age (65), equal to 2.00% of their final average salary for each year of service. The plan permits early retirement at ages 55-64, with three or more years of service for the Main System and National Guard, and five or more years of service for the Supreme and district court judges. 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 2.00% multiplier. The monthly pension benefit for security officers or firefighters at normal retirement age (55) is equal to 2.00% of the final average salary for each year of service with three 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% contribution. Some of the political subdivisions are paying all or part of the employee contributions. Employer contributions of 4.12% 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%. The required contributions are determined using an entry age normal actuarial funding method.

Effective January 1, 2000, except for Supreme and district court judges, the employees' account balance includes the vested employer contributions equal to the employee's contributions to an eligible deferred compensation plan.

The minimum member contribution is $25, and the maximum may not exceed certain parameters based upon years of service.

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 percent 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.

Pension 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 equals 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 3.60% 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 10.30% (of which the State is paying 4%) of total compensation and an employer contribution of 16.70%. 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 an employee is not vested (is not 65 or does not have five years of service [three years of service for the Main System and National Guard]

credited for PERS, 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 an employee has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If an employee 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 Annuitant 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 58503.

At June 30, 2002, the number of participating employer units in TFFR was:

| Type | Number |
|---|---|
| Special Education Units | 19 |
| Vocational Education Units | 4 |
| Public School Districts | 219 |
| County Superintendents | 15 |
| Other | 17 |
| Total | 274 |

A member is entitled to receive full benefits when three 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 or the date as of which age plus service equal 85. 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 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00% 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.

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 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 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% of salary as defined by NDCC 15-39.1-04. Every governmental body employing a teacher must also pay into TFFR a sum equal to 7.75% 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: | 5,130 | 86 | 209 | 5,054 |
| Special Prior Service Retirees: | 122 | - | - | - |
| Terminated Employees: | | | | |
| Vested | 639 | 2 | 5 | 1,223 |
| Nonvested | 2,651 | - | - | 225 |
| Total Terminated Employees | 3,290 | 2 | 5 | 1,448 |
| Active Employees: | | | | |
| Vested | 12,662 | 71 | 76 | 8,587 |
| Nonvested | 4,427 | 54 | - | 1,344 |
| Total Active Employees | 17,089 | 125 | 76 | 9,931 |
| Date of Annual Valuation | July 1, 2002 | July 1, 2002 | July 1, 2002 | July 1, 2002 |

The above table 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 increase in fair value of investments consists of the

realized gains or losses and the unrealized increase or decrease 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 increases or decreases are 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 five percent or more of the net assets available for benefits. JSND pension plan assets include Guaranteed Investment Contract, which comprises approximately 11.31 percent 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 percent, less funds used to purchase cost-of-living annuities for retirees prior to October 1, 1993, and pay administration expenses charged by the Travelers. Contract value was $4,280,410 at June 30, 2002.

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, 2002, were $60,985,784, which represents 93.57% of net plan assets.

### *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 Gabriel, Roeder, Smith and 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 | JSND | TFFR |
|---|---|---|---|
| Valuation Date | July 1, 2002 | July 1, 2002 | July 1, 2002 |
| 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 | 8.0% | 8.0% | 8.0% |
| Projected salary increase | 4.5%* | 5.0% | 4.0% to 13.0% |
| Includes inflation at | 4.5% | 5.0% | 3.0% |
| Post retirement cost-of-living adjustment | None | 5.0% | None |

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

** Statutory 7.75% employer contribution rate produces 10.0 years funding period.

*** As of July 1, 2002, 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, 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)% |
| July 1, 1999 | 917.0 | 842.7 | (74.3) | 108.8% | 397.7 | (18.7)% |
| July 1, 2000 | 1,027.0 | 891.9 | (135.1) | 115.1% | 409.0 | (33.0)% |
| July 1, 2001 | 1,115.3 | 1,008.6 | (106.7) | 110.6% | 433.3 | (24.6)% |
| July 1, 2002 | 1,150.0 | 1,103.5 | (46.5) | 104.2% | 461.3 | (10.1)% |
| NDHPRS | | | | | | |
| 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% |
| July 1, 1999 | 32.0 | 32.2 | .2 | 99.4% | 4.5 | 4.4% |
| July 1, 2000 | 35.9 | 34.0 | (1.9) | 105.6% | 4.7 | (40.4)% |
| July 1, 2001 | 38.8 | 38.1 | (0.7) | 101.8% | 4.9 | (14.3)% |
| July 1, 2002 | 39.5 | 40.5 | 1.0 | 97.4% | 5.1 | 19.6% |
| JSND | | | | | | |
| July 1, 1997 | $ 51.0 | N/A* | $ - | N/A | $ 4.7 | 0.0% |
| July 1, 1998 | 61.7 | N/A | - | N/A | 4.3 | 0.0% |
| July 1, 1999 | 66.6 | N/A | - | N/A | 4.0 | 0.0% |
| July 1, 2000 | 71.0 | N/A | - | N/A | 3.7 | 0.0% |
| July 1, 2001 | 70.8 | N/A | - | N/A | 3.5 | 0.0% |
| July 1, 2002 | 67.6 | N/A | - | N/A | 3.2 | 0.0% |
| TFFR | | | | | | |
| July 1, 1997 | $ 823.4 | $ 977.1 | $ 153.6 | 84.3% | $ 294.1 | 52.2% |
| July 1, 1998 | 928.0 | 1,033.0 | 105.0 | 89.8% | 298.4 | 35.2% |
| July 1, 1999 | 1,053.1 | 1,188.4 | 135.3 | 88.6% | 314.6 | 43.0% |
| July 1, 2000 | 1,308.5 | 1,287.9 | (20.6) | 101.6% | 323.0 | (6.4)% |
| July 1, 2001 | 1,414.7 | 1,467.7 | 53.0 | 96.4% | 342.2 | 15.5% |
| July 1, 2002 | 1,443.5 | 1,575.8 | 132.3 | 91.6% | 348.1 | 38.0% |

*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 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 percent of gross salary and that every governmental body employing a teacher pay into the plan a sum equal to 7.75 percent 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.

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

Schedule of Employer Contributions

| | Annual Required Contribution | Percentage Contributed |
|---|---|---|
| PERS | | |
| 2000 | $ 13,457,783 | 100% |
| 2001 | 9,642,770 | 100% |
| 2002 | 16,811,296 | 100% |
| TFFR | | |
| 2000 | $ 25,527,734 | 100% |
| 2001 | 26,289,206 | 100% |
| 2002 | 27,243,542 | 100% |

For NDHPRS and JSND, sole employer plans, the following schedule represents the annual pension costs and net pension obligations for the year ended June 30, 2002:

| | NDHPRS | JSND |
|---|---|---|
| Annual required contributions | $ 591,235 | $ - |
| Interest on net pension obligations | (46,236) | 134,390 |
| Adjustment to annual required contributions | 40,336 | 138,166 |
| Annual pension costs | 585,335 | 3,776 |
| Contributions made | 814,035 | - |
| Increase in net pension obligations | (228,700) | 3,776 |
| Net pension obligations, beginning of year | (577,953) | (1,679,878) |
| (Assets in excess of) net pension obligations, end of year | $ (806,653) | $ (1,676,102) |

The following schedule presents the annual pension costs, the percentages contributed, and the net pension obligations:

| | Annual Pension Costs (APC) | Percentage of APC Contributed | Net Pension Obligations |
|---|---|---|---|
| NDHPRS | | | |
| 2000 | $ 532,786 | 139% | $ (208,303) |
| 2001 | 420,601 | 187% | (577,953) |
| 2002 | 591,235 | 138% | (806,653) |
| JSND | | | |
| 2000 | $ 3,793 | 0% | $ (1,683,662) |
| 2001 | 3,784 | 0% | (1,679,878) |
| 2002 | 3,776 | 0% | (1,676,102) |

### *E. DEFINED CONTRIBUTION PLAN*

The North Dakota Defined Contribution Retirement Plan was established on January 1, 2000, and is administered in accordance with chapter 54-52.6 of the North Dakota Century Code. The Defined Contribution Plan covers state employees who are in positions not classified by the central personnel division of the State. Employees of the judicial branch or the Board of Higher Education and state institutions under the jurisdiction of the Board of Higher Education are not eligible to participate in the Defined Contribution Plan. The Defined Contribution Plan had 295 participants as of June 30, 2002.

Upon the death of a participating employee or former participating employee, the vested account balance of that deceased participant is available to the participant's designated beneficiary(ies). An employee who becomes totally and permanently disabled while employed by the State is eligible to receive a distribution of the vested account balance. To qualify under this section, the employee must meet the criteria established by the System for being totally disabled.

Employees are entitled to their vested account balance. A participating employee is immediately 100% vested in the employee's contributions. A participating employee vests in the employer contributions made on the employee's behalf as follows:

| | |
|---|---|
| Upon completion of two years of service | 50% |
| Upon completion of three years of service | 75% |
| Upon completion of four years of service | 100% |

Employees may elect to receive their account balance in a lump sum, lump sum direct rollover, or periodic distribution.

Contributions are set by state statute and are a percentage of salaries and wages. Employee contributions are established at 4%, and employer contributions are established at 4.12% of regular compensation. Employer and employee contributions totaled $452,311 and $439,113, respectively, for the fiscal year ended June 30, 2002.

The Board, or vendors contracted by the Board, have exclusive authority to invest and manage the assets of the Defined Contribution Plan. State statute allows each participating employee to direct the investment of the individual's employer and employee contributions and earnings to one or more investment options within the available categories of investment as established by the Board. The following investments represent 5% or more of net plan assets at June 30, 2002:

| | |
|---|---|
| Fidelity Managed Income Portfolio Mutual Fund | 22.72% |
| Fidelity Growth Company Mutual Fund | 14.93% |
| Fidelity Freedom 2020 Mutual Fund | 9.52% |
| Fidelity Equity Income | 7.56% |
| Fidelity Spartan U.S. Equity Index | 7.12% |
| PIMCO Total Return Admin. Mutual Fund | 6.36% |
| Fidelity Diversified International Mutual Fund | 6.18% |
| Fidelity Freedom 2010 Mutual Fund | 6.10% |

### *F. 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 | 1.50% | 9.50% | 11.00% |
| | over 10 | 2.00% | 10.00% | 12.00% |
| II | 0 thru 2 | 0.50% | 4.50% | 5.00% |
| | 3 thru 10 | 1.50% | 9.50% | 11.00% |
| | over 10 | 2.00% | 10.00% | 12.00% |
| IV | 0 | 1.00% | 9.00% | 10.00% |

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 $15,311,048, which is the required contribution, for the fiscal year ended June 30, 2002.

## NOTE 6 - 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 27-17), the Highway Patrolmen's Retirement System, the Defined Contribution Retirement Plan, 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, the Highway Patrolmen's Retirement System, and the Defined Contribution Retirement Plan is set by state statute on an actuarially determined basis at one percent of covered compensation. The employer contribution for the Supreme and district court judges is three percent of covered compensation in order to extend this benefit to judges retired under NDCC 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 one 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 27-17), the Highway Patrolmen's Retirement System, the Defined Contribution Retirement Plan, 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 $200,177 for the period ending June 30, 2002. The number of employees from Job Service using the credit was 166 at June 30, 2002. 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, 2002. 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 percent 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 $65,000 per year. Plan assets are valued, for actuarial purposes, using a five-year smoothed market method.

The following are the changes in actuarial assumptions, asset method and plan experience, 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 experienced during the year | (.01)% | $ (47,645) |

Employer contributions totaling $4,482,993 were made for the year ended June 30, 2002. The actuarially required employer contribution of $4,653,424 for the year ended June 30, 2002, is 0.98 percent of the covered payroll and reflects the fact that the statutory rate of one percent is sufficient to cover future costs of the Fund. At June 30, 2002, the cost of benefits incurred for the fund was $3,745,958.

Employee membership is as follows:

| | |
|---|---|
| Retirees receiving benefit | 3,393 |
| Active participants | 17,462 |
| Total Membership | 20,855 |

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 | $ 68,988,084 |
| Net assets available for benefits, at actuarial value | 26,402,058 |
| "Unfunded" accrued liability | $ 42,586,026 |

The fair value of the net assets available for benefits at June 30, 2002, is $23,652,354.

## NOTE 7 - 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 plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights, are held in trust for the exclusive use of the employee or their beneficiary.

The related assets of the plan, held in trust, are reported at fair value as follows (expressed in thousands):

| | |
|---|---|
| Plan Participation By: | |
| State of North Dakota | $ 7,176 |
| Other Jurisdictions | 1,471 |
| Total Value | $ 8,647 |

## NOTE 8 - 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. In accordance with the term of the contract for the 2001-2003 biennium, the system is to deposit a total of $3 million with BCBS. These surplus funds are to be used to pay any claims in excess of the premiums collected. At the end of the contract period, the system receives the remaining surplus funds plus interest. The accumulated surplus and other invested funds in the amount of $2,911,717 are shown as cash on the state's financial statements. These funds are being held by BCBS.

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's final accounting for the 1999-2001 biennium, there is a surplus for this contract period of $179,279. The surplus is used to fund rate reductions in the supplemental life program or provides benefit enhancements. The accumulated surplus plus interest was paid to the system during the current fiscal year.

## NOTE 9 - SEGMENT INFORMATION

North Dakota Housing Finance Agency maintains three Enterprise Funds which provide loans to finance construction of rental residential housing and single family home ownership. Segment information for the year ended June 30, 2002, was as follows (expressed in thousands):

| | Agency Operating Funds | Multi-family Bond Funds | Home-Ownership Bond Funds |
|---|---|---|---|
| **Condensed Statement of Net Assets** | | | |
| Current assets – other | $ 27,122 | $ 464 | $ 147,211 |
| Noncurrent assets – other | 19,742 | 10,659 | 607,824 |
| Total Assets | 46,864 | 11,123 | 755,035 |
| Current liabilities – other | 13,433 | 454 | 34,383 |
| Noncurrent liabilities – other | 54 | 10,291 | 693,589 |
| Total Liabilities | 13,487 | 10,745 | 727,972 |
| Net assets – unrestricted | 24,604 | - | - |
| Net assets – restricted | 8,687 | 378 | 27,063 |
| Total Net Assets | 33,377 | 378 | 27,063 |
| **Condensed Statement of Revenues, Expenses and Change in Fund Net Assets** | | | |
| Operating revenues | 4,156 | 806 | 48,234 |
| Operating expenses | 3,883 | 792 | 43,708 |
| Operating income | 273 | 14 | 4,526 |
| Nonoperating revenue | 2,419 | - | - |
| Change in net assets | 2,668 | 14 | 4,526 |
| Total net assets, beginning of year | 30,151 | 364 | 23,095 |
| Total net assets, end of year | 33,377 | 378 | 27,063 |

| | Agency Operating Funds | Multi-family Bond Funds | Home-Ownership Bond Funds |
|---|---|---|---|
| **Condensed Statement of Cash Flows** | | | |
| Net cash from (used for) operating activities | (5,857) | 1,172 | 25,928 |
| Net cash from (used for) noncapital financing activities | 2,412 | (1,463) | (178,753) |
| Net cash used for capital and related financing activities | (8) | - | - |
| Net cash from investing activities | 2,440 | 211 | 6,748 |
| Net change in cash and cash equivalents | (1,013) | (80) | (146,077) |
| Cash and cash equivalents, beginning of year | 8,936 | 459 | 276,358 |
| Cash and cash equivalents, end of year | 7,923 | 379 | 130,281 |

## NOTE 10 - 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 | $ 241,481 |
| Financial standby letters of credit | 99,595 |
| | $ 341,076 |

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 may 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.

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 condition established in the contracts. Commitments require the payment of a reservation fee and generally have a fixed expiration date. Commitments to extend credit total $18,010,000 at June 30, 2002. 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 $5,025,000 at June 30, 2002.

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 $70,408,000 at December 31, 2001.

COMMUNITY WATER FACILITY LOAN FUND

The Fund is a party to credit-related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its

customers. These financial instruments include commitments to extend credit. Commitments to extend credit totaled $1,150,000 as of December 31, 2001.

## NOTE 11 - 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 12 - 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 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 (e.g., comprehensive, collision), with the exception of liability, which is provided by the State's Risk Management Fund (RMF). State agencies are charged premiums to cover Fleet Service's RMF assessment and to pay for those losses which are not covered by RMF. 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 2002, a total of $55,182,069 in claims was recognized. Incurred but not reported claims of $500,800,000 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 tort 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. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

Revenues to the RMF are generated from contributions required from state agencies, boards and commissions, and the University System. The need for and amount of funding is 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. Unpaid claim liabilities are based on an actuarial study of the outstanding loss reserve need for the fund and a forecast of ultimate loss and loss expense. These liabilities were determined on an undiscounted expected level of ultimate loss. 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.

The following table presents the changes in claims liabilities balance for the fiscal years ending June 30, 2001, and June 30, 2002:

| Fiscal Year | Beginning Balance | Current Year Claims and Changes In Estimates | Claims Payments | Ending Balance |
|---|---|---|---|---|
| 2001 | 2,273,594 | 481,120 | 661,714 | 2,093,000 |
| 2002 | 2,093,000 | 856,677 | 412,046 | 2,537,631 |

Certain restatements were made to the information presented for 2001 due to a change in actuarial assumptions.

The Risk Management Workers Compensation Program (WCP) was established to consolidate all state entities under one workers compensation account, allowing for transitional duty between entities. The statutory liability of the fund is limited to $100,000 per claim with the North Dakota Workers Compensation Bureau, providing excess insurance for claims which exceed the $100,000 cap. WCP does not pay separately for this coverage. Since the inception of WCP on July 1, 2001, one claim exceeded coverage by $12,970.

Revenues to WCP are generated from contributions required from state agencies, boards, commissions, and the University System. The amount contributed from each agency is actuarially determined by North Dakota Workers Compensation and based upon the number of employees, the type of work done, and claims history of each entity. Each entity also pays a deductible of $250 per claim.

The WCP 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 doctrine, 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 into consideration settled claims, the frequency of claims, and other economic and social factors. An actual study was performed for North Dakota Workers Compensation. The liability estimates are based on that study.

The following table presents the changes in claims liabilities balance for the fiscal year ending June 30, 2002:

| Fiscal Year | Beginning Balance | Current Year Claims and Changes in Estimates | Claims Payments | Ending Balance |
|---|---|---|---|---|
| 2002 | $ - | $ 1,157,853 | $ 666,683 | $ 491,170 |

## NOTE 13 - PUBLIC ENTITY RISK POOLS

### *A. GENERAL*

FIRE 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 1,085 policies to participating entities for a total building and content coverage of $5.18 billion. The Bonding Fund is used to provide fidelity bonding of public employees and officials. The Fund has issued 2,909 policies to participating entities. The total coverage for the Bonding Fund is $559.8 million. 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 judgments 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, 2002, there was no amount deducted from claims liabilities for reinsurance.

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, 2002, coverage extended to the following employer units:

| | |
|---|---|
| Local Governments | 1,864 |
| State Agencies | 1 |
| Private Employers | 18,141 |
| Total | 20,006 |

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, 2002, the actuary presented an estimate in the form of a range to emphasize the uncertainty for the estimated liability of the Bureau. These ranges are as follows (expressed in thousands):

| | Low | Expected Value | High |
|---|---|---|---|
| Full Value Basis (undiscounted) | $810,000 | $902,400 | $1,040,000 |
| Discounted at 6% rate | * | 500,800 | 575,000 |

*Not computed by actuary.

The Bureau has adjusted the estimated liability for unpaid loss and loss adjustment expense to the actuary's six percent discounted expected value of $500.8 million at June 30, 2002.

The June 30, 2001, liability of $515 million was also recorded at the discounted rate of six percent.

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, 2002.

### *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 | |
|---|---|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |
| Unpaid claims and claims adjustment expenses at the beginning of the year | $ 6,559 | $ 1,801 | $ 103 | $ 82 | $ 515,000 | $ 499,700 |
| Incurred claims and claims adjustment expenses: | | | | | | |
| Provision for current fiscal year | 5,481 | 6,828 | 26 | 71 | 87,710 | 82,905 |
| Change in provision for prior fiscal year | - | - | - | - | (36,072) | 34,110 |
| Payments and claims and adjustment expenses attributable to: | | | | | | |
| Current fiscal year insured events | 1,588 | (269) | 100 | 32 | (17,131) | (17,253) |
| Prior fiscal years' insured events | (6,559) | (1,801) | (103) | (82) | (58,307) | (59,262) |
| Total Payments | (4,971) | (2,070) | (3) | (50) | (75,438) | (76,515) |
| Change in provision for discount | - | - | - | - | 9,600 | (25,200) |
| Total unpaid claims and claims adjustment expenses at the end of the year | $ 7,069 | $ 6,559 | $ 126 | $ 103 | $ 500,800 | $ 515,000 |

## NOTE 14 - GUARANTEED STUDENT LOAN RESERVES RECALL

During 1997, the Balanced Budget Act (H.R. 2015, 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 of Education has determined that the State's required share of the recall of Federal reserve funds is $7,574,859. This amount has been accrued as a liability in the State's 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.

## NOTE 15 – SCHOOL PERMANENT TRUST FUND

State law permits the permanent fund to use one-tenth of the realized gains and losses in the current and previous years to be included in its calculation of income available for distribution in the current year. When determining the amount of distribution from any of the permanent educational trusts, the board of the permanent fund must consider both preservation of trust corpus and its ability to produce income for future years and the demands for distribution of current income. Any realized gains and losses that are spent must be spent for the purposes for which the trust was established.

Any income in excess of the amount of distribution for the current year can be acted on in one of three ways by the board of the permanent fund:

1. Distribute to the fund beneficiary all or a portion of the income in excess of the previous fiscal year's distribution;
2. Retain for distribution in future years all of a portion of the income in excess of the preceding fiscal year's distribution in an amount not to exceed $10 million; or
3. Add to the permanent fund all or a portion of the income in excess of the preceding fiscal year's distribution.

At June 30, 2002, realized gains and losses available for distribution in the current year totaled $8,773,590 for the permanent educational trusts. This amount is included in Reserved Fund Balances—Undistributed Revenue in the governmental funds balance sheet.

## NOTE 16 – BANK OF NORTH DAKOTA

GASB Statement No. 34 requires assets and liabilities of enterprise funds be presented in a classified format to distinguish between current and long-term assets and liabilities. The Bank of North Dakota is the only government-owned bank in the United States. Banks do not present a classified balance sheet because current assets are not matched with current liabilities. Presentation of a classified balance sheet would give the false impression that there is a liquidity problem at the bank. Presentation of a classified balance sheet for the Bank of North Dakota would be misleading to the extent that the financial statements may be materially misstated. Therefore, the balance sheet of the Bank of North Dakota presents assets and liabilities in order of their relative liquidity, rather than in a classified format.

## NOTE 17 - COMMITMENTS AND CONTINGENCIES

### *A. LONG-TERM COMMITMENTS*

BANK OF NORTH DAKOTA

The 2001 North Dakota Legislature passed House Bill 1015, which included a contingent Bank transfer to the state general fund. If, during the biennium ending June 30, 2003, the director of the Office of Management and Budget determines via revised projections that general fund revenue collections will not meet the revenues as forecast in the March 2001 legislative forecast, the Industrial Commission shall transfer to the state general fund an additional amount, as determined by the director of the Office of Management and Budget and as approved by the budget section, from the earnings and accumulated and undivided profits of Bank of North Dakota. The moneys must be transferred in amounts and at such times as requested by the director of the Office of Management and Budget. The additional amount transferred may not exceed the lesser of $25,000,000 or the revenue shortfall of actual collections compared to the March 2001 legislative forecast. As of December 31, 2001, projected revenues exceed the March 2001 legislative forecast for projected revenues.

No transfers may be made which would reduce the Bank's capital structure below $140,000,000.

The 2001 North Dakota Legislature passed House Bill 1023, which authorizes the State Water Commission to issue up to $67,800,000 in bonds and appropriate the proceeds for various statewide water development projects.

Principal and interest on bonds used for projects authorized by House Bill 1023 are payable from transfers to be made and appropriated by the legislative assembly from the Water Development Trust Fund, then from transfers to be made and appropriated by the legislative assembly from revenues in the Resources

Trust Fund other than revenues from state taxes, then from appropriations of other available revenues in the then current biennium, and then from any other revenues the State Water Commission makes available during the then current biennium. If sufficient funds from these sources is not available, then principal and interest on bonds are payable from transfers to be made and appropriated by the legislative assembly from the first available current biennial earnings of the Bank of North Dakota. No appropriation was made from the Bank of North Dakota for statewide water development projects for the 2001-2003 biennium by the Legislature.

The Bank of North Dakota shall extend a line of credit not to exceed $25,000,000 for the biennium ending June 30, 2003, to the State Water Commission for the purpose of interim financing until bonds are issued. Advances on the line of credit may be made only when a source of repayment has been identified and determined to be available. As of December 31, 2001, Bank of North Dakota has not funded and has not committed to fund any amount under the line of credit.

The 2001 North Dakota Legislature passed Senate Bill 2249, which amended the Beginning Entrepreneur Loan Guarantee Program. The program provides that the Bank of North Dakota enters into an agreement with a lender that in the event of default by a beginning entrepreneur under a note and mortgage or other loan or financing agreement, the Bank of North Dakota shall pay the lender the amount agreed upon, which is 85 percent of the amount of principal due the lender on a loan at the time the claim is approved. A lender may apply to the Bank of North Dakota for a loan guarantee for a loan of up to $100,000. The term of the loan guarantee may not exceed five years. The Bank may provide guarantees totaling $3,400,000. As of December 31, 2001, the Bank has provided guarantees totaling $766,000 and has guarantee commitments of $37,000 included in commitments to extend credit.

STUDENT LOAN TRUST

The 2001 Legislature passed House Bill 1015 which provides for an appropriation of $9.0 million from the Trust to the State's general fund during the biennium beginning July 1, 2001, and ending June 30, 2003. The moneys must be transferred in such amounts and at such times as required by the Director of the Office of Management and Budget, and upon certification by the Trust's trustee that sufficient moneys remain available to pay all debt service on Student Loan Trust bonds, all required rebate payments to the U.S. Treasury, and all program operating expenses.

INDUSTRIAL COMMISSION

In July and September of 2001, the Industrial Commission, as part of the Lignite Research, Marketing and Development Program—Vision 21, entered into two contracts for a total of $20,000,000. These contracts authorize payments over a period of years based on completion of the required research and the construction of new lignite-fired power plants in North Dakota. The two contracts are with Great River Energy and Montana-Dakota Utilities/Westmoreland Power Inc. (MDU) for $10,000,000 each. Payments made on the above contracts during fiscal year 2002 totaled $645,500 and $150,000 to Great River Energy and MDU, respectively. Both contracts contain a provision for payback to the Industrial Commission of $4.5 million each over twenty years if new power plants are built and become operational. Total commitments under the contracts would be reduced by $15,292,250 if the power plants are not constructed. In addition, the Commission entered into a contract on November 1, 2001, with Great Northern Power Development L.P. totaling $673,250. Payments totaling $100,000 were made during fiscal year 2002.

MILL AND ELEVATOR

As of June 30, 2002, the Mill had commitments to purchase 1,612,109 bushels of spring wheat and 88,991 bushels of durum.

STATE COURTS

As of June 30, 2002, the state courts had significant commitments of $1,900,969. The majority of 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.

