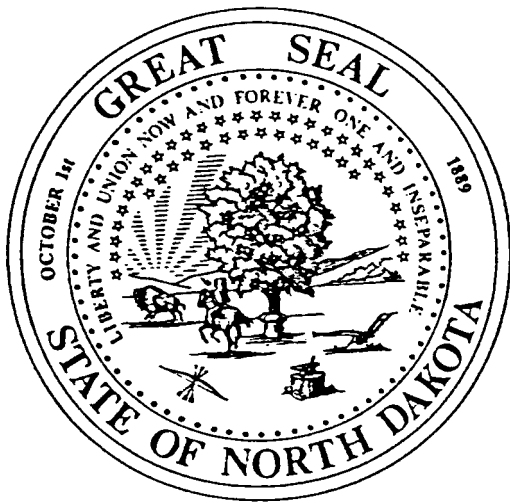


# STATE OF NORTH DAKOTA

## Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED

**June 30, 2005**



*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  
701-328-2680

This CAFR is also available at our Fiscal Management website:  
<http://www.state.nd.us/fiscal/CAFRIndex.htm>

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The North Dakota University System (NDUS) is a unified system of higher education governed by one board. The system includes two doctoral universities, one master's degree-granting university, three universities that offer bachelor's degrees and five two-year colleges that offer associate and trade/technical degrees. Photos used in this document were submitted by the individual campuses.

**NORTH DAKOTA**  
UNIVERSITY SYSTEM

**The Vital Link to a Brighter Future**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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# Introductory Section

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# OFFICE OF MANAGEMENT AND BUDGET

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

January 26, 2006

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, 2005. 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, 2005, 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, 2005, 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 statements 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 1D on the notes to the basic financial statements.

## **LOCAL ECONOMY**

North Dakota has enjoyed a stable and growing economy in recent years. Education, health services, and government constitute over 36 percent of the state's employment, providing economic stability even during times when other states are experiencing economic downturns. However, the state's economy is becoming increasingly diversified. Construction and hospitality industries have led the recent economic expansion; the manufacturing and professional services sectors of the economy continue to grow as well.

An indication of the growing diversity of the state's economy is the variety of economic sectors represented in the state's top 20 employers, which include education, health services, professional and technical services, finance and insurance, entertainment and recreation, mining, and federal military.

Energy related sectors of the economy have experienced recent growth. Not only has the recent rise in oil prices led to a growth in oil and gas exploration and production, it has also contributed to a surge in renewable energy development. Ethanol and biodiesel production facilities are under development, as well as numerous wind-powered electrical generating facilities.

The state's unemployment rate continues to be below the national average. During the past five years, the national unemployment rate was climbing, but North Dakota's rate remained low, hovering between 2.7 and 3.5 percent.

Economy.com, the state's economic forecasting consultant, predicts continued economic, employment, and wage growth for North Dakota. During the next five years, total employment is anticipated to grow by nearly 4 percent, the unemployment rate is anticipated to continue at around 3.5 percent, and personal income is anticipated to grow by 3.9 to 7.2 percent per year.

### **LONG-TERM FINANCIAL PLANNING**

The long-term financial plan of the state is to support programs that result in steady, stable growth of its economy. In turn, the growing and stable economy supports important government functions such as education and human services.

North Dakota's conservative budgeting and revenue forecasting, combined with economic growth, has allowed the budget stabilization fund to grow to its statutory maximum of five percent of the general fund biennial budget. Balances in the oil trust fund and foundation aid stabilization fund continue to grow as well.

Conservative revenue forecasting is a practice in North Dakota. With the assistance of the Revenue Forecasting Advisory Committee, comprised of representatives of all major industries in the state, the legislative and executive branches of government form a consensus on all revenue forecasts. These forecasts have very accurately reflected the state's economy and resulting tax collections.

Statutorily, bond payments for capital construction bonding projects are limited to one-tenth of the revenue generated from a one-cent sales tax. All capital budget requests for new or expanded facilities require information on increased operating and maintenance costs. The capital budget is a six-year plan for the facility needs of the state.

### **RELEVANT FINANCIAL POLICIES**

North Dakota has several financial policies that will ensure that in the event of an economic downturn, North Dakota state government will be able to continue to provide its citizens with necessary services. Should North Dakota experience a revenue shortfall of 2 percent or more, the State is able to access funds from the budget stabilization fund. The budget stabilization fund currently has a balance \$99.5 million. In addition, the state is also able to reduce general fund expenditures across the board to alleviate the effects of a revenue shortfall.

In the event of such general fund expenditure cuts, the foundation aid stabilization fund was established to hold K-12 education harmless. Dollars from this fund would replace the amount of general fund dollars cut, thus K-12 education would not experience a reduction in funding. Funding for the foundation aid stabilization fund comes from a portion of oil extraction tax collections.

The State also recognizes that, while tax collections from oil contribute significantly to the general fund, we cannot count on those resources indefinitely. Thus the permanent oil trust fund has been established. All oil tax collections in excess of \$71 million are deposited into the permanent oil tax trust fund.

## MAJOR INITIATIVES

North Dakota continues to implement programs and policies that improve the lives and well being of its citizens by creating more opportunities and better jobs. Priorities include creating a strong business climate, excellence in education, enhancing energy, improving agriculture, developing water resources, and taking care of people.

The business climate of the state has been strengthened through multiple efforts. Higher education has continued to establish Centers of Excellence to pursue academic excellence, enhance research, and develop and promote technology. Recent legislation provides up to \$50 million for Centers of Excellence. The dollars will be leveraged with private and federal matching funds to generate a total investment in new jobs and businesses of more than \$150 million.

Recently approved projects include: Bismarck State College's Career and Technology Center, a world-class facility combining energy workforce training with environmental research; North Dakota State University's Center of Excellence in Advanced Electronic Design and Manufacturing, researching small sensor chips used in high-tech applications; Lake Region State College for the Dakota Center for Technology – Optimized Agriculture; and the University of North Dakota's National Center for Hydrogen Technology. Together, the new ventures have the potential to create hundreds of good paying jobs in North Dakota. These projects received approximately \$9 million to be matched with an additional \$31.5 million.

Economic development accountability has provided a mechanism for measuring reports on new jobs, average compensation, target goals for activities, and has defined consequences for companies that are unable to meet their goals. These types of activities have received national recognition of the state's economic competitiveness, recently recognized by the Beacon Hill Institute.

The Department of Commerce created the state Ambassador's program as a way to generate new businesses to diversify the state's economy. The program grooms current and former North Dakotans to be a volunteer sales force for the state. The Ambassador program has been named the Best Program of the Year by Business Facilities Magazine in December and is directly linked to the creation of six new North Dakota businesses.

North Dakota continues its commitment to K-12 education. Declining enrollments, fewer school districts, teacher compensation, and educational funding equity are key factors that are continually reviewed. The 2005 legislative session provided increased funding for the student funding formula, isolated schools, information technology, and joint powers agreements. Other changes included adjustments to per student funding formulas to improve the equity of the funding formula.

In October 2003, nine school districts filed a lawsuit requesting a judgment that the school finance plan violates the constitution. The school districts and the Office of the Governor have recently come to an agreement to stay the lawsuit pending the outcome of the next legislative session. In the interim, the governor will create the North Dakota Commission on Education Improvement, which will make recommendations to the legislature for improving both funding adequacy and equity among districts. In his next executive budget to the legislature, the governor will recommend an increase of at least \$60 million for K-12 education. If the legislature then agrees to adopt the North Dakota Commission on Education Improvement as a vehicle for improving education funding, and appropriates at least \$60 million in new funding for K-12 education, the districts will dismiss their lawsuit.

The newly created North Dakota Renewable Energy Office promotes wind, ethanol, biodiesel, hydrogen, and other renewable energy resources. Recently, groundbreaking occurred for a new 49.5 megawatt, 33-tower wind energy center southeast of Wilton. This facility will generate enough electrical energy to power 15,000 homes. This facility, along with the other four projects now under development in the state, will add more than 230 towers and 330 megawatts of new wind energy to our total capacity.

North Dakota's own brand of ethanol, GoE, provides the state with a method to promote its own product. Local farmers grow the corn, in-state facilities process it into ethanol, and it is blended with gasoline at two

plants in the state. It translates into higher prices for farmers, more good jobs, a more robust economy, and a cleaner, safer environment.

To help provide a more cost effective method to transport farm products and goods, the state has recently begun to study rail rates in North Dakota to ensure that local users are receiving competitive rates.

Federal legislation transitioned prescription drug coverage for Medicaid recipients to the Medicare program. The state has worked to ensure individuals have been properly transitioned while providing resources for those who have additional needs during the initial implementation phases.

Rising costs for home heating fuel prompted the state to continue providing fuel assistance at original eligibility levels rather than reducing eligibility as proposed by the federal government.

### **AWARDS AND ACKNOWLEDGEMENTS**

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, 2004. This was the 14th 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 2003-2005 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.

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 assistance.

Sincerely,

Pam Sharp, 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, 2004

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.



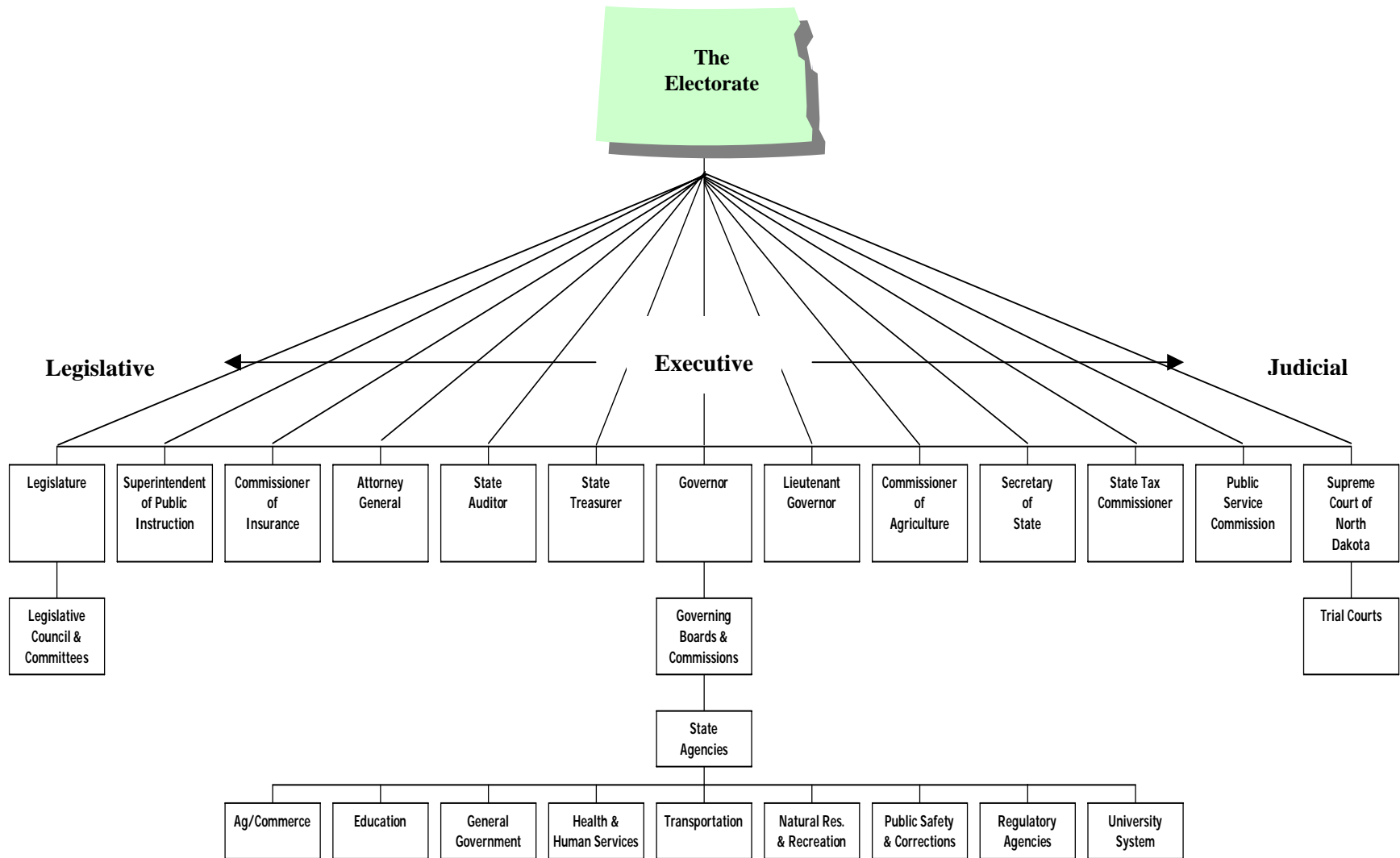
*Carla E. Perry*

President

*Jeffrey R. Emer*

Executive Director

## STATE OF NORTH DAKOTA ORGANIZATIONAL CHART



**NORTH DAKOTA**  
**PRINCIPAL STATE OFFICIALS**  
**June 30, 2005**

**ELECTED OFFICIALS**

John Hoeven, Governor  
Jack Dalrymple, Lieutenant Governor  
Alvin A. Jaeger, Secretary of State  
Wayne Stenehjem, Attorney General  
Tony Clark, Public Service Commissioner  
Kevin Cramer, 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  
Cory Fong, Tax Commissioner  
Kelly Schmidt, State Treasurer

**LEGISLATIVE**

Matthew M. Klein, Speaker of the House  
Rick Berg, House Majority Leader  
Merle Boucher, House Minority Leader  
Lt. Gov. Jack Dalrymple, President of the Senate  
Bob Stenehjem, Senate Majority Leader  
David P. O'Connell, Senate Minority Leader

**JUDICIAL**

Gerald VandeWalle, Chief Justice, North Dakota Supreme Court  
Carol Ronning Kapsner, Justice  
Mary Muehlen Maring, Justice  
Daniel J. Crothers, Justice  
Dale V. Sandstrom, Justice





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# Financial Section



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

INDEPENDENT AUDITOR'S REPORT

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, 2005, 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	Job Service North Dakota
Beginning Farmer Revolving Loan Fund	Mandan Remediation Trust
Board of University and School Lands	PACE and AG PACE Funds
Building Authority	Public Employees Retirement System
College SAVE Plan	Retirement and Investment Office
Community Water Facility Loan Fund	State Fair Association
Developmentally Disabled Facility	Student Loan Trust
Loan Program	Workforce Safety and Insurance
Guaranteed Student Loan Program	All Discretely Presented Component Units
Housing Finance Agency	

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

	<u>Percent of Assets</u>	<u>Percent of Revenues</u>
<u>Government-Wide Financial Statements</u>		
Governmental Activities	29%	6%
Business-Type Activities	81%	34%
Aggregate Discretely Presented Component Units	100%	100%
<u>Fund Financial Statements</u>		
Major Governmental Funds		
Federal Fund	1%	2%
School Permanent Trust Fund	100%	100%
Major Enterprise Funds		
Bank of North Dakota	100%	100%
Housing Finance Agency	100%	100%
Workforce Safety and Insurance	100%	100%
Aggregate Remaining Fund Statements	83%	42%

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, 2005, 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 17 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.

As described in Note 1 to the basic financial statement, the State of North Dakota adopted, effective July 1, 2004 Statement No. 40 of the Governmental Auditing Standards Board (GASB). Deposit and Investment Risk Disclosures (an amendment to GASB Statement 3).

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated January 26, 2006 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Schedules on pages 19 through 28 and 110 through 114 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 reports of other auditors, 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

January 26, 2006

## 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, 2005. 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.

### FINANCIAL HIGHLIGHTS

#### Government-wide:

The assets of the State exceeded its liabilities at fiscal year end by \$4.2 billion (reported as net assets), an increase of \$323 million from the previous year. The net assets of governmental activities increased by 11.5% while the net assets of the business-type activities showed an increase of 3.6%

#### Fund Level:

As of the close of fiscal year 2005 the State's governmental funds reported combined ending fund balances of \$1.6 billion, an increase of \$251 million. Of this amount, \$721 million represents unreserved fund balance, with the remaining amount of \$848 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 \$280 million.

The enterprise funds reported net assets at year-end of \$1.6 billion, an increase of \$55 million during the year.

#### Long-term Debt:

The State's total debt (bonds and notes payable) increased during the fiscal year to \$1.54 billion, an increase of \$19 million, or 1.3%, which represents the net difference between new issuances and payments and refundings of outstanding debt. During the year the State issued \$262 million in bonds and \$6.4 billion in notes.

More detailed information regarding these activities and funds is included in Note 3I.

### 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 17 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 is 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, a reconciliation between these statements is presented because of the allocation of internal service funds' net income.

The State has four (4) major enterprise funds: The Bank of North Dakota, Housing Finance, University System, and Workforce Safety and Insurance. 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 balances for budgetary purposes and the fund balances for the General Fund and Federal 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 \$4.2 billion at the end of fiscal year 2005. Net assets increased 7.8% from the prior fiscal year.

### State of North Dakota's Net Assets (Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2005	2004	2005	2004	2005
Current and Other Assets	\$1,676,140	\$1,970,752	\$4,393,283	\$4,697,809	\$5,745,238	\$6,235,218
Capital Assets	1,150,767	1,223,594	640,601	668,949	1,791,368	1,892,543
Total Assets	2,826,907	3,194,346	5,033,884	5,366,758	7,536,606	8,127,761
Long-Term Liabilities Outstanding	188,384	249,406	2,040,962	2,082,838	2,229,346	2,332,244
Other Liabilities	330,753	367,263	1,414,986	1,647,417	1,421,554	1,581,338
Total Liabilities	519,137	616,669	3,455,948	3,730,255	3,650,900	3,913,582
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	1,027,252	1,094,551	499,222	505,916	1,526,474	1,600,467
Restricted	927,324	1,046,115	366,937	393,237	1,294,261	1,439,352
Unrestricted	353,194	437,011	711,777	737,349	1,064,971	1,174,360
Total Net Assets	\$2,307,770	\$2,577,677	\$1,577,936	\$1,636,502	\$3,885,706	\$4,214,179

NOTE: The Governmental Activities amounts and Business-Type Activities amounts do not cross foot to the total Primary Government column because internal balances are reported separately as internal receivables and internal payables. A total internal balance remains due to certain Business-Type Activities having different fiscal year ends than the Governmental Activities.

The largest component (40%) 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 34% 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:



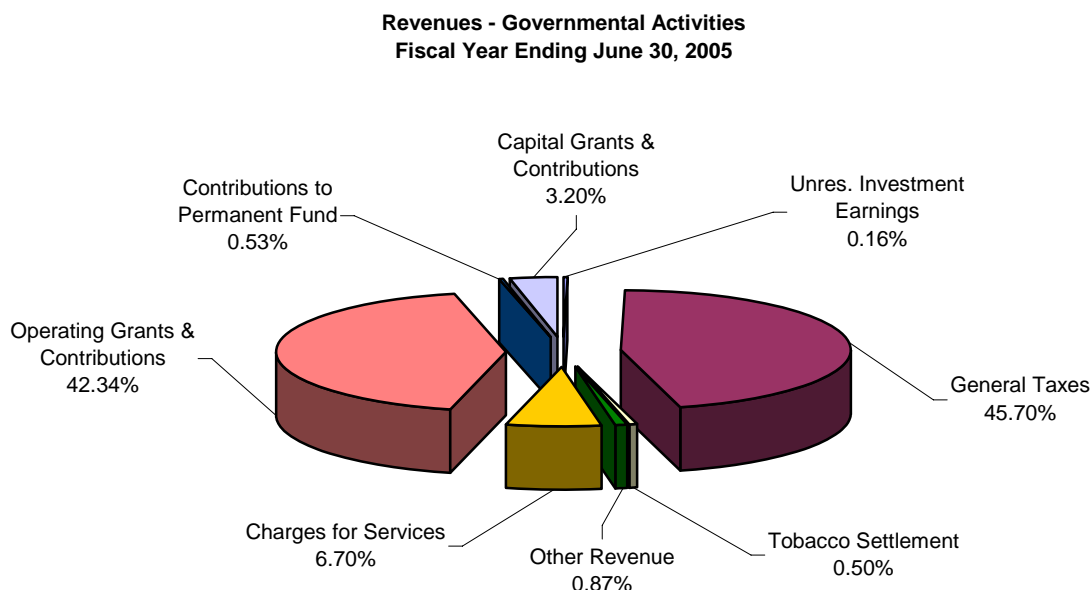
**State of North Dakota's Changes in Net Assets**  
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2005	2004	2005	2004	2005
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 175,219	\$ 171,779	\$ 695,621	\$ 741,172	\$ 870,840	\$ 912,951
Operating Grants & Contributions	1,050,658	1,084,731	309,149	304,001	1,359,807	1,388,732
Capital Grants & Contributions	73,413	81,850	9,405	5,998	82,818	87,848
General Revenues:						
Income Taxes	266,253	320,049	-	-	266,253	320,049
Sales Taxes	599,065	630,179	-	-	599,065	630,179
Other Taxes	173,850	220,751	-	-	173,850	220,751
Investment Earnings	1,104	4,106	-	-	1,104	4,106
Tobacco Settlement	12,641	12,830	-	-	12,641	12,830
Other	10,529	22,337	-	-	10,529	22,337
<b>Total Revenues</b>	<u>2,362,732</u>	<u>2,548,612</u>	<u>1,014,175</u>	<u>1,051,171</u>	<u>3,376,907</u>	<u>3,599,783</u>
<b>Expenses</b>						
General Government	233,634	243,437	-	-	233,634	243,437
Education	469,334	486,221	-	-	469,334	486,221
Health and Human Services	803,601	826,832	-	-	803,601	826,832
Regulatory	17,757	17,966	-	-	17,757	17,966
Public Safety and Corrections	107,036	132,997	-	-	107,036	132,997
Agriculture and Commerce	57,533	55,796	-	-	57,533	55,796
Natural Resources	63,118	53,440	-	-	63,118	53,440
Transportation	360,231	300,322	-	-	360,231	300,322
Interest on Long Term Debt	7,372	8,104	-	-	7,372	8,104
Bank of North Dakota	-	-	58,866	57,502	58,866	57,502
Housing Finance	-	-	49,646	45,922	49,646	45,922
Loan Programs	-	-	13,846	13,889	13,846	13,889
Mill and Elevator	-	-	92,261	95,223	92,261	95,223
State Fair	-	-	4,324	4,496	4,324	4,496
Unemployment Compensation	-	-	49,328	43,394	49,328	43,394
University System	-	-	656,811	696,918	656,811	696,918
Workers Compensation	-	-	125,728	183,466	125,728	183,466
Other	-	-	11,132	20,857	11,132	20,857
<b>Total Expenses</b>	<u>2,119,616</u>	<u>2,125,115</u>	<u>1,061,942</u>	<u>1,161,667</u>	<u>3,181,558</u>	<u>3,286,782</u>
Increase (decrease) in Net Assets Before Contributions and Transfers	243,116	423,497	(47,767)	(110,496)	195,349	313,001
Contributions to Permanent Fund Principal	11,262	13,636	-	-	11,262	13,636
Transfers	(152,422)	(170,925)	155,343	167,350	2,921	(3,575)
<b>Increase (Decrease) in Net Assets</b>	101,956	266,208	107,576	56,854	209,532	323,062
Net Assets - Beginning -As Restated	2,205,814	2,311,469	1,470,360	1,579,648	3,676,174	3,891,117
Net Assets- Ending	<u>\$ 2,307,770</u>	<u>\$ 2,577,677</u>	<u>\$ 1,577,936</u>	<u>\$ 1,636,502</u>	<u>\$ 3,885,706</u>	<u>\$ 4,214,179</u>

## Governmental Activities

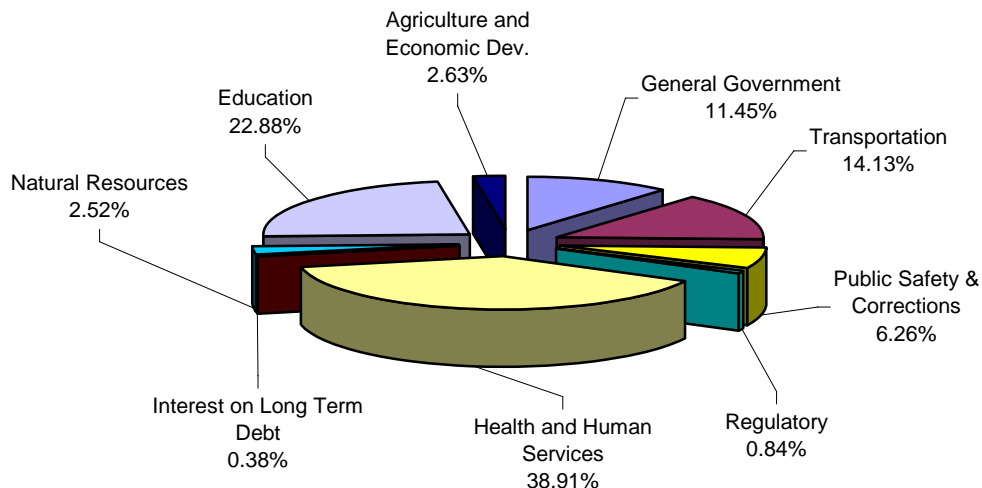
Governmental Activities increased the State's net assts by \$266.2 million, compared to a \$101.9 million increase in the prior fiscal year. The largest increases in the State's revenues for fiscal year 2005 were from the State's tax revenues. Individual and corporate income taxes increased 20%, oil and gas taxes increased 45%, and sales and use taxes increased 5.13%. Increases in income tax and sales tax collections reflect the State's growing economy. Oil and gas tax revenues continue to rise due to increases in global oil prices. There also was a slight increase in intergovernmental revenue, 4.9%, because of increases in federal grants. Expenses for total governmental activities did not change significantly, less than a 1% increase. However, expenses did change for various functions. Education expenses increased 3.6%, caused by additional federal and state grants to school districts. Health and Human Services expenses increased by \$23 million primarily due to a rise in Low Income Home Energy Assistance, Temporary Assistance for Needy Families, and Food Stamps benefit payments. Public Safety and Corrections saw a \$25 million increase for Federal Disaster and Homeland Security programs.

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



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

**Expenditures - Governmental Activities  
Fiscal Year Ending June 30, 2005**



### Business-type Activities

Net assets of the business-type activities increased by \$56 million during the fiscal year. Factors contributing to these results included:

The net assets of the Bank of North Dakota did not change significantly. A \$1 million decrease in their net assets was due to an increase in transfers to the State's General Fund.

Workforce Safety and Insurance's (WSI) net assets increased \$10 million primarily due to underwriting and investing activities. Underwriting consists of pricing premiums to cover the workers compensation loss exposure, with changes in the loss estimates recognized in the current year of operations. WSI reported investment income of \$79.6 million during 2005. Underwriting activities' income revealed a \$15.4 million loss during fiscal year 2005. Additionally, the discount rate on the unpaid loss liability was decreased in 2005 from 6% to 5% due to the condition of the economy and the markets. This rate decrease resulted in increased liabilities of \$55.1 million.

The net assets of Housing Finance increased \$5 million as a result of the leveling in market value of investments and the deceleration in bond financing costs due to the decrease in bond calls from loan prepayments.

The North Dakota State University System net assets increased \$11 million during 2005, primarily as a result of a tuition increase of 15.4%, and a 2.1% enrollment increase from 2004 to 2005.

The net assets of the Unemployment Compensation Fund increased \$21.5 million due to the continued decrease in federal benefit expenditures. The federal benefit expenditures increased immediately after the Temporary Extended Unemployment Compensation Act passed in 2002, but are now leveling out.

## **FINANCIAL ANALYSIS OF THE STATE'S FUNDS**

### **Governmental Funds**

As the State completed the year, its governmental funds reported combined fund balances of \$1.6 billion, an increase of \$251 million from the prior fiscal year. Approximately \$721 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 \$280 million and reserved fund balance was \$1.5 million. Total fund balance rose during the fiscal year by \$85 million, due to increases in tax revenues. Sales taxes had the largest increase, over \$45 million, followed by individual income and corporate income taxes, which each increased over \$20 million. By the end of fiscal year 2005, General Fund revenues increased eight percent from the prior year.

The School Permanent Trust Fund balance at June 30, 2005, improved by \$75 million from the prior year, largely because of an increase in royalties income. During 2005, the fund reported royalties of \$34 million as compared to \$16 million in fiscal year 2004.

The Federal Fund balance at June 30, 2005, decreased \$20 million due to increased expenses in various federal programs and a repayment of a long-term advance to the Department of Transportation's special fund.

### **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 are discussed under "Business-type Activities" above.

### **General Fund Budgetary Highlights:**

The State has a biennial appropriated budget. The fiscal year ended June 30, 2005, was the second year of the 2003-05 budget cycle. The original budget increased \$19.7 million.

At the beginning of the 2003-05 budget cycle, there was an increase in the original budget of \$6.8 million, due to the authorized carryover of general fund appropriation authority from the 2001-03 biennium, which is reported as an appropriation adjustment for the 2003-05 budget. Some of those carryover amounts are noted below.

Several 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, \$1.5 million, Legislative Council and Assembly, \$.7 million, Department of Commerce, \$1.2 million, and the University System, \$2.2 million. Various other state agencies received smaller amounts of carryover totaling .7 million. A few agencies also received general fund carryover dollars from the 2001-03 biennium for capital construction projects. These carryover dollars totaled \$.5 million.

During the 2005 Legislative Session, several state agencies received deficiency appropriations for the remainder of the 2003-05 biennium. This additional appropriation increased the general fund budget by about \$13 million. The largest increase, \$7.6 million, was for the Department of Emergency Management to repay a loan that had been used for the State's share of disaster costs. Information Technology Department received \$1 million for general operating costs that could not legally be recovered from fees. North Dakota State University received \$1.5 million for the State's share of flood costs. The Department of Corrections received \$1.7 million to cover the costs associated with a higher than anticipated inmate population. A few other agencies received smaller increases, making up the remaining increase.

One state agency, Protection and Advocacy, overspent their general fund appropriation authority by a minimal amount, \$803.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

*Capital Assets:* At the end of the fiscal year 2005, the State had invested \$1.9 billion, net of accumulated depreciation, in a broad range of capital assets. Depreciation charges for this fiscal year totaled \$133 million.

### State of North Dakota's Capital Assets (Net of Depreciation, Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2005	2004	2005	2004	2005
Land and Land Improvements	\$ 43,280	\$ 44,208	\$ 18,565	\$ 18,397	\$ 61,845	\$ 62,605
Building & Building Improvements	206,373	216,344	380,442	391,982	586,372	608,326
Equipment	91,764	105,675	123,131	144,703	215,135	250,378
Infrastructure	602,282	569,336	87,407	88,158	689,496	657,494
Construction in Progress	207,068	288,031	31,056	25,709	238,124	313,740
<b>Total</b>	<u>\$ 1,150,767</u>	<u>\$ 1,223,594</u>	<u>\$ 640,601</u>	<u>\$ 668,949</u>	<u>\$ 1,791,368</u>	<u>\$ 1,892,543</u>

The total increase in the State's investments in capital assets for the current fiscal year was 6% in terms of net book value. However, actual expenditures to purchase or construct capital assets were approximately \$304 million for the year. More than half 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 3F 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, 2005.

The State does have a number of revenue bonds outstanding at June 30, 2005. 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 \$436 million. The advances have a fixed rate of interest, ranging from 2.98 percent to 7.35 percent.

More detailed information regarding the State's long-term obligations is presented in Note 3I to the financial statements.

**State of North Dakota's Outstanding Debt**  
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2005	2004	2005	2004	2005
Revenue Bonds	\$ 146,384	\$ 204,240	\$ 835,535	\$ 887,350	\$ 981,919	\$ 1,091,590
Notes Payable	5,455	5,613	535,253	445,080	540,708	450,693
<b>Total</b>	<b>\$ 151,839</b>	<b>\$ 209,853</b>	<b>\$ 1,370,788</b>	<b>\$ 1,332,430</b>	<b>\$ 1,522,627</b>	<b>\$ 1,542,283</b>

The State's total debt increased by 1.3% during the current fiscal year.

### **ECONOMIC CONDITION AND OUTLOOK**

At the end of December 2005, revenue collections exceeded the legislative forecast by \$78.1 million. Of this amount, \$21.7 million is attributed to overages in oil tax collections. Once \$71 million of oil tax collections are deposited into the general fund, the remaining amount will be deposited into the permanent oil tax trust fund.

The general fund revenue growth North Dakota has experienced in the first six months of the biennium can be attributed to a strong and growing economy, as evidenced by exceptionally strong sales tax collections, individual income tax collections and corporate income tax collections. In addition, the high price of oil has generated very high oil tax collections for the general fund.

The outlook for the 2005-07 biennium is very good. North Dakota's economy continues to grow, and that growing economy will continue to fuel the general fund.

### **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.



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# Basic Financial Statements

# STATE OF NORTH DAKOTA

## Statement of Net Assets June 30, 2005

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 6,227,701	\$ 540,899,201	\$ 547,126,902	\$ 24,299,917
Investments	843,802,540	1,803,693,768	2,647,496,308	597,914,284
Accounts Receivable - Net	40,569,865	73,777,700	114,347,565	8,674,963
Taxes Receivable - Net	175,350,994	-	175,350,994	3,551,987
Interest Receivable - Net	6,820,815	33,322,772	40,143,587	-
Intergovernmental Receivable - Net	166,481,301	58,044,514	224,525,815	-
Internal Receivable *	622,105,934	-	188,763,901	-
Due from Fiduciary Funds	36,048	68,554	104,602	-
Due from Component Units	-	1,078,005	1,078,005	-
Due from Primary Government	-	-	-	14,774,524
Prepaid Items	4,474,248	1,582,527	6,056,775	-
Inventory	8,870,162	19,836,210	28,706,372	361,062
Loans and Notes Receivable - Net	92,753,648	2,146,970,637	2,239,724,285	7,158,077
Unamortized Bond Financing Costs	952,494	8,828,070	9,780,564	1,283,813
Pension Assets	2,306,371	-	2,306,371	-
Other Assets	-	9,706,388	9,706,388	8,419,387
Capital Assets:		-		-
Land and Construction in Progress	332,238,997	44,106,548	376,345,545	3,416,584
Infrastructure - Net	569,335,290	88,158,200	657,493,490	530,548
Buildings and Equipment - Net	322,019,309	536,684,499	858,703,808	118,303,028
Total Assets	3,194,345,717	5,366,757,593	8,127,761,277	788,688,174

\* An internal receivable balance remains in the Total column because certain Business-Type Activities have different fiscal year ends than the Governmental Activities. As internal balances are reported separately as internal receivables and internal payables, those lines, as well as the total assets and total liabilities, do not crossfoot.