JOB SERVICE NORTH DAKOTA

As of June 30, 2002, Job Service has commitments to pay $1,980,231 for purchase orders and contracts awarded for goods, services, and construction in progress to be provided in future periods. Applicable funds for these commitments are $494,889 federal and $1,485,342 non-federal.

BUILDING AUTHORITY

The Authority has committed funds to complete various construction and modernization programs at June 30, 2002, totaling $9,289,000.

The Authority has also committed to fund the Department of Transportation energy conservation project if they decide to proceed with the project prior to June 30, 2003. The amount authorized for financing this project is $353,000.

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, 2002, totaled $1,979,878.

DEPARTMENT OF HUMAN SERVICES

As of June 30, 2002, the Department of Human Services had significant commitments for the purchase of various types of services totaling $28,258,704.

WORKERS COMPENSATION

The Bureau has signed contracts for the construction of a new building. There are contracts with six separate vendors for architecture, general contracting, landscaping, electrical work, plumbing and heating, and ventilation. Total contract payments as of June 30, 2002, totaled $3,246,184, with remaining contract commitments totaling $7,665,591.

PUBLIC SERVICE COMMISSION

As of June 30, 2002, the Public Service Commission had significant commitments of $896,647. This amount consists primarily of contractor charges associated with the Abandoned Mine Lands.

AERONAUTICS COMMISSION

As of June 30, 2002, the Aeronautics Commission had significant commitments of $1,052,904. This amount consists of grants to political subdivisions for maintenance and improvements of their airports.

DEPARTMENT OF COMMERCE

As of June 30, 2002, Department of Commerce had significant commitments of $571,941. This amount consists of grants for the research and development of North Dakota agriculture products.

DAIRY PRODUCTS PROMOTION COMMISSION

As of June 30, 2002, the Dairy Products Commission had significant commitments of $268,250. This amount consists of a contract with Midwest Dairy Association 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, 2002, the North Dakota Soybean Council had significant commitments of $281,718. This amount mainly consists of grants for the research and development of soybeans.

STATE WATER COMMISSION

As of June 30, 2002, the State Water Commission had long-term commitments of $45,389,000 for various water projects.

NORTH DAKOTA DEPARTMENT OF TRANSPORTATION

At June 30, 2002, the North Dakota Department of Transportation (Special Revenue Fund) had non-construction contract commitments of approximately $10.45 million of which $8.95 million represents federal programs which are cost reimbursable.

Construction commitments at June 30, 2002, totaled approximately $156.8 million, of which $126.4 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 | $ 12,162 | $ 8,868 | $ 3,294 |
| NDSU | 11,889 | 5,952 | 5,937 |
| MiSU | 7,967 | 4,987 | 2,980 |
| BSC | 201 | 34 | 167 |
| DSU | 207 | - | 207 |
| NDSCS | 2,161 | 1,609 | 552 |
| VCSU | 1,916 | 957 | 959 |
| MaSU | 1,312 | 1,168 | 144 |
| WSC | 5,548 | 393 | 5,155 |

NORTH DAKOTA DEVELOPMENT FUND

The Board of Directors has approved equity investments, loans, grants, and guaranty of collections at June 30, 2002, for which funds have not been disbursed or written agreements entered into in the amount of $2,660,312.

OTHER CONSTRUCTION COMMITMENTS

The State has various long-term construction commitments in the following agencies at June 30, 2002 (expressed in thousands):

| | |
|---|---|
| OMB | $ 359 |
| Historical Society | 1,881 |
| Department of Transportation | 37,214 |
| Adjutant General | 3,135 |

### *B. LITIGATION*

The estimated loss in all of the litigation against the State in which a loss to the State is probable is estimated at $150,000 to $500,000. No accrual has been set up in the financial statements as this loss is covered by insurance. Litigation that is reasonably possible to result in an unfavorable outcome is estimated at $3,000,000 to $102,900,000.

The estimated gain in all the litigation brought by the State in which a gain is probable is estimated at $14,188,842 to $14,388,892. This amount was not accrued in these financial statements.

In November 1998, the North Dakota Attorney General joined forty-five other states and five territories in a settlement agreement against the nation's largest tobacco manufacturer. The Master Settlement Agreement includes base payments to states totaling $220.6 billion for the next 25 years, and continues in perpetuity. North Dakota's share of the settlement is expected to be $866 million over the next 25 years. The amount of the annual payment is subject to a number of modifications, including adjustments for inflation and usage volumes. Some of the adjustments may result in increases in the payments (inflation, for example), or other adjustments will likely cause decreases in the payments (e.g., volume adjustments). The net effect of these adjustments on future payments is unclear.

The State had not settled any cases before June 30, 2002, in which the settlement had not been paid as of June 30, 2002.

### *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, 2000, was completed in March of 2001. As a result of this audit, approximately $291,000 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 2001-2002 single audit will be issued sometime in March 2003. 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 the audit will have a material impact.

## NOTE 18 - SUBSEQUENT EVENTS

HOUSING FINANCE AGENCY

Subsequent to June 30, 2002, the Agency began the process for the issuance of 2002 Series B and C Housing Finance Program Bonds. The 2002 Series B bond issuance is in the amount of $40,000,000. The amount of the 2002 Series C bond issuance will be $11,634,000. Mortgage loans totaling $11,633,314 from the 1983 General Resolution and $9,461,488 from the Agency have been pledged to repay the 2002 C Bonds.

STUDENT LOAN TRUST

On July 2, 2002, the Trust purchased $28,601,000 of student loans from the Bank of North Dakota and on August 2, 2002, purchased additional student loans from the Bank of North Dakota by utilizing $43,977,000 of surplus from the General Bond Resolution (1979).

BUILDING AUTHORITY

On July 11, 2002, the Authority issued $10,665,000 Lease Revenue Refunding Bonds, 2002 Series C with an average interest rate of 3.92 percent. The proceeds of the issue were used for a current refunding of 1993 Series B. The debt will be extinguished on August 15, 2002, and the liability will then be removed from the balance sheet. The current refunding was undertaken to reduce total debt service payments over the next twelve years by $904,000 and resulted in an economic gain of $801,000.

On July 18, 2002, the Authority issued $16,425,000 Lease Revenue Refunding Bonds, 2002 Series D. The proceeds of the issue were used for an advance refunding of 1995 Series A. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments on the refunded bonds. As of July 18, 2002, $15,225,000 of bonds outstanding is considered defeased and the liability will be removed from the balance sheet. The reacquisition price exceeded the net carrying amount of the old debt by $999,000. This amount is netted against the new debt and amortized over the life of the refunded debt, which is the same as the life of the new debt

issued. The current refunding was undertaken to reduce total debt service payments over the next twelve years by $561,000 and resulted in an economic gain of $478,000.

On October 31, 2002, the Authority executed a purchase agreement with Dougherty & Company, LLC for the purchase of $15,145,000 Lease Revenue Refunding Bonds, 2003 Series A. This was a forward delivery current refunding, so the closing (transfer of funds) on this bond issue will not take place until March 5, 2003. The proceeds of the 2003 Series A Bonds will be used to current refund the 1993 Authority Series A Bonds. The forward delivery current refunding was undertaken to reduce the total debt service payments over the next seven years and resulted in a net present value savings of $1,001,000.

WORKERS COMPENSATION

Subsequent to June 30, 2002, Workers Compensation was authorized to establish a subsidiary corporation for the purpose of providing workers' compensation insurance coverage to North Dakota policyholders doing temporary and incidental work in Minnesota. The corporation has been approved to be a stock company, with Workers Compensation being its sole stockholder.

NORTH DAKOTA STATE UNIVERSITY

In July 2002, NDSU received a refund of $417,748 from the Internal Revenue Service resulting from a lawsuit with the IRS over the application of FICA on faculty tenure buyouts. The refund amount does not reconcile to NDSU's claims for refund. NDSU is working with the IRS on reconciling the differences so the proper funds can be credited. It is expected that differences will be reconciled in fiscal year 2003.

In August 2002, $20.4 million of MIDA bonds were issued by the City of Fargo on behalf of the NDSU Research and Technology Park, Inc., a discretely presented component unit. The MIDA bonds were issued to finance construction of a second research facility on the campus of NDSU and to purchase equipment for the facility. Under the arrangement, the City issued bonds and leased the completed facility and the land to the NDSU Research and Technology Park, Inc.

In August 2002, $3 million of revenue bonds were issued by NDSU to finance construction of an addition to Minard Hall on the main campus of NDSU. The revenue bonds will be repaid from the pledged revenue of the NDSU Housing and Auxiliary Revenue System.

UNIVERSITY OF NORTH DAKOTA

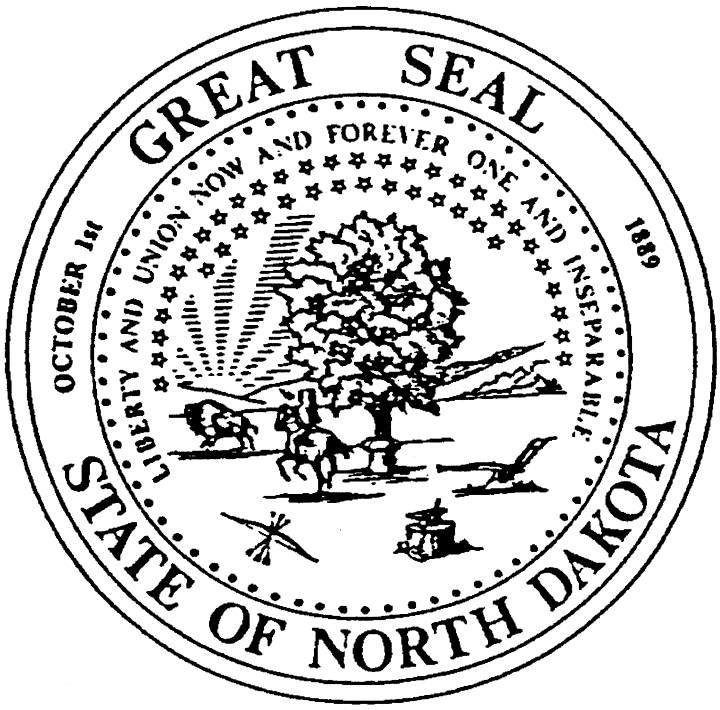
On July 1, 2002, the UND Foundation (Foundation) issued $8,595,000 lease revenue bonds to (i) finance the construction of an office building for the Energy and Environmental Research Center (EERC) of UND; (ii) renovate the current building occupied by the EERC; and (iii) finance capitalized interest and pay costs of issuance related to the bonds. The Foundation will lease certain property to UND pursuant to a lease agreement dated as of July 1, 2002, under which the aggregate of basic rents to be paid by UND, subject to biennial appropriations by the North Dakota Legislature, will be sufficient in amount and payable at such times to pay principal of and interest on the bonds when due. The repayment period extends to June 1, 2027, with interest from 2.5% to 5.0%

BISMARCK STATE COLLEGE

Subsequent to June 30, 2002, BSC incurred a note payable with GE Capital Public Finance for energy performance contracting in the amount of $1,492,000. The note bears interest at the rate of 5.01% and is payable in monthly installments beginning July 1, 2003, through July 1, 2013.

MUNICIPAL BOND BANK

On August 21, 2002, the Industrial Commission approved the issuance of a total $1,700,000 of Capital Financing Program Bonds, Series 2002 A. These bonds are for the express purpose of providing funds to political subdivisions for use in connection with various improvement, construction, and refinancing projects. Interest rates vary from 3.00% to 5.60%, with maturities ranging from June 1, 2003, to June 1, 2028.




# *Required Supplementary Information -- Budgetary Schedule*

# STATE OF NORTH DAKOTA

## Required Supplemental Information
## Budgetary Comparison Schedule
## General Fund
**June 30, 2002**

| | Approved Budget 2001-2003 Biennium | Appropriation Adjustments 2001-2003 Biennium | Adjusted Budget 2001-2003 Biennium | Actual Biennium To Date Thru 6-30-02 | Difference Uncollected/ Unspent Thru 6-30-02 |
|---|---|---|---|---|---|
| **Budgetary fund balance, July 1** | $ 52,662,700 | $ 12,167,965 | $ 64,830,665 | $ 73,147,806 | $ 8,317,141 |
| **Resources (inflows):** | | | | | |
| Sales And Use Tax | 643,705,000 | - | 643,705,000 | 308,664,333 | (335,040,667) |
| Income Tax | 555,286,000 | - | 555,286,000 | 238,131,389 | (317,154,611) |
| Business Privilege Tax | 4,800,000 | - | 4,800,000 | 2,565,548 | (2,234,452) |
| Oil And Gas Production Tax | 38,431,000 | - | 38,431,000 | 20,530,727 | (17,900,273) |
| Oil Extraction Tax | 23,569,000 | - | 23,569,000 | 10,466,737 | (13,102,263) |
| Insurance Premium Tax | 39,896,000 | - | 39,896,000 | 23,347,204 | (16,548,796) |
| Cigarette, Cigar And Tobacco Tax | 38,796,000 | - | 38,796,000 | 20,167,582 | (18,628,418) |
| Wholesale Liquor Tax | 10,540,543 | - | 10,540,543 | 5,493,782 | (5,046,761) |
| Coal Conversion Tax | 48,670,000 | - | 48,670,000 | 23,328,502 | (25,341,498) |
| Gaming Tax | 20,403,000 | - | 20,403,000 | 13,737,222 | (6,665,778) |
| Department Fees And Collections | 48,977,350 | - | 48,977,350 | 28,311,891 | (20,665,459) |
| Mineral Leasing Fees | 6,757,500 | - | 6,757,500 | 2,979,585 | (3,777,915) |
| Motor Vehicle Excise Tax | 113,531,000 | - | 113,531,000 | 60,679,675 | (52,851,325) |
| Interest On Public Funds | 21,011,000 | - | 21,011,000 | 5,529,692 | (15,481,308) |
| Gas Tax Administration | 1,363,392 | - | 1,363,392 | 681,696 | (681,696) |
| Transfers In | 90,578,922 | - | 90,578,922 | 30,085,309 | (60,493,613) |
| Total revenue inflows | 1,706,315,707 | - | 1,706,315,707 | 794,700,874 | (911,614,833) |
| Amounts Available for appropriation | 1,758,978,407 | 12,167,965 | 1,771,146,372 | 867,848,680 | 903,297,692 |
| **Charges to appropriations (outflows):** | | | | | |
| General Government | 158,957,439 | 406,703 | 159,364,142 | 69,875,941 | 89,488,201 |
| Education | 597,225,913 | 115,766 | 597,341,679 | 288,757,922 | 308,583,757 |
| Health & Human Services | 390,302,863 | 1,765,630 | 392,068,493 | 209,446,717 | 182,621,776 |
| Regulatory | 13,190,849 | 30,856 | 13,221,705 | 7,406,695 | 5,815,010 |
| Public Safety | 111,181,566 | 3,883,434 | 115,065,000 | 58,965,699 | 56,099,301 |
| Agriculture & Economic Development | 20,476,683 | 25,339 | 20,502,022 | 9,670,852 | 10,831,170 |
| Natural Resources | 25,551,669 | 1,643,470 | 27,195,139 | 13,060,842 | 14,134,297 |
| Transportation | 550,000 | - | 550,000 | 334,817 | 215,183 |
| Transfers Out | 429,546,731 | 71,971 | 429,618,702 | 205,731,184 | 223,887,518 |
| Total charges to appropriations | 1,746,983,713 | 7,943,169 | 1,754,926,882 | 863,250,669 | 891,676,213 |
| Ending budgetary fund balance | $ 11,994,694 | $ 4,224,796 | $ 16,219,490 | $ 4,598,011 | $ (11,621,479) |

## Required Supplemental Information
## Budgetary Comparison Schedule
## Budget to GAAP Reconciliation
**June 30, 2002**

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and for the General Fund Expenditures

**Sources/Inflows of resources**

| | |
|---|---|
| Actual Amounts (budgetary basis) "total revenue inflows" from the budgetary comparison schedule | 794,700,874 |
| Differences-budget to GAAP: | |
| The period of availability for revenue recognition for budget purposes differs from the GAAP basis. | 20,628,784 |
| Repayment received from nursing homes on short-term loans. This is not GAAP revenue so it was backed out on the finanacial statements but not budget. | (6,645,238) |
| Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds | $ 808,684,420 |

**Uses/Outflows of resources**

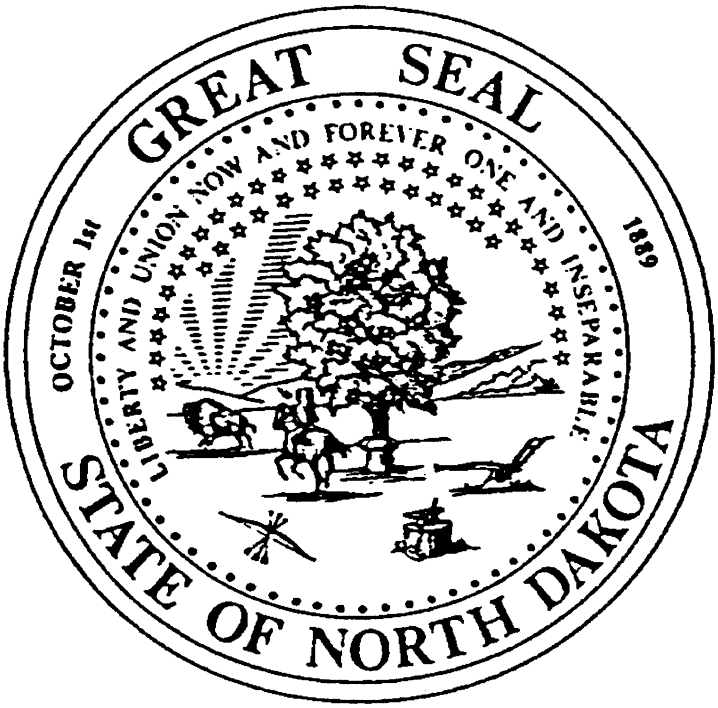
| | |
|---|---|
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | 863,250,669 |
| Differences-budget to GAAP: | |
| Certain Payments made as short-term loans to nursing homes. These payments are expenditures for budget purposes. For GAAP, the expenditures are eliminated. | (6,645,238) |
| Estimated liabilities are recorded as expenditures for GAAP but not for budget purposes. | (4,155,992) |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds | $ 852,449,439 |

## *NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING*
**June 30, 2002**

The Budgetary Comparison Schedule presents comparisons of the original and revised legally adopted budgets with actual data on a budgetary basis for major funds. The only major fund with a legally adopted budget is the General Fund. Other funds are budgeted as "Other Budgeted Income" and are not identified by specific fund. Other budgeted income includes all budgeted resources, other than the General Fund, and includes some governmental, proprietary, and fiduciary fund activities.

North Dakota's Appropriation Acts include a dual legal level of budgetary control - one at the General Fund versus Other Budget Income level for each agency and one at the line item level for each agency. Line items are not separate between General Fund and Other Budgeted Income so that control is not presented in our budgetary comparison schedule for major funds. The legal level of control for all agencies is reported in a publication titled "State of North Dakota Interim 2001-2003 Biennium Budget and Actual Detail (Budgetary Basis) For The Fiscal Year Ended June 30, 2002." This budget information is available through the Office of Management and Budget, 600 East Boulevard Ave Dept. 110, Bismarck, ND, 58505. During 2002, the first year of the 2001-2003 biennium, there were general fund supplemental appropriations of $7,871,198.

The Budgetary Comparison Schedule reports expenditures on a budgetary basis. The accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present the financial statements in accordance with GAAP. A reconciliation of the two for the fiscal year ended June 30, 2002, has been presented on the previous page.




# *Combining Financial Statement*

# *Nonmajor Governmental Funds*

## Special Revenue Funds

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

**AGRICULTURE**

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

224 - Alcohol Motor Vehicle Fuel Fund
Funds used for the enhancement of agricultural research, development, processing, and marketing. (NDCC 4-14.1)

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)

306 – Stockmen's Association Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 36-22)

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)

376 - Environment and Rangeland Protection Fund
To be used for rangeland improvement projects. (NDCC 19-18)

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)

**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)

**COMMERCE**

330 - Economic Development Commission Fund
Accounts for revenues and expenditures associated with the general operation of the economic development division. (NDCC 54-34)

342 – Community Services Fund
Accounts for revenues and expenditures associated with the general operation of the division of community services. (NDCC 54-44.5)

443 - Tourism Fund
Accounts for revenues and expenditures associated with the general operation of the tourism division. (NDCC 54-34.4)

**CULTURAL AND 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)

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)

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

249 - Surface Mine and Reclamation Fund
Funds used for the purpose of reclaiming land affected by surface coal mining operations. (NDCC 38-14.3)

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)

267 - Water Development Trust Fund
To be used to address the long-term water development and management needs of the state. (NDCC 54-27)

314 (934) - 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)

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)

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

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)

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)

**EDUCATION**

206 (959) – Land 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)

235 - Displaced Homemakers Fund
Funds for providing services for displaced homemakers. (NDCC 14-06.1)

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)

274 – Independent Study Operating Fund
Accounts for the revenues and expenditures associated with the general operations of the Division of Independent Study. (NDCC 15-19)

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 15.1-02)

393 – Vocational Education Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 15-20.1)

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)

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 15.1-03)

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)

**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 23-01)

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)

313 - Environmental Health Practitioners License Administrators Fund
Accounts for revenues and expenditures associated with advisory board duties. (NDCC 43-43)

315 - ND Health Care Trust Fund
Funds to be used for long-term care reform. (NDCC 50-30)

316 - Community Health Trust Fund
To be used for community-based public health systems and other public health programs, including programs with emphasis on preventing or reducing tobacco usage in the state. (NDCC 54-27)

318 - Indian Affairs Commission 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 50-06)

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)

381 – Long-Term Care Facility Loan Fund
A revolving loan fund for the purpose of making loans to nursing facilities, basic care facilities, and assisted living facilities. (NDCC 6-09.16)

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. (NDCC 15-67)

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)

**JUDICIAL AND LEGAL**

204 - Attorney General Asset Forfeiture Fund
Funds obtained from the authorized sale of assets seized and forfeited from narcotics investigations and arrests. (NDCC 54-12)

237 - Indigent Civil Legal Services Fund
Funds to provide legal services to persons unable to afford private counsel. (NDCC 54-06)

250 - Attorney General Refund Fund
Accounts for financial resources of the consumer fraud division. (NDCC 54-12)

312 - State Courts
Revenues are from a filing fee charged by the clerk of the supreme court. 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)

339 - Horse Racing Fund
Revenues are intended to promote racing, supplement purses, and award racehorse breeders in addition to operating expenses of the Racing Commission. (NDCC 53-06.2)

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 211)

**LAND DEPARTMENT COAL AND MINERAL**

493 (955) - Land and Minerals Trust:
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)

515(956) - Coal Development Trust
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 political subdivisions. (NDCC 57-62)

**LOCAL GOVERNMENT**

238(925) - Energy Development Impact
Accounts for monies to be distributed through grants to coal impacted political subdivisions. (NDCC 57-62)

240 - Insurance Tax Distribution Fund
Accounts for financial resources for fire departments within the State. (NDCC 18-04)

400 - Highway Tax Distribution Fund
Accounts for collections of motor vehicle registration and related fees, fuels taxes, special fuels taxes, use taxes, and special fuels excise taxes that are allocated to counties, cities, and other political subdivisions for the construction and maintenance of highways. (NDCC 54-27)

401 - State Aid Distribution Fund
Accounts for a portion of sales, use, and motor vehicle excise taxes that are deposited into this fund and are allocated to local political subdivisions. (NDCC 57-39.2)

405 - Financial Institution Tax Distribution
Accounts for a tax imposed on each financial institution for distribution to counties. (NDCC 57-35.3)

412 - Coal Severance Tax Distribution Fund
Accounts for a portion of the tax imposed upon all coal severed for sale or for industrial purposes by coal mines to be distributed to counties. (NDCC 57-61)

416 - Federal Tax Replacement Fund
Accounts for collecting federal funds and distributes those funds back to counties for Flood Control, Taylor Grazing and National Forests. (NDCC 15-01)

420 - Cigarette Tax Distribution Fund
Accounts for a tax on cigarettes distributed on a per capita basis to the incorporated cities. (NDCC 57-36)

424 – Telecommunications Carriers Tax Fund
Accounts for the telecommunications carriers' tax that is allocated to counties. (NDCC 57-34)

427 - Oil and Gas Production Tax Distribution Fund
Accounts for a portion of real property tax on oil and gas producing mineral estates and interests to be allocated to counties. (NDCC 57-51)

431 - Transmission Line Tax Distribution Fund
Accounts for tax of transmission lines and the allocation to counties in which such transmission lines are located. (NDCC 57-33.1)

444 - Township Road and Bridge Fund
Moneys from the Township Highway Aid Fund and fifty percent matching funds based on the length of township roads in each organized township compared to the length of all township roads in the county. Used for highway and bridge purposes. (NDCC 54-27)

446 – Gaming and Excise Tax Allocation Fund
Accounts for a portion of gaming and excise taxes that are deposited in this fund for distribution to cities and counties. (NDCC 53-06.1)

454 - Coal Conversion Tax Trust Fund
Accounts for a portion of the tax paid monthly for the privilege of producing products of such coal conversion facility to be allocated to counties. (NDCC 57-60)

468 - Estate Tax Distribution Fund Monies collected from Estate Tax. Following the end of each calendar quarterly period the state treasurer shall pay over to the county treasurer of the appropriate county, for its general fund, the amount of tax collected on the transfer of the property in that county. (NDCC 57-37.1)

494 - Air Transportation Fund
Taxes imposed upon air transportation companies. Within ninety days after receipt the funds must be allocated and remitted by the state treasurer to the cities or municipal airport authorities where such transportation companies make regularly scheduled landings. (NDCC 57-32)

**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 211)

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)

251 - Capitol 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)

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

263 - Secretary of State General Services Fund
Accounts for revenues and expenditures relating to certain services provided by the department. (NDCC 54-09)

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

272 – Multistate Tax Commission Fund
Accounts for expenditures of the multistate tax commission. (2001 S.L., HB 1006)

302 – Athletic Commission Fund
Accounts for revenues and expenditures associated with the athletic advisory board. (NDCC 53-01)

304 - Governor's Special Fund
Moneys that have become available during the biennium from federal funds and private funds. (2001 S.L. ch. 1, Sec. 2,)

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)

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 52-02.1)

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. (NDCC 54-44.1)

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)

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)

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)

968 - Job Service - Special Revenue
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 52-02)

997 – 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)

**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)

**PERMANENT OIL TAX TRUST**

432 - Permanent Oil Tax Trust Fund
Accounts for oil and gas tax revenues in excess of the amount specified for deposit in the general fund. (NDCC 57-51.1)

**PUBLIC SAFETY AND CORRECTIONS**

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

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 54-23.3)

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)

373 - Radio Communications Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 54-23.2)

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)

379 - Department of Corrections Operating
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 12-47)

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)

**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 55-08)

441 - Trail Tax Transfer Fund
Fund used for all-terrain vehicle safety education and promotion. (NDCC 39-29)

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)

**REGULATORY**

209 - Unsatisfied Judgment Fund
Funds to pay for damages occurring from a motor vehicle accident when a judgment has been rendered and the judgment debtor is unable to satisfy the claim. (NDCC 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. (NDCC 23-37)

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)

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

262 - Securities Protection Fund
Accounts for revenues and expenditures from civil penalties collected from securities enforcement actions. (NDCC 10-04)