	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
LIABILITIES				
Accounts Payable	147,062,181	30,093,163	177,155,344	5,777,574
Accrued Payroll	28,791,542	17,095,643	45,887,185	-
Securities Lending Collateral	88,401,098	330,868,282	419,269,380	-
Interest Payable	1,963,510	15,027,266	16,990,776	1,634,000
Intergovernmental Payable	33,361,837	1,972,341	35,334,178	-
Tax Refunds Payable	40,549,392	-	40,549,392	-
Internal Payable *	-	433,342,033	-	-
Due to Fiduciary Funds	38,967	-	38,967	-
Due to Component Units	-	350,315	350,315	-
Due to Primary Government	-	-	-	1,078,005
Contracts Payable	9,083,789	836,523	9,920,312	-
Federal Funds Purchased	-	191,134,000	191,134,000	-
Reverse Repurchase Agreements	-	10,825,000	10,825,000	-
Claimant Liability	-	-	-	-
Deposits Held for Other Funds	-	-	-	-
Other Deposits	-	524,631,718	524,631,718	521,263
Amounts Held in Custody for Others	-	11,814,417	11,814,417	-
Deferred Revenue	18,011,142	65,112,506	83,123,648	2,355,299
Other Liabilities	-	14,313,456	14,313,456	25,858,206
Long-Term Liabilities				
Due within one year	15,707,031	329,262,782	344,969,813	10,660,010
Due in more than one year	233,698,650	1,753,575,743	1,987,274,393	175,793,543
Total Liabilities	616,669,139	3,730,255,188	3,913,582,294	223,677,900
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	1,094,550,779	505,915,735	1,600,466,514	110,398,267
Restricted for:	-	-	-	-
General Government	-	-	-	-
Education	16,589,081	-	16,589,081	-
Health and Human Services	33,592,999	-	33,592,999	-
Regulatory Purposes	13,850,417	-	13,850,417	-
Agriculture and Commerce	20,837,293	-	20,837,293	-
Cultural and Natural Resources	86,353,201	-	86,353,201	-
Transporation	112,701,684	-	112,701,684	-
Capital Projects	811,980	1,817,463	2,629,443	-
Debt Service	21,706,545	107,799,478	129,506,023	89,737,000
Loan Purposes	-	44,250,747	44,250,747	87,783,000
Pledged Assets	-	114,173,000	114,173,000	-
Unemployment Compensation	-	94,326,216	94,326,216	-
Permanent and Endowment Funds - Expendable	15,908,450	13,754,097	29,662,547	-
Permanent and Endowment Funds - Nonexpendable	723,763,463	17,031,116	740,794,579	-
Other	-	85,612	85,612	222,303,800
Unrestricted	437,010,686	737,348,941	1,174,359,627	54,788,207
Total Net Assets	\$ 2,577,676,578	\$ 1,636,502,405	\$ 4,214,178,983	\$ 565,010,274

# STATE OF NORTH DAKOTA

## Statement of Activities

For the Fiscal Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 243,437,116	\$ 24,128,539	\$ 5,303,968	\$ 28,599
Education	486,221,447	4,082,785	125,691,662	42,733
Health and Human Services	826,832,059	18,744,551	696,412,375	28,419
Regulatory	17,966,367	16,700,094	3,714,647	-
Public Safety and Corrections	132,996,669	6,931,898	63,284,633	100,000
Agriculture and Commerce	55,795,473	16,234,145	24,967,698	-
Natural Resources	53,440,349	23,899,425	13,626,716	6,164,069
Transportation	300,321,693	61,057,805	151,729,733	75,486,374
Interest on Long Term Debt	8,103,849	-	-	-
Total Governmental Activities	2,125,115,022	171,779,242	1,084,731,432	81,850,194
Business-Type Activities:				
Bank of North Dakota	57,501,500	90,838,000	-	-
Housing Finance	45,922,148	36,643,000	14,509,000	-
Loan Programs	13,889,079	17,051,963	1,101,548	-
Mill and Elevator	95,222,870	101,050,302	29,234	-
State Fair	4,495,868	3,402,879	332,382	-
Unemployment Compensation	43,393,675	60,969,669	3,965,141	-
University System	696,918,168	296,896,978	194,093,678	5,997,781
Workforce Safety and Insurance	183,465,747	106,195,254	87,669,029	-
Other	20,857,342	28,123,515	2,301,314	-
Total Business-Type Activities	1,161,666,397	741,171,560	304,001,326	5,997,781
Total Primary Government	\$ 3,286,781,419	\$ 912,950,802	\$ 1,388,732,758	\$ 87,847,975
Component Units:				
	\$ 71,821,476	\$ 32,286,743	\$ 60,328,021	\$ -

### 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

Net (Expense) Revenue and Change in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-Type Activities	Total	
\$ (213,976,010)		\$ (213,976,010)	
(356,404,267)		(356,404,267)	
(111,646,714)		(111,646,714)	
2,448,374		2,448,374	
(62,680,138)		(62,680,138)	
(14,593,630)		(14,593,630)	
(9,750,139)		(9,750,139)	
(12,047,781)		(12,047,781)	
(8,103,849)		(8,103,849)	
<u>(786,754,154)</u>		<u>(786,754,154)</u>	
	\$ 33,336,500	33,336,500	
	5,229,852	5,229,852	
	4,264,432	4,264,432	
	5,856,666	5,856,666	
	(760,607)	(760,607)	
	21,541,135	21,541,135	
	(199,929,731)	(199,929,731)	
	10,398,536	10,398,536	
	9,567,487	9,567,487	
<u>-</u>	<u>(110,495,730)</u>	<u>(110,495,730)</u>	
<u>(786,754,154)</u>	<u>(110,495,730)</u>	<u>(897,249,884)</u>	
			\$ 20,793,288
320,048,741	-	320,048,741	-
630,178,563	-	630,178,563	-
162,919,498	-	162,919,498	-
57,831,733	-	57,831,733	-
4,105,864	-	4,105,864	-
12,829,714	-	12,829,714	-
22,337,630	-	22,337,630	-
-	-	-	500,000
13,635,693	-	13,635,693	15,452,146
(170,925,314)	167,349,759	(3,575,555)	-
<u>1,052,962,122</u>	<u>167,349,759</u>	<u>1,220,311,881</u>	<u>15,952,146</u>
266,207,968	56,854,029	323,061,997	36,745,434
2,311,468,610	1,579,648,376	3,891,116,986	528,264,840
<u>\$ 2,577,676,578</u>	<u>\$ 1,636,502,405</u>	<u>\$ 4,214,178,983</u>	<u>\$ 565,010,274</u>

# STATE OF NORTH DAKOTA

## Balance Sheet Governmental Funds June 30, 2005

	General	Federal	School Permanent Trust Fund	Other Governmental Funds	Total
<b>ASSETS</b>					
Cash Deposits at the Bank of ND	\$ 238,156,728	\$ 15,181,757	\$ 2,371,786	\$ 280,864,189	\$ 536,574,460
Cash and Cash Equivalents	1,018,055	5,995	-	5,199,582	6,223,632
Investments at the Bank of ND	-	-	-	71,933,203	71,933,203
Investments	-	-	780,924,264	56,737,672	837,661,936
Accounts Receivable - Net	4,529,010	6,454,048	5,426,219	23,409,433	39,818,710
Taxes Receivable - Net	127,973,155	-	469,015	46,908,824	175,350,994
Interest Receivable - Net	9,198	227	5,483,226	1,269,589	6,762,240
Intergovernmental Receivable - Net	-	160,728,376	-	5,628,204	166,356,580
Due from Other Funds	70,940,682	26,121,665	4,111,377	71,864,749	173,038,473
Prepaid Items	712,505	959,401	-	2,788,945	4,460,851
Inventory	801,180	126,776	-	4,895,225	5,823,181
Loans and Notes Receivable - Net	65,029	46,812	21,166,950	71,474,857	92,753,648
Total Assets	<u>\$ 444,205,542</u>	<u>\$ 209,625,057</u>	<u>\$ 819,952,837</u>	<u>\$ 642,974,472</u>	<u>\$ 2,116,757,908</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$ 34,767,725	\$ 86,395,761	\$ 4,723,709	\$ 19,890,682	\$ 145,777,877
Accrued Payroll	14,660,712	6,737,858	-	6,160,201	27,558,771
Securities Lending Collateral	-	-	75,508,455	11,694,792	87,203,247
Intergovernmental Payable	-	11,077,886	-	22,283,951	33,361,837
Tax Refunds Payable	40,212,468	-	-	336,924	40,549,392
Due to Other Funds	69,450,687	79,891,532	48,760	21,260,442	170,651,421
Contracts Payable	1,280	6,113,273	-	2,969,236	9,083,789
Deferred Revenue	3,292,936	19,508,832	-	10,854,156	33,655,924
Total Liabilities	<u>162,385,808</u>	<u>209,725,142</u>	<u>80,280,924</u>	<u>95,450,384</u>	<u>547,842,258</u>
Fund Balances:					
Reserved For:					
Inventory	801,180	126,776	-	4,895,225	5,823,181
Long - Term Receivables	18,448	-	-	65,157,267	65,175,715
Capital Projects	-	-	-	811,980	811,980
Debt Service	-	-	-	21,706,545	21,706,545
Prepaid Expenditures	712,505	959,401	-	2,788,945	4,460,851
Legal Requirements	-	-	-	10,036,689	10,036,689
Undistributed Revenue	-	-	10,674,436	-	10,674,436
Permanent Trust Fund	-	-	728,997,477	-	728,997,477
Unreserved, Reported in:					
General Fund	280,287,601	-	-	-	280,287,601
Special Revenue Funds	-	(1,186,262)	-	442,127,437	440,941,175
Total Fund Balances	<u>281,819,734</u>	<u>(100,085)</u>	<u>739,671,913</u>	<u>547,524,088</u>	<u>1,568,915,650</u>
Total Liabilities and Fund Balances	<u>\$ 444,205,542</u>	<u>\$ 209,625,057</u>	<u>\$ 819,952,837</u>	<u>\$ 642,974,472</u>	<u>\$ 2,116,757,908</u>

# STATE OF NORTH DAKOTA

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## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2005

**Total Fund Balances-Governmental Funds** \$ 1,568,915,650

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 \$3,745,661,653 and the accumulated depreciation is \$2,581,001,303. 1,164,660,350

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. 18,560,933

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. 62,337,340

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. 886,000

The pension assets resulting from contributions in excess of annual required contribution are not financial resources and, therefore, are not reported in the funds. 2,306,371

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	(198,279,153)	
Notes Payable	(5,613,046)	
Accrued Interest on Long-Term Liabilities	(1,959,183)	
Compensated Absences	(27,225,599)	
Intergovernmental Payable	(119,296)	
Capital Leases	(5,867,789)	
Claims and Judgments	(926,000)	
Total Long-Term Liabilities		<u>(239,990,066)</u>

**Net Assets of Governmental Activities** \$ 2,577,676,578

# STATE OF NORTH DAKOTA

## Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2005

	General	Federal	School Permanent Trust Fund	Other Governmental Funds	Total
<b>REVENUES</b>					
Individual and Corporate Income Taxes	\$ 311,181,617	\$ -	\$ -	\$ 8,680,646	\$ 319,862,263
Sales and Use Taxes	465,847,817	-	-	164,330,746	630,178,563
Oil, Gas, and Coal Taxes	104,656,267	-	4,799,677	53,463,554	162,919,498
Business and Other Taxes	38,797,740	-	-	18,488,903	57,286,643
Licenses, Permits and Fees	11,660,028	-	-	87,995,443	99,655,471
Intergovernmental	370,966	1,051,319,265	-	9,206,343	1,060,896,574
Sales and Services	2,752,748	607,248	-	35,676,708	39,036,704
Royalties and Rents	12,557,991	1,405	34,321,504	8,056,703	54,937,603
Fines and Forfeits	4,569,233	-	3,138,654	6,752,478	14,460,365
Interest and Investment Income	3,534,498	71,986	58,382,685	7,235,133	69,224,302
Tobacco Settlement	-	-	10,497,039	12,829,714	23,326,753
Commodity Assessments	-	-	-	10,820,676	10,820,676
Miscellaneous	1,068,326	175,287	-	4,484,974	5,728,587
Total Revenues	956,997,231	1,052,175,191	111,139,559	428,022,021	2,548,334,002
<b>EXPENDITURES</b>					
Current:					
General Government	72,951,885	4,673,838	-	6,661,398	84,287,121
Education	317,689,823	117,384,108	3,209,761	40,441,390	478,725,082
Health and Human Services	195,598,382	573,200,691	-	54,142,608	822,941,681
Regulatory	7,489,639	2,636,823	-	5,238,031	15,364,493
Public Safety and Corrections	59,733,615	56,376,038	-	12,075,422	128,185,075
Agriculture and Commerce	10,665,863	21,318,711	-	23,762,933	55,747,507
Natural Resources	11,773,878	10,874,806	-	27,195,074	49,843,758
Transportation	-	144,408,933	-	89,853,814	234,262,747
Intergovernmental - Revenue Sharing	-	-	-	157,867,895	157,867,895
Capital Outlay	5,500,031	99,306,339	-	51,517,355	156,323,725
Debt Service:					
Principal	524,490	14,575	-	9,047,015	9,586,080
Interest and Other Charges	229,836	-	-	7,606,847	7,836,683
Total Expenditures	682,157,442	1,030,194,862	3,209,761	485,409,782	2,200,971,847
Revenues over (under) Expenditures	274,839,789	21,980,329	107,929,798	(57,387,761)	347,362,155
<b>OTHER FINANCING SOURCES (USES)</b>					
Bonds and Notes Issued	1,339,254	-	-	67,673,969	69,013,223
Refunding Bonds Issued	-	-	-	21,630,000	21,630,000
Payment to Refund Bond Escrow Agent	-	-	-	(22,281,509)	(22,281,509)
Capital Lease Acquisitions	144,591	5,063,554	-	3,815	5,211,960
Sale of Capital Assets	-	-	-	1,313,753	1,313,753
Transfers In	72,592,324	203,062	-	230,361,722	303,157,108
Transfers Out	(263,851,137)	(47,246,731)	(32,265,200)	(130,719,355)	(474,082,423)
Total Other Financing Sources (Uses)	(189,774,968)	(41,980,115)	(32,265,200)	167,982,395	(96,037,888)
Net Change in Fund Balances	85,064,821	(19,999,786)	75,664,598	110,594,634	251,324,267
Fund Balances - Beginning of Year, as Adjusted	196,754,913	19,899,701	664,007,315	436,929,454	1,317,591,383
Fund Balances - End of Year	\$ 281,819,734	\$ (100,085)	\$ 739,671,913	\$ 547,524,088	\$ 1,568,915,650

The Accompanying Notes are an Integral Part of the Financial Statements

# STATE OF NORTH DAKOTA

## 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, 2005

**Net Change in Fund Balances-Total Governmental Funds** \$ 251,324,267

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	155,847,184	
Depreciation Expense	(82,929,063)	
Excess of capital outlay over depreciation expense		72,918,121

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 book value of the assets sold. (1,844,018)

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. 202,115

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. (5,211,960)

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. 1,935,902

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 4,610,307

Bonds proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. (89,303,969)

Notes payable proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. (1,339,254)

The pension assets resulting from contributions in excess of annual required contribution are not financial resources and, therefore, are not reported in the funds. (174,302)

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	31,447,418	
Note payments	744,558	
Capital lease payments	415,416	
Total long-term debt repayment		32,607,392

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	197,394	
Net increase/decrease in compensated absences	211,973	
Net increase/decrease in claims and judgments	74,000	
Total additional expenditures		483,367

**Change in Net Assets of Governmental Activities** \$ 266,207,968

# STATE OF NORTH DAKOTA

## Statement of Net Assets Proprietary Funds June 30, 2005

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Bank of North Dakota	Housing Finance	University System	Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
<b>ASSETS</b>							
Current Assets:							
Cash Deposits at the Bank of ND	\$ 1,032,000	\$ 54,675,585	\$ 1,996,182	\$ 31,400,340	\$ 89,104,107	\$ 11,103,511	
Cash and Cash Equivalents	392,000	7,995,110	-	83,101,817	91,488,927	4,069	
Investments at the Bank of ND	-	28,002,733	26,602,586	6,185,160	60,790,479	-	
Investments	2,229,000	7,214,543	1,458,896,201	28,215,938	1,496,555,682	6,140,604	
Accounts Receivable - Net	748,000	12,531,999	22,139,106	38,358,595	73,777,700	751,155	
Interest Receivable - Net	335,000	-	8,668,424	2,746,348	11,749,772	58,575	
Intergovernmental Receivable - Net	210,000	55,141,735	-	2,692,779	58,044,514	124,721	
Due from Other Funds	30,000	4,586,314	95,455	444,866	5,156,635	4,653,304	
Due from Fiduciary Funds	-	-	-	68,554	68,554	36,048	
Due from Component Units	-	1,078,005	-	-	1,078,005	-	
Prepaid Items	16,000	-	5,000	1,561,527	1,582,527	13,397	
Inventory	-	7,240,925	-	12,595,285	19,836,210	146,166	
Loans and Notes Receivable - Net	-	6,300,290	-	16,555,287	22,855,577	-	
Other Assets	2,177,000	2,351,184	-	2,310,204	6,838,388	-	
Restricted Cash at the Bank of ND	6,111,000	-	-	10,738,943	16,849,943	-	
Restricted Cash and Cash Equivalents	142,735,000	-	-	-	142,735,000	-	
Restricted Investments at the Bank of ND	-	-	-	40,245,147	40,245,147	-	
Restricted Interest Receivable - Net	2,662,000	-	-	3,187,000	5,849,000	-	
Restricted Loans Receivable - Net	10,534,000	-	-	28,073,000	38,607,000	-	
Total Current Assets	169,211,000	187,118,423	1,518,402,954	308,480,790	2,183,213,167	23,031,550	
Noncurrent Assets:							
Restricted Cash at the Bank of ND	-	16,583,934	-	-	16,583,934	-	
Restricted Cash and Cash Equivalents	-	-	-	272,274	272,274	-	
Restricted Investments at the Bank of ND	-	10,844,188	-	-	10,844,188	-	
Restricted Investments	28,298,000	17,885,898	-	214,061	46,397,959	-	
Investments at the Bank of ND	-	28,433,000	-	-	28,433,000	-	
Investments	-	7,553,127	-	-	7,553,127	-	
Loans and Notes Receivable - Net	-	36,956,265	-	31,590,795	68,547,060	-	
Restricted Loans Receivable - Net	522,526,000	-	-	99,242,000	621,768,000	-	
Unamortized Bond Issuance Costs	5,414,000	2,519,169	-	894,901	8,828,070	66,494	
Capital Assets:							
Land and Construction in Progress	-	40,329,358	901,974	2,203,216	43,434,548	-	
Infrastructure - Net	-	87,042,723	-	1,115,477	88,158,200	-	
Buildings and Equipment - Net	15,000	481,327,416	11,037,034	41,036,049	533,415,499	58,933,246	
Total Noncurrent Assets	556,253,000	729,475,078	11,939,008	176,568,773	1,474,235,859	58,999,740	
Bank Related Assets:							
Cash and Cash Equivalents	\$ 306,403,000				\$ 306,403,000		
Investments	253,187,000				253,187,000		
Interest Receivable - Net	15,724,000				15,724,000		
Due from Other Funds	37,210,000				37,210,000		
Loans and Notes Receivable - Net	1,395,193,000				1,395,193,000		
Other Assets	2,868,000				2,868,000		
Capital Assets:							
Land and Construction in Progress	672,000				672,000		
Buildings and Equipment - Net	3,269,000				3,269,000		
Total Bank Related Assets	2,014,526,000				2,014,526,000		
Total Assets	2,014,526,000	725,464,000	916,593,501	1,530,341,962	485,049,563	5,671,975,026	82,031,290



# STATE OF NORTH DAKOTA

## Statement of Net Assets

### Proprietary Funds

June 30, 2005

	Business-Type Activities - Enterprise Funds					Governmental Activities	
	Bank of North Dakota	Housing Finance	University System	Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
<b>LIABILITIES</b>							
Current Liabilities:							
Accounts Payable		719,000	22,304,945	3,083,140	3,986,078	30,093,163	1,284,304
Accrued Payroll		-	16,422,929	-	672,714	17,095,643	1,232,771
Securities Lending Collateral		-	-	325,421,591	5,446,691	330,868,282	1,197,851
Interest Payable		12,658,000	726,920	-	742,484	14,127,404	4,327
Intergovernmental Payable		1,387,000	146,096	-	3,720,341	5,253,437	-
Due to Other Funds		22,146,000	5,831,957	40,899	19,395,229	47,414,085	494,384
Due to Fiduciary Funds		-	-	-	-	-	38,967
Due to Component Units		-	350,315	-	-	350,315	-
Contracts Payable		-	836,523	-	-	836,523	-
Other Deposits		-	6,822,173	-	-	6,822,173	-
Amounts Held in Custody for Others		6,110,000	-	-	5,704,417	11,814,417	-
Claims/Judgments Payable		-	-	70,000,000	1,052,503	71,052,503	1,215,891
Compensated Absences Payable		105,000	890,334	596,000	80,439	1,671,773	53,162
Notes Payable		-	884,862	-	-	884,862	-
Capital Leases Payable		-	5,922,011	-	41,446	5,963,457	26,754
Bonds Payable		22,715,000	7,927,091	-	55,055,000	85,697,091	549,000
Deferred Revenue		17,000	11,382,114	51,544,952	2,168,440	65,112,506	15,337
Other Current Liabilities		-	-	-	1,000	1,000	-
Total Current Liabilities		65,857,000	80,448,270	450,686,582	98,066,782	695,058,634	6,112,748
Noncurrent Liabilities:							
Intergovernmental Payable		867,000	1,367,988	-	3,481,020	5,716,008	-
Claims/Judgments Payable		-	-	610,400,000	26,500	610,426,500	2,842,552
Compensated Absences Payable		58,000	18,464,773	105,163	887,275	19,515,211	1,229,397
Notes Payable		-	7,601,917	-	-	7,601,917	-
Capital Leases Payable		-	32,696,097	-	86,477	32,782,574	45,965
Bonds Payable		582,415,000	123,915,272	-	95,322,261	801,652,533	5,412,076
Other Noncurrent Liabilities		-	883,607	-	4,137,849	5,021,456	-
Total Noncurrent Liabilities		583,340,000	184,929,654	610,505,163	103,941,382	1,482,716,199	9,529,990
Bank Related Liabilities:							
Interest Payable	358,000					358,000	
Due to Other Funds	21,791,000					21,791,000	
Federal Funds Purchased	191,134,000					191,134,000	
Reverse Repurchase Agreements	10,825,000					10,825,000	
Deposits Held for Other Funds	747,765,320					747,765,320	
Other Deposits	443,991,680					443,991,680	
Other Liabilities	9,291,000					9,291,000	
Long Term Liabilities:							
Due within one year	160,712,000					160,712,000	
Due in more than one year	275,881,000					275,881,000	
Total Bank Related Liabilities	1,861,749,000					1,861,749,000	
Total Liabilities	1,861,749,000	649,197,000	265,377,924	1,061,191,745	202,008,164	4,039,523,833	15,642,738
<b>NET ASSETS</b>							
Invested in Capital Assets, Net of Related Debt	3,941,000	15,000	448,811,879	11,939,008	41,202,863	505,909,750	58,920,080
Restricted for:							
Capital Projects	-	-	1,804,822	-	12,641	1,817,463	-
Debt Service	-	50,028,000	14,024,784	-	43,746,694	107,799,478	-
Loan Purposes	-	-	43,167,066	-	1,083,681	44,250,747	-
Pledged Assets	102,973,000	11,200,000	-	-	-	114,173,000	-
Unemployment Compensation	-	-	-	-	94,326,216	94,326,216	-
Endowment Funds-Nonexpendable	-	-	13,754,097	-	-	13,754,097	-
Endowment Funds-Expendable	-	-	17,031,116	-	-	17,031,116	-
Other	-	-	85,612	-	-	85,612	-
Unrestricted	45,863,000	15,024,000	112,536,201	457,211,209	102,669,304	733,303,714	7,468,472
Total Net Assets	\$ 152,777,000	\$ 76,267,000	\$ 651,215,577	\$ 469,150,217	\$ 283,041,399	\$ 1,632,451,193	\$ 66,388,552

#### Reconciliation of the Proprietary Funds Statement of Net Assets to the Statement of Net Assets June 30, 2005

<b>Total Net Assets - Enterprise Funds</b>	\$ 1,632,451,193
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	4,051,212
<b>Net Assets of Business-Type Activities</b>	<u>\$ 1,636,502,405</u>

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, 2005

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Bank of North Dakota	Housing Finance	University System	Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
<b>OPERATING REVENUES</b>							
Sales and Services	\$ 12,494,000	\$ 1,586,000	\$ 42,544,391	\$ 104,555,951	\$ 196,983,531	\$ 358,163,873	\$ 62,728,982
Auxiliary Sales Pledges for Bonds	-	-	73,810,407	-	-	73,810,407	-
Tuition and Fees	-	-	178,348,571	-	-	178,348,571	-
Grants and Contributions	-	-	168,180,004	-	-	168,180,004	-
Royalties and Rents	-	-	-	627,385	16,970	644,355	-
Fines and Forfeits	-	-	-	1,011,918	-	1,011,918	-
Interest and Investment Income	78,344,000	35,057,000	-	-	13,555,051	126,956,051	-
Miscellaneous	-	-	1,138,547	-	17,750	1,156,297	87,463
<b>Total Operating Revenues</b>	<b>90,838,000</b>	<b>36,643,000</b>	<b>464,021,920</b>	<b>106,195,254</b>	<b>210,573,302</b>	<b>908,271,476</b>	<b>62,816,445</b>
<b>OPERATING EXPENSES</b>							
Cost of Sales and Services	-	-	24,844,154	-	92,220,691	117,064,845	968,742
Salaries and Benefits	8,108,000	1,827,000	435,597,680	11,602,339	4,774,471	461,909,490	15,362,082
Operating	10,063,000	4,253,000	179,259,810	5,874,743	27,323,035	226,773,588	29,660,162
Claims	-	-	-	157,485,282	45,232,601	202,717,883	1,132,895
Scholarships and Fellowships	-	-	15,344,078	-	-	15,344,078	-
Interest	38,392,000	27,198,000	-	-	3,850,742	69,440,742	-
Depreciation	1,007,000	20,000	35,578,450	428,945	3,769,692	40,804,087	8,731,547
Miscellaneous	-	-	-	-	2,268	2,268	-
<b>Total Operating Expenses</b>	<b>57,570,000</b>	<b>33,298,000</b>	<b>690,624,172</b>	<b>175,391,309</b>	<b>177,173,500</b>	<b>1,134,056,981</b>	<b>55,855,428</b>
<b>Operating Income (Loss)</b>	<b>33,268,000</b>	<b>3,345,000</b>	<b>(226,602,252)</b>	<b>(69,196,055)</b>	<b>33,399,802</b>	<b>(225,785,505)</b>	<b>6,961,017</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Grants and Contracts	-	-	5,402,774	-	380,633	5,783,407	-
Gifts	-	-	16,068,302	-	-	16,068,302	-
Interest and Investment Income	-	14,509,000	4,442,598	87,669,029	7,348,986	113,969,613	426,676
Interest Expense	-	(12,629,000)	(7,344,029)	(8,067,843)	(470,069)	(28,510,941)	(322,630)
Gain (Loss) on Sale of Capital Assets	-	-	(595,364)	(6,595)	25,026	(576,933)	(732,413)
Other	-	-	1,055,062	-	(364,755)	690,307	(4,341)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>1,880,000</b>	<b>19,029,343</b>	<b>79,594,591</b>	<b>6,919,821</b>	<b>107,423,755</b>	<b>(632,708)</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>33,268,000</b>	<b>5,225,000</b>	<b>(207,572,909)</b>	<b>10,398,536</b>	<b>40,319,623</b>	<b>(118,361,750)</b>	<b>6,328,309</b>
Capital Grants and Contributions	-	-	5,997,781	-	-	5,997,781	150,264
Transfers In	-	-	219,019,147	-	1,581,957	220,601,104	-
Transfer Out	(34,216,000)	(25,000)	(6,216,000)	-	(12,794,345)	(53,251,345)	-
<b>Changes in Net Assets</b>	<b>(948,000)</b>	<b>5,200,000</b>	<b>11,228,019</b>	<b>10,398,536</b>	<b>29,107,235</b>	<b>54,985,790</b>	<b>6,478,573</b>
<b>Total Net Assets - Beginning of Year, as Adjusted</b>	<b>153,725,000</b>	<b>71,067,000</b>	<b>639,987,558</b>	<b>458,751,681</b>	<b>253,934,164</b>	<b>1,577,465,403</b>	<b>59,909,979</b>
<b>Total Net Assets - End of Year</b>	<b>\$ 152,777,000</b>	<b>\$ 76,267,000</b>	<b>\$ 651,215,577</b>	<b>\$ 469,150,217</b>	<b>\$ 283,041,399</b>	<b>\$ 1,632,451,193</b>	<b>\$ 66,388,552</b>

#### 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, 2005

<b>Net Change in Net Assets-Total Enterprise Funds</b>	<b>\$ 54,985,790</b>
Amounts reported for business-type activities in the statement of net assets are different because:	
Expenses were reduced based on the allocation of internal service fund's net income	1,868,239
<b>Change in Net Assets of Business-Type Activities</b>	<b>\$ 56,854,029</b>

# STATE OF NORTH DAKOTA

## Statement of Cash Flows Proprietary Funds For the Fiscal Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Bank of North Dakota	Housing Finance	University System	Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
<b>Cash Flows from Operating Activities:</b>							
Receipts from Customers and Users	\$ 12,130,000	\$ 115,367,000	\$ 114,915,406	\$ 116,998,465	\$ 404,566,280	\$ 763,977,151	\$ 62,221,698
Receipts from Tuition and Fees	-	-	172,627,197	-	-	172,627,197	-
Interest Income on Loans	-	-	-	-	400,389	400,389	-
Receipts from Loan Principal Repayments	-	-	8,824,503	-	14,048,605	22,873,108	-
Receipts from Other Funds	-	-	-	-	44,019	44,019	-
Receipts from Grants and Contracts	-	-	154,521,494	-	-	154,521,494	-
Receipts from Others	-	-	966,307	1,760,184	73,398	2,799,889	-
Payments for Loan Funds	-	-	(9,787,480)	-	(11,897,318)	(21,684,798)	-
Payments to Other Funds	-	-	-	-	(779)	(779)	(1,871,534)
Payments for Scholarships and Fellowships	-	-	(15,344,078)	-	-	(15,344,078)	-
Payments to Suppliers	(6,737,000)	(111,122,000)	(197,378,720)	(3,021,750)	(307,716,724)	(625,976,194)	(29,380,413)
Payments to Employees	(8,048,000)	(1,827,000)	(422,807,408)	(8,849,117)	(10,918,705)	(452,450,230)	(14,392,899)
Claim Payments	-	-	-	(87,506,556)	(36,907,526)	(124,414,082)	(2,751,880)
Payments to Others	-	(1,083,000)	(2,047,691)	(8,617,693)	(460,010)	(12,208,394)	(1,389,762)
Net Cash Provided by (Used for) Operating Activities	(2,655,000)	1,335,000	(195,510,470)	10,763,533	51,231,629	(134,835,308)	12,435,699
<b>Cash Flows from Noncapital Financing Activities:</b>							
Proceeds from Bonds	-	149,145,000	-	-	-	149,145,000	-
Proceeds from Sale of Notes and Other Borrowings	6,420,035,000	-	-	-	29,500,000	6,449,535,000	-
Principal Payments - Notes and Other Borrowings	(6,509,237,000)	(120,539,000)	-	-	(7,500,000)	(6,637,276,000)	-
Interest Payments - Bonds	-	(27,859,000)	-	-	(2,998,000)	(30,857,000)	-
Interest Payments - Notes and Other Borrowings	(22,770,000)	-	-	-	(359,661)	(23,129,661)	(35,388)
Payment of Bond Issue Costs	-	(1,091,000)	-	-	-	(1,091,000)	-
Operating Grant Received	-	-	-	-	55,000	55,000	-
Transfers In	-	-	-	-	1,581,957	1,581,957	-
Transfers Out	(30,037,000)	(25,000)	(6,216,000)	-	(34,787,285)	(71,065,285)	-
Net Increase in Non-Interest Bearing Deposits	(12,827,000)	-	-	-	-	(12,827,000)	-
Net Decrease in Interest Bearing Deposits	147,198,000	-	-	-	-	147,198,000	-
Payments of Interest on Deposits	(12,844,000)	-	-	-	-	(12,844,000)	-
Interest Paid on Federal Funds and Reverse Repurchase Agreements	(1,985,000)	-	-	-	-	(1,985,000)	-
Net Decrease in Federal Funds and Reverse Repurchase Agreements	11,362,000	-	-	-	-	11,362,000	-
Principal Payments on Due To Other Funds	-	-	(5,150,000)	-	(804,381)	(5,954,381)	-
Grants and Gifts Received for Other than Capital Purposes	-	-	21,773,543	-	325,633	22,099,176	-
State Appropriations	-	-	220,941,873	-	-	220,941,873	-
Agency Fund Cash Increase	-	-	(2,794,702)	-	-	(2,794,702)	-
Grants Given for Other than Capital Purposes	-	-	(430,581)	-	-	(430,581)	-
Disbursements for Loans and Loan Purchases	-	-	-	-	184,312	184,312	-
Other	-	-	1,639,198	-	(352,666)	1,286,532	9
Net Cash Provided by (Used for) Noncapital Financing Activities	(11,105,000)	(369,000)	229,763,331	-	(15,155,091)	203,134,240	(35,379)
<b>Cash Flows from Capital and Related Financing Activities:</b>							
Acquisition and Construction of Capital Assets	(139,000)	-	(63,345,412)	(268,960)	(2,626,701)	(66,380,073)	(13,142,025)
Proceeds from Sale of Capital Assets	-	-	107,030	-	17,350	124,380	1,895,375
Proceeds from Sale of Notes and Other Borrowings	-	-	22,113,162	-	-	22,113,162	-
Principal Payments - Bonds	-	-	-	-	(205,000)	(205,000)	-
Principal Payments - Notes and Other Borrowings	-	-	(13,200,173)	-	-	(13,200,173)	(433,402)
Interest Payments - Bonds	-	-	-	-	(79,541)	(79,541)	(223,133)
Interest Payments - Notes and Other Borrowings	-	-	(7,461,622)	-	(6,653)	(7,468,275)	(10,165)
Capital Appropriations	-	-	3,405,174	-	-	3,405,174	-
Payment on Capital Leases	-	-	-	-	(43,131)	(43,131)	(18,905)
Interest Payments - Capital Leases	-	-	-	-	-	-	(7,773)
Capital Grants and Gifts Received	-	-	6,399,470	-	-	6,399,470	-
Insurance Proceeds	-	-	347,974	-	-	347,974	-
Net Cash Used for Capital and Related Financing Activities	(139,000)	-	(51,634,397)	(268,960)	(2,943,676)	(54,986,033)	(11,940,028)
<b>Cash Flows from Investing Activities:</b>							
Proceeds from Sale and Maturities of Investment Securities	111,075,000	283,000	92,070,040	11,000,000	105,143,331	319,571,371	673,855
Purchase of Investment Securities	(82,093,000)	-	(76,173,269)	(21,246,633)	(113,025,435)	(292,538,337)	(145,029)
Interest and Dividends on Investments	10,435,000	1,880,000	5,829,691	-	6,582,237	24,726,928	262,465
Proceeds from Sale of Other Real Estate	1,815,000	-	-	-	-	1,815,000	-
Net Decrease in Loans	(66,603,000)	-	-	-	-	(66,603,000)	-
Disbursements for Loans and Loan Purchases	-	-	-	-	(2,461,700)	(2,461,700)	-
Receipt of Loan Principal Repayments	-	-	-	-	1,185,677	1,185,677	-
Loan Income Received	69,006,000	-	-	-	645,849	69,651,849	-
Net Cash Provided by (Used for) Investing Activities	43,635,000	2,163,000	21,726,462	(10,246,633)	(1,930,041)	55,347,788	791,291