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

**TRANSPORTATION**

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

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

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

217 – Motor Vehicle Registration Fund
Fees from dealer registrations are to be deposited in this fund. (NDCC 39-22)

225 – State Infrastructure Bank (SIB)
Funds for funding eligible projects as determined by agreement of the members of the multi-state infrastructure bank. (NDCC 24-02)

230 - Special Road Fund
Used for the construction and maintenance of access roads to and roads within recreational, tourist, and historical areas. (NDCC 24-02)

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)

**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)

941 – Commandant's 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)

## 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.*

**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)

## Debt Service Funds

*A debt service fund is used to account for accumulation for resources for, and the payment of, principal and interest on long-term debt.*

**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. (NDCC 54-17.5)

**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
## Nonmajor Governmental Funds
### June 30, 2002

| | Special Revenue Funds | | | | | |
|---|---|---|---|---|---|---|
| | Agriculture | Commodity Promotion | Commerce | Cultural and Natural Resources | Education | Health and Human Services |
| **ASSETS** | | | | | | |
| Cash Deposits at the Bank of ND | $ 5,288,842 | $ 2,582,241 | $ 5,011,241 | $ 43,361,636 | $ 15,632,401 | $ 29,485,821 |
| Cash and Cash Equivalents | 183,939 | 1,597,268 | - | 6,400 | 298,069 | 689,796 |
| Investments at the Bank of ND | 1,393,742 | - | 2,800,000 | 4,112,228 | - | 9,640,000 |
| Investments | - | 1,220,000 | - | 295,000 | - | 32,315,537 |
| Accounts Receivable - Net | 216,121 | 1,188,522 | 847 | - | 2,493,474 | 4,792,747 |
| Taxes Receivable - Net | 36,665 | - | - | 46,325 | 174,927 | 397 |
| Interest Receivable - Net | 785 | 4,335 | 299,924 | 14,249 | - | 24,403 |
| Intergovernmental Receivable - Net | - | - | - | 906,185 | - | 1,093,168 |
| Due from Other Funds | 6,237 | 8,835 | 1,821 | 1,227,119 | 18,083 | 13,414,468 |
| Prepaid Items | - | - | - | - | - | - |
| Inventory | - | - | - | - | 127,247 | - |
| Loans and Notes Receivable - Net | 5,136 | - | 10,430,615 | 4,017,569 | - | 2,608,185 |
| Total Assets | $ 7,131,467 | $ 6,601,201 | $ 18,544,448 | $ 53,986,711 | $ 18,744,201 | $ 94,064,522 |
| **LIABILITIES AND FUND BALANCES** | | | | | | |
| Liabilities: | | | | | | |
| Accounts Payable | $ 102,647 | $ 561,332 | $ 112,246 | $ 3,495,119 | $ 48,408 | $ 1,596,977 |
| Accrued Payroll | 147,043 | 82,382 | 3,757 | 32,484 | 197,208 | 604,623 |
| Securities Lending Collateral | - | - | - | - | - | 3,682,134 |
| Interest Payable | - | - | - | - | - | - |
| Intergovernmental Payable | - | - | - | 315,956 | - | - |
| Tax Refunds Payable | - | - | - | - | - | - |
| Contracts Payable | - | - | - | 181,131 | - | - |
| Due to Other Funds | 21,082 | 67,620 | 16,090 | 273,220 | 406,130 | 9,982,021 |
| Deferred Revenue | 50,472 | - | - | 53,636 | 842,292 | - |
| Other Liabilities | - | - | - | - | - | - |
| Total Liabilities | 321,244 | 711,334 | 132,093 | 4,351,546 | 1,494,038 | 15,865,755 |
| Fund Balances: | | | | | | |
| Reserved for: | | | | | | |
| Inventory | - | - | - | - | 127,247 | - |
| Long - Term Receivables | 5,136 | - | 10,430,615 | 4,017,569 | - | 2,608,185 |
| Debt Service | - | - | - | - | - | - |
| Capital Projects | - | - | - | - | - | - |
| Prepaid Expenditures | - | - | - | - | - | - |
| Permanent Trust Fund | | | | | | |
| Legal Requirements | - | - | - | - | - | - |
| Unreserved: | | | | | | |
| Designated for: | | | | | | |
| Fund Activities | - | - | - | - | - | - |
| Patients Welfare | - | - | - | - | - | 422,151 |
| Unreserved, undesignated | 6,805,087 | 5,889,867 | 7,981,740 | 45,617,596 | 17,122,916 | 75,168,431 |
| Total Fund Balances | 6,810,223 | 5,889,867 | 18,412,355 | 49,635,165 | 17,250,163 | 78,198,767 |
| Total Liabilities and Fund Balances | $ 7,131,467 | $ 6,601,201 | $ 18,544,448 | $ 53,986,711 | $ 18,744,201 | $ 94,064,522 |

(Continued On Next Page)

| Special Revenue Funds | | | | | | | |
|---|---|---|---|---|---|---|---|
| Judicial and Legal | Land Department Coal and Mineral | Local Government | Oil Tax Resources | Other Special | PACE Fund | Permanent Oil Tax Trust |
| $ 8,376,925 | $ 1,874,144 | $ 32,235,419 | $ 379,692 | $ 3,398,125 | $ 15,304,369 | $ 13,179,298 |
| 222,753 | - | 1,031,589 | - | 16,227 | - | - |
| 3,805 | - | - | 15,950,000 | 519,845 | - | - |
| - | 22,675,674 | - | - | 234,851 | - | - |
| 1,256,027 | - | 375,704 | 489 | 153,468 | - | - |
| - | 217,794 | 37,615,834 | 349,854 | 208,344 | - | - |
| 6,467 | 232,036 | - | 61,407 | 152,131 | - | - |
| - | - | - | - | - | - | - |
| 75,165 | 125,647 | - | 15,317 | 125,904 | - | - |
| - | - | - | - | - | 943,786 | - |
| - | - | - | - | 418,794 | - | - |
| - | 33,489,637 | - | 5,939,599 | - | - | - |
| $ 9,941,142 | $ 58,614,932 | $ 71,258,546 | $ 22,696,358 | $ 5,227,689 | $ 16,248,155 | $ 13,179,298 |
| $ 125,381 | $ - | $ - | $ - | $ 358,808 | $ - | $ - |
| 103,244 | 8,602 | - | - | 100,779 | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | 21,695,377 | - | - | - | - |
| - | - | 75 | - | - | - | - |
| - | - | - | - | 5,665 | - | - |
| 25,386 | 364,531 | - | 186,736 | 19,073 | - | - |
| - | - | 8,715,110 | - | 106,594 | - | - |
| - | - | - | - | - | - | - |
| 254,011 | 373,133 | 30,410,562 | 186,736 | 590,919 | - | - |
| - | - | - | - | 418,794 | - | - |
| - | 33,489,637 | - | 5,939,599 | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | 943,786 | - |
| - | - | - | - | - | 10,763,063 | - |
| 3,860 | - | - | - | - | 4,541,306 | - |
| - | - | - | - | - | - | - |
| 9,683,271 | 24,752,162 | 40,847,984 | 16,570,023 | 4,217,976 | - | 13,179,298 |
| 9,687,131 | 58,241,799 | 40,847,984 | 22,509,622 | 4,636,770 | 16,248,155 | 13,179,298 |
| $ 9,941,142 | $ 58,614,932 | $ 71,258,546 | $ 22,696,358 | $ 5,227,689 | $ 16,248,155 | $ 13,179,298 |

## Combining Balance Sheet
## Nonmajor Governmental Funds (continued)
**June 30, 2002**

| | Special Revenue Funds | | | | | |
|---|---|---|---|---|---|---|
| | Public Safety and Corrections | Recreation | Regulatory | Transportation | Veterans | Total |
| **ASSETS** | | | | | | |
| Cash Deposits at the Bank of ND | $ 2,745,228 | $ 6,950,155 | $ 4,175,979 | $ 50,470,003 | $ 879,213 | $ 241,330,732 |
| Cash and Cash Equivalents | 7,561 | 657,849 | 15,243 | 156,210 | 140,371 | 5,023,275 |
| Investments at the Bank of ND | - | 14,253,900 | - | - | - | 48,673,520 |
| Investments | - | - | 9,539,537 | - | 3,826,772 | 70,107,371 |
| Accounts Receivable - Net | 763,114 | 40,248 | 84,770 | 725,480 | 211,960 | 12,302,971 |
| Taxes Receivable - Net | - | 104,937 | 52,946 | 6,302,335 | - | 45,110,358 |
| Interest Receivable - Net | - | 34 | 80,218 | 198,723 | 91,612 | 1,166,324 |
| Intergovernmental Receivable - Net | - | - | - | 940,210 | - | 2,939,563 |
| Due from Other Funds | 11,770 | 3,517,792 | 290,976 | 9,478,982 | 1,993 | 28,320,109 |
| Prepaid Items | - | - | - | - | - | 943,786 |
| Inventory | - | 55,871 | 123,251 | 4,460,197 | - | 5,185,360 |
| Loans and Notes Receivable - Net | - | - | - | 4,780,408 | 258,421 | 61,529,570 |
| Total Assets | $ 3,527,673 | $ 25,580,786 | $ 14,362,920 | $ 77,512,548 | $ 5,410,342 | $ 522,632,939 |
| **LIABILITIES AND FUND BALANCES** | | | | | | |
| Liabilities: | | | | | | |
| Accounts Payable | $ 603,678 | $ 907,867 | $ 56,404 | $ 8,821,709 | $ 21,632 | $ 16,812,208 |
| Accrued Payroll | 67,513 | 670,970 | 241,768 | 3,122,396 | 44,008 | 5,426,777 |
| Securities Lending Collateral | - | - | 1,109,534 | - | 27,002 | 4,818,670 |
| Interest Payable | - | - | - | - | - | - |
| Intergovernmental Payable | - | - | - | 49,955 | - | 22,061,288 |
| Tax Refunds Payable | - | - | 62,401 | 580,084 | - | 642,560 |
| Contracts Payable | 7,669 | - | - | 1,013,612 | - | 1,208,077 |
| Due to Other Funds | 167,353 | 769,373 | 1,600,882 | 1,324,917 | 5,972 | 15,230,386 |
| Deferred Revenue | 245,704 | - | 58,351 | 25,870 | 1,462 | 10,099,491 |
| Other Liabilities | - | - | - | - | - | - |
| Total Liabilities | 1,091,917 | 2,348,210 | 3,129,340 | 14,938,543 | 100,076 | 76,299,457 |
| Fund Balances: | | | | | | |
| Reserved for: | | | | | | |
| Inventory | - | 55,871 | 123,251 | 4,460,197 | - | 5,185,360 |
| Long - Term Receivables | - | - | - | 4,780,408 | 258,421 | 61,529,570 |
| Debt Service | - | - | - | - | - | - |
| Capital Projects | - | - | - | - | - | - |
| Prepaid Expenditures | - | - | - | - | - | 943,786 |
| Permanent Trust Fund | | | | | | |
| Legal Requirements | - | - | - | - | - | 10,763,063 |
| Unreserved: | | | | | | |
| Designated for: | | | | | | |
| Fund Activities | - | - | - | - | - | 4,545,166 |
| Patients Welfare | - | - | - | - | 38,312 | 460,463 |
| Unreserved, undesignated | 2,435,756 | 23,176,705 | 11,110,329 | 53,333,400 | 5,013,533 | 362,906,074 |
| Total Fund Balances | 2,435,756 | 23,232,576 | 11,233,580 | 62,574,005 | 5,310,266 | 446,333,482 |
| Total Liabilities and Fund Balances | $ 3,527,673 | $ 25,580,786 | $ 14,362,920 | $ 77,512,548 | $ 5,410,342 | $ 522,632,939 |

| Debt Service Funds | | | | Capital Projects Funds | | | Total Nonmajor Governmental Funds |
|---|---|---|---|---|---|---|---|
| Building Authority | Lignite Research | Water Commission | Total | Building Authority | Water Commission | Total | |
| $ 505,000 | $ 116 | $ 2,741,787 | $ 3,246,903 | $ 16,023,000 | $ 3,645,108 | $19,668,108 | $ 264,245,743 |
| - | - | 1,720,576 | 1,720,576 | - | 88,283 | 88,283 | 6,832,134 |
| 11,384,000 | 882,500 | - | 12,266,500 | - | - | - | 60,940,020 |
| - | - | - | - | - | - | - | 70,107,371 |
| - | - | - | - | - | - | - | 12,302,971 |
| - | - | - | - | - | - | - | 45,110,358 |
| - | 6,784 | 90,517 | 97,301 | - | 98 | 98 | 1,263,723 |
| - | - | 33,311 | 33,311 | - | - | - | 2,972,874 |
| 93,000 | - | - | 93,000 | - | - | - | 28,413,109 |
| - | - | - | - | - | - | - | 943,786 |
| - | - | - | - | - | - | - | 5,185,360 |
| - | - | - | - | - | - | - | 61,529,570 |
| $ 11,982,000 | $ 889,400 | $ 4,586,191 | $ 17,457,591 | $ 16,023,000 | $ 3,733,489 | $19,756,489 | $ 559,847,019 |
| $ - | $ - | $ - | $ - | $ 231,000 | $ 1,722,321 | $ 1,953,321 | $ 18,765,529 |
| - | - | - | - | - | - | - | 5,426,777 |
| - | - | - | - | - | - | - | 4,818,670 |
| - | 31,220 | - | 31,220 | - | - | - | 31,220 |
| - | - | - | - | - | - | - | 22,061,288 |
| - | - | - | - | - | - | - | 642,560 |
| - | - | - | - | - | - | - | 1,208,077 |
| - | - | - | - | 6,038,000 | - | 6,038,000 | 21,268,386 |
| - | - | - | - | - | - | - | 10,099,491 |
| 267,000 | - | - | 267,000 | - | - | - | 267,000 |
| 267,000 | 31,220 | - | 298,220 | 6,269,000 | 1,722,321 | 7,991,321 | 84,588,998 |
| - | - | - | - | - | - | - | 5,185,360 |
| - | - | - | - | - | - | - | 61,529,570 |
| 11,715,000 | 858,180 | 4,586,191 | 17,159,371 | - | - | - | 17,159,371 |
| - | - | - | - | 9,754,000 | 2,011,168 | 11,765,168 | 11,765,168 |
| - | - | - | - | - | - | - | 943,786 |
| - | - | - | - | - | - | - | 10,763,063 |
| - | - | - | - | - | - | - | 4,545,166 |
| - | - | - | - | - | - | - | 460,463 |
| - | - | - | - | - | - | - | 362,906,074 |
| 11,715,000 | 858,180 | 4,586,191 | 17,159,371 | 9,754,000 | 2,011,168 | 11,765,168 | 475,258,021 |
| $ 11,982,000 | $ 889,400 | $ 4,586,191 | $ 17,457,591 | $ 16,023,000 | $ 3,733,489 | $19,756,489 | $ 559,847,019 |

# STATE OF NORTH DAKOTA

## Combining Statement of Revenues, Expenditures and Changes in Fund Balance
## Nonmajor Governmental Funds
### For The Fiscal Year Ended June 30, 2002

| | Special Revenue Funds | | | | | |
|---|---|---|---|---|---|---|
| | Agriculture | Commodity Promotion | Commerce | Cultural and Natural Resources | Education | Health and Human Services |
| **REVENUES** | | | | | | |
| Individual and Corporate Income Taxes | $ - | $ - | $ - | $ - | $ - | $ 16,264 |
| Sales and Use Taxes | 1,550,981 | - | 2,544 | - | - | - |
| Oil, Gas, and Coal Taxes | - | - | - | 613,333 | 1,699,860 | - |
| Business Taxes | 208,996 | - | - | - | - | - |
| Licenses, Permits and Fees | 3,401,903 | - | 1,203 | 596,334 | - | 1,327,288 |
| Intergovernmental | - | - | - | 152,921 | - | 368,482 |
| Sales and Services | 2,072,363 | 1,956 | 114,435 | 55,781 | 3,635,612 | 14,589,360 |
| Royalties and Rents | - | - | - | - | 177,804 | 173,670 |
| Fines and Forfeits | 256,250 | 2,256 | - | - | 4,858,213 | - |
| Interest and Investment Income | 50,112 | 95,043 | 469,752 | 884,123 | - | (1,105,535) |
| Tobacco Settlement | - | - | - | 12,051,320 | - | 2,678,071 |
| Commodity Assessments | - | 9,443,805 | - | - | - | - |
| Miscellaneous | 22,559 | 60,512 | 73,997 | 201,544 | 50,861 | 751,694 |
| Total Revenues | 7,563,164 | 9,603,572 | 661,931 | 14,555,356 | 10,422,350 | 18,799,294 |
| **EXPENDITURES** | | | | | | |
| Current: | | | | | | |
| General Government | - | - | - | - | - | - |
| Education | - | - | - | - | 37,042,484 | - |
| Health and Human Services | 70,534 | - | - | - | - | 42,528,684 |
| Regulatory | - | - | - | 139,703 | - | - |
| Public Safety and Corrections | - | - | - | - | - | - |
| Agriculture and Commerce | 6,108,280 | 9,418,873 | 1,062,361 | 2,763,857 | - | - |
| Natural Resources | - | - | - | 9,751,715 | - | - |
| Transportation | - | - | - | - | - | - |
| Intergovernmental - Revenue Sharing | - | - | - | - | - | - |
| Capital Outlay | - | - | - | - | - | - |
| Debt Service: | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest and Other Charges | - | - | - | - | - | - |
| Total Expenditures | 6,178,814 | 9,418,873 | 1,062,361 | 12,655,275 | 37,042,484 | 42,528,684 |
| Revenues over (under) Expenditures | 1,384,350 | 184,699 | (400,430) | 1,900,081 | (26,620,134) | (23,729,390) |
| **OTHER FINANCING SOURCES (USES)** | | | | | | |
| Proceeds from Bonds and Notes | - | - | - | - | - | - |
| Proceeds from Sale of Capital Assets | 35,000 | - | - | - | 890 | - |
| Other | - | - | - | - | - | - |
| Transfers In | 90,105 | - | 1,220,442 | 5,414,460 | 29,450,808 | 33,482,646 |
| Transfers Out | (34,633) | (545,485) | (17,799) | (3,715,182) | (228,951) | (917,913) |
| Total Other Financing Sources (Uses) | 90,472 | (545,485) | 1,202,643 | 1,699,278 | 29,222,747 | 32,564,733 |
| Net Change in Fund Balances | 1,474,822 | (360,786) | 802,213 | 3,599,359 | 2,602,613 | 8,835,343 |
| Fund Balances - Beginning of Year, as Adjusted | 5,335,401 | 6,250,653 | 17,610,142 | 46,035,806 | 14,647,550 | 69,363,424 |
| Fund Balances - End of Year | $ 6,810,223 | $ 5,889,867 | $ 18,412,355 | $ 49,635,165 | $ 17,250,163 | $ 78,198,767 |

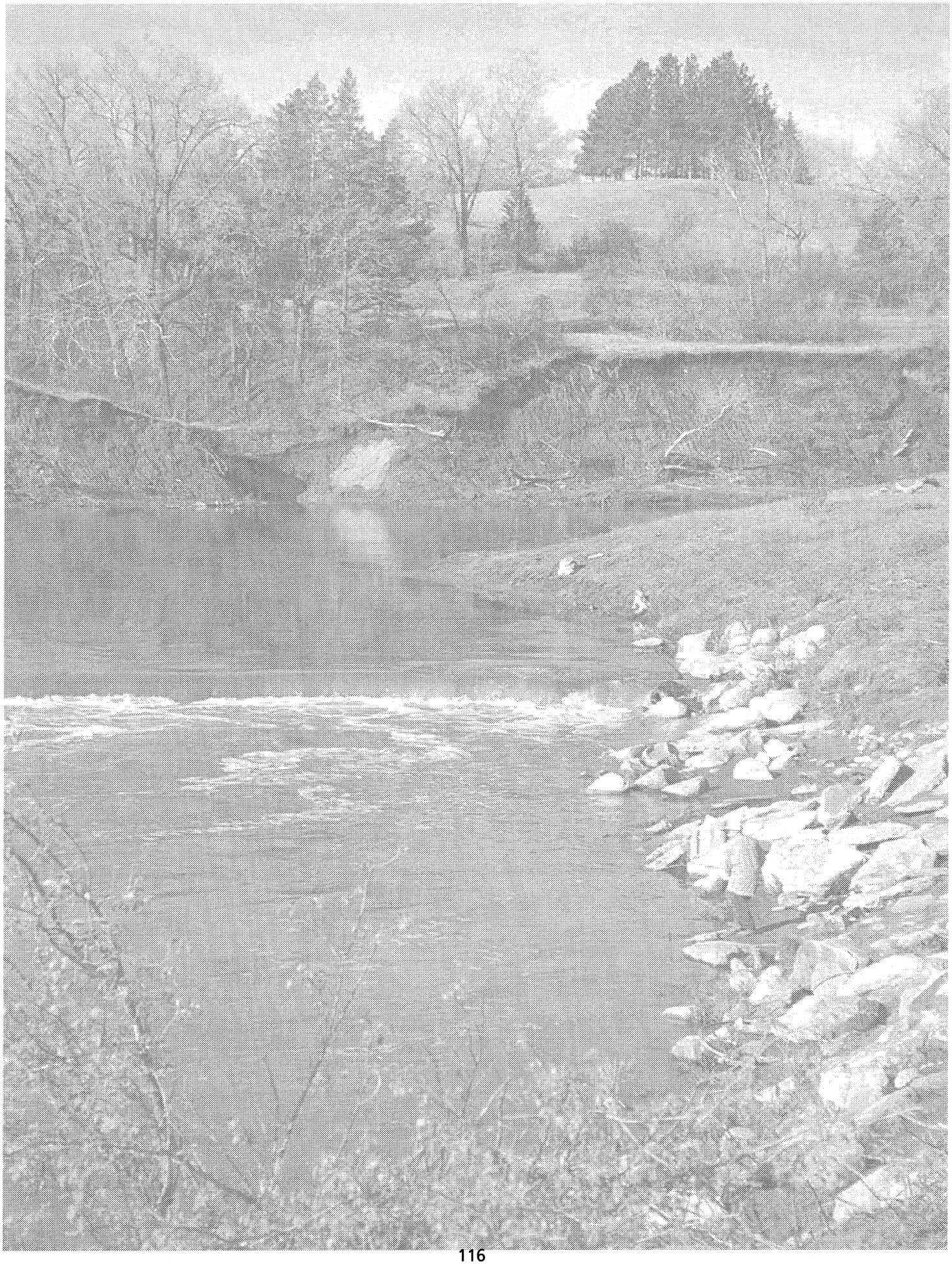
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| Special Revenue Funds | | | | | | | |
|---|---|---|---|---|---|---|---|
| Judicial and Legal | Land Department Coal and Mineral | Local Government | Oil Tax Resources | Other Special | PACE Fund | Permanent Oil Tax Trust |
| $ - | $ - | $ 7,104,219 | $ - | $ 2,207,455 | $ - | $ - |
| - | - | 76,366,795 | - | 86,464 | - | - |
| - | 3,450,000 | 26,267,937 | 3,421,933 | - | - | - |
| - | - | 16,423,299 | - | - | - | - |
| 42,395 | - | 15,692,964 | - | 31,630 | - | - |
| - | - | 87,425 | - | 63,026 | - | - |
| 4,314,089 | - | - | - | 1,720,175 | - | - |
| - | 1,175,291 | - | 6,800 | 106,567 | - | - |
| 952,576 | - | 101 | - | 700,000 | - | - |
| 91,148 | 2,566,630 | - | 721,551 | 252,888 | 391,276 | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 37,255 | - | - | - | 982,682 | - | - |
| 5,437,463 | 7,191,921 | 141,942,740 | 4,150,284 | 6,150,887 | 391,276 | - |
| 2,528,458 | 130,519 | - | - | 3,638,166 | - | - |
| - | - | - | - | 17,140 | - | - |
| - | - | - | - | 871,178 | - | - |
| 155,787 | - | - | - | 135,199 | - | - |
| 203,366 | - | - | - | 477,088 | - | - |
| - | - | - | - | 93,494 | 2,991,274 | - |
| - | - | - | - | 607,373 | - | - |
| - | - | - | - | 95,718 | - | - |
| - | - | 142,778,046 | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 2,887,611 | 130,519 | 142,778,046 | - | 5,935,356 | 2,991,274 | - |
| 2,549,852 | 7,061,402 | (835,306) | 4,150,284 | 215,531 | (2,599,998) | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | 906,666 | - | - | 198,537 | 3,750,000 | - |
| (30,116) | (5,393,985) | - | (2,999,460) | (41,229) | - | - |
| (30,116) | (4,487,319) | - | (2,999,460) | 157,308 | 3,750,000 | - |
| 2,519,736 | 2,574,083 | (835,306) | 1,150,824 | 372,839 | 1,150,002 | - |
| 7,167,395 | 55,667,716 | 41,683,290 | 21,358,798 | 4,263,931 | 15,098,153 | 13,179,298 |
| $ 9,687,131 | $ 58,241,799 | $ 40,847,984 | $ 22,509,622 | $ 4,636,770 | $ 16,248,155 | $ 13,179,298 |