# STATE OF NORTH DAKOTA

## Statement of Cash Flows Proprietary Funds For the Fiscal Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Bank of North Dakota	Housing Finance	University System	Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
<b>Net Change In Cash:</b>							
Net Increase in Cash and Cash Equivalents	29,736,000	3,129,000	4,344,926	247,940	31,202,821	68,660,687	1,251,583
Cash and Cash Equivalents at June 30, 2004	276,667,000	147,141,000	74,909,703	1,748,242	94,310,553	594,776,498	9,855,997
Cash and Cash Equivalents at June 30, 2005	<u>\$ 306,403,000</u>	<u>\$ 150,270,000</u>	<u>\$ 79,254,629</u>	<u>\$ 1,996,182</u>	<u>\$ 125,513,374</u>	<u>\$ 663,437,185</u>	<u>\$ 11,107,580</u>
<b>Reconciliation:</b>							
Current:							
Cash Deposits at the Bank of North Dakota	\$ -	\$ 1,032,000	\$ 54,675,585	\$ 1,996,182	\$ 31,400,340	\$ 89,104,107	\$ 11,103,511
Cash and Cash Equivalents	306,403,000	392,000	7,995,110	-	83,101,817	397,891,927	4,069
Restricted Cash Deposits at the Bank of North Dakota	-	6,111,000	-	-	10,738,943	16,849,943	-
Restricted Cash and Cash Equivalents	-	142,735,000	-	-	-	142,735,000	-
Noncurrent:							
Restricted Cash Deposits At The Bank of North Dakota	-	-	16,583,934	-	-	16,583,934	-
Restricted Cash and Cash Equivalents	-	-	-	-	272,274	272,274	-
Cash and Cash Equivalents	<u>\$ 306,403,000</u>	<u>\$ 150,270,000</u>	<u>\$ 79,254,629</u>	<u>\$ 1,996,182</u>	<u>\$ 125,513,374</u>	<u>\$ 663,437,185</u>	<u>\$ 11,107,580</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:</b>							
Operating Income (Loss)	\$ 33,268,000	\$ 3,345,000	\$ (226,602,252)	\$ (69,196,055)	\$ 33,399,802	\$ (225,785,505)	\$ 6,961,017
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:							
Depreciation	1,007,000	20,000	35,578,450	428,945	3,769,692	40,804,087	8,731,547
Amortization\Accretion	-	141,000	-	-	402,000	543,000	-
Reclassification of Interest Revenue\Expense	(42,036,000)	(3,835,000)	-	-	(9,666,778)	(55,537,778)	-
Gain on Sale of Student Loans	(25,000)	-	-	-	-	(25,000)	-
Gain on Sale of Real Estate	(299,000)	-	-	-	-	(299,000)	-
Net Increase in Fair Value of Investments	2,084,000	(62,000)	-	-	-	2,022,000	-
Interest Received on Program Loans	-	30,810,000	-	-	10,552,000	41,362,000	-
Disbursements for Loans and Loan Purchases	-	(105,844,000)	-	-	(36,256,000)	(142,100,000)	-
Receipt of Loan Principal Repayments	-	77,160,000	-	-	43,858,000	121,018,000	-
Provision for Losses	2,400,000	-	-	-	807,000	3,207,000	-
Premiums Collected	-	-	-	-	129,346,034	129,346,034	-
Premiums Paid	-	-	-	-	(129,346,034)	(129,346,034)	-
Other	-	(816,000)	-	-	196,000	(620,000)	725
Change in Assets and Liabilities:							
Increase in Accounts Receivable	-	(363,000)	(1,781,967)	(3,251,460)	(1,207,808)	(6,604,235)	(690,576)
Decrease in Interest Receivable	-	-	-	-	24,832	24,832	-
(Increase) Decrease in Due From	66,000	10,000	-	-	(1,764)	74,236	(462,951)
Increase in Due From Fiduciary Funds	-	-	-	-	(58,621)	(58,621)	-
(Increase) Decrease in Intergovernmental Receivable	-	138,000	(15,585,422)	-	244,043	(15,203,379)	529,011
(Increase) Decrease in Notes Receivable	-	-	(87,274)	-	502,348	415,074	-
(Increase) Decrease in Prepaid Items	-	11,000	-	19,520	(365,839)	(335,319)	(10,198)
Increase in Inventories	-	-	(189,590)	-	(124,429)	(314,019)	(35,175)
(Increase) Decrease in Other Assets	67,000	-	(118,558)	-	(457,742)	(509,300)	-
Increase (Decrease) in Accounts Payable	-	109,000	5,718,622	881,598	(700,899)	6,008,321	241,942
Increase (Decrease) in Claims\Judgments Payable	-	-	-	76,300,000	378,424	76,678,424	(1,000,514)
Decrease in Intergovernmental Payable	-	(80,000)	-	-	(1,008,952)	(1,088,952)	(1,872,134)
Increase in Accrued Payrol	-	-	11,894,914	-	154,401	12,049,315	35,615
Increase in Compensated Absences Payable	-	-	895,358	55,421	42,220	992,999	34,078
Increase in Amounts Held for Others	-	637,000	-	-	4,871,330	5,508,330	-
Decrease in Other Deposits	-	-	(2,581,112)	-	-	(2,581,112)	-
Increase (Decrease) in Due To Other Funds	43,000	1,000	-	(49,828)	(31,038)	(36,866)	154,127
Increase (Decrease) in Deferred Revenue	-	(47,000)	(2,651,639)	5,575,392	1,915,407	4,792,160	(180,815)
Increase (Decrease) in Other Liabilities	770,000	-	-	-	(6,000)	764,000	-
Total Adjustments	<u>(35,923,000)</u>	<u>(2,010,000)</u>	<u>31,091,782</u>	<u>79,959,588</u>	<u>17,831,827</u>	<u>90,950,197</u>	<u>5,474,682</u>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>\$ (2,655,000)</u>	<u>\$ 1,335,000</u>	<u>\$ (195,510,470)</u>	<u>\$ 10,763,533</u>	<u>\$ 51,231,629</u>	<u>\$ (134,835,308)</u>	<u>\$ 12,435,699</u>
<b>Noncash Transactions:</b>							
Net Increase (Decrease) in Fair Value of Investments	\$ -	\$ -	\$ -	\$ 47,067,853	\$ 140,643	\$ 47,208,496	\$ 104,563
Real estate and Property Owned Acquired in Exchange for Loan:	148,000	-	-	-	-	148,000	-
Change in Securities Lending Collatera	-	-	-	49,582,416	1,158,643	50,741,059	18,744
Disposal of Equipment Under Capital Lease	-	-	-	6,595	-	6,595	-
Interest on Investments	-	-	-	31,787,750	-	31,787,750	-
Amortization of Bond Discount	-	-	-	-	8,754	8,754	-
Amortization of Bond Issuance Costs	-	-	-	-	3,335	3,335	-
Acquisition of Equipment Under Capital Lease	-	-	-	-	89,580	89,580	292,742
Assets Acquired Through Capital Lease	-	-	2,636,653	-	-	2,636,653	-
Assets Acquired Through Special Assessments	-	-	20,172	-	-	20,172	-
Expenses Paid by Capital Lease	-	-	535,758	-	-	535,758	-
Gifts of Capital Assets	-	-	94,345	-	-	94,345	-
Total Noncash Transactions	<u>\$ 148,000</u>	<u>\$ -</u>	<u>\$ 3,286,928</u>	<u>\$ 128,444,614</u>	<u>\$ 1,400,955</u>	<u>\$ 133,280,497</u>	<u>\$ 416,049</u>

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# STATE OF NORTH DAKOTA

## Statement of Fiduciary Net Assets Fiduciary Funds June 30, 2005

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Agency Funds
<b>ASSETS</b>				
Cash Deposits at the Bank of ND	\$ 11,109,978	\$ 161,848	\$ 514,434	\$ 14,940,722
Cash and Cash Equivalents	-	-	791,269	2,762,557
Receivables:				
Contributions Receivable	11,733,198	-	-	-
Accounts Receivable - Net	702	-	351,469	5,733,317
Taxes Receivable - Net	-	-	-	9,548,665
Interest Receivable - Net	11,643,900	110,294	1,849	-
Due from Other Funds	598,971	8,863	25,751	-
Due from Fiduciary Funds	105,345	-	-	-
Total Receivables	24,082,116	119,157	379,069	15,281,981
Investments, at Fair Value:				
Investments at the Bank of ND	31,866,952	745,449	23,615,248	8,476,210
Equities	21,862,661	-	-	-
Equity Pool	1,867,507,821	34,302,975	-	-
Fixed Income	14,087,319	-	-	-
Fixed Income Pool	778,523,437	28,681,353	2,284,804	2,343,651
Cash and Cash Pool	47,260,003	694,820	-	-
Real Estate Pool	214,183,433	2,092,312	-	-
Private Equity	122,925,200	872,107	-	-
Annuities	76,988	-	-	-
Mutual Funds	25,568,465	-	244,480,118	-
Total Investments	3,123,862,279	67,389,016	270,380,170	10,819,861
Invested Securities Lending Collateral	236,777,798	7,415,027	-	-
Prepaid Items	40,075	-	-	-
Capital Assets (Net of Depreciation)	12,779	-	-	-
Other Assets	-	-	-	21,683
Total Assets	3,395,885,025	75,085,048	272,064,942	\$ 43,826,805
<b>LIABILITIES</b>				
Accounts Payable	3,213,919	47,491	1,070,930	\$ -
Accrued Payroll	63,780	-	-	-
Securities Lending Collateral	236,777,798	7,415,027	-	-
Intergovernmental Payable	-	-	-	19,281,172
Due to Other Funds	122,100	-	-	-
Due to Fiduciary Funds	105,345	-	-	-
Amounts Held in Custody for Others	-	-	-	24,545,633
Deferred Revenue	63,535	-	-	-
Compensated Absences Payable	70,340	-	-	-
Total Liabilities	240,416,817	7,462,518	1,070,930	\$ 43,826,805
<b>NET ASSETS</b>				
Net Assets Held in Trust for:				
Pension Benefits	3,154,213,528	-	-	-
Other Employee Benefits	1,254,680	-	-	-
External Investment Pool Participants	-	67,622,530	-	-
Other Purposes	-	-	270,994,012	-
Total Net Assets Held in Trust	\$ 3,155,468,208	\$ 67,622,530	\$ 270,994,012	

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, 2005

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 57,549,799	\$ -	\$ -
Employee	58,556,186	-	-
From Participants	-	-	110,518,738
Remediation Settlement	-	-	26,500,000
Transfers from Other Funds	229,615	-	-
Transfers from Other Plans	83,194	-	-
Donations	-	-	2,491
Total Contributions	116,418,794	-	137,021,229
Investment Income:			
Net Increase in Fair Value of Investments	315,091,855	5,195,082	12,936,278
Interest and Dividends	76,379,094	1,233,977	4,385,008
Less Investment Expense	11,872,145	187,938	559
Net Investment Income	379,598,804	6,241,121	17,320,727
Securities Lending Activity:			
Securities Lending Income	4,345,287	121,260	-
Less Securities Lending Expense	3,739,974	110,858	-
Net Securities Lending Income	605,313	10,402	-
Repurchase Service Credit	7,966,366	-	-
Miscellaneous Income	536,476	-	-
Total Additions	505,125,753	6,251,523	154,341,956
<b>DEDUCTIONS</b>			
Benefits Paid to Participants	145,838,278	-	-
Refunds	10,082,145	-	-
Prefunded Credit Applied	4,193,687	-	-
Transfer to Other Plans	229,615	-	-
Payments in Accordance with Trust Agreements	-	-	52,298,892
Administrative Expenses	3,645,066	-	24,556
Total Deductions	163,988,791	-	52,323,448
Purchase of Units at Net Asset Value of \$1.00 Per Unit	-	15,052,438	-
Change in Net Assets Held in Trust for:			
Pension Benefits	340,953,645	-	-
Other Employee Benefits	183,317	-	-
External Investment Pool Participants	-	21,303,961	-
Other Purposes	-	-	102,018,508
Net Assets - Beginning of Year	2,814,331,246	46,318,569	168,975,504
Net Assets - End of Year	\$ 3,155,468,208	\$ 67,622,530	\$ 270,994,012

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, 2005

	BSC Foundation	CHAND	MISU Development Foundation	Municipal Bond Bank	ND Development Fund
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 412,277	\$ 2,248,085	\$ 55,422	\$ 2,566,000	\$ 1,490,986
Investments	-	-	-	-	11,725,000
Accounts Receivable - Net	555,085	2,658	60,876	-	-
Interest Receivable - Net	-	-	-	-	147,987
Due from Primary Government	456	-	-	-	-
Inventory	-	-	-	-	-
Loans and Notes Receivable - Net	-	-	-	-	3,165,473
Other Assets	3,894,580	-	-	-	-
Restricted Cash and Cash Equivalents	-	-	-	1,602,000	-
Restricted Investments	-	-	-	15,163,000	-
Restricted Interest Receivable - Net	-	-	-	3,404,000	-
Total Current Assets	4,862,398	2,250,743	116,298	22,735,000	16,529,446
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	-	-	-	-	-
Restricted Investments	3,308,644	-	-	315,424,000	-
Investments	7,475,840	-	10,782,610	-	859,898
Due from Primary Government	-	-	-	-	-
Loans and Notes Receivable - Net	-	-	-	-	3,992,604
Unamortized Bond Issuance Costs	-	-	-	1,246,000	-
Capital Assets:					
Land and Construction in Progress	1,202,875	-	-	-	-
Infrastructure - Net	-	-	-	-	-
Buildings and Equipment - Net	111,751	-	-	-	15,460
Total Noncurrent Assets	12,099,110	-	10,782,610	316,670,000	4,867,962
Total Assets	16,961,508	2,250,743	10,898,908	339,405,000	21,397,408
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable	51,792	2,104,145	11,002	34,000	18,426
Interest Payable	-	-	-	1,634,000	-
Intergovernmental Payable	-	-	-	110,000	-
Due to Primary Government	11,684	-	173,622	-	-
Other Deposits	-	-	-	-	-
Notes Payable	-	-	9,475	-	-
Capital Leases Payable	-	-	-	-	-
Bonds Payable	-	-	-	9,150,000	-
Deferred Revenue	-	181,657	-	-	-
Total Current Liabilities	63,476	2,285,802	194,099	10,928,000	18,426
Noncurrent Liabilities:					
Intergovernmental Payable	-	-	-	338,000	-
Notes Payable	-	-	12,006	6,053,000	-
Capital Leases Payable	-	-	-	-	-
Bonds Payable	-	-	-	142,010,000	-
Other Noncurrent Liabilities	1,352,683	-	57,414	-	-
Total Noncurrent Liabilities	1,352,683	-	69,420	148,401,000	-
Total Liabilities	1,416,159	2,285,802	263,519	159,329,000	18,426
<b>Net Assets</b>					
Invested in Capital Assets, Net of Related Debt	1,314,626	-	-	-	15,460
Restricted for:					
Debt Service	-	-	-	89,737,000	-
Loan Purposes	-	-	-	87,783,000	-
Other	13,209,885	-	8,665,785	-	-
Unrestricted	1,020,838	(35,059)	1,969,604	2,556,000	21,363,522
Total Net Assets	\$ 15,545,349	\$ (35,059)	\$ 10,635,389	\$ 180,076,000	\$ 21,378,982

The Accompanying Notes are an Integral Part of the Financial Statements



NDSU Development Foundation	NDSU Research and Technology Park	RE Arena Inc. UND Arena Services, Inc. & Affiliates	UND Aerospace Foundation	UND Alumni Association and UND Foundation	Non-Major	Total
\$ 1,734,571	\$ 356,102	\$ 200,603	\$ 985,317	\$ 589,462	\$ 4,430,776	\$ 15,069,601
-	-	-	-	-	-	11,725,000
3,661,350	-	1,163,977	179,200	1,934,927	1,116,890	8,674,963
-	-	-	-	-	-	147,987
36,865	-	309,089	37,821	248,551	-	632,782
-	-	219,257	141,805	-	-	361,062
-	-	-	-	-	-	3,165,473
627,486	584,176	146,847	28,610	1,646,280	1,491,408	8,419,387
-	-	-	-	-	-	1,602,000
-	-	-	-	-	-	15,163,000
-	-	-	-	-	-	3,404,000
6,060,272	940,278	2,039,773	1,372,753	4,419,220	7,039,074	68,365,255
3,951,804	1,443,786	703,286	-	-	1,529,440	7,628,316
7,693,137	-	-	-	39,492,163	-	365,917,944
77,269,048	-	-	474,400	84,256,361	23,990,183	205,108,340
-	-	-	1,936,742	12,205,000	-	14,141,742
-	-	-	-	-	-	3,992,604
-	-	37,813	-	-	-	1,283,813
925,866	-	-	996,393	-	291,450	3,416,584
-	494,808	-	35,740	-	-	530,548
3,351,296	22,386	103,854,409	6,574,378	3,253,373	1,119,975	118,303,028
93,191,151	1,960,980	104,595,508	10,017,653	139,206,897	26,931,048	720,322,919
99,251,423	2,901,258	106,635,281	11,390,406	143,626,117	33,970,122	788,688,174
228,201	1,359	1,419,428	795,588	273,196	840,437	5,777,574
-	-	-	-	-	-	1,634,000
-	13,813	-	-	-	-	123,813
300	-	78,327	108,599	422,762	282,711	1,078,005
520,513	-	-	-	-	750	521,263
2,908	-	30,639	573,255	13,551	46,825	676,653
-	-	-	33,916	-	-	33,916
81,809	-	250,000	-	343,819	-	9,825,628
357,918	-	1,670,713	145,011	-	-	2,355,299
1,191,649	15,172	3,449,107	1,656,369	1,053,328	1,170,723	22,026,151
-	224,839	-	-	-	-	562,839
22,765	-	41,361	3,126,955	700,000	596,205	10,552,292
-	-	-	1,936,743	-	-	1,936,743
1,469,820	-	7,000,000	-	12,261,849	-	162,741,669
6,360,181	-	-	-	17,217,287	870,641	25,858,206
7,852,766	224,839	7,041,361	5,063,698	30,179,136	1,466,846	201,651,749
9,044,415	240,011	10,490,468	6,720,067	31,232,464	2,637,569	223,677,900
4,277,162	258,542	96,604,409	3,906,300	3,253,373	768,395	110,398,267
-	-	-	-	-	-	89,737,000
-	-	-	-	-	-	87,783,000
75,615,313	2,024,251	703,286	-	95,689,553	26,395,727	222,303,800
10,314,533	378,454	(1,162,882)	764,039	13,450,727	4,168,431	54,788,207
\$ 90,207,008	\$ 2,661,247	\$ 96,144,813	\$ 4,670,339	\$ 112,393,653	\$ 31,332,553	\$ 565,010,274

The Accompanying Notes are an Integral Part of the Financial Statements

## STATE OF NORTH DAKOTA

### Combining Statement of Activities Component Units-Proprietary Funds For the Fiscal Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
BSC Foundation	\$ 900,165	\$ 105,741	\$ 1,294,111	\$ 499,687
CHAND	10,773,190	10,012,347	357,491	(403,352)
MISU Development Foundation	807,325	-	994,692	187,367
Municipal Bond Bank	9,251,000	916,000	25,015,000	16,680,000
ND Development Fund	682,376	622,157	218,931	158,712
NDSU Development Foundation	8,855,494	823,544	13,350,300	5,318,350
NDSU Research and Technology Park	341,073	115,255	473,902	248,084
RE Arena, Inc., UND Areana Services & Affiliates	17,375,750	10,604,109	1,071,534	(5,700,107)
UND Areospace Foundation	5,670,365	5,934,702	29,785	294,122
UND Alumni Association & UND Foundation	11,499,996	2,265,161	9,371,730	136,895
Nonmajor Component Units	5,664,742	887,727	8,150,545	# 3,373,530
Total Component Units	<u>\$ 71,821,476</u>	<u>\$ 32,286,743</u>	<u>\$ 60,328,021</u>	<u>\$ 20,793,288</u>

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<b>General Revenues</b>					
<b>Payments from</b>	<b>Additions to</b>	<b>Change</b>	<b>Net Assets</b>	<b>Net Assets</b>	
<b>State of</b>	<b>Permanent</b>	<b>in</b>	<b>Beginning</b>	<b>End</b>	
<b>North Dakota</b>	<b>Endowments</b>	<b>Net Assets</b>	<b>of Year</b>	<b>of Year</b>	
\$ -	\$ 1,682,020	\$ 2,181,707	\$ 13,363,642	\$ 15,545,349	
-	-	(403,352)	368,293	(35,059)	
-	102,850	290,217	10,345,172	10,635,389	
-	-	16,680,000	163,396,000	180,076,000	
500,000	-	658,712	20,720,270	21,378,982	
-	6,930,031	12,248,381	77,958,627	90,207,008	
-	-	248,084	2,413,163	2,661,247	
-	-	(5,700,107)	101,844,920	96,144,813	
-	-	294,122	4,376,217	4,670,339	
-	4,390,306	4,527,201	107,866,452	112,393,653	
-	2,346,939	5,720,469	25,612,084	31,332,553	
<u>\$ 500,000</u>	<u>\$ 15,452,146</u>	<u>\$ 36,745,434</u>	<u>\$ 528,264,840</u>	<u>\$ 565,010,274</u>	

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# STATE OF NORTH DAKOTA

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## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2005

### 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, 2005, and their report dated August 17, 2005, 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 nonprofit 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 **NDSU Research Foundation** is considered a blended component unit. Although it is a legally separate, nonprofit 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, 2005, and their report dated August 19, 2005, 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.

#### *MAJOR COMPONENT UNITS*

**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, 2004, and their report dated February 18, 2005, 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, 2004, and their report dated January 26, 2005, 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, 2005, and their report dated August 3, 2005, 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, 2005, and their report dated August 25, 2005, 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, 2005, and their report dated September 8, 2005, has been previously issued under separate cover.

The **Bismarck State College Foundation** is a legally separate, tax-exempt organization providing support and recognition to BSC through a variety of programs. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the college. The Foundation is managed by a 75-member board of directors comprised of leading citizens, both alumni and friends of the college, as well as seven ex-officio members that are officers/employees of BSC. The Foundation was audited by other independent auditors for the fiscal year ended June 30, 2005, and their report dated July 29, 2005, has been previously issued under separate cover.

**Minot State University Development Foundation** was incorporated in 1978 exclusively for the benefit of Minot State University (MiSU). Its purpose is to establish, promote and stimulate voluntary financial support for the benefit of the university, especially in the building of endowment and in addressing the long-term priorities of the university. The Foundation is managed by a board of directors comprising 13 voting members, two of who are ex-officio appointments from the Board of Regents and the Alumni Association, and three ex-officio members who are employees of MiSU. The Foundation was audited by other independent auditors for the fiscal year ended June 30, 2005, and their report dated October 12, 2005, has been previously issued under separate cover.

**North Dakota State University Development Foundation** is an incorporated, nonprofit organization developed solely for the benefit of NDSU. The Foundation is approved by the IRS as a charitable, tax-exempt organization and designated by the university as the repository for private giving to the university. Their

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purpose is to raise, manage, and disburse contributions for the benefit of NDSU. The Foundation is managed by a 61-member board of trustees comprised of leading citizens, both alumni and friends of the university, as well as three ex-officio members: the president of NDSU and the president and vice president of the Alumni Association. The Foundation was audited by other independent auditors for the fiscal year ended June 30, 2005, and their report dated August 19, 2005, has been previously issued under separate cover.

**Alumni Association of the University of North Dakota and UND Foundation** - The Alumni Association of the University of North Dakota was incorporated in 1915 for the purpose of (1) keeping classmates in contact with each other, (2) keeping graduates and former students informed of happenings at UND, and (3) involving the graduates, former students, and special friends in the ongoing growth and development of UND. UND Foundation was incorporated in 1978 to replace the Alumni Association Development Fund and is the umbrella organization for alumni and private support for the total University of North Dakota. These two legally separate nonprofit corporations have the same board of directors and the same executive vice president, but different board presidents and vice presidents. The board of directors consists of 21 voting members who are alumni of UND and three ex-officio members that are officers of UND. The Alumni Association and the Foundation were audited by other independent auditors for the fiscal year ended June 30, 2005, and their report dated October 7, 2005, has been previously issued under separate cover.

**RE Arena, Inc., UND Arena Services, Inc., Arena Holdings Charitable LLC and Affiliates** are related organizations with common board of directors and management organized in 2003 for the benefit of UND. These organizations operate and maintain a multipurpose sports and entertainment arena in Grand Forks, ND. The arena is used primarily for UND athletics and activities. UND Sports Facilities, Inc. is the sole member of Arena Holdings Charitable LLC. RE Arena, Inc. conducts the day-to-day operations of the arena as an agent for Arena Holdings. Affiliates of RE Arena market products and services and operate the 2005 World Juniors Hockey Tournament. UND Arena Services, Inc. is the legal manager of Arena Holdings. These organizations were audited by other independent auditors for the fiscal year ended May 31, 2005, and their combined report dated September 2, 2005, has been previously issued under separate cover.

### *NONMAJOR COMPONENT UNITS*

**Dickinson State University Foundation, Inc.** was organized in 1952 as a nonprofit corporation to provide an avenue through which alumni and friends of the university may contribute financially to the university. Gifts, grants, and bequests to the Foundation benefit present and future students by providing scholarship assistance and the funding of special projects not

available through other funding sources. The Foundation is managed by a 26-member board of directors comprised of leading citizens, both alumni and friends of DSU, as well as two ex-officio members that are officers/employees of DSU. The Foundation was audited by other independent auditors for the fiscal year ended June 30, 2005, and their report dated August 29, 2005, has been previously issued under separate cover.

**Lake Region Community College Foundation** was established in 1959 to provide a permanent structure through which support for Lake Region State College could be channeled. The work and the resources of the Foundation are managed by a 27-member board of directors elected by the Foundation membership to serve three-year terms. The Foundation was audited by other independent auditors for the fiscal year ended June 30, 2005, and their report dated September 23, 2005, has been previously issued under separate cover.

**Mayville State University Foundation** was established to act primarily as a fund-raising organization to supplement the resources that are available to Mayville State University (MaSU). The Foundation is managed by a 29-member board of directors comprised of leading citizens, both alumni and friends of the university, as well as three ex-officio members that are officers/employees of MaSU. The **Comet Athletic Club**, a legally separate nonprofit organization, operates as an entity within the Foundation. The Club's purpose is to promote, support, and encourage interest and participation in MaSU sports. Their financial activity is reflected in the Foundation's financial statements.

**Minot State University-Bottineau Development Foundation and Logrollers** are separate legal entities that were established to act primarily as fund-raising organizations to supplement the resources that are available to MiSU-B. The Foundation and Logrollers are managed by the same eight-member board of directors comprised of leading citizens, both alumni and friends of the college, as well as one ex-officio member that is an officer of MiSU-B. However, each entity has separate committees that direct each organization's activities. The Foundation and Logrollers were audited by other independent auditors for the fiscal year ended June 30, 2005, and their combined report dated August 22, 2005, has been previously issued under separate cover.

**North Dakota State College of Science Foundation** was established to act primarily as a fund-raising organization to supplement the resources that are available to NDSCS. The Foundation is managed by a 13-member board of directors comprised of leading citizens, both alumni and friends of the college, as well as three ex-officio members that are officers/employees of NDSCS. The Foundation was audited by other independent auditors for the fiscal year ended June 30, 2005, and their report dated October 13, 2005, has been previously issued under separate cover.



**Valley City State University Foundation** was established to support Valley City State University by involving alumni and friends of the university in activities and private giving that meet the university's needs and advance its welfare. The Foundation is managed by a 19-member board of directors comprised of leading citizens, both alumni and friends of the university, and one director each from the Alumni Association, V-500, Booster Board and Regents, as well as two ex-officio members that are officers of VCSU.

**Williston State College Foundation** was established to act primarily as a fund-raising organization to supplement the resources that are available to WSC. The Foundation is managed by an 11-member board of directors comprised of leading citizens, both alumni and friends of the college.

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

Building Authority  
600 E. Boulevard Ave., 14<sup>th</sup> 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  
1735 NDSU Research Park Drive  
Fargo, ND 58105-5014

Comprehensive Health Association  
4510 13<sup>th</sup> Avenue SW  
Fargo, ND 58108

Municipal Bond Bank  
700 East Main Avenue  
Bismarck, ND 58501

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

North Dakota State University Research and Technology Park, Inc.  
1735 NDSU Research Park Drive  
Fargo, ND 58105-5014

University of North Dakota Aerospace Foundation  
PO Box 9023  
Grand Forks, ND 58202-9023

Bismarck State College Foundation  
PO Box 5587  
Bismarck, ND 58506-5587

Minot State University Development Foundation  
500 University Avenue West  
Minot, ND 58707

North Dakota State University Development Foundation  
PO Box 5144  
Fargo, ND 58105

Alumni Association of the University of North Dakota  
PO Box 8157  
Grand Forks, ND 58202

Ralph Engelstad Arena, Inc., UND Arena Services, Inc., Arena Holdings Charitable LLC and Affiliates  
One Ralph Engelstad Arena Drive  
Grand Forks, ND 58203

Dickinson State University Foundation, Inc.  
Dickinson State University  
Dickinson, ND 58601

Lake Region Community College Foundation  
1801 College Drive North  
Devils Lake, ND 58301-1598

Mayville State University Foundation  
330 3rd Street NE  
Mayville, ND 58257

Minot State University-Bottineau Development Foundation and Logrollers  
105 Simrall Boulevard  
Bottineau, ND 58318

North Dakota State College of Science Foundation  
800 Sixth Street North  
Wahpeton, ND 58076-0002

Valley City State University Foundation  
101 College Street SW  
Valley City, ND 58072

Williston State College Foundation  
PO Box 1286  
Williston, ND 58802-1286

## **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.

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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 that 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 liabilities of the current period.

Major revenues that are determined to be susceptible to accrual include interest, federal grants-in-aid, and taxpayer-assessed taxes such as income, sales, corporate, excise, motor fuel taxes and unemployment compensation contributions. 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 Workforce Safety & Insurance 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, ND Association of Counties, and City of Fargo Fargodome 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

# STATE OF NORTH DAKOTA

governments. Examples include student donations, the State's college savings plan, and a remediation trust.

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 2005, the second year of the 2003-2005 biennium, there were general and federal fund supplemental appropriations of \$183,700,061.

For the biennium ended June 30, 2005, the following departments had expenditures that exceeded appropriations at the line item level (the legal level of budgeting control) by the following amounts:

<u>Department</u>	<u>Line Item Level</u>	<u>Amount</u>
Public Instruction	Operating Expenses	\$ 450,172
Game and Fish	Grants – Game and Fish	92,572
Protection and Advocacy	General Fund Funding Authority	803

All three departments overspent their line item level of authority due to unexpected costs that were incurred near the end of the biennium.

## **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, 2005.

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 \$859,898 at June 30, 2005. 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 116 days; however, the average term of loans for the Land Department is 55 days.

Cash open collateral is invested in a short-term investment pool, the Core USA Collateral Section, which had an interest sensitivity of twenty-eight days and twenty-four days for the Land Department 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.

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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 AND PREPAID ITEMS**

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. Inventories consist of food, books, and other merchandise held for resale in auxiliaries and unrestricted physical plant supplies.

Federal fund inventories of commodities and vaccines totaling \$2,900,815 are recorded as inventory and deferred revenue on the Government-wide Statement of Net Assets.

Prepaid items reflect payments for costs applicable to future accounting periods.

Other government fund inventories and prepaid items 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 statewide 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:

<u>Assets</u>	<u>Years</u>
Buildings	10-50
Infrastructure	10-50
Furniture, Automobiles, and Equipment	3-20

## **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 is 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

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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 estimated cost of sick leave as a liability after an employee has been employed by the State for six consecutive years.

### **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 government-wide financial statements, revenues are reported by source and 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 PRINCIPLE**

GASB Statement No. 40, "*Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*," was implemented for the fiscal year ended



June 30, 2005. Statement No. 40 revises the existing requirements regarding disclosure of custodial credit risk as required by Statement No. 3 and establishes new

requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

## NOTE 2 – RESTATEMENTS

The following changes to beginning fund equity (due to correction of errors) as previously reported, is summarized in the following table (expressed in thousands):

	Government-wide Governmental Activities	Government-wide Business-type Activities	Nonmajor Governmental Funds	University System	Internal Service Funds
June 30, 2004, fund balance/net assets, as previously reported	\$ 2,307,770	\$ 1,577,935	\$ 433,687	\$ 638,275	\$ 59,454
Prior period adjustment: Correction of error	3,699	1,713	3,243	1,713	456
June 30, 2004, fund balance/net assets, as restated	<u>\$ 2,311,469</u>	<u>\$ 1,579,648</u>	<u>\$ 436,930</u>	<u>\$ 639,988</u>	<u>\$ 59,910</u>

### CORRECTION OF ERRORS

The beginning net assets of the Government-wide Governmental Activities and Transportation Fund, a nonmajor governmental fund, were restated by \$3,242,602. There was an error in recording revenues in the same fiscal year as the expenditures incurred.

The beginning net assets of the Government-wide Governmental Activities and Information Technology Department Fund, an internal service fund, were restated by \$456,171. There was an error in not recognizing certain revenue in the proper fiscal year.

The beginning net assets of the Government-wide Business-type Activities and University System were restated by \$1,712,763. There was an error due to under accrual of revenue.

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 State does not have a formal policy that addresses custodial credit risk for deposits.

At June 30, 2005, the bank balance of the primary government’s deposits was \$225,380,680. Of the bank amount, \$185,069,968 was uncollateralized and uninsured.

There were significant concentrations of uninsured and uncollateralized deposits in the Bank of North Dakota, Housing Finance, and University System at June 30, 2005. Their uninsured and uncollateralized deposits totaled \$149.5 million, \$24.6 million, and \$8.9 million, and their bank deposits totaled \$150.2 million, \$47.4 million, and \$9.9 million, respectively.

At June 30, 2005, the bank balance of the component units’ deposits was \$28,042,210. Of the bank amount, \$7,437,551 was uncollateralized and uninsured.

## NOTE 3 - DETAILED NOTES ON ACCOUNT BALANCES

### **A. DEPOSITS**

#### CUSTODIAL CREDIT RISK

The State minimizes custodial credit risk by restrictions set forth in state statute. Custodial credit risk is risk associated with the failure of a depository financial institution. In the event of a depository financial institution’s failure the State would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties.

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

Included in the internal receivable amount in the governmental activities column in the Statement of Net Assets is \$619,611,174 of Cash and Investments at the Bank of North Dakota for governmental activities. The internal payable amount in the business-type activities column includes \$411,096,657 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,

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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, Workforce Safety & Insurance Fund, and other specific funds. The Century Code states the SIB shall apply the prudent investor rule in investing funds under its supervision. The retirement funds belonging to the teachers' fund for retirement and the public employees retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives.

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.