## Combining Statement of Revenues, Expenditures and Changes in Fund Balance
## Nonmajor Governmental Funds (continued)
### For The Fiscal Year Ended June 30, 2002

| | Special Revenue Funds | | | | | |
|---|---|---|---|---|---|---|
| | Public Safety and Corrections | Recreation | Regulatory | Transportation | Veterans | Total |
| **REVENUES** | | | | | | |
| Individual and Corporate Income Taxes | $ - | $ - | $ - | $ - | $ - | $ 9,327,938 |
| Sales and Use Taxes | - | 343,964 | 24,438 | 67,220,483 | - | 145,595,669 |
| Oil, Gas, and Coal Taxes | - | - | - | - | - | 35,453,063 |
| Business Taxes | - | - | 17,263 | - | - | 16,649,558 |
| Licenses, Permits and Fees | 108,375 | 11,000,640 | 3,905,356 | 42,842,458 | 19,653 | 78,970,199 |
| Intergovernmental | 64,035 | 25 | 8,648 | 607,815 | - | 1,352,377 |
| Sales and Services | 1,582,091 | 1,476,666 | 1,678,322 | 381,448 | 1,241,552 | 32,863,850 |
| Royalties and Rents | 210,344 | 33,584 | - | 150,880 | 654 | 2,035,594 |
| Fines and Forfeits | - | 7,337 | 205,025 | - | - | 6,981,758 |
| Interest and Investment Income | - | 24,608 | (229,837) | 765,190 | 28,686 | 5,005,635 |
| Tobacco Settlement | - | - | - | - | - | 14,729,391 |
| Commodity Assessments | - | - | - | - | - | 9,443,805 |
| Miscellaneous | 66,538 | 155,906 | 10,638 | 297,847 | 4,656 | 2,716,689 |
| Total Revenues | 2,031,383 | 13,042,730 | 5,619,853 | 112,266,121 | 1,295,201 | 361,125,526 |
| **EXPENDITURES** | | | | | | |
| Current: | | | | | | |
| General Government | - | - | - | - | - | 6,297,143 |
| Education | - | - | - | - | - | 37,059,624 |
| Health and Human Services | - | - | - | 39,276 | 1,669,046 | 45,178,718 |
| Regulatory | - | - | 4,372,902 | - | - | 4,803,591 |
| Public Safety and Corrections | 3,882,864 | - | - | 109,193 | 12,673 | 4,685,184 |
| Agriculture and Commerce | - | - | - | - | - | 22,438,139 |
| Natural Resources | - | 9,085,580 | - | - | - | 19,444,668 |
| Transportation | - | - | - | 109,863,841 | - | 109,959,559 |
| Intergovernmental - Revenue Sharing | - | - | - | - | - | 142,778,046 |
| Capital Outlay | - | - | - | - | - | - |
| Debt Service: | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest and Other Charges | - | - | - | - | - | - |
| Total Expenditures | 3,882,864 | 9,085,580 | 4,372,902 | 110,012,310 | 1,681,719 | 392,644,672 |
| Revenues over (under) Expenditures | (1,851,481) | 3,957,150 | 1,246,951 | 2,253,811 | (386,518) | (31,519,146) |
| **OTHER FINANCING SOURCES (USES)** | | | | | | |
| Proceeds from Bonds and Notes | - | - | - | - | - | - |
| Proceeds from Sale of Capital Assets | - | 85 | 1,810 | 238,008 | 17,242 | 293,035 |
| Other | - | - | - | 3,813 | - | 3,813 |
| Transfers In | 2,190,059 | - | 121,878 | 2,209,937 | 170,145 | 79,205,683 |
| Transfers Out | - | (82,883) | (1,466,899) | (508,812) | (138,705) | (16,122,052) |
| Total Other Financing Sources (Uses) | 2,190,059 | (82,798) | (1,343,211) | 1,942,946 | 48,682 | 63,380,479 |
| Net Change in Fund Balances | 338,578 | 3,874,352 | (96,260) | 4,196,757 | (337,836) | 31,861,333 |
| Fund Balances - Beginning of Year, as Adjusted | 2,097,178 | 19,358,224 | 11,329,840 | 58,377,248 | 5,648,102 | 414,472,149 |
| Fund Balances - End of Year | $ 2,435,756 | $ 23,232,576 | $ 11,233,580 | $ 62,574,005 | $ 5,310,266 | $ 446,333,482 |

| Debt Service Funds | | | | Capital Projects Funds | | | Total Nonmajor Governmental Funds |
|---|---|---|---|---|---|---|---|
| Building Authority | Lignite Research | Water Commission | Total | Building Authority | Water Commission | Total | |
| $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 9,327,938 |
| - | - | - | - | - | - | - | 145,595,669 |
| - | - | - | - | - | - | - | 35,453,063 |
| - | - | - | - | - | - | - | 16,649,558 |
| - | - | - | - | - | - | - | 78,970,199 |
| - | - | - | - | - | - | - | 1,352,377 |
| - | - | 1,179,426 | 1,179,426 | - | - | - | 34,043,276 |
| - | - | - | - | - | - | - | 2,035,594 |
| - | - | - | - | - | - | - | 6,981,758 |
| 346,000 | 55,596 | 243,306 | 644,902 | 420,000 | 497,578 | 917,578 | 6,568,115 |
| - | - | - | - | - | - | - | 14,729,391 |
| - | - | - | - | - | - | - | 9,443,805 |
| - | - | - | - | - | - | - | 2,716,689 |
| 346,000 | 55,596 | 1,422,732 | 1,824,328 | 420,000 | 497,578 | 917,578 | 363,867,432 |
| - | - | - | - | - | - | - | 6,297,143 |
| - | - | - | - | - | - | - | 37,059,624 |
| - | - | - | - | - | - | - | 45,178,718 |
| - | - | - | - | - | - | - | 4,803,591 |
| - | - | - | - | - | - | - | 4,685,184 |
| - | - | - | - | - | - | - | 22,438,139 |
| - | - | - | - | - | - | - | 19,444,668 |
| - | - | - | - | - | - | - | 109,959,559 |
| - | - | - | - | - | - | - | 142,778,046 |
| - | - | - | - | 905,000 | 8,082,009 | 8,987,009 | 8,987,009 |
| 4,471,000 | 800,000 | 1,103,010 | 6,374,010 | - | - | - | 6,374,010 |
| 4,539,000 | 301,690 | 2,486,787 | 7,327,477 | - | - | - | 7,327,477 |
| 9,010,000 | 1,101,690 | 3,589,797 | 13,701,487 | 905,000 | 8,082,009 | 8,987,009 | 415,333,168 |
| (8,664,000) | (1,046,094) | (2,167,065) | (11,877,159) | (485,000) | (7,584,431) | (8,069,431) | (51,465,736) |
| 2,706,000 | - | - | 2,706,000 | 8,424,000 | 238,445 | 8,662,445 | 11,368,445 |
| - | - | - | - | - | - | - | 293,035 |
| - | - | - | - | - | - | - | 3,813 |
| 6,851,000 | 1,014,734 | 2,308,847 | 10,174,581 | - | - | - | 89,380,264 |
| - | - | - | - | (7,037,000) | (140) | (7,037,140) | (23,159,192) |
| 9,557,000 | 1,014,734 | 2,308,847 | 12,880,581 | 1,387,000 | 238,305 | 1,625,305 | 77,886,365 |
| 893,000 | (31,360) | 141,782 | 1,003,422 | 902,000 | (7,346,126) | (6,444,126) | 26,420,629 |
| 10,822,000 | 889,540 | 4,444,409 | 16,155,949 | 8,852,000 | 9,357,294 | 18,209,294 | 448,837,392 |
| $11,715,000 | $ 858,180 | $ 4,586,191 | $ 17,159,371 | $ 9,754,000 | $ 2,011,168 | $ 11,765,168 | $ 475,258,021 |



# *Nonmajor 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.*

**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 26-1.01)

**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 6-09.6)

**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 15-62.1)

**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)

**ROUGHRIDER 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 12-48)

**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)

**UNEMPLOYMENT COMPENSATION FUND**

967 – Job Service-Expendable Trust Fund
Accounts for State unemployment taxes collected from employers for the purpose of paying unemployment benefits. (NDCC 52-09)

# STATE OF NORTH DAKOTA

## Combining Statement of Net Assets
## Nonmajor Enterprise Funds
### June 30, 2002

| | Beginning Farmer Revolving Loan | Bonding | Community Water Facility Loan | Developmentally Disabled Facility Loan | Fire and Tornado |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Current Assets: | | | | | |
| Cash Deposits at the Bank of ND | $ 8,355,628 | $ 545,639 | $ 2,313,420 | $ 365,978 | $ 1,480,013 |
| Cash and Cash Equivalents | - | - | - | - | - |
| Investments at the Bank of ND | - | - | - | - | - |
| Investments | - | 4,817,723 | - | - | 13,269,403 |
| Accounts Receivable - Net | - | 51,024 | - | - | 4,269 |
| Interest Receivable - Net | 362,638 | 34,411 | 143,896 | 19,388 | 143,721 |
| Intergovernmental Receivable - Net | - | - | - | - | - |
| Due from Other Funds | - | - | - | - | 113 |
| Due from Fiduciary Funds | - | - | - | - | - |
| Prepaid Items | 505,989 | - | - | - | - |
| Inventory | - | - | - | - | - |
| Loans and Notes Receivable - Net | 854,248 | - | 409,970 | 840,466 | - |
| Restricted Cash at the Bank of ND | - | - | - | - | - |
| Restricted Investments at the Bank Of ND | - | - | - | - | - |
| Restricted Interest Receivable - Net | - | - | - | - | - |
| Restricted Loans Receivable - Net | - | - | - | - | - |
| Total Current Assets | 10,078,503 | 5,448,797 | 2,867,286 | 1,225,832 | 14,897,519 |
| Noncurrent Assets: | | | | | |
| Restricted Cash at the Bank of ND | - | - | - | - | - |
| Restricted Cash and Cash Equivalents | - | - | - | - | - |
| Restricted Investments at the Bank Of ND | - | - | - | - | - |
| Restricted Investments | - | - | - | - | - |
| Loans and Notes Receivable - Net | 8,287,203 | - | 14,410,891 | 5,737,995 | - |
| Restricted Loans Receivable - Net | - | - | - | - | - |
| Unamortized Bond Issuance Costs | - | - | - | - | - |
| Other Noncurrent Assets | 789,987 | - | - | - | - |
| Capital Assets: | | | | | |
| Land and Construction in Progress | - | - | - | - | - |
| Infrastructure - Net | - | - | - | - | - |
| Buildings and Equipment -Net | - | - | - | - | - |
| Total Noncurrent Assets | 9,077,190 | - | 14,410,891 | 5,737,995 | - |
| Total Assets | 19,155,693 | 5,448,797 | 17,278,177 | 6,963,827 | 14,897,519 |
| **LIABILITIES** | | | | | |
| Current Liabilities: | | | | | |
| Accounts Payable | - | 3,522 | - | - | 13,059 |
| Accrued Payroll | - | 1,073 | - | - | 26,584 |
| Securities Lending Collateral | - | 561,658 | - | - | 1,554,545 |
| Interest Payable | - | - | - | - | - |
| Intergovernmental Payable | - | - | - | - | - |
| Due to Other Funds | 12,115 | 1,284 | 18,952 | 4,599,873 | 11,222 |
| Amounts Held in Custody for Others | - | - | - | - | - |
| Claims/Judgments Payable | - | 32,418 | - | - | 5,907,263 |
| Compensated Absences Payable | - | 1,747 | - | - | 2,751 |
| Capital Leases Payable | - | - | - | - | - |
| Bonds Payable | - | - | - | - | - |
| Deferred Revenue | - | - | - | - | - |
| Other Current Liabilities | - | - | - | - | - |
| Total Current Liabilities | 12,115 | 601,702 | 18,952 | 4,599,873 | 7,515,424 |
| Noncurrent Liabilities: | | | | | |
| Intergovernmental Payable | - | - | - | - | - |
| Claims/Judgments Payable | - | 93,782 | - | - | 1,162,092 |
| Compensated Absences Payable | - | - | - | - | 31,635 |
| Capital Leases Payable | - | - | - | - | - |
| Bonds Payable | - | - | - | - | - |
| Other Noncurrent Liabilities | - | - | - | - | - |
| Total Noncurrent Liabilities | - | 93,782 | - | - | 1,193,727 |
| Total Liabilities | 12,115 | 695,484 | 18,952 | 4,599,873 | 8,709,151 |
| **NET ASSETS** | | | | | |
| Invested in Capital Assets, Net of Related Debt | - | - | - | - | - |
| Restricted for: | | | | | |
| Capital Projects | - | - | - | - | - |
| Debt Service | - | - | - | - | - |
| Pledged Assets | - | - | - | - | - |
| Unemployment Compensation | - | - | - | - | - |
| Unrestricted | 19,143,578 | 4,753,313 | 17,259,225 | 2,363,954 | 6,188,368 |
| Total Net Assets | $ 19,143,578 | $ 4,753,313 | $ 17,259,225 | $ 2,363,954 | $ 6,188,368 |

| Guaranteed Student Loan | Mill and Elevator | PERS Uniform Group Insurance | Roughrider Industries | State Fair | Student Loan | Unemployment Compensation | Total |
|---|---|---|---|---|---|---|---|
| $ 1,870,748 | $ 512,729 | $ 190,353 | $ 485,086 | $ 1,055,961 | $ 1,000 | $ 5,293 | $ 17,181,848 |
| - | - | 2,911,717 | 700 | 184,396 | - | 36,324,452 | 39,421,265 |
| 7,306,882 | - | - | - | - | 31,009,000 | - | 38,315,882 |
| - | - | - | - | - | - | - | 18,087,126 |
| 46,111 | 12,944,156 | 14,676 | 209,465 | 88,781 | - | 14,310,002 | 27,668,484 |
| 118,689 | - | - | - | - | - | 586,968 | 1,409,711 |
| 1,786,174 | - | - | - | - | 640,000 | 273,493 | 2,699,667 |
| 185,642 | - | 4,549 | 37,165 | - | 993,000 | - | 1,220,469 |
| - | - | 39,493 | - | - | - | - | 39,493 |
| - | 364,386 | - | 9,786 | 24,765 | 80,000 | - | 984,926 |
| - | 9,895,616 | - | 755,742 | - | - | - | 10,651,358 |
| - | - | - | - | - | - | - | 2,104,684 |
| - | - | - | - | - | 32,427,000 | - | 32,427,000 |
| - | - | - | - | - | 94,392,000 | - | 94,392,000 |
| - | - | - | - | - | 983,000 | - | 983,000 |
| - | - | - | - | - | 16,595,000 | - | 16,595,000 |
| 11,314,246 | 23,716,887 | 3,160,788 | 1,497,944 | 1,353,903 | 177,120,000 | 51,500,208 | 304,181,913 |
| - | - | - | - | - | 2,353,000 | - | 2,353,000 |
| - | - | - | - | 18,493 | - | - | 18,493 |
| 2,492,827 | - | - | - | - | 24,934,000 | - | 27,426,827 |
| 6,248,307 | - | - | - | 249,896 | - | - | 6,498,203 |
| - | - | - | - | - | - | - | 28,436,089 |
| - | - | - | - | - | 65,813,000 | - | 65,813,000 |
| - | - | - | - | - | 1,179,000 | - | 1,179,000 |
| - | 75,243 | - | - | 3,750 | - | - | 868,980 |
| - | 160,117 | - | - | 390,816 | - | - | 550,933 |
| - | 260,301 | - | - | 1,343,798 | - | - | 1,604,099 |
| 1,399,865 | 31,175,925 | - | 371,271 | 12,997,974 | - | - | 45,945,035 |
| 10,140,999 | 31,671,586 | - | 371,271 | 15,004,727 | 94,279,000 | - | 180,693,659 |
| 21,455,245 | 55,388,473 | 3,160,788 | 1,869,215 | 16,358,630 | 271,399,000 | 51,500,208 | 484,875,572 |
| 824,164 | 2,630,733 | 14,539 | 95,011 | 37,726 | 72,000 | 1,154,759 | 4,845,513 |
| - | - | 38,097 | 96,404 | - | - | - | 162,158 |
| - | - | - | - | - | - | - | 2,116,203 |
| - | - | - | - | 10,242 | 912,000 | - | 922,242 |
| 7,910,105 | - | - | - | - | 664,000 | 1,255,799 | 9,829,904 |
| 544,126 | 5,491,757 | 6,594 | - | - | 9,456,000 | 324,662 | 20,466,585 |
| - | - | 751,284 | - | - | - | - | 751,284 |
| - | - | - | - | - | - | - | 5,939,681 |
| - | - | - | 3,485 | 22,000 | - | - | 29,983 |
| - | - | - | 37,366 | - | - | - | 37,366 |
| - | - | - | - | 184,461 | 63,855,000 | - | 64,039,461 |
| 93,882 | - | 162,775 | - | - | - | 638,066 | 894,723 |
| 408,000 | - | - | 5,452 | - | - | - | 413,452 |
| 9,780,277 | 8,122,490 | 973,289 | 237,718 | 254,429 | 74,959,000 | 3,373,286 | 110,448,555 |
| 6,940,870 | - | - | - | - | 1,966,000 | - | 8,906,870 |
| - | - | - | - | - | - | - | 1,255,874 |
| - | 563,529 | 46,589 | 87,141 | 22,560 | - | - | 751,454 |
| - | - | - | 63,087 | - | - | - | 63,087 |
| - | - | - | - | 1,910,148 | 125,651,000 | - | 127,561,148 |
| 143,636 | - | - | - | - | - | - | 143,636 |
| 7,084,506 | 563,529 | 46,589 | 150,228 | 1,932,708 | 127,617,000 | - | 138,682,069 |
| 16,864,783 | 8,686,019 | 1,019,878 | 387,946 | 2,187,137 | 202,576,000 | 3,373,286 | 249,130,624 |
| 1,399,865 | 26,110,571 | - | 277,066 | 12,637,979 | - | - | 40,425,481 |
| - | - | - | - | 18,444 | - | - | 18,444 |
| - | - | - | - | 249,946 | 47,165,000 | - | 47,414,946 |
| 815,570 | - | - | - | - | - | - | 815,570 |
| - | - | - | - | - | - | 48,126,922 | 48,126,922 |
| 2,375,027 | 20,591,883 | 2,140,910 | 1,204,203 | 1,265,124 | 21,658,000 | - | 98,943,585 |
| $ 4,590,462 | $ 46,702,454 | $ 2,140,910 | $ 1,481,269 | $ 14,171,493 | $ 68,823,000 | $ 48,126,922 | $ 235,744,948 |

# STATE OF NORTH DAKOTA

## Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
## Nonmajor Enterprise Funds
### For The Fiscal Year Ended June 30, 2002

| | Beginning Farmer Revolving Loan | Bonding | Community Water Facility Loan | Developmentally Disabled Facility Loan | Fire and Tornado |
|---|---|---|---|---|---|
| **OPERATING REVENUES** | | | | | |
| Sales and Services | $ - | $ 47,913 | $ - | $ - | $ 3,728,514 |
| Grants and Contributions | - | - | - | - | - |
| Royalties and Rents | - | - | - | - | - |
| Interest and Investment Income | 573,502 | - | 433,857 | 456,713 | - |
| Miscellaneous | - | - | - | - | - |
| Total Operating Revenues | 573,502 | 47,913 | 433,857 | 456,713 | 3,728,514 |
| **OPERATING EXPENSES** | | | | | |
| Cost of Sales and Services | - | - | - | - | - |
| Salaries and Benefits | - | 9,341 | - | - | 330,459 |
| Operating | 541,921 | 5,354 | 78,689 | 42,003 | 1,600,829 |
| Claims | - | 26,474 | - | - | 5,480,802 |
| Refunds | - | - | - | - | - |
| Interest | - | - | - | 279,770 | - |
| Depreciation | - | - | - | - | - |
| Miscellaneous | 4,094 | - | - | - | - |
| Total Operating Expenses | 546,015 | 41,169 | 78,689 | 321,773 | 7,412,090 |
| Operating Income (Loss) | 27,487 | 6,744 | 355,168 | 134,940 | (3,683,576) |
| **NONOPERATING REVENUES (EXPENSES)** | | | | | |
| Grants and Contracts | - | - | - | - | - |
| Interest and Investment Income | 202,082 | (97,423) | 74,156 | 22,074 | (222,954) |
| Interest Expense | - | (30,830) | - | - | (97,520) |
| Loss on Sale of Capital Assets | - | - | - | - | - |
| Other | - | - | - | - | - |
| Total Nonoperating Revenues (Expenses) | 202,082 | (128,253) | 74,156 | 22,074 | (320,474) |
| Income (Loss) Before Transfers | 229,569 | (121,509) | 429,324 | 157,014 | (4,004,050) |
| Transfers In | 1,000,000 | - | - | - | - |
| Transfer Out | - | - | - | (1,140,000) | - |
| Change in Net Assets | 1,229,569 | (121,509) | 429,324 | (982,986) | (4,004,050) |
| Total Net Assets - Beginning of Year, as Adjusted | 17,914,009 | 4,874,822 | 16,829,901 | 3,346,940 | 10,192,418 |
| Total Net Assets - End of Year | $ 19,143,578 | $ 4,753,313 | $ 17,259,225 | $ 2,363,954 | $ 6,188,368 |

| Guaranteed Student Loan | Mill and Elevator | PERS Uniform Group Insurance | Roughrider Industries | State Fair | Student Loan | Unemployment Compensation | Total |
|---|---|---|---|---|---|---|---|
| $ 2,712,294 | $ 80,960,600 | $ 853,729 | $ 3,134,934 | $ 2,884,451 | $ - | $ 48,302,616 | $ 142,625,051 |
| - | - | - | - | - | - | 15,202,279 | 15,202,279 |
| - | - | - | 7,820 | - | - | - | 7,820 |
| - | - | - | - | - | 6,531,000 | 58,903 | 8,053,975 |
| 9,404 | - | - | 44,675 | - | 8,000 | - | 62,079 |
| 2,721,698 | 80,960,600 | 853,729 | 3,187,429 | 2,884,451 | 6,539,000 | 63,563,798 | 165,951,204 |
| - | 75,048,378 | - | 1,938,611 | - | - | - | 76,986,989 |
| - | 1,338,167 | 448,981 | 1,093,118 | 800,050 | - | - | 4,020,116 |
| 3,523,411 | 593,625 | 279,815 | 162,690 | 2,216,022 | 4,016,000 | - | 13,060,359 |
| - | - | - | - | - | - | 50,485,399 | 55,992,675 |
| - | - | - | 504 | - | - | - | 504 |
| - | - | - | - | - | 5,222,000 | - | 5,501,770 |
| 60,864 | 1,275,375 | - | 55,586 | 925,367 | - | - | 2,317,192 |
| - | - | - | - | - | - | - | 4,094 |
| 3,584,275 | 78,255,545 | 728,796 | 3,250,509 | 3,941,439 | 9,238,000 | 50,485,399 | 157,883,699 |
| (862,577) | 2,705,055 | 124,933 | (63,080) | (1,056,988) | (2,699,000) | 13,078,399 | 8,067,505 |
| - | - | - | - | 283,843 | - | - | 283,843 |
| 266,874 | 13,979 | 242,652 | - | 53,389 | 6,107,000 | 2,137,957 | 8,799,786 |
| - | (311,855) | - | (8,093) | (138,066) | - | - | (586,364) |
| - | (255,729) | - | (7,925) | - | - | - | (263,654) |
| - | (226,855) | 2,537 | - | (3,750) | - | - | (228,068) |
| 266,874 | (780,460) | 245,189 | (16,018) | 195,416 | 6,107,000 | 2,137,957 | 8,005,543 |
| (595,703) | 1,924,595 | 370,122 | (79,098) | (861,572) | 3,408,000 | 15,216,356 | 16,073,048 |
| 3,200,000 | - | - | - | 392,500 | - | - | 4,592,500 |
| - | (27,902) | - | - | - | (9,000,000) | - | (10,167,902) |
| 2,604,297 | 1,896,693 | 370,122 | (79,098) | (469,072) | (5,592,000) | 15,216,356 | 10,497,646 |
| 1,986,165 | 44,805,761 | 1,770,788 | 1,560,367 | 14,640,565 | 74,415,000 | 32,910,566 | 225,247,302 |
| $ 4,590,462 | $ 46,702,454 | $ 2,140,910 | $ 1,481,269 | $ 14,171,493 | $ 68,823,000 | $ 48,126,922 | $ 235,744,948 |

# STATE OF NORTH DAKOTA

## Combining Statement Of Cash Flows
## Nonmajor Enterprise Funds
### For The Fiscal Year Ended June 30, 2002

| | Beginning Farmer Revolving Loan | Bonding | Community Water Facility Loan | Developmentally Disabled Facility Loan | Fire And Tornado |
|---|---|---|---|---|---|
| **Cash Flows From Operating Activities:** | | | | | |
| Receipts From Customers and Users | $ 30,886 | $ 49,453 | $ - | $ - | $ 3,762,119 |
| Interest Income on Loans | 621,222 | - | - | - | - |
| Receipts From Loan Principal Repayments | 849,998 | - | - | - | - |
| Receipts From Other Funds | - | 283 | - | - | 172 |
| Reed Act Distribution | - | - | - | - | - |
| Receipts From Others | - | - | - | - | - |
| Payments To Other Funds | - | (760) | - | - | (1,642) |
| Payments for Loan Funds | (583,869) | - | - | - | - |
| Payments To Suppliers | (495,864) | (8,422) | (78,954) | (43,003) | (6,605,449) |
| Payments To Employees | - | (10,581) | - | - | (319,179) |
| Payments To Others | (4,094) | - | - | - | - |
| Net Cash Provided (Used For) Operating Activities | 418,279 | 29,973 | (78,954) | (43,003) | (3,163,979) |
| **Cash Flows From Noncapital Financing Activities:** | | | | | |
| Principal Payments - Bonds | - | - | - | - | - |
| Interest Payments - Bonds | - | - | - | - | - |
| Interest Payments - Notes And Other Borrowings | - | - | - | (279,770) | - |
| Operating Transfers In | 1,000,000 | - | - | - | - |
| Operating Transfers Out | - | - | - | (1,140,000) | - |
| Proceeds From Due From Primary Government | - | - | - | 75,000 | - |
| Collection Of Due To Primary Government | - | - | - | (618,728) | - |
| Grants Received | - | - | - | - | - |
| Net Cash Provided By (Used For) Noncapital Financing Activities | 1,000,000 | - | - | (1,963,498) | - |
| **Cash Flows From Capital And Related Financing Activities:** | | | | | |
| Acquisition And Construction Of Capital Assets | - | - | - | - | - |
| Proceeds From Sale Of Capital Assets | - | - | - | - | - |
| Proceeds From Sale Of Notes And Other Borrowings | - | - | - | - | - |
| Principal Payments - Bonds | - | - | - | - | - |
| Principal Payments - Notes And Other Borrowings | - | - | - | - | - |
| Interest Payments - Bonds | - | - | - | - | - |
| Interest Payments - Notes And Other Borrowings | - | - | - | - | - |
| Payment On Capital Leases | - | - | - | - | - |
| Other | - | - | - | - | - |
| Net Cash Used For Capital And Related Financing Activities | - | - | - | - | - |
| **Cash Flows From Investing Activities:** | | | | | |
| Proceeds From Sale And Maturities Of Investment Securities | - | - | - | - | 2,322,119 |
| Purchase Of Investment Securities | - | (131,458) | - | - | - |
| Interest And Dividends On Investments | 202,082 | 142,399 | 79,054 | 24,534 | 471,792 |
| Disbursements For Loans And Loan Purchases | - | - | (740,000) | (75,000) | - |
| Receipt Of Loan Principal Repayments | - | - | 385,660 | 917,444 | - |
| Loan Income Received | - | - | 438,762 | 462,478 | - |
| Other | - | - | - | - | - |
| Net Cash Provided By (Used For) Investing Activities | 202,082 | 10,941 | 163,476 | 1,329,456 | 2,793,911 |
| **Net Change In Cash:** | | | | | |
| Net Increase (Decrease) In Cash And Cash Equivalents | 1,620,361 | 40,914 | 84,522 | (677,045) | (370,068) |
| Cash And Cash Equivalents At June 30, 2001 | 6,735,267 | 504,725 | 2,228,898 | 1,043,023 | 1,850,081 |
| Cash And Cash Equivalents At June 30, 2002 | $ 8,355,628 | $ 545,639 | $ 2,313,420 | $ 365,978 | $ 1,480,013 |
| **Reconciliation:** | | | | | |
| Current: | | | | | |
| Cash Deposits At The Bank Of North Dakota | $ 8,355,628 | $ 545,639 | $ 2,313,420 | $ 365,978 | $ 1,480,013 |
| Cash And Cash Equivalents | - | - | - | - | - |
| Restricted Cash Deposits At The Bank Of North Dakota | - | - | - | - | - |
| Noncurrent: | | | | | |
| Restricted Cash Deposits At The Bank Of North Dakota | - | - | - | - | - |
| Restricted Cash And Cash Equivalents | - | - | - | - | - |
| Cash And Cash Equivalents | $ 8,355,628 | $ 545,639 | $ 2,313,420 | $ 365,978 | $ 1,480,013 |