Agency investments, of the primary government, under management of the State Investment Board are included below with the Pension and Investment Trust funds.

## INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates. The State does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates. However, North Dakota Housing Finance's respective bond resolutions permit only investments that will not adversely affect the rating quality of the outstanding bonds. Also, the maturity date or the date on which such investment obligations may be redeemed shall coincide as nearly as practicable with the date or dates on which moneys in the funds or accounts for which the investments were made will be required. The Bank of North Dakota's investment policy provides for a duration range of one to five years, which will serve to decrease interest rate risk.

At June 30, 2005, the following table shows the debt securities of the primary government and major component units by investment type and maturity (expressed in thousands).

**Primary Government (includes Pension and Investment Trust Funds)**

Investment Type	Total Market Value	Less Than 1 Year	1 - 6 Years	6 - 10 Years	More Than 10 Years
Asset Backed Securities	\$ 28,804	\$ 13,506	\$ 2,806	\$ 191	\$ 12,301
Commercial Mortgage-Backed	18,331	14,404	493	-	3,434
Corporate Bonds	748,307	26,159	364,985	213,176	143,987
Corporate Convertible Bonds	82,997	737	58,966	784	22,510
Government Agencies	185,099	49,173	111,605	16,714	7,607
Government Bonds	296,477	32,072	157,269	42,767	64,369
Government Mortgage-Backed	230,925	1	206,120	112	24,692
Index-Linked Government Bonds	163,490	6,111	68,674	48,898	39,807
Municipal/Provincial Bonds	50,860	41,983	6,052	1,495	1,330
Non-Government-Backed CMOs	14,557	-	4,346	16	10,195
Short Term Bills and Notes	11,638	11,638	-	-	-
Short Term Investment Funds	10,260	10,260	-	-	-
Pooled Investments	291,589	104	64,272	82,944	144,269
Total Debt Securities	<u>\$ 2,133,334</u>	<u>\$ 206,148</u>	<u>\$ 1,045,588</u>	<u>\$ 407,097</u>	<u>\$ 474,501</u>

The market values of inflation-indexed bonds are reflected in the columns above, based on their stated maturity dates. The principal balances of these bonds are adjusted every six months based on the inflation index for that period.

Some investments are more sensitive to interest rate changes than others. Variable and floating rate collateralized mortgage obligations (CMO's), asset-backed securities (ABS), interest-only and principal-only securities are examples of investments whose fair values may be highly sensitive to interest rate changes. Interest-only (IO) and principal-only (PO) strips are transactions which involve the separation of the interest and principal components of a security. They are highly sensitive to prepayments by mortgagors, which may result from a decline in interest rates. The State has no policy regarding IO or PO strips.

**Major Component Units**

	Total Market Value	Less Than 1 Year	1 - 6 Years	6 - 10 Years	More Than 10 Years
US Treasuries	\$ 536	\$ 10	\$ 395	\$ 19	\$ 112
Corporate Bonds	2,593	412	1,329	753	99
State and Municipal Bonds	82	-	-	69	13
Mutual Bond Funds	27,729	111	-	10,148	17,470
FNMA	196	-	30	166	-
FHLMC	1,294	-	250	454	590
Total Debt Securities	<u>\$ 32,430</u>	<u>\$ 533</u>	<u>\$ 2,004</u>	<u>\$ 11,609</u>	<u>\$ 18,284</u>

**CREDIT RISK**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State does not have an investment policy that specifically addresses credit risk. The State Investment Board maintains a highly diversified portfolio of debt securities encompassing a wide range of credit ratings. Each debt securities manager is given a specific set of guidelines to invest within, based on the mandate for which it was hired. The guidelines specify in which range of credit the manager may invest. These ranges include investment grade and high yield categories. The Bank of North Dakota's investment policy provides minimum credit quality ratings for its investments and asset allocation ranges for investments as a percentage of the total portfolio.

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As of June 30, 2005, the following tables present the debt securities of the primary government and major component

### Primary Government (includes Pension and Investment Trust Funds)

S & P Credit Rating	Total Market Value	Asset Backed Securities	Commercial Mortgage Backed	Corporate Bonds	Corporate Convertible Bonds
AAA	\$ 885,022	\$ 17,612	\$ 13,507	\$ 46,362	\$ 2,328
AA+	73,145	-	-	172	-
AA	8,858	39	-	5,619	-
AA-	11,072	-	-	10,819	-
A+	46,694	-	-	41,672	4,600
A	65,581	-	-	56,543	1,759
A-	70,725	317	-	57,302	7,975
BBB+	103,273	269	-	90,008	7,996
BBB+	98,766	642	-	79,257	6,791
BBB-	62,866	-	-	54,722	4,962
BB+	55,813	1,059	-	47,395	7,359
BB	33,171	244	-	31,496	1,157
BB-	50,961	457	-	39,062	3,026
B+	33,006	-	-	29,684	3,322
B	34,750	266	-	30,051	4,433
B-	47,575	2,454	-	41,161	3,960
CCC+	9,728	-	-	9,344	384
CCC	6,505	205	-	5,530	770
CCC-	4,839	38	-	4,801	-
CC	88	-	-	3	85
C	325	-	-	325	-
NR	191,182	5,202	3,013	66,979	22,090
Total Credit Risk Debt Securities	1,823,945	\$ 28,804	\$ 16,520	\$ 748,307	\$ 82,997
US Gov't & Agencies	239,389				
Total Debt Securities	\$ 2,133,334				

units, and their respective ratings (expressed in thousands).

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## Major Component Units

S & P Credit Rating	Total Market Value	Corporate Bonds	State and Municipal Bonds	Mutual Bond Funds	FNMA	FHLMA
AAA	\$ 1,875	\$ 453	\$ 82	\$ -	\$ 171	\$ 1,169
AA+	67	67	-	-	-	-
AA	245	25	-	220	-	-
AA-	176	176	-	-	-	-
A+	662	607	-	55	-	-
A	382	382	-	-	-	-
A1	211	-	-	211	-	-
Aa3	10,334	-	-	10,334	-	-
A-	258	258	-	-	-	-
BB+	196	196	-	-	-	-
BB	41	41	-	-	-	-
BB-	147	147	-	-	-	-
B+	215	215	-	-	-	-
NR	17,085	25	-	16,909	26	125
Total Credit Risk						
Debt Securities	31,894	\$ 2,592	\$ 82	\$ 27,729	\$ 197	\$ 1,294
US Treasuries	536					
Total Debt Securities	\$ 32,430					

## CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State does not have an investment policy that specifically addresses concentrations of credit risk in a single issuer.

The Bank of North Dakota had the following concentrations at June 30, 2005 (expressed in thousands):

	Amount	Percent
Federal Agency		
Federal Home Loan Bank	\$ 34,911	13.8%
Freddie Mac	15,428	6.1%
Mortgage-backed		
Fannie Mae	67,150	26.5%
Freddie Mac	34,451	13.6%
Federal home Loan Bank	30,280	12.0%
State and Municipal		
North Dakota Student Loan Trust	24,000	9.5%
Federal Home Loan Bank Stock	21,785	8.6%

## FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Although the State Investment Board does not have a formal investment policy governing foreign currency risk, the board does manage its exposure to fair value loss by requiring their international securities investment managers to maintain diversified portfolios to limit foreign currency and security risk. The Board of University and School Lands treats currency exposure in two different ways, depending on the type of investment. For the Board's international equity portfolio, the currency exposure is not hedged, as currency exposure is one of the things that add diversity to the overall portfolio. For foreign bonds, the Board fully hedges the currency exposure, as the purpose of this portfolio is to generate income for distribution to trust beneficiaries. The board does not have a formal policy regarding foreign currency risk.

At June 30, 2005, foreign currency risk exposure on investments managed by the Board of University and School Lands and State Investment Board were as follows (expressed in thousands).

**Primary Government (includes Pension and Investment Trust Funds)**

Currency	Short-Term	Debt	Equity	Total
Australian dollar	\$ (12,500)	\$ 9,057	\$ 18,814	\$ 15,371
Brazilian real	3,804	-	-	3,804
British pound sterling	(22,964)	3,161	109,098	89,295
Canadian dollar	(5,338)	10,115	6,214	10,991
Colombian peso	-	-	-	-
Danish krone	(840)	7	3,979	3,146
Euro	(68,112)	10,941	184,886	127,715
Hong Kong dollar	(1,778)	11	8,446	6,679
Japanese yen	(33,450)	-	116,921	83,471
Mexican peso	(62)	3,443	-	3,381
New Zealand dollar	(2,681)	3,008	152	479
Norwegian krone	(1,320)	32	5,089	3,801
Polish zloty	-	5,302	-	5,302
Singapore dollar	(1,734)	4,189	3,689	6,144
South African rand	(18)	-	249	231
Swedish krona	(2,132)	-	12,142	10,010
Swiss franc	(17,292)	-	41,781	24,489
Thai baht	1,397	-	-	1,397
International commingled funds (various currencies)	-	71,484	293,489	364,973
Total international investment securities	\$ (165,020)	\$ 120,750	\$ 804,949	\$ 760,679

**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, 2005, the State had reverse repurchase agreements of \$10,825,000 included in securities lending collateral on the statement of net assets. The highest month end balance for the previous year was \$30,765,000, with an average daily balance of \$11,330,000. The weighted average interest rate as of year end was 2.05 percent. The weighted average interest rate paid during the year was 1.21 percent. The fair value of these securities at June 30, 2005, was \$10,825,000.

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## D. RECEIVABLES

Receivables at June 30, 2005, consist of the following (expressed in thousands):

	General	Federal	School Permanent Trust Fund	Other Governmental Funds	Bank of North Dakota	Housing Finance
<b>Receivables:</b>						
Accounts	\$ 5,224	\$ 6,454	\$ 5,426	\$ 30,170	\$ -	\$ 748
Less Allowance	(695)	-	-	(6,761)	-	-
Taxes	135,798	-	469	48,303	-	-
Less Allowance	(7,824)	-	-	(1,394)	-	-
Interest	9	-	5,483	1,903	15,724	2,997
Less Allowance	-	-	-	(633)	-	-
Current Loans and Notes	87	47	21,167	75,818	223,980	10,534
Less Allowance	(22)	-	-	(4,343)	-	-
Noncurrent Loans and Notes	-	-	-	-	1,197,140	522,526
Less Allowance	-	-	-	-	(25,927)	-
Net Receivables	<u>\$ 132,577</u>	<u>\$ 6,501</u>	<u>\$ 32,545</u>	<u>\$ 143,063</u>	<u>\$ 1,410,917</u>	<u>\$ 536,805</u>

## E. INTERFUND ACCOUNTS AND TRANSFERS

### DUE FROM OTHER FUNDS/DUE TO OTHER FUNDS

Interfund balances at June 30, 2005, consist of the following (expressed in thousands):

Due To General Fund From:	
Federal Fund	\$ 55,419
Nonmajor Governmental Funds	9,144
Nonmajor Enterprise Funds	5,840
All Others	538
Total Due To General Fund	<u>\$ 70,941</u>
Due To Federal Fund From:	
General Fund	\$ 14,816
Nonmajor Governmental Funds	8,005
All Others	3,301
Total Due To Federal Fund	<u>\$ 26,122</u>
Due To Internal Service Funds From:	
General Fund	\$ 1,837
Nonmajor Governmental Funds	1,375
All Others	1,477
Total Due To Internal Service Funds	<u>\$ 4,689</u>

Due To School Permanent Trust Fund From:

Nonmajor Enterprise Funds	\$ 3,394
All Others	717
Total Due To School Permanent Trust Fund	<u>\$ 4,111</u>

Included in the Nonmajor Enterprise Funds is an advance from the Developmentally Disabled Fund for \$3,393,800. This is not expected to be repaid within one year.

Due To Nonmajor Governmental Funds From:

General Fund	\$ 51,155
Federal Fund	17,938
All Others	2,772
Total Due To Nonmajor Governmental Funds	<u>\$ 71,865</u>

Due To Bank of North Dakota From:

Nonmajor Governmental Funds	\$ 17,177
University System	10,479
Nonmajor Enterprise Funds	9,478
All Others	76
Total Due To Bank of North Dakota	<u>\$ 37,210</u>

Due To University System From:

General Fund	\$ 2,579
Nonmajor Governmental Funds	1,771
Component Units	1,078
All Others	236
Total Due To University System	<u>\$ 5,644</u>



## Notes To The Financial Statements

University System	Workforce Safety & Insurance	Other Enterprise Funds	Internal Service Funds	Fiduciary Funds	Major Component Units	Total
\$ 13,484	\$ 26,639	\$ 43,768	\$ 751	\$ 6,085	\$ 7,558	\$ 146,307
(952)	(4,500)	(5,409)	-	-	-	(18,317)
-	-	-	-	9,999	-	194,569
-	-	-	-	(450)	-	(9,668)
-	8,668	5,933	59	11,756	3,552	56,084
-	-	-	-	-	-	(633)
6,858	-	44,628	-	-	3,165	386,284
(558)	-	-	-	-	-	(4,923)
39,930	-	132,629	-	-	10,119	1,902,344
(2,974)	-	(1,796)	-	-	(6,126)	(36,823)
<u>\$ 55,788</u>	<u>\$ 30,807</u>	<u>\$ 219,753</u>	<u>\$ 810</u>	<u>\$ 27,390</u>	<u>\$ 18,268</u>	<u>\$ 2,615,244</u>

Due To Component Units From:

University System

\$ 14,737

All Others

38

Total Due To Component Units

\$ 14,775

Due To All Other Funds From:

All Other

\$ 1,377

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, 2005.

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

<b>Due From's</b>	<b>\$ 236,754</b>
Differences:	
Bank of ND/General Fund	19,475
Bank of ND/Housing Finance	22,140
Mill & Elevator/Bank of ND	(1,000)
University System/Bank of ND	(5,859)
Bank of ND/Internal Service Funds	192
Student Loan Trust/Bank of ND	(29)
Developmentally Disabled Loan Fund/ School Permanent Trust Fund	(784)
Emergency Management/Bank of ND	(6,126)
Guaranteed Student Loan/Bank of ND	1,768
Water Commission/Bank of ND	(11,051)
Component Units/University System	(14,439)
Bank of ND/Governmental Agencies	1,600
Bank of ND/Fiduciary Funds	(595)
Total Differences	<u>5,292</u>
<b>Due To's</b>	<u><b>\$ 242,046</b></u>

# STATE OF NORTH DAKOTA

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, 2005, follows (expressed in thousands):

	Transfers In					
	General	Federal	Non-major Governmental	University System	Non-major Enterprise	Total
<b>Transfers Out</b>						
General	\$ -	\$ 21	\$ 53,684	\$ 209,960	\$ 186	\$ 263,851
Federal	3	-	47,244	-	-	47,247
School Permanent Trust Fund	-	-	30,780	1,485	-	32,265
Non-major Governmental	30,266	182	92,169	7,207	896	130,720
Bank of North Dakota	34,216	-	-	-	-	34,216
Housing Finance	-	-	25	-	-	25
University System	-	-	6,216	-	-	6,216
Non-major Enterprise	12,138	-	289	367	-	12,794
<b>Total</b>	<b>\$ 76,623</b>	<b>\$ 203</b>	<b>\$ 230,407</b>	<b>\$ 219,019</b>	<b>\$ 1,082</b>	<b>\$ 527,334</b>

(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, 2005, transfers of excess profits of \$30 million were made from the Bank of North Dakota as well as legislatively-mandated transfers of \$2 million, \$17.9 million, \$1.3 million, and \$5 million from Land and Mineral's Trust, Health Care Trust, Bonding Fund, and Mill and Elevator, respectively, to the General Fund.

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

<b>Transfers In</b>	<b>\$ 523,758</b>
Differences:	
General Fund/Bank of ND	4,031
Human Services/ Developmentally Disabled Loan Fund	116
Industrial Commission/Bank of ND	(71)
Beginning Farmer/Ag PACE	(500)
Total Differences	<u>3,576</u>
<b>Transfers Out</b>	<b>\$ 527,334</b>

The above timing differences of \$3,575,557 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, 2004	Increases	Decreases	Balance June 30, 2005
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 43,280	\$ 941	\$ (13)	\$ 44,208
Construction in Progress	207,068	114,203	(33,240)	288,031
Total Capital Assets Not Being Depreciated	250,348	115,144	(33,253)	332,239
Capital Assets Being Depreciated:				
Buildings and Improvements	354,102	17,204	(210)	371,096
Equipment	190,542	33,150	(12,353)	211,339
Infrastructure	2,901,043	36,824	(76)	2,937,791
Total Capital Assets Being Depreciated	3,445,687	87,178	(12,639)	3,520,226
Less Accumulated Depreciation for:				
Buildings and Improvements	(147,729)	(7,150)	127	(154,752)
Equipment	(98,778)	(15,471)	8,585	(105,664)
Infrastructure	(2,298,761)	(69,747)	53	(2,368,455)
Total Accumulated Depreciation	(2,545,268)	(92,368)	8,765	(2,628,871)
Total Capital Assets Being Depreciated, Net	900,419	(5,190)	(3,874)	891,355
Governmental Activities Capital Assets, Net	\$ 1,150,767	\$ 109,954	\$ (37,127)	\$ 1,223,594

Description	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Business-Type Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 18,565	\$ 375	\$ (543)	\$ 18,397
Construction in Progress	31,056	26,917	(32,264)	25,709
Total Capital Assets Not Being Depreciated	49,621	27,292	(32,807)	44,106
Capital Assets Being Depreciated:				
Buildings and Improvements	687,941	28,148	(235)	715,854
Equipment	316,364	42,139	(6,330)	352,173
Infrastructure	138,105	4,528	(4)	142,629
Total Capital Assets Being Depreciated	1,142,410	74,815	(6,569)	1,210,656
Less Accumulated Depreciation for:				
Buildings and Improvements	(307,499)	(16,446)	73	(323,872)
Equipment	(193,233)	(20,582)	6,345	(207,470)
Infrastructure	(50,698)	(3,777)	4	(54,471)
Total Accumulated Depreciation	(551,430)	(40,805)	6,422	(585,813)
Total Capital Assets Being Depreciated, Net	590,980	34,010	(147)	624,843
Business-Type Activities Capital Assets, Net	\$ 640,601	\$ 61,302	\$ (32,954)	\$ 668,949

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<u>Description</u>	<u>Balance July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2005</u>
Major Component Units:				
Capital Assets Not Being Depreciated				
Land	\$ 3,094	\$ 29	\$ -	\$ 3,123
Construction in Progress	<u>4,768</u>	<u>3</u>	<u>(4,768)</u>	<u>3</u>
Total Capital Assets Not Being Depreciated	<u>7,862</u>	<u>32</u>	<u>(4,768)</u>	<u>3,126</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	107,060	8,115	-	115,175
Equipment	14,888	889	(387)	15,390
Infrastructure	<u>657</u>	<u>-</u>	<u>-</u>	<u>657</u>
Total Capital Assets Being Depreciated	<u>122,605</u>	<u>9,004</u>	<u>(387)</u>	<u>131,222</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(3,148)	(5,550)	-	(8,698)
Equipment	(3,582)	(1,266)	164	(4,684)
Infrastructure	<u>(107)</u>	<u>(19)</u>	<u>-</u>	<u>(126)</u>
Total Accumulated Depreciation	<u>(6,837)</u>	<u>(6,835)</u>	<u>164</u>	<u>(13,508)</u>
Total Capital Assets Being Depreciated, Net	<u>115,768</u>	<u>2,169</u>	<u>(223)</u>	<u>117,714</u>
Business-Type Activities Capital Assets, Net	<u>\$ 123,630</u>	<u>\$ 2,201</u>	<u>\$ (4,991)</u>	<u>\$ 120,840</u>

Beginning capital asset balances were adjusted for certain reclassifications.