(Continued On The Next Page)

| Guaranteed Student Loan | Mill And Elevator | PERS Uniform Group Insurance | Roughrider Industries | State Fair | Student Loan | Unemployment Compensation | Total |
|---|---|---|---|---|---|---|---|
| $ 1,347,066 | $ 102,041,494 | 104,181,639 | $ 3,253,245 | $ 2,880,328 | $ 24,440,000 | $ 43,716,065 | 285,702,295 |
| - | - | - | - | - | - | - | 621,222 |
| 11,620,059 | - | - | - | - | - | - | 12,470,057 |
| - | - | - | - | - | - | - | 455 |
| - | - | - | - | | - | 15,267,835 | 15,267,835 |
| - | - | - | - | - | - | 59,512 | 59,512 |
| - | - | - | (3,380) | - | - | - | (5,782) |
| (9,718,286) | - | - | - | - | - | - | (10,302,155) |
| (3,100,035) | (92,488,691) | (103,529,081) | (2,136,046) | (2,236,706) | (27,655,000) | (46,457,540) | (284,834,791) |
| - | (6,313,301) | (439,415) | (1,087,989) | (802,543) | - | - | (8,973,008) |
| - | - | - | (504) | - | - | - | (4,598) |
| 148,804 | 3,239,502 | 213,143 | 25,326 | (158,921) | (3,215,000) | 12,585,872 | 10,001,042 |
| - | - | - | - | - | (27,082,000) | - | (27,082,000) |
| - | - | - | - | - | (5,430,000) | - | (5,430,000) |
| - | - | - | - | - | - | - | (279,770) |
| 3,500,000 | - | - | - | 392,500 | - | - | 4,892,500 |
| - | (27,902) | - | - | - | - | - | (1,167,902) |
| - | - | - | - | - | - | - | 75,000 |
| - | - | (178,746) | - | - | - | - | (797,474) |
| - | - | - | - | 283,843 | - | - | 283,843 |
| 3,500,000 | (27,902) | (178,746) | - | 676,343 | (32,512,000) | - | (29,505,803) |
| (1,460,729) | (1,060,537) | - | (36,401) | (156,474) | - | - | (2,714,141) |
| - | 10,630 | - | 4,237 | - | - | - | 14,867 |
| - | 20,900,000 | - | - | - | - | - | 20,900,000 |
| - | - | - | - | (195,000) | - | - | (195,000) |
| - | (22,208,426) | - | - | - | - | - | (22,208,426) |
| - | - | - | - | (133,335) | - | - | (133,335) |
| - | (311,855) | - | (8,092) | - | - | - | (319,947) |
| - | - | - | (43,590) | - | - | - | (43,590) |
| - | (137,484) | - | - | - | - | - | (137,484) |
| (1,460,729) | (2,807,672) | - | (83,846) | (484,809) | - | - | (4,837,056) |
| 10,075,603 | - | - | - | - | 296,718,000 | - | 309,115,722 |
| (13,119,156) | - | - | - | - | (316,187,000) | - | (329,437,614) |
| 756,976 | 13,979 | 243,433 | - | 53,386 | 7,474,000 | 1,851,975 | 11,313,610 |
| - | - | - | - | - | - | - | (815,000) |
| - | - | - | - | - | - | - | 1,303,104 |
| - | - | - | - | - | - | - | 901,240 |
| - | - | 2,537 | - | - | - | - | 2,537 |
| (2,286,577) | 13,979 | 245,970 | - | 53,386 | (11,995,000) | 1,851,975 | (7,616,401) |
| (98,502) | 417,907 | 280,367 | (58,520) | 85,999 | (47,722,000) | 14,437,847 | (31,958,218) |
| 1,969,250 | 94,822 | 2,821,703 | 544,306 | 1,172,851 | 82,503,000 | 21,891,898 | 123,359,824 |
| $ 1,870,748 | $ 512,729 | $ 3,102,070 | $ 485,786 | $ 1,258,850 | $ 34,781,000 | $ 36,329,745 | $ 91,401,606 |
| $ 1,870,748 | $ 512,729 | $ 190,353 | $ 485,086 | $ 1,055,961 | $ 1,000 | $ 5,293 | $ 17,181,848 |
| - | - | 2,911,717 | 700 | 184,396 | - | 36,324,452 | 39,421,265 |
| - | - | - | - | - | 32,427,000 | - | 32,427,000 |
| - | - | - | - | - | 2,353,000 | - | 2,353,000 |
| - | - | - | - | 18,493 | - | - | 18,493 |
| $ 1,870,748 | $ 512,729 | $ 3,102,070 | $ 485,786 | $ 1,258,850 | $ 34,781,000 | $ 36,329,745 | $ 91,401,606 |

## Combining Statement Of Cash Flows
## Nonmajor Enterprise Funds (Continued)
### For The Fiscal Year Ended June 30, 2002

| | Beginning Farmer Revolving Loan | Bonding | Community Water Facility Loan | Developmentally Disabled Facility Loan | Fire And Tornado |
|---|---|---|---|---|---|
| **Reconciliation Of Operating Income (Loss) To Net Cash Provided (Used For) Operating Activities:** | | | | | |
| Operating Income (Loss) | $ 27,487 | 6,744 | 355,168 | $ 134,940 | $ (3,683,576) |
| Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities: | | | | | |
| Depreciation | - | - | - | - | - |
| Amortization\Accretion | - | - | - | - | - |
| Reclassification Of Interest Revenue\Expense | - | - | (433,857) | (176,943) | - |
| Net Depreciation In Fair Value Of Investments | - | - | - | - | - |
| Interest Received On Program Loans | - | - | - | - | - |
| Disbursements For Loans And Loan Purchases | - | - | - | - | - |
| Receipt Of Loan Principal Repayments | - | - | - | - | - |
| Provision For Losses | - | - | - | - | - |
| Premiums Collected | - | - | - | - | - |
| Premiums Paid | - | - | - | - | - |
| Change In Assets And Liabilities: | | | | | |
| (Increase) Decrease In Accounts Receivable | - | 1,540 | - | - | 33,605 |
| Decrease In Interest Receivable | 61,495 | - | - | - | - |
| (Increase) Decrease In Due From | - | 283 | - | - | 172 |
| Increase In Due From Fiduciary Funds | - | - | - | - | - |
| (Increase) Decrease In Intergovernmental Receivable | - | - | - | - | - |
| Decrease in Notes Receivable | 255,214 | - | - | - | - |
| (Increase) Decrease In Prepaid Items | 74,652 | - | - | - | - |
| Increase In Inventories | - | - | - | - | - |
| Increase (Decrease) In Accounts Payable | - | 303 | - | - | (34,174) |
| Increase In Claims\Judgements Payable | - | 23,103 | - | - | 510,356 |
| Decrease In Intergovernmental Payable | - | - | - | - | - |
| Increase (Decrease) In Accrued Payroll | - | (578) | - | - | 3,697 |
| Increase (Decrease) In Compensated Absences Payable | - | (662) | - | - | 7,583 |
| Decrease In Amounts Held For Others | - | - | - | - | - |
| Increase (Decrease) In Due To | (569) | (760) | (265) | (1,000) | (1,642) |
| Increase In Deferred Revenue | - | - | - | - | - |
| Increase In Other Liabilities | - | - | - | - | - |
| Total Adjustments | 390,792 | 23,229 | (434,122) | (177,943) | 519,597 |
| **Net Cash Provided By (Used For) Operating Activities** | $ 418,279 | $ 29,973 | $ (78,954) | $ (43,003) | $ (3,163,979) |
| **Noncash Transactions:** | | | | | |
| Net Decrease In Fair Value Of Investments | $ - | $ (274,123) | $ - | $ - | $ (801,036) |
| Change In Securities Lending Collateral | - | (198,841) | - | - | (1,054,280) |
| Amortization Of Bond Discount | - | - | - | - | - |
| Total Noncash Transactions | $ - | $ (472,964) | $ - | $ - | $ (1,855,316) |

| Guaranteed Student Loan | Mill And Elevator | PERS Uniform Group Insurance | Roughrider Industries | State Fair | Student Loan | Unemployment Compensation | Total |
|---|---|---|---|---|---|---|---|
| $ (862,577) | $ 2,705,055 | $ 124,933 | $ (63,080) | $ (1,056,988) | $ (2,699,000) | $13,078,399 | $ 8,067,505 |
| 60,864 | 1,275,375 | - | 55,586 | 925,367 | - | - | 2,317,192 |
| - | - | - | - | - | 1,351,000 | - | 1,351,000 |
| (733,053) | - | - | - | - | (2,392,000) | - | (3,735,853) |
| (166,000) | - | - | - | - | - | - | (166,000) |
| - | - | - | - | - | 5,341,000 | - | 5,341,000 |
| - | - | - | - | - | (23,614,000) | - | (23,614,000) |
| - | - | - | - | - | 19,091,000 | - | 19,091,000 |
| 78,000 | - | - | - | 1,400 | 5,000 | - | 84,400 |
| - | - | 103,244,660 | - | - | - | - | 103,244,660 |
| - | - | (103,244,660) | - | - | - | - | (103,244,660) |
| (24,014) | (1,022,801) | 1,037 | 82,315 | (5,523) | - | (741,429) | (1,675,270) |
| - | - | - | - | - | - | - | 61,495 |
| - | - | - | (13,956) | - | - | - | (13,501) |
| - | - | (14,234) | - | - | - | - | (14,234) |
| 1,064,621 | - | - | - | - | - | (23,820) | 1,040,801 |
| - | - | - | - | - | - | - | 255,214 |
| - | (118,466) | - | 2,571 | (3,026) | 15,000 | - | (29,269) |
| - | (28,934) | (1,047) | (60,283) | - | - | - | (90,264) |
| 317,541 | 61,149 | (3,401) | 16,805 | (17,658) | (7,000) | 283,840 | 617,405 |
| - | - | - | - | - | - | - | 533,459 |
| (49,893) | - | (7,799) | - | - | (329,000) | (47,530) | (434,222) |
| - | 283,896 | 1,477 | (1,443) | - | - | - | 287,049 |
| - | 46,340 | 8,089 | 6,572 | (2,493) | - | - | 65,429 |
| - | - | (10,058) | - | - | - | - | (10,058) |
| 137,105 | - | 6,594 | (3,380) | - | 23,000 | - | 159,083 |
| 326,210 | - | 107,552 | - | - | - | 36,412 | 470,174 |
| - | 37,888 | - | 3,619 | - | - | - | 41,507 |
| 1,011,381 | 534,447 | 88,210 | 88,406 | 898,067 | (516,000) | (492,527) | 1,933,537 |
| $ 148,804 | $ 3,239,502 | $ 213,143 | $ 25,326 | $ (158,921) | $ (3,215,000) | $ 12,585,872 | $ 10,001,042 |
| $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ (1,075,159) |
| - | - | - | - | - | - | - | (1,253,121) |
| - | - | - | - | 5,539 | - | - | 5,539 |
| $ - | $ - | $ - | $ - | $ 5,539 | $ - | $ - | $ (2,322,741) |

# *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.*

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)

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 24-02)

780 (929) - Information Technology Department
Accounts used for the procurement and maintenance of data processing equipment and supplies and telecommunications equipment and supplies to provide data processing and telecommunications services to state departments and agencies. (NDCC 54-59)

288 (912) - Risk Management Fund
This fund provides insurance coverage and loss prevention to all state agencies and the University System for tort liability and employee injury claims. Coverage is provided using an optional combination of self-insurance and private excess insurance. (NDCC 32-12.2)

207 (936) - Retirement and Investment Office
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 Statement of Net Assets
## Internal Service Funds
### June 30, 2002

| | Central Services | Fleet Services | Information Technology Department | Retirement and Investment Board | Risk Management | Total |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Current Assets: | | | | | | |
| Cash Deposits at the Bank of ND | $ 492,131 | $ 1,018,149 | $ 2,127,934 | $ 117,341 | $ 2,529,658 | $ 6,285,213 |
| Cash and Cash Equivalents | 14,017 | - | - | - | 1,562 | 15,579 |
| Investments | - | - | - | - | 3,290,852 | 3,290,852 |
| Accounts Receivable - Net | 7,151 | 29,832 | 9,472 | 1,783 | 750 | 48,988 |
| Interest Receivable - Net | - | - | - | - | 49,790 | 49,790 |
| Intergovernmental Receivable - Net | 60,020 | 574 | 48,161 | - | 812 | 109,567 |
| Due from Other Funds | 146,122 | 1,907,896 | 2,666,160 | 21,263 | 140,881 | 4,882,322 |
| Prepaid Items | 3,137 | - | 305,775 | - | - | 308,912 |
| Inventory | 125,728 | - | - | - | - | 125,728 |
| Total Current Assets | 848,306 | 2,956,451 | 5,157,502 | 140,387 | 6,014,305 | 15,116,951 |
| Noncurrent Assets: | | | | | | |
| Capital Assets: | | | | | | |
| Buildings and Equipment -Net | 46,880 | 44,602,322 | 3,959,501 | 6,003 | 9,519 | 48,624,225 |
| Total Noncurrent Assets | 46,880 | 44,602,322 | 3,959,501 | 6,003 | 9,519 | 48,624,225 |
| Total Assets | 895,186 | 47,558,773 | 9,117,003 | 146,390 | 6,023,824 | 63,741,176 |
| **LIABILITIES** | | | | | | |
| Current Liabilities: | | | | | | |
| Accounts Payable | 43,834 | 403,531 | 308,481 | 90,501 | 22,387 | 868,734 |
| Accrued Payroll | 69,369 | 76,105 | 942,485 | - | 20,728 | 1,108,687 |
| Securities Lending Collateral | - | - | - | - | 386,924 | 386,924 |
| Interest Payable | - | - | - | - | 2,631 | 2,631 |
| Due to Other Funds | 13,373 | 3,067,564 | 6,622 | 11,711 | 107,450 | 3,206,720 |
| Claims/Judgments Payable | - | - | - | - | 850,528 | 850,528 |
| Compensated Absences Payable | - | 3,132 | 45,956 | 6,009 | - | 55,097 |
| Notes Payable | - | - | 348,653 | - | - | 348,653 |
| Capital Leases Payable | 7,294 | - | - | - | - | 7,294 |
| Deferred Revenue | - | - | - | - | 69,684 | 69,684 |
| Total Current Liabilities | 133,870 | 3,550,332 | 1,652,197 | 108,221 | 1,460,332 | 6,904,952 |
| Noncurrent Liabilities: | | | | | | |
| Claims/Judgments Payable | - | - | - | - | 2,178,273 | 2,178,273 |
| Compensated Absences Payable | 70,334 | 59,017 | 865,868 | 51,332 | 16,889 | 1,063,440 |
| Notes Payable | - | - | 7,851 | - | - | 7,851 |
| Total Noncurrent Liabilities | 70,334 | 59,017 | 873,719 | 51,332 | 2,195,162 | 3,249,564 |
| Total Liabilities | 204,204 | 3,609,349 | 2,525,916 | 159,553 | 3,655,494 | 10,154,516 |
| **NET ASSETS** | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 39,586 | 44,602,322 | 3,921,513 | 6,003 | 9,519 | 48,578,943 |
| Unrestricted | 651,396 | (652,898) | 2,669,574 | (19,166) | 2,358,811 | 5,007,717 |
| Total Net Assets | $ 690,982 | $ 43,949,424 | $ 6,591,087 | $ (13,163) | $ 2,368,330 | $ 53,586,660 |

# STATE OF NORTH DAKOTA

## Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
## Internal Service Funds
### For the Fiscal Year Ended June 30, 2002

| | Central Services | Fleet Services | Information Technology Department | Retirement and Investment Board | Risk Management | Total |
|---|---|---|---|---|---|---|
| **OPERATING REVENUES** | | | | | | |
| Sales and Services | $ 2,350,451 | $ 16,467,969 | $ 32,332,745 | $ 1,239,833 | $ 3,970,775 | $ 56,361,773 |
| Miscellaneous | - | 81,968 | - | 16,653 | 98,497 | 197,118 |
| Total Operating Revenues | 2,350,451 | 16,549,937 | 32,332,745 | 1,256,486 | 4,069,272 | 56,558,891 |
| **OPERATING EXPENSES** | | | | | | |
| Cost of Sales and Services | 1,202,504 | - | - | - | - | 1,202,504 |
| Salaries and Benefits | 837,631 | 1,003,159 | 10,897,002 | 797,268 | 244,014 | 13,779,074 |
| Operating | 384,937 | 6,804,059 | 18,109,135 | 474,548 | 1,075,437 | 26,848,116 |
| Claims | - | - | - | - | 2,014,530 | 2,014,530 |
| Depreciation | 43,338 | 5,543,427 | 2,582,501 | 2,681 | 449 | 8,172,396 |
| Total Operating Expenses | 2,468,410 | 13,350,645 | 31,588,638 | 1,274,497 | 3,334,430 | 52,016,620 |
| Operating Income (Loss) | (117,959) | 3,199,292 | 744,107 | (18,011) | 734,842 | 4,542,271 |
| **NONOPERATING REVENUES (EXPENSES)** | | | | | | |
| Interest and Investment Income | - | - | - | 1,291 | (35,437) | (34,146) |
| Interest Expense | (2,584) | - | (44,365) | - | (21,770) | (68,719) |
| Loss on Sale of Capital Assets | (2,218) | (532,867) | 957 | - | - | (534,128) |
| Other | 1,608 | 500 | - | - | - | 2,108 |
| Total Nonoperating Revenues (Expenses) | (3,194) | (532,367) | (43,408) | 1,291 | (57,207) | (634,885) |
| Income (Loss) Before Transfers | (121,153) | 2,666,925 | 700,699 | (16,720) | 677,635 | 3,907,386 |
| Transfers In | - | - | 450,275 | - | 150,000 | 600,275 |
| Change in Net Assets | (121,153) | 2,666,925 | 1,150,974 | (16,720) | 827,635 | 4,507,661 |
| Total Net Assets - Beginning of Year, as Adjusted | 812,135 | 41,282,499 | 5,440,113 | 3,557 | 1,540,695 | 49,078,999 |
| Total Net Assets - End of Year | $ 690,982 | $ 43,949,424 | $ 6,591,087 | $ (13,163) | $ 2,368,330 | $ 53,586,660 |

# STATE OF NORTH DAKOTA

## Combining Statement Of Cash Flows
## Internal Service Funds
### For The Fiscal Year Ended June 30, 2002

| | Central Services | Fleet Services | Information Technology | Retirement And Investment Office | Risk Management | Total |
|---|---|---|---|---|---|---|
| **Cash Flows From Operating Activities:** | | | | | | |
| Receipts From Customers and Users | $ 2,391,016 | $ 16,702,222 | $ 32,633,402 | $ 1,289,117 | $ 3,903,552 | $ 56,919,309 |
| Receipts From Federal And Local Agencies | - | 25 | - | - | - | 25 |
| Receipts From Other Funds | - | 94,327 | - | - | - | 94,327 |
| Receipts From Others | - | - | - | - | 76,848 | 76,848 |
| Payments To Suppliers | (1,608,433) | (7,414,208) | (17,664,937) | (1,303,488) | (1,651,685) | (29,642,751) |
| Payments To Employees | (833,345) | (982,663) | (10,708,569) | - | (238,662) | (12,763,239) |
| Payments To Others | - | - | - | - | (394,052) | (394,052) |
| Net Cash Provided By (Used For) Operating Activities | (50,762) | 8,399,703 | 4,259,896 | (14,371) | 1,696,001 | 14,290,467 |
| **Cash Flows From Noncapital Financing Activities:** | | | | | | |
| Proceeds From Sale Of Notes And Other Borrowings | - | 1,000,000 | - | - | - | 1,000,000 |
| Principal Payments - Notes And Other Borrowings | - | - | (2,313,453) | - | - | (2,313,453) |
| Interest Payments - Notes And Other Borrowings | (986) | - | (44,364) | - | - | (45,350) |
| Operating Transfers In | - | - | 450,275 | - | 150,000 | 600,275 |
| Net Cash Provided By (Used For) Noncapital Financing Activities | (986) | 1,000,000 | (1,907,542) | - | 150,000 | (758,528) |
| **Cash Flows From Capital And Related Financing Activities:** | | | | | | |
| Acquisition And Construction Of Capital Assets | (7,690) | (11,107,901) | (1,925,793) | - | (9,968) | (13,051,352) |
| Proceeds From Sale Of Capital Assets | 1,608 | 1,899,359 | 44,455 | - | - | 1,945,422 |
| Payment On Capital Leases | (35,364) | - | - | - | - | (35,364) |
| Interest Payments - Capital Leases | (1,598) | - | - | - | - | (1,598) |
| Net Cash Used For Capital And Related Financing Activities | (43,044) | (9,208,542) | (1,881,338) | - | (9,968) | (11,142,892) |
| **Cash Flows From Investing Activities:** | | | | | | |
| Proceeds From Sale And Maturities Of Investment Securities | - | - | - | - | 41,502 | 41,502 |
| Interest And Dividends On Investments | - | - | - | 1,365 | 124,591 | 125,956 |
| Net Cash Provided By Investing Activities | - | - | - | 1,365 | 166,093 | 167,458 |
| **Net Change In Cash:** | | | | | | |
| Net Increase (Decrease) In Cash And Cash Equivalents | (94,792) | 191,161 | 471,016 | (13,006) | 2,002,126 | 2,556,505 |
| Cash And Cash Equivalents At June 30, 2001 | 600,940 | 826,988 | 1,656,918 | 130,347 | 529,094 | 3,744,287 |
| Cash And Cash Equivalents At June 30, 2002 | $ 506,148 | $ 1,018,149 | $ 2,127,934 | $ 117,341 | $ 2,531,220 | $ 6,300,792 |
| **Reconciliation:** | | | | | | |
| Cash Deposits At The Bank Of North Dakota | $ 492,131 | $ 1,018,149 | $ 2,127,934 | $ 117,341 | $ 2,529,658 | $ 6,285,213 |
| Cash And Cash Equivalents | 14,017 | - | - | - | 1,562 | 15,579 |
| Cash And Cash Equivalents And Cash Deposits At The Bank Of North Dakota | $ 506,148 | $ 1,018,149 | $ 2,127,934 | $ 117,341 | $ 2,531,220 | $ 6,300,792 |
| **Reconciliation Of Operating Income (Loss) To Net Cash Provided (Used For) Operating Activities:** | | | | | | |
| Operating Income (Loss) | $ (117,959) | $ 3,199,292 | $ 744,107 | $ (18,011) | $ 734,842 | $ 4,542,271 |
| Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities: | | | | | | |
| Depreciation | 43,338 | 5,543,427 | 2,582,501 | 2,681 | 449 | 8,172,396 |
| Amortization\Accretion | - | - | 305,775 | - | - | 305,775 |
| Change In Assets And Liabilities: | | | | | | |
| (Increase) Decrease In Accounts Receivable | 4,515 | 152,285 | 36,916 | 254 | (750) | 193,220 |
| (Increase) Decrease In Due From | 28,997 | 94,327 | 281,422 | 32,476 | (138,757) | 298,465 |
| (Increase) Decrease In Intergovernmental Receivable | 7,053 | 25 | (17,681) | - | (812) | (11,415) |
| Decrease In Prepaid Items | 6,728 | - | - | - | - | 6,728 |
| Increase In Inventories | (14,768) | - | - | - | - | (14,768) |
| Increase In Other Assets | - | (624,937) | - | - | - | (624,937) |
| Increase (Decrease) In Accounts Payable | (19,218) | - | 137,672 | (40,244) | 9,956 | 88,166 |
| Increase In Claims\Judgements Payable | - | | - | - | 935,801 | 935,801 |
| Increase In Intergovernmental Payable | - | 14,788 | - | - | - | 14,788 |
| Increase In Accrued Payroll | 1,392 | 5,195 | 123,365 | - | 4,705 | 134,657 |
| Increase In Compensated Absences Payable | 2,894 | 15,301 | 65,068 | 13,200 | 650 | 97,113 |
| Increase (Decrease) In Due To | 6,266 | - | 751 | (4,727) | 98,457 | 100,747 |
| Increase In Deferred Revenue | - | - | - | - | 51,460 | 51,460 |
| Total Adjustments | 67,197 | 5,200,411 | 3,515,789 | 3,640 | 961,159 | 9,748,196 |
| **Net Cash Provided By (Used For) Operating Activities** | $ (50,762) | $ 8,399,703 | $ 4,259,896 | $ (14,371) | $ 1,696,001 | $ 14,290,467 |
| **Noncash Transactions:** | | | | | | |
| Net Decrease In Fair Value Of Investments | $ - | $ - | $ - | $ - | $ (185,588) | $ (185,588) |
| Change In Securities Lending Collateral | - | - | - | - | (169,361) | (169,361) |
| Total Noncash Transactions | $ - | $ - | $ - | $ - | $ (354,949) | $ (354,949) |

# *Fiduciary Funds*

*Fiduciary funds account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental organizations.*

## Pension and Other Employee-Related Benefit Trust Funds

### 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)

### 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)

### 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 39-03.1)

### 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 52-11)

### PREFUNDED RETIREE HEALTH PROGRAM

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 54-52.1)

### PUBLIC EMPLOYEES' RETIREMENT

470 (983) - Public Employees Retirement System
Accounts for the financial resources associated with the Public Employees Retirement System. (NDCC 54-52)

### DEFINED CONTRIBUTION RETIREMENT

930 – Defined Contribution Retirement Plan
Accounts for the financial resources of the Defined Contribution Retirement Plan. Participation in this plan is limited to state employees who are in positions not classified by the Central Personnel Division and who are not employees of the judicial branch or board of higher education. (NDCC 54-52)

### TEACHERS' RETIREMENT

964 - North Dakota Teachers' Fund For Retirement
Accounts for the financial resources of the Teachers' Retirement Fund. (NDCC 15-39.1)

## Investment Trust Funds

911 - ND Association of Counties RIO Investments
Account for the investment assets held by the State Investment Board in a trustee capacity as an agent for the North Dakota Association of Counties. (NDCC 21-10)

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)

## Private Purpose Trust Funds

### STUDENT DONATIONS

937 - Department of Public Instruction Thordarson Scholarship Trust Fund
Fund used to provide scholarship grants to students enrolled in courses offered by the independent study division. (NDCC 15-19)

988 - School for the Deaf Scholarship Trust Fund
Account for funds donated to provide scholarships to deaf students. (NDCC 25-01.1)

989 - School for the Deaf Student Trust Funds
Accounts for funds donated to the School for the Deaf for the benefit of the students. (NDCC 25-01.1)

### COLLEGE SAVE

940 – College SAVE
Program established by the State of North Dakota to encourage the investment of funds to be used for qualified higher education expenses at institutions of higher education. (NDCC 6-09-38)

## Agency Funds

### BONDING

402 - Sales and Use Tax Deposit Fund
Accounts for cash received in lieu of a surety bond for sales tax permit holders. (NDCC 57-39.2)

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)

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)

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)

947 – District Court Bond Fund
Accounts for bail bonds posted for civil and criminal court cases. (NDCC 27-05.2)

### 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)

### CHILD SUPPORT

463 – Child Support Disbursement Unit Fund
Accounts for all child support payments received by the state disbursement unit. (NDCC 14-09)

### 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 39-16)

946 – District Court Collection Fund
Accounts for collections for third parties. (NDCC 27-05.2)

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 - Youth Correctional Center Student Accounts
Account for the student's personal funds. (NDCC 12-46)

994 - School for the Deaf Students
Account for the students personal funds. (NDCC 25-01.1)

### TAX COLLECTION

434 - City Lodging Tax Suspense
Accounts for city lodging tax collected by the State Tax Commissioner. (NDCC 40-57.3 )

435 - City Sales Tax Suspense
Accounts for city sales and use taxes collected by the State Tax Commission. (NDCC 57-01)

438 - City Restaurant and Lodge Tax Suspense
A city tax, at a rate not to exceed one percent, upon the gross receipts of retailers on the leasing or renting of hotel, motel, or tourist court accommodations within the city and gross receipts of a restaurant from any sales of prepared food or beverages, not including alcoholic beverages for consumption off the premises where purchased is collected by the State Tax Commissioner. Proceeds, net of a 3% administrative fee which is deposited into the general fund, are remitted quarterly to each city collecting the tax. (NDCC 40-57.3)

# STATE OF NORTH DAKOTA

## Combining Statement of Fiduciary Net Assets
## Pension, Investment and Private-Purpose Trust Funds
**June 30, 2002**

| | Pension and Other Employee Benefit Trust Funds | | | | | |
|---|---|---|---|---|---|---|
| | Deferred Compensation | Defined Contribution Retirement | Highway Patrolmen's Retirement | Job Service Retirement | PERS Flexcomp | Prefunded Retiree Health Program |
| **ASSETS** | | | | | | |
| Cash Deposits at the Bank of ND | $ - | $ - | $ - | $ 58,725 | $ 431,271 | $ 126,577 |
| Cash and Cash Equivalents | - | - | - | - | - | - |
| Receivables: | | | | | | |
| Contributions Receivable | - | 77,207 | - | 19,761 | - | 334,951 |
| Interest Receivable - Net | - | - | 73,613 | 50,152 | - | 161,785 |
| Accounts Receivable-Net | - | - | - | - | 350,105 | - |
| Due from Other Funds | - | - | - | - | 44,637 | - |
| Total Receivables | - | 77,207 | 73,613 | 69,913 | 394,742 | 496,736 |
| Investments, at Fair Value: | | | | | | |
| Investments at the Bank of ND | - | - | 563,950 | 763,615 | - | - |
| Equity Pool | - | 5,450,721 | 17,789,400 | 28,597,761 | - | 14,783,451 |
| Fixed Income | - | 2,387,598 | 1,875,171 | - | - | 8,438,218 |
| Fixed Income Pool | - | - | 12,513,812 | 31,725,682 | - | - |
| Cash and Cash Pool | - | - | 257,098 | 28,726 | - | - |
| Guaranteed Investment Contract | - | - | - | 4,280,410 | - | - |
| Real Estate Pool | - | - | 1,860,655 | - | - | - |
| Private Equity | - | - | 1,057,357 | - | - | - |
| Annuties | 250,723 | - | - | - | - | - |
| Mutual Funds | 8,395,972 | - | - | - | - | - |
| Total Investments | 8,646,695 | 7,838,319 | 35,917,443 | 65,396,194 | - | 23,221,669 |
| Invested Securities Lending Collateral | - | - | 2,439,889 | 6,052,107 | - | - |
| Capital Assets (Net of Depreciation) | - | - | - | - | - | - |
| Total Assets | 8,646,695 | 7,915,526 | 38,430,945 | 71,576,939 | 826,013 | 23,844,982 |
| **LIABILITIES** | | | | | | |
| Accrued Payroll | 9,517 | - | - | - | 7,158 | - |
| Accounts Payable | 2,524 | - | - | 212,341 | 6,868 | 11,304 |
| Securities Lending Collateral | - | - | 2,439,889 | 6,052,107 | - | - |
| Compensated Absences Payable | 8,370 | - | - | - | 8,246 | - |
| Capital Leases Payable | - | - | - | - | - | - |
| Due to Other Funds | 1,050 | - | 12,143 | 2,069 | 324 | 90,032 |
| Total Liabilities | 21,461 | - | 2,452,032 | 6,266,517 | 22,596 | 101,336 |
| **NET ASSETS** | | | | | | |
| Net Assets Held in Trust for: | | | | | | |
| Pension Benefits | 8,625,234 | 7,915,526 | 35,978,913 | 65,310,422 | - | 23,743,646 |
| Other Employee Benefits | - | - | - | - | 803,417 | - |
| External Investment Pool Participants | - | - | - | - | - | - |
| Other Purposes | - | - | - | - | - | - |
| Total Net Assets Held in Trust | $ 8,625,234 | $ 7,915,526 | $ 35,978,913 | $ 65,310,422 | $ 803,417 | $ 23,743,646 |

| Pension and Other Employee Benefit Trust Funds | | | Investment Trust Funds | | | Private-Purpose Trust Funds | | |
|---|---|---|---|---|---|---|---|---|
| Public Employees Retirement | Teachers Retirement | Total | City of Bismarck | ND Association Of Counties | Total | Student Donations | College SAVE | Total |
| $ 729,465 | $ 7,248,921 | $ 8,594,959 | $ 29,408 | $ 27,158 | $ 56,566 | $ 91,745 | $ - | $ 91,745 |
| - | - | - | - | - | - | 10,841 | 255,764 | 266,605 |
| 2,831,550 | 5,858,272 | 9,121,741 | - | - | - | - | - | - |
| 2,136,879 | 5,409,970 | 7,832,399 | 24,286 | 2,042 | 26,328 | 46 | - | 46 |
| 365 | - | 350,470 | - | - | - | - | 84,305 | 84,305 |
| 59,953 | - | 104,590 | - | - | - | - | - | - |
| 5,028,747 | 11,268,242 | 17,409,200 | 24,286 | 2,042 | 26,328 | 46 | 84,305 | 84,351 |
| 16,370,224 | 10,777,440 | 28,475,229 | 507,439 | - | 507,439 | 18,208 | - | 18,208 |
| 516,386,700 | 744,103,649 | 1,327,111,682 | 15,377,764 | 254,771 | 15,632,535 | - | 1,345,399 | 1,345,399 |
| 54,432,032 | - | 67,133,019 | - | - | - | 27,667 | 779,740 | 807,407 |
| 363,248,140 | 221,038,652 | 628,526,286 | 14,811,189 | 248,178 | 15,059,367 | - | - | - |
| 7,462,987 | 25,684,813 | 33,433,624 | 249,942 | - | 249,942 | - | 276,108 | 276,108 |
| - | - | 4,280,410 | - | - | - | - | - | - |
| 54,010,656 | 105,982,182 | 161,853,493 | 1,231,376 | - | 1,231,376 | - | - | - |
| 30,692,716 | 40,322,264 | 72,072,337 | 466,777 | - | 466,777 | - | - | - |
| - | - | 250,723 | - | - | - | - | - | - |
| - | - | 8,395,972 | - | - | - | - | - | - |
| 1,042,603,455 | 1,147,909,000 | 2,331,532,775 | 32,644,487 | 502,949 | 33,147,436 | 45,875 | 2,401,247 | 2,447,122 |
| 70,824,559 | 58,369,414 | 137,685,969 | 2,519,192 | 60,221 | 2,579,413 | - | - | - |
| 47,928 | - | 47,928 | - | - | - | - | - | - |
| 1,119,234,154 | 1,224,795,577 | 2,495,270,831 | 35,217,373 | 592,370 | 35,809,743 | 148,507 | 2,741,316 | 2,889,823 |
| 39,285 | - | 55,960 | - | - | - | - | - | - |
| 853,920 | 1,046,800 | 2,133,757 | 70,823 | 910 | 71,733 | - | 413,570 | 413,570 |
| 70,824,559 | 58,369,414 | 137,685,969 | 2,519,192 | 60,221 | 2,579,413 | - | - | - |
| 42,703 | - | 59,319 | - | - | - | - | - | - |
| 42,190 | - | 42,190 | - | - | - | - | - | - |
| 41,471 | 9,798 | 156,887 | - | - | - | - | - | - |
| 71,844,128 | 59,426,012 | 140,134,082 | 2,590,015 | 61,131 | 2,651,146 | - | 413,570 | 413,570 |
| 1,047,390,026 | 1,165,369,565 | 2,354,333,332 | - | - | - | - | - | - |
| - | - | 803,417 | - | - | - | - | - | - |
| - | - | - | 32,627,358 | 531,239 | 33,158,597 | - | - | - |
| - | - | - | - | - | - | 148,507 | 2,327,746 | 2,476,253 |
| $ 1,047,390,026 | $ 1,165,369,565 | $ 2,355,136,749 | $ 32,627,358 | $ 531,239 | $ 33,158,597 | $ 148,507 | $ 2,327,746 | $ 2,476,253 |

# STATE OF NORTH DAKOTA

## Combining Statement of Changes in Fiduciary Net Assets
## Pension, Investment and Private-Purpose Trust Funds
### For the Fiscal Year Ended June 30, 2002

| | Pension and Other Employee Benefit Trust Funds | | | | |
|---|---|---|---|---|---|
| | Deferred Compensation | Defined Contribution Retirement | Highway Patrolmen's Retirement | Job Service Retirement | PERS Flexcomp |
| **ADDITIONS** | | | | | |
| Contributions: | | | | | |
| Employer | $ - | $ 452,311 | $ 814,035 | $ 135,888 | $ - |
| Employee | 1,920,559 | 439,113 | 501,850 | 111,981 | 4,237,797 |
| From Participants | - | - | - | - | - |
| Transfers from Other Funds | 226,235 | 13,704 | - | - | - |
| Transfers from Other Plans | - | 138,275 | - | - | - |
| Donations | - | - | - | - | - |
| Total Contributions | 2,146,794 | 1,043,403 | 1,315,885 | 247,869 | 4,237,797 |
| Investment Income: | | | | | |
| Net Increase (Decrease) in Fair Value of Investments | (718,075) | (1,160,835) | (3,888,722) | (3,020,270) | - |
| Interest and Dividends | - | 204,383 | 1,292,836 | (592,900) | 9,332 |
| Less Investment Expense | 60,289 | 7,005 | 125,048 | 191,608 | - |
| Net Investment Income | (778,364) | (963,457) | (2,720,934) | (3,804,778) | 9,332 |
| Securities Lending Activity: | | | | | |
| Securities Lending Income | - | - | 68,968 | 163,430 | - |
| Less Securities Lending Expense | - | - | 60,959 | 145,524 | - |
| Net Securities Lending Income | - | - | 8,009 | 17,906 | - |
| Repurchase Service Credit | - | - | - | - | - |
| Miscellaneous Income | 453 | 3,587 | 85 | - | 415,107 |
| Total Additions | 1,368,883 | 83,533 | (1,396,955) | (3,539,003) | 4,662,236 |
| **DEDUCTIONS** | | | | | |
| Benefits Paid to Participants | 133,081 | 233,541 | 1,928,173 | 2,069,843 | 4,193,201 |
| Refunds | - | - | 122,434 | - | - |
| Prefunded Credit Applied | - | - | - | - | - |
| Transfers to Other Plans | 48,870 | - | - | - | 239,939 |
| Administrative Expenses | 227,911 | 18,215 | 15,919 | 42,012 | 145,709 |
| Total Deductions | 409,862 | 251,756 | 2,066,526 | 2,111,855 | 4,578,849 |
| Change in Net Assets Held in Trust for: | | | | | |
| Pension Benefits | 959,021 | (168,223) | (3,463,481) | (5,650,858) | - |
| Other Employee Benefits | - | - | - | - | 83,387 |
| External Investment Pool Participants | - | - | - | - | - |
| Other Purposes | - | - | - | - | - |
| Net Assets--Beginning of Year | 7,666,213 | 8,083,749 | 39,442,394 | 70,961,280 | 720,030 |
| Net Assets--End of Year | $ 8,625,234 | $ 7,915,526 | $ 35,978,913 | $ 65,310,422 | $ 803,417 |

| Pension and Other Employee Benefit Trust Funds | | | | Investment Trust Funds | | | Private-Purpose Trust Funds | | |
|---|---|---|---|---|---|---|---|---|---|
| Prefunded Retiree Health Program | Public Employees' Retirement | Teachers' Retirement | Total | City of Bismarck | ND Association Of Counties | Total | Student Donations | College SAVE | Total |
| $ 4,482,993 | $ 18,244,655 | $ 27,243,542 | $ 51,373,424 | $ - | $ - | $ - | $ - | $ - | $ - |
| 4,421 | 17,379,812 | 29,171,623 | 53,767,156 | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | 2,305,617 | 2,305,617 |
| - | - | - | 239,939 | - | - | - | - | - | - |
| - | - | - | 138,275 | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 7,050 | - | 7,050 |
| 4,487,414 | 35,624,467 | 56,415,165 | 105,518,794 | - | - | - | 7,050 | 2,305,617 | 2,312,667 |
| (1,590,363) | (112,052,260) | (139,219,236) | (261,649,761) | (3,373,475) | (43,408) | (3,416,883) | - | 17,860 | 17,860 |
| - | 37,261,290 | 32,895,173 | 71,070,114 | 1,231,535 | 19,224 | 1,250,759 | 3,571 | 5,806 | 9,377 |
| 49,785 | 3,602,891 | 4,307,272 | 8,343,898 | 116,146 | 3,375 | 119,521 | - | - | - |
| (1,640,148) | (78,393,861) | (110,631,335) | (198,923,545) | (2,258,086) | (27,559) | (2,285,645) | 3,571 | 23,666 | 27,237 |
| - | 1,986,019 | 1,399,015 | 3,617,432 | 73,564 | 2,179 | 75,743 | - | - | - |
| - | 1,755,233 | 1,183,221 | 3,144,937 | 65,541 | 1,900 | 67,441 | - | - | - |
| - | 230,786 | 215,794 | 472,495 | 8,023 | 279 | 8,302 | - | - | - |
| 76,322 | 1,059,313 | - | 1,135,635 | - | - | - | - | - | - |
| - | 12,301 | - | 431,533 | - | - | - | - | - | - |
| 2,923,588 | (41,466,994) | (54,000,376) | (91,365,088) | (2,250,063) | (27,280) | (2,277,343) | 10,621 | 2,329,283 | 2,339,904 |
| - | 40,871,330 | 67,482,482 | 116,911,651 | - | - | - | 5,438 | - | 5,438 |
| 3,626 | 3,129,801 | 2,743,408 | 5,999,269 | - | - | - | - | 1,537 | 1,537 |
| 3,759,567 | - | - | 3,759,567 | - | - | - | - | - | - |
| - | 337,553 | - | 626,362 | - | - | - | - | - | - |
| 80,909 | 983,258 | 1,066,309 | 2,580,242 | - | - | - | - | - | - |
| 3,844,102 | 45,321,942 | 71,292,199 | 129,877,091 | - | - | - | 5,438 | 1,537 | 6,975 |
| (920,514) | (86,788,936) | (125,292,575) | (221,325,566) | - | - | - | - | - | - |
| - | - | - | 83,387 | - | - | - | - | - | - |
| - | - | - | - | (2,250,063) | (27,280) | (2,277,343) | - | - | - |
| - | - | - | - | - | - | - | 5,183 | 2,327,746 | 2,332,929 |
| 24,664,160 | 1,134,178,962 | 1,290,662,140 | 2,576,378,928 | 34,877,421 | 558,519 | 35,435,940 | 143,324 | - | 143,324 |
| $ 23,743,646 | $ 1,047,390,026 | $ 1,165,369,565 | $ 2,355,136,749 | $ 32,627,358 | $ 531,239 | $ 33,158,597 | $ 148,507 | $ 2,327,746 | $ 2,476,253 |

# STATE OF NORTH DAKOTA

## Combining Statement of Fiduciary Assets and Liabilities
## Agency Funds
### June 30, 2002

| | Bonding | Payroll | Child Support | Student and Other | Tax Collection | Total |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash Deposits at the Bank of ND | $ 979,943 | $ 570,060 | $ 902,477 | $ 366,254 | $ 4,967,865 | $ 7,786,599 |
| Cash and Cash Equivalents | 1,684,959 | - | 10,255 | 258,420 | 5,579 | 1,959,213 |
| Investments at the Bank of ND | 7,921,940 | - | - | 50,000 | - | 7,971,940 |
| Investments | 2,331,543 | - | - | 27,980 | - | 2,359,523 |
| Accounts Receivable-Net | - | 5,822,950 | 298,328 | - | - | 6,121,278 |
| Taxes Receivable-Net | - | - | - | - | 10,211,316 | 10,211,316 |
| Due from Other Funds | 200 | 35 | 12 | - | - | 247 |
| Other Assets | - | - | - | 136,467 | - | 136,467 |
| Total Assets | $ 12,918,585 | $ 6,393,045 | $ 1,211,072 | $ 839,121 | $ 15,184,760 | $ 36,546,583 |
| **LIABILITIES** | | | | | | |
| Accounts Payable | $ - | $ - | $ 191,096 | $ 797 | $ - | $ 191,893 |
| Intergovernmental Payable | - | 5,912,760 | - | - | 15,184,759 | 21,097,519 |
| Due to Other Funds | - | - | - | - | 1 | 1 |
| Amounts Held in Custody for Others | 12,918,585 | 480,285 | 1,019,976 | 838,324 | - | 15,257,170 |
| Total Liabilities | $ 12,918,585 | $ 6,393,045 | $ 1,211,072 | $ 839,121 | $ 15,184,760 | $ 36,546,583 |

## Combining Statement of Changes in Assets and Liabilities
## Agency Funds
**For the Fiscal Year Ended June 30, 2002**

| | June 30 2001 | Additions | Deductions | June 30 2002 |
|---|---|---|---|---|
| **Bonding** | | | | |
| **ASSETS** | | | | |
| Cash Deposits at the Bank of ND | $ 924,248 | $ 321,120 | $ 265,425 | $ 979,943 |
| Cash and Cash Equivalents | 1,782,355 | 3,487,804 | 3,585,200 | 1,684,959 |
| Investments at the Bank of ND | 7,024,763 | 1,337,840 | 440,663 | 7,921,940 |
| Investments | 2,529,484 | - | 197,941 | 2,331,543 |
| Accounts Receivable - Net | - | 52,453 | 52,453 | - |
| Due from Other Funds | - | 1,200 | 1,000 | 200 |
| Total Assets | $ 12,260,850 | $ 5,200,417 | $ 4,542,682 | $ 12,918,585 |
| **LIABILITIES** | | | | |
| Accounts Payable | $ - | $ 108,000 | $ 108,000 | $ - |
| Due to Other Funds | - | 1,000 | 1,000 | - |
| Amounts Held in Custody for Others | 12,260,850 | 19,333,312 | 18,675,577 | 12,918,585 |
| Total Liabilities | $ 12,260,850 | $ 19,442,312 | $ 18,784,577 | $ 12,918,585 |
| **Payroll** | | | | |
| **ASSETS** | | | | |
| Cash Deposits at the Bank of ND | $ 3,705,606 | $ 73,066,405 | $ 76,201,951 | $ 570,060 |
| Accounts Receivable - Net | 6,148,594 | 72,595,605 | 72,921,249 | 5,822,950 |
| Due from Other Funds | 1,256 | 12,035 | 13,256 | 35 |
| Total Assets | $ 9,855,456 | $ 145,674,045 | $ 149,136,456 | $ 6,393,045 |
| **LIABILITIES** | | | | |
| Intergovernmental Payable | $ 6,864,568 | $ 73,364,290 | $ 74,316,098 | $ 5,912,760 |
| Due to Other Funds | - | 311,723 | 311,723 | - |
| Amounts Held in Custody for Others | 2,990,888 | 72,869,375 | 75,379,978 | 480,285 |
| Total Liabilities | $ 9,855,456 | $ 146,545,388 | $ 150,007,799 | $ 6,393,045 |
| **Child Support** | | | | |
| **ASSETS** | | | | |
| Cash Deposits at the Bank of ND | $ 2,709,383 | $ 87,037,088 | $ 88,843,994 | $ 902,477 |
| Cash and Cash Equivalents | 16,113 | - | 5,858 | 10,255 |
| Accounts Receivable - Net | 307,771 | 85,829,910 | 85,839,353 | 298,328 |
| Due from Other Funds | - | 764,006 | 763,994 | 12 |
| Total Assets | $ 3,033,267 | $ 173,631,004 | $ 175,453,199 | $ 1,211,072 |
| **LIABILITIES** | | | | |
| Accounts Payable | $ 164,501 | $ 79,550,867 | $ 79,524,272 | $ 191,096 |
| Due to Other Funds | 1,673,679 | 7,755,383 | 9,429,062 | - |
| Amounts Held in Custody for Others | 1,195,087 | 87,015,774 | 87,190,885 | 1,019,976 |
| Total Liabilities | $ 3,033,267 | $ 174,322,024 | $ 176,144,219 | $ 1,211,072 |

# STATE OF NORTH DAKOTA

## Combining Statement Of Changes In Assets And Liabilities
## Agency Funds (Continued)
**For The Fiscal Year Ended June 30, 2002**

| | June 30 2001 | Additions | Deductions | June 30 2002 |
|---|---|---|---|---|
| **Student and Other** | | | | |
| **ASSETS** | | | | |
| Cash Deposits at the Bank of ND | $ 319,599 | $ 1,519,869 | $ 1,473,214 | $ 366,254 |
| Cash and Cash Equivalents | 252,582 | 2,608,630 | 2,602,792 | 258,420 |
| Investments at the Bank of ND | 50,000 | - | - | 50,000 |
| Investments | 57,315 | 665 | 30,000 | 27,980 |
| Accounts Receivable - Net | - | 8,600 | 8,600 | - |
| Interest Receivable - Net | 605 | - | 605 | - |
| Other Assets | 116,638 | 725,412 | 705,583 | 136,467 |
| Total Assets | $ 796,739 | $ 4,863,176 | $ 4,820,794 | $ 839,121 |
| **LIABILITIES** | | | | |
| Accounts Payable | $ 1,726 | $ 8,490 | $ 9,419 | $ 797 |
| Amounts Held in Custody for Others | 795,013 | 4,646,236 | 4,602,925 | 838,324 |
| Total Liabilities | $ 796,739 | $ 4,654,726 | $ 4,612,344 | $ 839,121 |
| **Tax Collection** | | | | |
| **ASSETS** | | | | |
| Cash Deposits at the Bank of ND | $ 6,941,849 | $ 68,684,111 | $ 70,658,095 | $ 4,967,865 |
| Cash and Cash Equivalents | 1,100 | 4,479 | - | 5,579 |
| Taxes Receivable - Net | 6,697,986 | 72,082,680 | 68,569,350 | 10,211,316 |
| Due From Other Funds | - | 132,942 | 132,942 | - |
| Total Assets | $ 13,640,935 | $ 140,904,212 | $ 139,360,387 | $ 15,184,760 |
| **LIABILITIES** | | | | |
| Intergovernmental Payable | $ 13,463,775 | $ 142,620,146 | $ 140,899,162 | $ 15,184,759 |
| Due to Other Funds | 177,160 | 866,491 | 1,043,650 | 1 |
| Total Liabilities | $ 13,640,935 | $ 143,486,637 | $ 141,942,812 | $ 15,184,760 |
| **Total -All Agency Funds** | | | | |
| **ASSETS** | | | | |
| Cash Deposits at the Bank of ND | $ 14,600,685 | $ 230,628,593 | $ 237,442,679 | $ 7,786,599 |
| Cash and Cash Equivalents | 2,052,150 | 6,100,913 | 6,193,850 | 1,959,213 |
| Investments at the Bank of ND | 7,074,763 | 1,337,840 | 440,663 | 7,971,940 |
| Investments | 2,586,799 | 665 | 227,941 | 2,359,523 |
| Accounts Receivable - Net | 6,456,365 | 158,486,568 | 158,821,655 | 6,121,278 |
| Taxes Receivable - Net | 6,697,986 | 72,082,680 | 68,569,350 | 10,211,316 |
| Interest Receivable - Net | 605 | - | 605 | - |
| Due from Other Funds | 1,256 | 777,241 | 778,250 | 247 |
| Other Assets | 116,638 | 725,412 | 705,583 | 136,467 |
| Total Assets | $ 39,587,247 | $ 470,139,912 | $ 473,180,576 | $ 36,546,583 |
| **LIABILITIES** | | | | |
| Accounts Payable | $ 166,227 | $ 79,667,357 | $ 79,641,691 | $ 191,893 |
| Intergovernmental Payable | 20,328,343 | 215,984,436 | 215,215,260 | 21,097,519 |
| Due to Other Funds | 1,850,839 | 8,934,597 | 10,785,435 | 1 |
| Amounts Held in Custody for Others | 17,241,838 | 183,864,697 | 185,849,365 | 15,257,170 |
| Total Liabilities | $ 39,587,247 | $ 488,451,087 | $ 491,491,751 | $ 36,546,583 |

# *Nonmajor 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.*

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)

979 – NDSU Research and Technology Park, Inc.
Purpose is to achieve successful, technology-based economic development through the establishment of a park where partnerships between start-up entrepreneurs, high-tech businesses, and the research of North Dakota State University will lead to the creation of new business ventures.

985 – The UND Aerospace Foundation
Purpose is to engage in all types of activity relating directly or indirectly to the aerospace industry and to encourage and develop the Center for Aerospace Sciences as it relates to the overall objectives of the University of North Dakota.

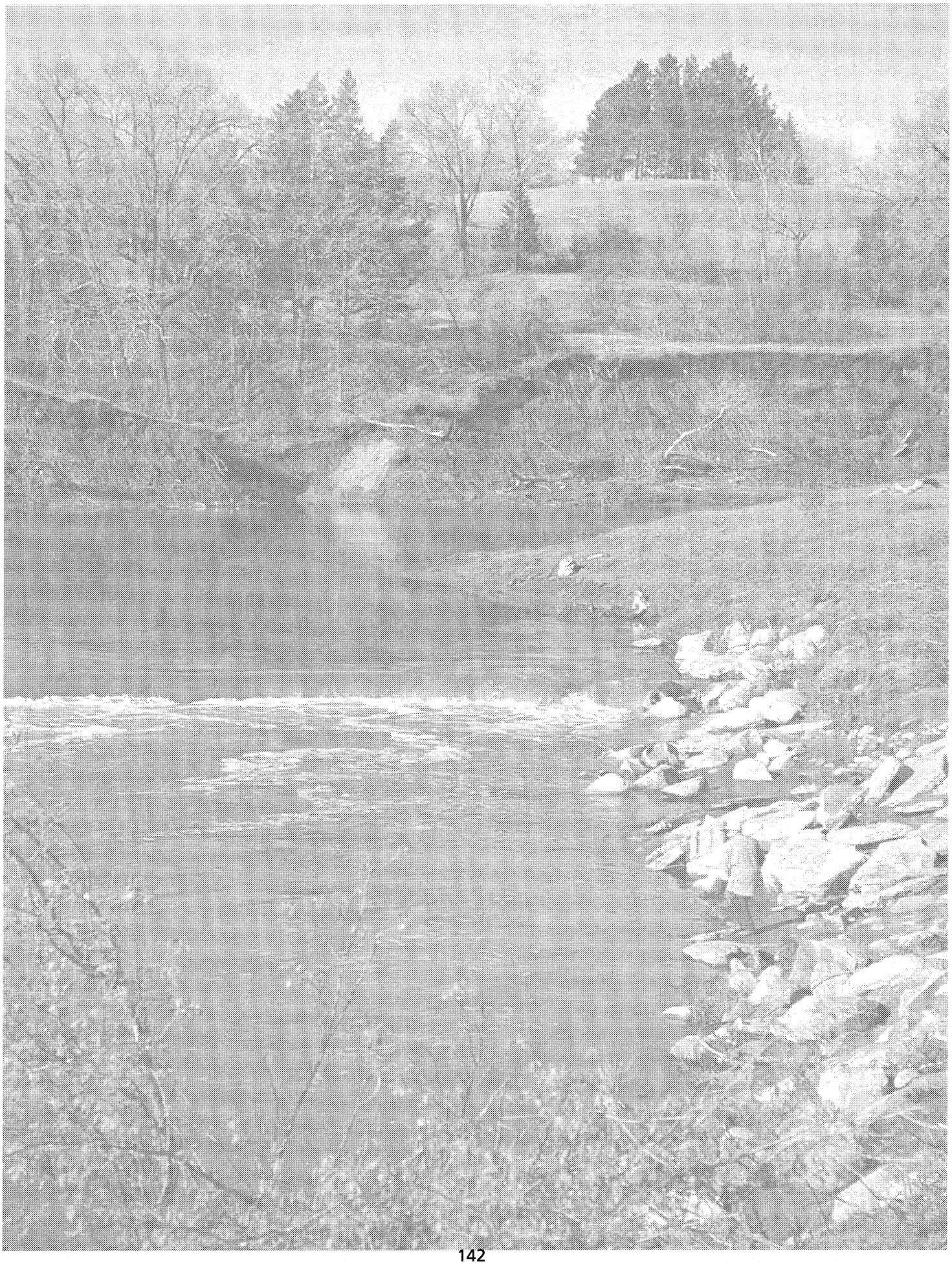
995 – UND Center for Innovation
Purpose is to engage in all types of activities relating directly or indirectly to supplying data and services to manufacturing and emerging industries. Typical areas of involvement include, but are not limited to, education, research, management, and technology commercialization, as well as other associated business interests.

## Combining Statement of Net Assets
## Nonmajor Component Units-Proprietary Funds
**June 30, 2002**

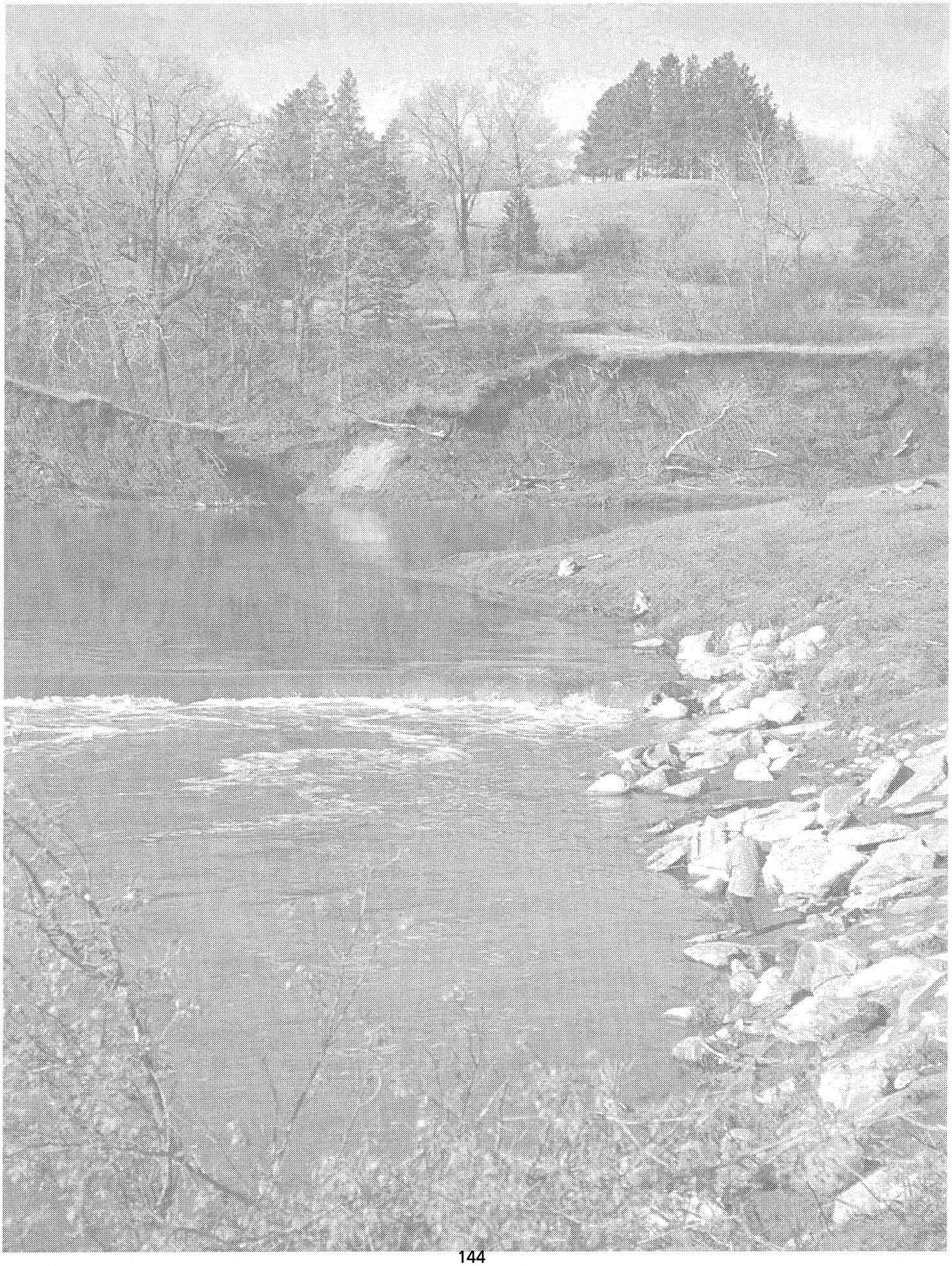
| | ND Development Fund | NDSU Research and Technology Park | UND Aerospace Foundation | UND Center for Innovation | Total |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Current Assets: | | | | | |
| Cash and Cash Equivalents | $ 10,620,339 | $ 133,922 | $ 315,550 | $ 435,335 | $ 11,505,146 |
| Investments | - | - | - | 2,935,504 | 2,935,504 |
| Accounts Receivable - Net | - | - | 355,986 | 947 | 356,933 |
| Interest Receivable - Net | 155,702 | - | - | - | 155,702 |
| Due from Primary Government | - | 124,014 | - | - | 124,014 |
| Inventories | - | - | 43,178 | 4,353 | 47,531 |
| Loans and Notes Receivable - Net | 2,287,188 | - | - | - | 2,287,188 |
| Other Current Assets | - | - | 31,545 | - | 31,545 |
| Restricted Cash and Cash Equivalent | - | 307,877 | - | - | 307,877 |
| Total Current Assets | 13,063,229 | 565,813 | 746,259 | 3,376,139 | 17,751,440 |
| Noncurrent Assets: | | | | | |
| Investments | 1,650,749 | - | 586,416 | - | 2,237,165 |
| Loans and Notes Receivable - Net | 5,967,282 | - | - | - | 5,967,282 |
| Unamortized Bond Issuance Costs | - | 227,373 | - | - | 227,373 |
| Capital Assets: | | | | | |
| Land and Construction in Progress | - | 242,559 | 914,903 | - | 1,157,462 |
| Infrastructure - Net | - | 459,609 | 47,370 | - | 506,979 |
| Buildings and Equipment -Net | 24,773 | 6,560,914 | 4,677,013 | 1,123 | 11,263,823 |
| Total Noncurrent Assets | 7,642,804 | 7,490,455 | 6,225,702 | 1,123 | 21,360,084 |
| Total Assets | 20,706,033 | 8,056,268 | 6,971,961 | 3,377,262 | 39,111,524 |
| **LIABILITIES** | | | | | |
| Current Liabilities: | | | | | |
| Accounts Payable | - | 596,951 | 530,988 | 11,840 | 1,139,779 |
| Interest Payable | - | 86,861 | - | - | 86,861 |
| Due to Primary Government | - | - | 7,692 | - | 7,692 |
| Compensated Absences Payable | - | - | 119,935 | - | 119,935 |
| Notes Payable | - | - | 1,425,193 | - | 1,425,193 |
| Bonds Payable | - | 195,000 | - | - | 195,000 |
| Deferred Revenue | - | - | 400,963 | - | 400,963 |
| Other Current Liabilities | - | 51,000 | - | - | 51,000 |
| Total Current Liabilities | - | 929,812 | 2,484,771 | 11,840 | 3,426,423 |
| Noncurrent Liabilities: | | | | | |
| Notes Payable | - | - | 1,458,763 | - | 1,458,763 |
| Bonds Payable | - | 6,305,000 | - | - | 6,305,000 |
| Other Noncurrent Liabilities | - | 366,215 | - | - | 366,215 |
| Total Noncurrent Liabilities | - | 6,671,215 | 1,458,763 | - | 8,129,978 |
| Total Liabilities | - | 7,601,027 | 3,943,534 | 11,840 | 11,556,401 |
| **NET ASSETS** | | | | | |
| Invested in Capital Assets, Net of Related Debt | 24,773 | 345,867 | 2,755,330 | 1,123 | 3,127,093 |
| Restricted for: | | | | | |
| Other | - | - | - | 3,345,605 | 3,345,605 |
| Unrestricted | 20,681,260 | 109,374 | 273,097 | 18,694 | 21,082,425 |
| Total Net Assets | $ 20,706,033 | $ 455,241 | $ 3,028,427 | $ 3,365,422 | $ 27,555,123 |

## Combining Statement of Activities
## Nonmajor Component Units-Proprietary Funds
**For the Fiscal Year Ended June 30, 2002**

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Net (Expense) Revenue |
|---|---|---|---|---|
| ND Development Fund | $ 2,266,168 | $ 932,665 | $ 612,701 | $ (720,802) |
| NDSU Research and Technology Park | 262,375 | 691,957 | 781 | 430,363 |
| UND Aerospace Foundation | 4,976,623 | 5,062,814 | 98,548 | 184,739 |
| UND Center for Innovation | 286,764 | 547,720 | 3,102,630 | 3,363,586 |
| Total Nonmajor Component Units | $ 7,791,930 | $ 7,235,156 | $ 3,814,660 | 3,257,886 |
| General Revenues: | | | | |
| Payment from State of North Dakota | | | | 1,175,000 |
| Total General Revenues | | | | 1,175,000 |
| Change in Net Assets | | | | 4,432,886 |
| Net Assets, Beginning of Year | | | | 23,122,237 |
| Net Assets, Ending | | | | $ 27,555,123 |



# 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 Ten Fiscal Years
## (Expressed In Thousands)

| *Expenditures By Function* | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| General Government | $ 60,825 | $ 57,292 | $ 74,254 | $ 76,034 |
| Education | 319,304 | 319,807 | 329,249 | 340,073 |
| Health And Human Services | 487,209 | 487,095 | 528,052 | 558,607 |
| Regulatory | 14,599 | 13,198 | 14,800 | 17,713 |
| Public Safety | 36,606 | 45,062 | 47,240 | 54,443 |
| Agriculture And Economic Development | 19,006 | 17,313 | 19,657 | 19,319 |
| Natural Resources | 38,210 | 35,053 | 38,249 | 42,402 |
| Highways | 176,732 | 198,392 | 226,626 | 212,335 |
| Intergovernmental - Revenue Sharing (2) | - | - | - | - |
| Capital Outlay | 2,747 | 624 | 3,357 | 5,427 |
| Debt Service: | | | | |
| Principal | 3,160 | 5,185 | 2,988 | 3,878 |
| Interest And Other Charges | 4,621 | 3,660 | 4,254 | 4,936 |
| Advance Refunding Escrow | 1,052 | - | - | - |
| ***Total Expenditures By Function*** | $ 1,164,071 | $ 1,182,681 | $ 1,288,726 | $ 1,335,167 |

## General Governmental Revenues (GAAP Basis) By Source
## Last Ten Fiscal Years
## (Expressed In Thousands)

| *Revenues By Source* | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| Taxes | $ 614,461 | $ 654,865 | $ 680,620 | $ 722,954 |
| Licenses And Permits | 33,144 | 31,786 | 34,820 | 39,120 |
| Intergovernmental | 542,879 | 566,392 | 623,520 | 669,853 |
| Sales And Service | 32,680 | 26,248 | 34,888 | 30,403 |
| Royalties And Rents | 10,001 | 6,385 | 7,111 | 7,361 |
| Fines And Forfeits | 1,775 | 1,845 | 1,901 | 4,583 |
| Interest | 10,321 | 9,455 | 13,576 | 14,459 |
| Tobacco Settlement | - | - | - | - |
| Commodity Assessment (3) | - | - | - | - |
| Miscellaneous | 5,698 | 4,635 | 4,747 | 4,520 |
| ***Total Revenues By Source*** | $ 1,250,959 | $ 1,301,611 | $ 1,401,183 | $ 1,493,253 |

NOTES:
(1) General Government Includes General, Special Revenue, Capital Projects, And Debt Service Fund.
(2) Prior to 2001, the revenue sharing was recorded in agency funds and not presented on the finanical statements. In 2001, these expenditures were included within General Government expenditures.
(3) Prior to 2002, these amounts were included within Licenses and Permits revenue.

Source: General Purpose/Basic Financial Statements

| 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|---|---|---|---|---|---|
| $ 77,968 | $ 78,414 | $ 92,534 | $ 80,236 | $ 230,999 | $ 70,248 |
| 347,109 | 364,389 | 373,740 | 398,518 | 403,644 | 413,417 |
| 586,421 | 598,833 | 618,241 | 635,288 | 696,715 | 728,511 |
| 20,544 | 14,493 | 14,326 | 14,595 | 18,340 | 14,662 |
| 97,498 | 149,811 | 146,050 | 142,102 | 120,378 | 135,591 |
| 20,544 | 21,070 | 22,830 | 23,433 | 25,733 | 51,263 |
| 34,905 | 31,561 | 35,030 | 33,638 | 37,452 | 46,959 |
| 236,743 | 280,647 | 264,980 | 313,115 | 279,076 | 324,821 |
| - | - | - | - | - | 142,778 |
| 5,855 | 13,128 | 5,351 | 13,264 | 11,462 | 9,148 |
| 4,446 | 5,180 | 5,119 | 4,731 | 4,700 | 6,374 |
| 5,294 | 5,345 | 5,479 | 5,420 | 7,048 | 7,327 |
| - | - | - | - | - | - |
| $ 1,437,327 | $ 1,562,871 | $ 1,583,680 | $ 1,664,340 | $ 1,835,547 | $ 1,951,099 |

| 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|---|---|---|---|---|---|
| $ 745,896 | $ 802,456 | $ 781,235 | $ 838,306 | $ 995,216 | $ 952,538 |
| 38,244 | 44,008 | 44,995 | 52,373 | 67,454 | 90,298 |
| 705,174 | 827,772 | 808,529 | 914,839 | 879,058 | 918,932 |
| 36,090 | 36,420 | 32,684 | 34,564 | 36,933 | 39,297 |
| 7,874 | 7,787 | 4,742 | 6,624 | 9,083 | 17,918 |
| 4,951 | 6,610 | 10,034 | 6,909 | 3,017 | 10,892 |
| 16,379 | 15,879 | 15,528 | 17,907 | 23,630 | 4,289 |
| - | - | - | 16,475 | 12,620 | 26,781 |
| - | - | - | - | - | 9,444 |
| 4,973 | 5,877 | 2,703 | 5,565 | 2,597 | 3,091 |
| $ 1,559,581 | $ 1,746,809 | $ 1,700,450 | $ 1,893,562 | $ 2,029,608 | $ 2,073,480 |

## General Governmental Revenues (Budgetary Basis) By Source
## Last Nine Fiscal Years (In Bienniums)

| *Revenues By Source* | 1993-1995 | 1995-1997 | 1997-1999 | 1999-2001 | 2002 |
|---|---|---|---|---|---|
| Sales And Use Tax | $ 551,585,835 | $ 605,471,019 | $ 664,364,916 | $ 722,181,696 | $ 369,344,008 |
| Individual Income Tax | 279,780,472 | 315,516,252 | 358,287,825 | 409,331,437 | 196,757,091 |
| Corporate Income Tax | 94,755,138 | 99,347,937 | 123,420,219 | 99,134,868 | 41,374,297 |
| Business Privilege Tax | 5,488,535 | 3,854,132 | 6,494,162 | 5,464,941 | 2,565,548 |
| Oil And Gas Production Tax | 23,560,500 | 33,042,320 | 26,973,613 | 47,783,630 | 20,530,727 |
| Oil Extraction Tax | 29,328,185 | 21,987,655 | 16,703,114 | 27,395,668 | 10,466,737 |
| Insurance Premium Tax | 32,120,236 | 36,968,670 | 35,733,266 | 39,113,433 | 23,347,204 |
| Cigarette, Cigar And Tobacco Tax | 44,864,988 | 45,030,090 | 44,091,170 | 41,706,350 | 20,167,582 |
| Wholesale Liquor Tax | 10,370,481 | 10,339,078 | 11,140,328 | 10,321,999 | 5,493,782 |
| Department Fees And Collections | 22,083,103 | 28,737,207 | 41,193,364 | 40,816,171 | 28,311,891 |
| Gaming Tax | 22,371,750 | 22,848,486 | 22,801,868 | 27,437,507 | 13,737,222 |
| Coal Severance Tax | 23,828,544 | 22,245,267 | 22,596,137 | 22,173,854 | - |
| Interest On Public Funds | 13,603,488 | 15,554,914 | 19,013,889 | 20,832,123 | 5,529,692 |
| Coal Conversion Tax | 22,960,212 | 24,064,781 | 23,786,790 | 25,672,170 | 23,328,502 |
| Mineral Leasing Tax | 5,445,476 | 5,629,526 | 7,257,989 | 9,531,698 | 2,979,585 |
| Bank Of North Dakota Profits - Transfer | 14,100,000 | 50,214,540 | 29,600,000 | 50,000,000 | 30,000,000 |
| Mill And Elevator Profits - Transfer | - | 1,000,000 | 3,000,000 | 3,000,000 | - |
| Gas Tax Administration - Transfer | 1,025,000 | 1,071,878 | 1,128,872 | 1,380,608 | 681,696 |
| Budget Stabilization Fund - Transfer | - | - | - | - | - |
| Other Transfers | 50,067,240 | 38,445,224 | 36,713,873 | 6,522,115 | 85,309 |
| ***Total Revenues By Source*** | $1,247,339,183 | $1,381,368,976 | $1,494,301,395 | $1,609,800,268 | $ 794,700,873 |

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 (1) Last Ten Fiscal Years

| Fiscal Year | Population (2) | Gross Bonded Debt (3) | Less Payable From Enterprise Revenues | Net Bonded Debt | Net Bonded Debt Per Capita |
|---|---|---|---|---|---|
| 1993 | 637,229 | $ 43,636,833 | $ 20,329,658 | $ 23,307,175 | $ 36.58 |
| 1994 | 639,762 | 39,229,787 | 15,427,389 | 23,802,398 | 37.21 |
| 1995 | 641,548 | 39,045,747 | 15,888,554 | 23,157,193 | 36.10 |
| 1996 | 642,858 | 38,834,919 | 38,834,919 | - | - |
| 1997 | 640,945 | 33,083,824 | 33,083,824 | - | - |
| 1998 | 637,808 | 31,441,073 | 31,441,073 | - | - |
| 1999 | 633,666 | - | - | - | - |
| 2000 | 642,200 | - | - | - | - |
| 2001 | 634,448 | - | - | - | - |
| 2002 | 634,448 | - | - | - | - |

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) Estimated Population for 2002.
3) The State Has Had No General Obligation Bonded Debt Since Fiscal Year 1998.

Source: 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: Principal | Interest | Total | Coverage |
|---|---|---|---|---|---|---|---|---|
| 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 |
| 1998 | 9,278,000 | 7,217,000 | 963,000 | 15,532,000 | 12,694,000 | 7,297,000 | 19,991,000 | 0.78 |
| 1999 | 10,991,000 | 8,763,000 | 1,510,000 | 18,244,000 | 18,446,000 | 8,146,000 | 26,592,000 | 0.69 |
| 2000 | 12,286,000 | 9,574,000 | 2,114,000 | 19,746,000 | 9,495,000 | 8,297,000 | 17,792,000 | 1.11 |
| 2001 | 5,713,000 | 12,739,000 | 787,000 | 17,665,000 | 24,205,000 | 9,484,000 | 33,689,000 | 0.52 |

**STUDENT LOAN TRUST**

| Fiscal Year | Gross Revenues | Principal Proceeds | Direct Operating Expenses (3) | Net Revenue Available For Debt Service | Debt Service Requirements: Principal | Interest | Total | Coverage |
|---|---|---|---|---|---|---|---|---|
| 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 |
| 1999 | 16,380,006 | 24,048,907 | 4,636,162 | 35,792,751 | 57,909,900 | 7,433,534 | 65,343,434 | 0.55 |
| 2000 | 15,835,171 | 20,532,117 | 6,374,651 | 29,992,637 | 1,496,326 | 4,933,589 | 6,429,915 | 4.66 |
| 2001 | 17,732,535 | 20,285,499 | 5,936,696 | 32,081,338 | 1,749,449 | 7,594,712 | 9,344,161 | 3.43 |
| 2002 | 12,646,000 | 19,096,000 | 3,808,000 | 27,934,000 | 27,082,000 | 5,430,000 | 32,512,000 | 0.86 |

**HOUSING FINANCE AGENCY**

| Fiscal Year | Gross Revenues | Principal Proceeds | Direct Operating Expenses (3) | Net Revenue Available For Debt Service | Debt Service Requirements: Principal | Interest | Total | Coverage |
|---|---|---|---|---|---|---|---|---|
| 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 |
| 1999 | 56,512,000 | 51,218,000 | 13,577,000 | 94,153,000 | 149,683,000 | 38,980,000 | 188,663,000 | 0.50 |
| 2000 | 60,068,000 | 48,430,000 | 14,636,000 | 93,862,000 | 176,339,000 | 38,963,000 | 215,302,000 | 0.44 |
| 2001 | 69,613,000 | 50,506,000 | 17,526,000 | 102,593,000 | 173,550,000 | 43,121,000 | 216,671,000 | 0.47 |
| 2002 | 66,734,000 | 75,721,000 | 13,000,000 | 129,455,000 | 207,465,000 | 46,450,000 | 253,915,000 | 0.51 |

**STATE FAIR ASSOCIATION (2)**

| Fiscal Year | Gross Revenues | Principal Proceeds | Direct Operating Expenses (3) | Net Revenue Available For Debt Service | Debt Service Requirements: Principal (4) | Interest | Total | Coverage |
|---|---|---|---|---|---|---|---|---|
| 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 |
| 1998 | 3,749,664 | - | 2,752,836 | 996,828 | 195,000 | 159,660 | 354,660 | 2.81 |
| 1999 | 3,609,161 | - | 2,908,303 | 700,858 | 195,000 | 151,372 | 346,372 | 2.02 |
| 2000 | 3,475,814 | - | 3,020,232 | 455,582 | 195,000 | 142,598 | 337,598 | 1.35 |
| 2001 | 3,221,683 | - | 3,030,092 | 191,591 | - | 127,796 | 127,796 | 1.50 |

**UNIVERSITY SYSTEM (5)**

| Fiscal Year | Gross Revenues | Principal Proceeds | Direct Operating Expenses (3) | Net Revenue Available For Debt Service | Debt Service Requirements: Principal | Interest | Total | Coverage |
|---|---|---|---|---|---|---|---|---|
| 2002 | $ 398,935,980 | $ 54,829,544 | $ 552,709,442 | $ (98,943,918) | $ 15,509,175 | $ 3,249,608 | $ 18,758,783 | (5.27) |

(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.
(5) Information Presented For The Current Fiscal Year Only As This is the First Year Presented As An Enterprise Fund

## Population And Employment
## Last Ten Calendar Years

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|---|---|---|---|---|
| Population (1) | 635,427 | 637,229 | 639,762 | 641,548 | 642,858 | 640,945 | 637,808 | 633,666 | 642,200 | 634,448 |
| Employed | 298,440 | 306,230 | 323,510 | 324,610 | 333,620 | 338,690 | 335,212 | 325,366 | 328,716 | 329,218 |
| Unemployed | 15,900 | 13,990 | 13,060 | 10,980 | 10,560 | 8,850 | 11,053 | 11,456 | 10,106 | 9,550 |
| Total Labor Force | 314,340 | 320,220 | 336,570 | 335,590 | 344,180 | 347,540 | 346,265 | 336,822 | 338,822 | 338,768 |
| N.D. Unemployment Rate | 5.1% | 4.4% | 3.9% | 3.3% | 3.1% | 2.5% | 3.2% | 3.4% | 3.0% | 2.8% |
| U.S. Unemployment Rate | 7.5% | 6.9% | 6.1% | 5.6% | 5.4% | 4.9% | 4.5% | 4.2% | 4.0% | 4.8% |

Source: Job Service North Dakota
North Dakota State Data Center

## Demographic Statistics
## Last Ten Fiscal Years

| Fiscal Year | (1) Population | (2) Per Capita Income | (3) School Enrollment | Unemployment Rate |
|---|---|---|---|---|
| 1993 | 637,229 | $ 17,719 | 118,500 | 4.4% |
| 1994 | 639,762 | 18,885 | 118,649 | 3.9% |
| 1995 | 641,548 | 18,899 | 118,606 | 3.3% |
| 1996 | 642,858 | 20,921 | 117,816 | 3.1% |
| 1997 | 640,945 | 20,520 | 116,103 | 2.5% |
| 1998 | 637,808 | 22,716 | 113,929 | 3.2% |
| 1999 | 633,666 | 22,969 | 111,705 | 3.4% |
| 2000 | 642,200 | 24,708 | 108,094 | 3.0% |
| 2001 | 634,448 | 25,538 | 105,214 | 2.8% |
| 2002 | N/A | N/A | 103,013 | 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) Preliminary figure for 2001 per capital income.
(3) Kindergarten Through 12th Grade.

## Taxable Sales And Purchases
## And Total Federal Tax Liability
## Last Ten Calendar Years

| Calendar Year | Total Taxable Sales And Purchases | Individual Income Total Federal Tax Liability |
|---|---|---|
| 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 | 1,709,146,792 |
| 1998 | 6,476,111,865 | 1,936,103,525 |
| 1999 | 6,863,857,581 | 2,202,315,184 |
| 2000 | 6,826,387,672 | 2,354,866,767 |
| 2001 | 7,147,128,090 | N/A |

Source: Office Of State Tax Commissioner

N/A: Not Available

## Public School Enrollment And Average Cost Per Pupil
## Last Ten Academic Years

| Academic Year | Kindergarten | Grades 1-3 | Grades 4-6 | Grades 7-8 | Grades 9-12 | Total Enrollment | Special Education Students Served |
|---|---|---|---|---|---|---|---|
| 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 | 13,138 |
| 1999-00 | 7,559 | 23,930 | 24,989 | 17,652 | 37,575 | 111,705 | 13,572 |
| 2000-01 | 7,144 | 22,999 | 24,289 | 17,099 | 36,563 | 108,094 | 13,650 |
| 2001-02 | 7,057 | 22,108 | 23,652 | 16,880 | 35,517 | 105,214 | 13,630 |
| 2002-03 | 7,012 | 21,473 | 23,241 | 16,514 | 34,773 | 103,013 | N/A |

| Academic Year | Average Daily Membership | Total Cost Of Education | Average cost Per Pupil |
|---|---|---|---|
| 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 | 117,996 | 526,786,165 | 4,464 |
| 1998-99 | 115,987 | 550,557,935 | 4,747 |
| 1999-00 | 113,541 | 583,207,969 | 5,137 |
| 2000-01 | 110,710 | 608,196,419 | 5,494 |
| 2001-02 | 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

| | 1993 FTE | 1994 FTE | 1995 FTE | 1996 FTE | 1997 FTE | 1998 FTE | 1999 FTE | 2000 FTE | 2001 FTE | 2002 FTE |
|---|---|---|---|---|---|---|---|---|---|---|
| Bismarck State College | 1,965 | 1,842 | 1,795 | 1,932 | 2,001 | 2,082 | 2,181 | 2,126 | 2,320 | 2,384 |
| Dickinson State University | 1,383 | 1,342 | 1,373 | 1,459 | 1,470 | 1,484 | 1,535 | 1,592 | 1,637 | 1,818 |
| Lake Region State College | 442 | 455 | 479 | 437 | 439 | 492 | 474 | 491 | 624 | 652 |
| Mayville State University | 676 | 708 | 739 | 723 | 635 | 643 | 651 | 644 | 620 | 616 |
| Minot State University | 3,417 | 3,216 | 3,134 | 2,964 | 2,727 | 2,597 | 2,588 | 2,491 | 2,739 | 2,789 |
| MiSU - Bottineau | 359 | 338 | 337 | 369 | 389 | 410 | 467 | 394 | 389 | 447 |
| ND State College Of Science | 2,014 | 2,170 | 2,259 | 2,340 | 2,271 | 2,219 | 2,139 | 2,276 | 2,106 | 2,112 |
| North Dakota State University | 7,917 | 8,092 | 8,196 | 8,190 | 8,079 | 8,142 | 8,253 | 8,469 | 9,056 | 9,368 |
| University of North Dakota | 9,742 | 9,463 | 9,390 | 9,221 | 8,725 | 8,684 | 8,911 | 9,302 | 9,906 | 10,458 |
| Valley City State University | 902 | 853 | 929 | 932 | 879 | 903 | 896 | 910 | 841 | 864 |
| Williston State College | 738 | 702 | 714 | 702 | 663 | 592 | 615 | 550 | 579 | 611 |
| Total | 29,555 | 29,181 | 29,345 | 29,269 | 28,278 | 28,248 | 28,710 | 29,245 | 30,817 | 32,119 |

Note: Full-Time Equivalent Enrollment Is Based Upon Student Credit Hours.

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 |
|---|---|---|---|---|---|---|---|---|---|
| 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 |
| 1999 | 31,757,153 | 343,461,168 | 344,021,173 | 498,876,964 | 1,286,510,874 | 3,407,541,628 | 659,377,754 | 53,571,680 | 6,625,118,394 |
| 2000 | 37,128,911 | 324,055,893 | 331,107,834 | 520,249,975 | 1,371,047,248 | 3,587,999,334 | 683,652,769 | 46,123,347 | 6,901,365,311 |
| 2001 | 46,376,629 | 175,502,906 | 310,401,607 | 659,367,459 | 1,454,435,989 | 3,557,719,719 | 685,894,218 | 46,209,173 | 6,935,907,700 |
| 2002 | 46,408,362 | 183,876,188 | 310,053,868 | 599,641,011 | 1,474,694,907 | 3,768,438,609 | 708,635,488 | 60,128,993 | 7,151,877,426 |
| Fiscal Years - Percentage Change | | | | | | | | | |
| 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% |
| 1999 | -30.5% | 79.9% | 10.6% | -6.0% | -4.6% | -0.1% | 0.6% | 26.4% | 1.4% |
| 2000 | 16.9% | -5.6% | -3.8% | 4.3% | 6.6% | 5.3% | 3.7% | -13.9% | 4.2% |
| 2001 | 24.9% | -45.8% | -6.3% | 26.7% | 6.1% | -0.8% | 0.3% | 0.2% | 0.5% |
| 2002 | 0.1% | 4.8% | -0.1% | -9.1% | 1.4% | 5.9% | 3.3% | 30.1% | 3.1% |

Source: Office Of State Tax Commissioner

## Nonagricultural Wage And Salary Employees By Industry
## Last Ten Calendar Years

| Industry | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|---|---|---|---|---|
| Manufacturing | 18,350 | 19,500 | 21,500 | 21,300 | 21,550 | 23,400 | 24,100 | 24,200 | 25,150 | 25,450 |
| Construction | 11,000 | 11,800 | 12,800 | 13,500 | 14,850 | 14,950 | 15,600 | 16,650 | 15,700 | 15,200 |
| Mining | 3,900 | 3,850 | 3,700 | 3,850 | 4,100 | 4,200 | 3,900 | 3,500 | 3,600 | 3,750 |
| Wholesale Trade | 19,200 | 19,300 | 20,000 | 20,800 | 21,200 | 21,550 | 21,700 | 21,850 | 21,300 | 20,950 |
| Retail Trade | 53,600 | 55,350 | 56,700 | 58,300 | 59,050 | 59,000 | 59,550 | 59,550 | 60,400 | 60,700 |
| Services | 73,750 | 76,550 | 80,650 | 80,950 | 84,450 | 87,450 | 89,850 | 91,400 | 92,850 | 94,200 |
| Finance, Insurance & Real Estate | 13,050 | 13,450 | 13,950 | 13,750 | 14,300 | 14,750 | 15,800 | 16,400 | 16,700 | 17,100 |
| Transportation, Communication & Utilities | 17,550 | 17,950 | 18,550 | 18,450 | 18,350 | 18,050 | 17,950 | 18,500 | 18,900 | 19,100 |
| Government | 66,800 | 67,100 | 67,300 | 71,300 | 70,800 | 70,750 | 71,100 | 71,800 | 73,050 | 73,600 |
| Total | 277,200 | 284,850 | 295,150 | 302,200 | 308,650 | 314,100 | 319,550 | 323,850 | 327,650 | 330,050 |

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 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|---|---|---|---|---|
| Manufacturing | $ 22,975 | $ 23,541 | $ 24,447 | $ 25,504 | $ 26,601 | $ 27,396 | $ 28,992 | $ 29,711 | $ 30,570 | $ 31,494 |
| Construction | 22,079 | 22,874 | 23,274 | 24,833 | 26,579 | 27,282 | 28,808 | 31,446 | 31,214 | 31,849 |
| Mining | 34,541 | 36,104 | 35,914 | 37,016 | 37,126 | 38,924 | 40,770 | 42,981 | 44,305 | 48,296 |
| Wholesale Trade | 23,968 | 24,847 | 25,817 | 26,196 | 27,343 | 28,343 | 29,872 | 30,591 | 31,994 | 32,885 |
| Retail Trade | 10,501 | 10,791 | 11,219 | 11,453 | 11,857 | 12,427 | 12,849 | 13,298 | 13,867 | 14,491 |
| Services | 17,492 | 17,735 | 17,980 | 18,648 | 19,352 | 20,084 | 20,782 | 21,702 | 22,817 | 23,994 |
| Finance, Insurance & Real Estate | 22,828 | 23,521 | 24,066 | 25,008 | 25,769 | 26,889 | 28,132 | 28,740 | 30,364 | 31,729 |
| Transp., Communication & Utilities | 27,089 | 27,564 | 28,427 | 29,182 | 29,954 | 31,228 | 33,115 | 32,995 | 34,465 | 35,547 |
| Government | 21,133 | 21,716 | 22,248 | 22,779 | 23,396 | 24,147 | 24,965 | 25,404 | 26,361 | 27,283 |
| All Industries | $ 18,944 | $ 19,382 | $ 19,893 | $ 20,493 | $ 21,236 | $ 22,045 | $ 23,049 | $ 23,750 | $ 24,683 | $ 25,707 |

Source: Job Service North Dakota, North Dakota Employment And Wages

## Annual Crude Oil Production In North Dakota And Oil Price Per Barrel Last Ten Calendar Years

| Calendar Year | Crude Oil Barrels | Average Price Per Barrel |
|---|---|---|
| 1992 | 32,900,171 | $ 19 |
| 1993 | 30,918,673 | 16 |
| 1994 | 27,690,412 | 15 |
| 1995 | 29,335,924 | 16 |
| 1996 | 32,311,349 | 19 |
| 1997 | 35,837,784 | 17 |
| 1998 | 35,517,552 | 10 |
| 1999 | 32,882,182 | 15 |
| 2000 | 32,714,522 | 26 |
| 2001 | 31,691,652 | 21 |

Source: North Dakota Industrial Commission, Oil And Gas Division

## Taxable Coal Production And Natural Gas Produced Last Ten Fiscal Years

| Fiscal Years | Coal Production (Coal Tons) | Gas Produced (Cubic Feet) |
|---|---|---|
| 1993 | 31,696,000 | 62,399,107,000 |
| 1994 | 31,886,860 | 63,524,867,000 |
| 1995 | 31,587,000 | 58,696,404,000 |
| 1996 | 29,512,000 | 55,532,370,000 |
| 1997 | 29,602,000 | 55,650,616,000 |
| 1998 | 29,552,000 | 57,197,152,000 |
| 1999 | 30,927,000 | 51,791,380,000 |
| 2000 | 28,752,000 | 56,326,543,000 |
| 2001 | 30,497,000 | 56,612,387,000 |
| 2002 | 28,371,000 | 58,969,302,000 |

Source: Office Of State Tax Commissioner
North Dakota Industrial Commission, Oil And Gas Division

## Value Of Export Shares Of Agricultural Commodities - 2000-2001 (1)

| | 2000 Dollars (Mil.) | 2000 % of U.S. | 2001 Dollars (Mil.) | 2001 % of U.S. |
|---|---|---|---|---|
| Wheat And Products | $ 500.3 | 13.8 | $ 619.9 | 18.0 |
| Soybeans And Products | 117.5 | 1.8 | 146.4 | 2.1 |
| Feeds Grains And Products | 76.0 | 1.2 | 114.4 | 1.8 |
| Vegetables And Preparations | 99.4 | 2.2 | 111.4 | 2.5 |
| Sunflower Seed And Oil | 104.9 | 43.0 | 102.1 | 49.1 |
| Feeds And Fodder | 54.1 | 2.3 | 73.2 | 2.3 |
| Seeds | 29.7 | 3.8 | 26.0 | 3.6 |
| Live Animals And Meats Excluding Poultry | 5.0 | -- | 7.0 | .1 |
| Poultry And Products | - | -- | 1.9 | .1 |
| Hides And Skins | 5.5 | .4 | 0.5 | -- |
| Other | 0.2 | -- | 0.2 | -- |
| Fats, Oils And Greases | 0.1 | -- | 0.1 | -- |
| Dairy Products | 3.0 | .3 | 0.0 | -- |
| Total | $ 995.6 | 2.0 | $ 1,203.1 | 2.3 |

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.

## 2001 Crop Rank Among States

| North Dakota Ranks | Crop Description | North Dakota Produces |
|---|---|---|
| 1st | Flaxseed | 95% |
| | Canola | 90% |
| | Durum Wheat | 65% |
| | Navy Beans | 57% |
| | Pinto Beans | 47% |
| | Spring Wheat | 46% |
| | Dry Edible Peas | 46% |
| | Non-oil Sunflowers | 44% |
| | All Sunflowers | 44% |
| | Oil Sunflowers | 44% |
| | Barley | 32% |
| | All Dry Edible Beans | 32% |
| | Oats | 13% |
| 2nd | All Wheat | 15% |
| | Honey | 14% |
| 3rd | Lentils | 21% |
| | Sugarbeets | 17% |

Source: North Dakota Agricultural Statistics 2001

## Cash Receipts From Farm Marketings And Government Payments - 1998-2001

| Item | 1998 | 1999 | 2000 | 2001 | 2001 Pct. Of Total (1) |
|---|---|---|---|---|---|
| | Thousand Dollars | | | | |
| **Crops** (1) | $ 2,349,283 | $ 2,090,642 | $ 2,049,942 | $ 2,258,615 | 57.6% |
| Food Grains (1) | 933,104 | 739,835 | 741,540 | 840,152 | 21.4 |
| Wheat | 928,502 | 735,612 | 739,836 | 839,582 | 21.4 |
| Rye | 4,602 | 4,223 | 1,704 | 569 | ----- |
| Feed Crops (1) | 350,770 | 314,155 | 332,081 | 371,368 | 9.5 |
| Corn | 124,501 | 123,432 | 142,803 | 163,119 | 4.2 |
| Barley | 148,453 | 128,575 | 123,127 | 140,530 | 3.6 |
| Hay | 68,449 | 55,486 | 59,442 | 60,474 | 1.5 |
| Oats | 9,367 | 6,661 | 6,709 | 7,245 | 0.2 |
| Oil Crops | 564,204 | 544,139 | 542,578 | 621,746 | 15.8 |
| Soybeans | 224,139 | 206,812 | 254,840 | 283,873 | 7.2 |
| Sunflower | 213,366 | 210,034 | 144,095 | 137,830 | 3.5 |
| Canola | 93,810 | 91,711 | 106,608 | 151,781 | 3.9 |
| Flaxseed | 23,156 | 26,904 | 31,120 | 43,720 | 1.1 |
| Miscellaneous | 9,733 | 8,678 | 5,915 | 4,542 | 0.1 |
| Veg., Fruits, Nuts | 288,965 | 280,596 | 223,200 | 244,478 | 6.2 |
| Potatoes | 126,656 | 129,766 | 112,190 | 127,888 | 3.3 |
| Dry Beans | 147,569 | 140,078 | 96,938 | 100,952 | 2.6 |
| Miscellaneous | 14,740 | 10,752 | 14,072 | 15,638 | 0.4 |
| Other Crops | 212,240 | 211,917 | 210,543 | 180,871 | 4.6 |
| Sugarbeets | 190,664 | 195,244 | 194,826 | 162,162 | 4.1 |
| Miscellaneous | 21,744 | 16,673 | 15,717 | 18,709 | 0.5 |
| **Livestock** | 554,603 | 633,249 | 639,401 | 719,933 | 18.4% |
| Meat Animals | 394,735 | 490,039 | 502,945 | 578,345 | 14.7 |
| Cattle And Calves | 352,887 | 447,241 | 447,526 | 524,924 | 13.4 |
| Hogs | 35,558 | 35,968 | 47,891 | 47,917 | 1.2 |
| Sheep And Lambs | 6,290 | 6,830 | 7,528 | 5,504 | 0.1 |
| Dairy Products | 98,670 | 89,232 | 77,970 | 89,744 | 2.3 |
| Poultry And Eggs | 17,294 | 17,811 | 19,636 | 17,189 | 0.4 |
| Turkeys | 14,553 | 15,435 | 17,568 | 14,728 | 0.4 |
| Eggs | 2,265 | 1,955 | 1,617 | 2,020 | ----- |
| Other Poultry | 476 | 421 | 451 | 441 | ----- |
| Miscellaneous Livestock | 43,904 | 36,167 | 38,850 | 34,655 | 0.9 |
| Honey | 18,547 | 15,797 | 18,676 | 17,472 | 0.4 |
| Other Livestock | 25,357 | 20,370 | 20,174 | 17,183 | 0.4 |
| **TOTAL CROPS & LIVESTOCK** | 2,903,886 | 2,723,891 | 2,689,343 | 2,978,548 | 75.9% |
| **GOVERNMENT PAYMENTS** | 608,766 | 975,583 | 1,170,234 | 944,591 | 24.1% |
| **GRAND TOTAL** | $ 3,512,652 | $ 3,699,474 | $ 3,859,577 | $ 3,923,139 | 100.0% |

Source: North Dakota Agricultural Statistics 2001 and www.ers.usda.gov

(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 re-estimation 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 re-estimated 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 re-estimated 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)

Workers Compensation Bureau

| | Fiscal And Policy Year Ended | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
| 1 Net Earned Required Contribution And Investment Revenues | $ 118,868 | $ 108,281 | $ 162,772 | $ 173,417 | $ 209,594 | $ 223,056 | $ 178,654 | $ 210,363 | $ 117,222 | $ 85,510 |
| 2 Unallocated Expenses | 8,324 | 9,024 | 12,060 | 11,960 | 18,498 | 22,795 | 21,189 | 24,664 | 27,888 | 22,987 |
| 3 Estimated Incurred Claims And Expense, End Of Policy Year | 124,200 | 114,300 | 106,081 | 94,160 | 84,551 | 89,020 | 92,130 | 80,505 | 82,905 | 84,460 |
| 4 Paid (Cumulative) As Of: | | | | | | | | | | |
| End Of Policy Year | 11,777 | 14,092 | 14,406 | 13,275 | 12,953 | 15,332 | 14,317 | 16,157 | 17,253 | 17,131 |
| One Year Later | 27,987 | 28,390 | 26,810 | 25,832 | 25,463 | 28,133 | 27,335 | 29,534 | 29,024 | |
| Two Years Later | 36,222 | 36,420 | 33,256 | 30,473 | 30,213 | 32,676 | 32,644 | 35,470 | | |
| Three Years Later | 41,511 | 41,497 | 37,487 | 33,575 | 33,688 | 35,903 | 36,424 | | | |
| Four Years Later | 43,561 | 45,495 | 40,787 | 36,584 | 37,064 | 37,994 | | | | |
| Five Years Later | 46,493 | 48,628 | 43,207 | 38,884 | 39,512 | | | | | |
| Six Years Later | 48,913 | 50,814 | 45,548 | 40,669 | | | | | | |
| Seven Years Later | 52,410 | 52,989 | 47,706 | | | | | | | |
| Eight Years Later | 54,301 | 55,035 | | | | | | | | |
| Nine Years Later | 55,989 | | | | | | | | | |
| 5 Reestimated Incurred Claims And Expenses: | | | | | | | | | | |
| End Of Policy Year | 124,200 | 114,300 | 106,081 | 94,160 | 84,551 | 89,020 | 92,130 | 80,505 | 82,905 | 84,460 |
| One Year Later | 120,850 | 98,417 | 96,838 | 89,357 | 86,080 | 89,100 | 83,830 | 80,075 | 80,815 | |
| Two Years Later | 94,420 | 90,663 | 91,740 | 85,720 | 85,940 | 81,641 | 82,404 | 81,345 | | |
| Three Years Later | 87,884 | 85,948 | 88,905 | 85,350 | 78,143 | 79,747 | 77,070 | | | |
| Four Years Later | 82,730 | 88,270 | 87,775 | 76,888 | 76,523 | 70,397 | | | | |
| Five Years Later | 85,630 | 90,280 | 83,384 | 76,903 | 71,733 | | | | | |
| Six Years Later | 86,880 | 91,846 | 79,787 | 68,248 | | | | | | |
| Seven Years Later | 87,860 | 90,332 | 80,465 | | | | | | | |
| Eight Years Later | 86,396 | 90,839 | | | | | | | | |
| Nine Years Later | 86,902 | | | | | | | | | |
| 6 Increase In Estimated Incurred Claims And Expense From End Of Policy Year | (37,298) | (23,461) | (25,616) | (25,912) | (12,818) | (18,623) | (15,060) | 840 | (2,090) | 0 |

## Claims Development Information
## Last Ten Fiscal Years
(Expressed In Thousands)

Bonding Fund

| | Fiscal And Policy Year Ended | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
| 1 Net Earned Required Contribution And Investment Revenues | $ 428 | $ 128 | $ 161 | $ 305 | $ 370 | $ 633 | $ 479 | $ 637 | $ 116 | $ (50) |
| 2 Unallocated Expenses | 13 | 34 | 59 | 68 | 63 | 205 | 79 | 84 | 93 | 45 |
| 3 Estimated Incurred Claims And Expense, End Of Policy Year | 31 | 208 | 249 | 325 | 91 | 128 | 229 | 60 | 71 | 26 |
| 4 Paid (Cumulative) As Of: | | | | | | | | | | |
| End Of Policy Year | 31 | 208 | 249 | 11 | 91 | 18 | (29) | (22) | (32) | (100) |
| One Year Later | 31 | 208 | 249 | 11 | 91 | 18 | (29) | (22) | (32) | |
| Two Years Later | 31 | 208 | 249 | 11 | 91 | 18 | (29) | (22) | | |
| Three Years Later | 31 | 208 | 249 | 11 | 91 | 18 | (29) | | | |
| Four Years Later | 31 | 208 | 249 | 11 | 91 | 18 | | | | |
| Five Years Later | 31 | 208 | 249 | 11 | 91 | | | | | |
| Six Years Later | 31 | 208 | 249 | 11 | | | | | | |
| Seven Years Later | 31 | 208 | 249 | | | | | | | |
| Eight Years Later | 31 | 208 | | | | | | | | |
| Nine Years Later | 31 | | | | | | | | | |
| 5 Reestimated Incurred Claims And Expenses: | | | | | | | | | | |
| End Of Policy Year | 31 | 208 | 309 | 11 | 91 | 128 | 229 | 60 | 71 | 26 |
| One Year Later | 31 | 208 | 309 | 11 | 91 | 128 | 229 | 60 | 71 | |
| Two Years Later | 31 | 208 | 309 | 11 | 91 | 128 | 229 | 60 | | |
| Three Years Later | 31 | 208 | 309 | 11 | 91 | 128 | 229 | | | |
| Four Years Later | 31 | 208 | 309 | 11 | 91 | 128 | | | | |
| Five Years Later | 31 | 208 | 309 | 11 | 91 | | | | | |
| Six Years Later | 31 | 208 | 309 | 11 | | | | | | |
| Seven Years Later | 31 | 208 | 309 | | | | | | | |
| Eight Years Later | 31 | 208 | | | | | | | | |
| Nine Years Later | 31 | | | | | | | | | |
| 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

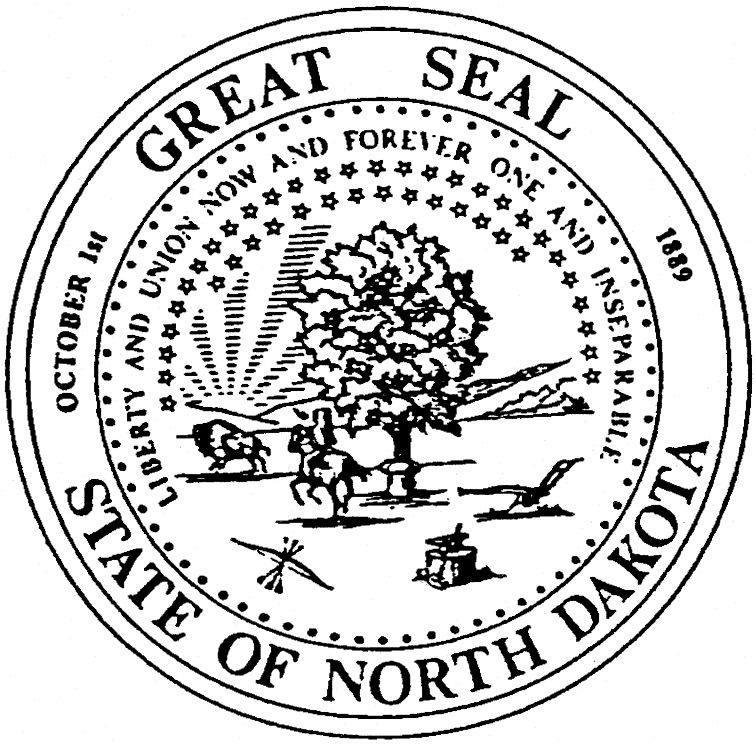
| | Fiscal And Policy Year Ended | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
| 1 Net Earned Required Contribution And Investment Revenues | $ 3,494 | $ 3,552 | $ 3,349 | $ 3,545 | $ 3,946 | $ 5,870 | $ 4,787 | $ 5,482 | $ 4,540 | $ 2,437 |
| 2 Unallocated Expenses | 553 | 539 | 596 | 422 | 345 | 1,282 | 1,031 | 1,026 | 812 | 991 |
| 3 Estimated Incurred Claims And Expense, End Of Policy Year | 255 | 1,125 | 2,116 | 1,598 | 7,612 | 5,521 | 3,578 | 2,104 | 6,828 | 5,481 |
| 4 Paid (Cumulative) As Of: | | | | | | | | | | |
| End Of Policy Year | 213 | 733 | 448 | (5) | 3,143 | 345 | (2,554) | 303 | 269 | (1,589) |
| One Year Later | 213 | 733 | 448 | (5) | 3,143 | 345 | (2,554) | 303 | 269 | |
| Two Years Later | 213 | 733 | 448 | (5) | 3,143 | 345 | (2,554) | 303 | | |
| Three Years Later | 213 | 733 | 448 | (5) | 3,143 | 345 | (2,554) | | | |
| Four Years Later | 213 | 733 | 448 | (5) | 3,143 | 345 | | | | |
| Five Years Later | 213 | 733 | 448 | (5) | 3,143 | | | | | |
| Six Years Later | 213 | 733 | 448 | (5) | | | | | | |
| Seven Years Later | 213 | 733 | 448 | | | | | | | |
| Eight Years Later | 213 | 733 | | | | | | | | |
| Nine Years Later | 213 | | | | | | | | | |
| 5 Reestimated Incurred Claims And Expenses: | | | | | | | | | | |
| End Of Policy Year | 255 | 1,125 | 2,116 | 1,589 | 7,612 | 5,521 | 3,578 | 2,104 | 6,828 | 5,481 |
| One Year Later | 255 | 1,125 | 2,116 | 1,589 | 7,612 | 5,521 | 3,578 | 2,104 | 6,828 | |
| Two Years Later | 255 | 1,125 | 2,116 | 1,589 | 7,612 | 5,521 | 3,578 | 2,104 | | |
| Three Years Later | 255 | 1,125 | 2,116 | 1,589 | 7,612 | 5,521 | 3,578 | | | |
| Four Years Later | 255 | 1,125 | 2,116 | 1,589 | 7,612 | 5,521 | | | | |
| Five Years Later | 255 | 1,125 | 2,116 | 1,589 | 7,612 | | | | | |
| Six Years Later | 255 | 1,125 | 2,116 | 1,589 | | | | | | |
| Seven Years Later | 225 | 1,125 | 2,116 | | | | | | | |
| Eight Years Later | 255 | 1,125 | | | | | | | | |
| Nine Years Later | 255 | | | | | | | | | |
| 6 Increase In Estimated Incurred Claims And Expense From End Of Policy Year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

## 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)

| | Fire And Tornado | | Bonding | | Workers Compensation | |
|---|---|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |
| Unpaid Claims And Claims Adjustment Expenses At The Beginning Of The Year | $ 6,559 | $ 1,801 | $ 103 | $ 82 | $ 515,000 | $ 499,700 |
| Incurred Claims And Claims Adjustment Expenses: | | | | | | |
| Provision For Current Fiscal Year | 5,480 | 6,828 | 26 | 71 | 87,710 | 82,905 |
| Change In Provision For Prior Fiscal Year | - | - | - | - | (36,072) | 34,110 |
| Payments And Claims And Adjustment Expenses Attributable To: | | | | | | |
| Current Fiscal Year Insured Events | 1,589 | (269) | 100 | 32 | (17,131) | (17,253) |
| Prior Fiscal Years Insured Events | (6,559) | (1,801) | (103) | (82) | (58,307) | (59,262) |
| Total Payments | (4,970) | (2,070) | (3) | (50) | (75,438) | (76,515) |
| Change In Provision For Discount | - | - | - | - | 9,600 | (25,200) |
| Other | - | - | - | - | - | - |
| Total Unpaid Claims And Claims Adjustment Expenses At The End Of The Year | $ 7,069 | $ 6,559 | $ 126 | $ 103 | $ 500,800 | $ 515,000 |

Source: Individual Financial Statements


GREAT SEAL
STATE OF NORTH DAKOTA
LIBERTY AND UNION NOW AND FOREVER ONE AND INSEPARABLE
OCTOBER 1st
1889