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

Governmental Activities:	
General Government	\$ 4,364
Education	278
Health and Human Services	3,852
Regulatory	137
Public Safety & Corrections	5,484
Agriculture and Commerce	134
Natural Resources	3,933
Transportation	<u>74,186</u>
Total Governmental Activities Depreciation Expense	<u>\$ 92,368</u>

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

## Project Description:

<u>Governmental Activities</u>	<u>Amount Authorized</u>	<u>Amount Expended Through June 30, 2005</u>	<u>Balance Authorized</u>
Water Commission	\$ 27,907	\$ 22,209	\$ 5,698
Adjutant General	11,418	5,419	5,999
Department of Transportation	317,747	259,775	57,972
Department of Corrections	564	34	530
Game and Fish	<u>1,752</u>	<u>594</u>	<u>1,158</u>
Total Governmental Activities	<u>\$ 359,388</u>	<u>\$ 288,031</u>	<u>\$ 71,357</u>

## Notes To The Financial Statements

<u>Business-Type Activities</u>	<u>Amount Authorized</u>	<u>Amount Expended Through June 30, 2005</u>	<u>Balance Authorized</u>
Mill and Elevator	\$ 7,677	\$ 1,696	\$ 5,981
University System	104,092	24,013	80,079
Total Business-Type Activities	<u>\$ 111,769</u>	<u>\$ 25,709</u>	<u>\$ 86,060</u>

<u>Major Component Units</u>	<u>Amount Authorized</u>	<u>Amount Expended Through June 30, 2005</u>	<u>Balance Authorized</u>
BSC Foundation	<u>\$ 11,000</u>	<u>\$ 3</u>	<u>\$ 10,997</u>

### 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, 2005, amounted to \$10,036,840 for governmental activities and \$5,641,708 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, 2005, for all fund types are as follows (expressed in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2006	\$ 5,820	\$ 4,798
2007	4,311	3,389
2008	874	1,915
2009	603	1,345
2010	404	435
2011-2015	1,115	1,325
2016-2020	111	15
Total Minimum Lease Payments	<u>\$ 13,238</u>	<u>\$ 13,222</u>

### 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 below lists the future minimum lease payments under these capital leases and the present value of the net minimum lease payments at June 30, 2005 (expressed in thousands):

## STATE OF NORTH DAKOTA

Year Ending June 30	Governmental Activities	Business- type Activities	Major Component Units
2006	\$ 1,248	\$ 7,560	\$ 126
2007	1,139	5,455	126
2008	827	4,826	126
2009	767	4,397	126
2010	763	4,039	126
2011-2015	2,288	11,268	632
2016-2020	-	6,586	632
2021-2025	-	4,990	632
2026-2030	-	1,292	632
2031-2035	-	-	443
Total Minimum Lease Payments	7,032	50,413	3,601
Less: Amount Representing Interest	(1,091)	(11,667)	(1,630)
Present Value of Future Minimum Lease Payments	<u>\$ 5,941</u>	<u>\$ 38,746</u>	<u>\$ 1,971</u>

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, 2005, is as follows (expressed in thousands):

	Governmental Activities	Business- Type Activities	Major Component Units
Infrastructure	\$ -	\$ 1,160	\$ -
Buildings	-	21,431	-
Equipment	7,565	18,086	1,978
Less: Accumulated Depreciation	(1,318)	(10,124)	(100)
Total	<u>\$ 6,247</u>	<u>\$ 30,553</u>	<u>\$ 1,878</u>

### 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, 2005, 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 2002 Series C Bonds have interest payable semiannually on February 15 and August 15 of each year. The 1998 Series A, B, and C Bonds, the 2000 Series A Bonds, the 2001 Series A Bonds, the 2002 Series A, B and D Bonds, and the 2003 Series A, B, and C 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, 2005, 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 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 was granted authority to issue bonds to finance various flood control and pipeline projects throughout the state of North Dakota. Authorized and unissued bonds totaled \$8,999,000 at June 30, 2005. Water development projects that will benefit from the financing are as follows:

Statewide Water Development Projects	\$ 7,000,000
Southwest Pipeline Project	1,999,000

Interest is payable semiannually on January 1 and July 1 of each year for the Series 1997 A and Series 2000 A Term Bonds, and February 1 and August 1 for the Series 2000 A, 2005 A, and 2005 B 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

Interest on the 2001 Series Bonds is payable semiannually on June 1 and December 1 of each year. The bonds maturing on December 1, 2011, are not subject to optional redemption prior to maturity, except under extraordinary circumstances.

Student Loan Trust

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 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 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 B Bonds at 100% of the principal amount plus accrued interest to date of redemption.

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 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

## STATE OF NORTH DAKOTA

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of the 1988 Series A Bonds at a redemption price of 103% on August 1, 1997.

The 1997 Series 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 B Bonds at a redemption price equal to 100% of the principal amount plus accrued interest to date of redemption. 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 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 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 early redemption of the 1998 Series 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 to the State of North Dakota Student Loan Revenue Bonds Second General Bond 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.

Interest is payable semiannually on June 1 and December 1 of each year. The 2004 Series A Bonds are variable rate bonds. The rate of interest is determined based on the one-month LIBOR plus .7%. The maximum rate of interest is 12% per annum. Details of the terms

and provisions of the variable rate bonds are outlined in Section 2.4 of the Second Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds First General Bond Resolution. The Series 2004 Bonds are subject to redemption prior to maturity at the option of the Commission from any source of funds, in whole or in part, on any date at a redemption price equal to 100% of the principal amount plus accrued interest to date of redemption.

Interest is payable semiannually on June 1 and December 1 of each year. The Subordinate Series 2004 Bonds are variable rate bonds. The rate of interest is determined based on the one-month LIBOR plus .7%. The maximum rate of interest is 12% per annum. Details of the terms and provisions of the variable rate bonds are outlined in Section 3.5 of the Third Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds First General Bond Resolution. The Subordinate Series 2004 Bonds are subject to redemption prior to maturity at the option of the commission from any source of funds, in whole or in part, on any date 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.

### **Major 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 6/30/05
<b>Primary Government</b>			
<u>Governmental:</u>			
Building Authority	2006-2023	2.00-5.60	\$ 85,708
Lignite Research	2006	5.75	1,910
Water Commission	2006-2044	2.50-5.75	110,661
Information Technology Department	2006-2014	4.28	5,961
<u>Proprietary:</u>			
State Fair	2006-2012	3.50-4.60	1,727
Student Loan Trust	2006-2036	2.50-7.25	148,650
Housing Finance:			
Multi-Family	2006-2024	5.05-6.85	7,965
Single-Family	2006-2036	1.45-6.50	597,165
University System:			
VCSU—Valley City	2006-2033	4.30-7.25	3,621
Williston State College	2006-2019	0-4.75	1,121
Lake Region State College	2006-2017	3.00-5.125	995
UND—Grand Forks	2006-2034	0-4.80	41,728
NDSU—Fargo	2006-2034	0-5.60	55,603
NDSCS—Wahpeton	2000-2016	0-5.50	2,119
MiSU—Minot	2006-2013	0-4.75	3,362
MiSU—Bottineau	2006-2012	4.30-6.90	171
MaSU—Mayville	2006-2018	3.00-5.38	3,076
DSU—Dickinson	2006-2019	0-5.90	1,131
BSC—Bismarck	2006-2030	3.40-6.10	4,714
NDUS – Univ. Sys. State Office	2006-2014	4.28	14,200
Total Revenue Bonds Payable— Primary Government			<u>\$ 1,091,588</u>
<b>Major Component Units</b>			
<u>Proprietary:</u>			
Municipal Bond Bank	2006-2028	2.00-10.00	\$ 151,160
NDSU Development Foundation	2006-2019	5.19	1,552
Arena Holdings Charitable LLC	2006-2031	3.93-4.00	7,250
UND Foundation	2006-2027	2.02-5.95	12,606
Total Revenue Bonds Payable— Major Component Units			<u>\$ 172,568</u>

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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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 10,591	\$ 8,007
2007	9,163	8,733
2008	10,391	8,300
2009	13,282	7,765
2010	12,495	7,426
2011-2015	56,486	27,762
2016-2020	45,610	15,844
2021-2025	31,302	6,636
2026-2030	7,634	1,395
2031-2035	1,710	798
2036-2040	1,757	354
2041-2045	532	50
Bond Premium	6,036	(6,036)
Deferred Amount On Refunding	(2,749)	2,749
Total	<u>\$ 204,240</u>	<u>\$ 89,783</u>

### Business-type Activities

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 85,697	\$ 34,485
2007	21,255	33,714
2008	22,098	32,831
2009	23,248	31,991
2010	24,004	32,453
2011-2015	123,702	141,922
2016-2020	107,343	115,449
2021-2025	115,475	89,388
2026-2030	170,885	51,651
2031-2035	102,360	18,138
2036-2040	91,489	1,229
Less Bond Discount	(208)	208
Total	<u>\$ 887,348</u>	<u>\$ 583,459</u>

### Major Component Units

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 9,826	\$ 7,564
2007	10,158	7,075
2008	10,431	6,565
2009	10,625	6,084
2010	11,005	5,604
2011-2015	53,982	20,944
2016-2020	46,854	9,571
2021-2025	16,028	2,048
2026-2030	4,278	339
2031-2035	56	3
Less Bond Discount	(675)	675
Total	<u>\$ 172,568</u>	<u>\$ 66,472</u>

## 2. NOTES PAYABLE

The following is a schedule of notes payable outstanding at June 30, 2005 (expressed in thousands):

<u>Fund Type/Fund</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Balance 6/30/05</u>
<b>Primary Government</b>			
<u>Governmental:</u>			
Job Service North Dakota	2006	3.57-5.68	\$ 333
Department of Corrections	2006-2015	4.59	788
Department of Human Services	2006-2014	4.24	4,492
<u>Proprietary:</u>			
Bank of North Dakota--Short Term (1)	2006	2.20	100,000
Bank of North Dakota--Long Term	2006-2022	2.98-7.35	336,593
University System	2006-2015	4.09-8.00	8,487
<b>Major Component Units</b>			
Municipal Bond Bank (2)	2019	2.84	6,053
UND Aerospace Foundation	2006-2009	3.50-6.00	3,700
MiSU Development Foundation	2006-2008	6.00	21
NDSU Development Foundation	2006-2013	2.77	26
UND Foundation	2006-2012	2.72-4.31	714
RE Arena Inc.	2006-2008	5.00	72

(1) The Bank of North Dakota issued short-term debt to fund loans on a short-term basis.

(2) 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

Business-type Activities

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 781	\$ 231	2006	\$ 161,597	\$ 18,562
2007	479	198	2007	21,046	15,819
2008	512	177	2008	12,244	14,959
2009	547	155	2009	92,342	10,330
2010	584	130	2010	7,996	8,963
2011 – 2015	2,710	246	2011 – 2015	74,172	32,111
Total	<u>\$ 5,613</u>	<u>\$ 1,137</u>	2016 – 2020	56,083	16,166
			2021-2025	19,600	2,250
			Total	<u>\$ 445,080</u>	<u>\$ 119,160</u>

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## Major Component Units

Fiscal Year	Principal	Interest
2006	\$ 630	\$ 397
2007	820	366
2008	2,001	261
2009	441	210
2010	295	195
2011 – 2015	3,865	1,067
2016 – 2020	2,534	322
Total	<u>\$ 10,586</u>	<u>\$ 2,818</u>

## Changes in General Long-Term Liabilities

Changes in Long-Term Liabilities for the year ended June 30, 2005, are summarized as follows (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Notes Payable	\$ 5,455	\$ 1,339	\$ (1,181)	\$ 5,613	\$ 780
Bonds Payable	146,384	89,304	(31,448)	204,240	10,591
Capital Leases Payable	1,132	5,231	(422)	5,941	991
Intergovernmental Payable	668	78	(627)	119	119
Compensated Absences	28,686	20,567	(20,745)	28,508	1,419
Claims/Judgments Payable	6,059	1,536	(2,611)	4,984	1,806
Total Long-Term Liabilities	<u>\$ 188,384</u>	<u>\$ 118,055</u>	<u>\$ (57,034)</u>	<u>\$ 249,405</u>	<u>\$ 15,706</u>
Business-Type Activities:					
Notes Payable—Short-Term	\$ 125,000	\$ 6,420,000	\$ (6,445,000)	\$ 100,000	\$ 100,000
Notes Payable—Long-Term	410,253	35	(65,208)	345,080	61,597
Bonds Payable	835,535	172,887	(121,072)	887,350	85,697
Capital Leases Payable	34,130	10,451	(5,835)	38,746	5,963
Intergovernmental Payable	11,064	10,267	(12,334)	8,997	3,281
Compensated Absences	20,179	2,114	(1,106)	21,187	1,672
Claims/Judgments Payable	605,801	165,646	(89,968)	681,479	71,053
Total Long-Term Liabilities	<u>\$ 2,041,962</u>	<u>\$ 6,781,400</u>	<u>\$ (6,740,523)</u>	<u>\$ 2,082,839</u>	<u>\$ 329,263</u>
Major Component Units:					
Notes Payable	\$ 14,602	\$ 72	\$ (4,088)	\$ 10,586	\$ 630
Bonds Payable	180,969	12,670	(21,072)	172,567	9,826
Capital Leases Payable	2,000	-	(29)	1,971	34
Intergovernmental Payable	729	139	(181)	687	124
Total Long-Term Liabilities	<u>\$ 198,300</u>	<u>\$ 12,881</u>	<u>\$ (25,370)</u>	<u>\$ 185,811</u>	<u>\$ 10,614</u>

Short-term borrowing of the business-type activities consists of the Bank of North Dakota borrowing to fund lending activity.

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, \$1,282,559 of internal service fund compensated absences and \$4,058,443 of claims and judgments are included in the above amounts. Other governmental activities compensated absences generally have been liquidated by the General Fund (54%), the Highway Fund (16%), the Federal Fund (21%), 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

##### Water Commission

On September 1, 2004, the Water Commission defeased the outstanding \$1,220,000 Northwest Area Water Supply Project, Water Development Revenue Bonds, 1998 Series A, without issuing refunding bonds. A deposit was made into an irrevocable trust account with an escrow agent to provide for all the future debt service payments. As of June 30, 2005, \$1,080,000 of the 1998 Series A Bonds outstanding is considered defeased and the liability for those 1998 Series A Bonds is not reflected on the State's financial statements.

On March 17, 2005, the Water Commission issued \$21,630,000 Water Development Trust Fund, Water Development and Management Program Refunding Bonds, 2005 Series A. The proceeds of the 2005 Series A Bonds were used to establish an irrevocable escrow account to advance refund the callable maturities totaling \$20,340,000 of the Water Commission's outstanding \$32,095,000 Water Development Trust Fund, Water Development and Management Program Bonds, 2000 Series A. The par amount of the refunding bonds (2005 Series A) exceeded the par amount of the refunded bonds (2000 Series A) by \$1,290,000. The refunding was undertaken to reduce total debt service payments over the next sixteen years, resulting in gross savings of \$899,070 and net present value savings of \$766,388. As of June 30, 2005, \$20,340,000 of the 2000 Series A Bonds outstanding is considered defeased, and the liability for those 2000 Series A Bonds is not reflected on the State's financial statements.

##### 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, 2005, \$6,040,000 of bonds outstanding is 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 principal amount outstanding as of June 30, 2005, of the original bonds refunded by the advance refunding of 1998 totaled \$290,000.

##### 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, 2005, of the original bonds refunded (considered defeased) by the advance refunding total \$50,000.

##### University of North Dakota

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 principal amount outstanding as of June 30, 2005, of the original bonds refunded by the advanced refunding of 1998 totaled \$13,965,000.

Housing and Auxiliary Facilities 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, 2005, of the original bonds refunded by the advance refunding of 1975 totaled \$500,000.

All of the refunded bonds are considered "defeased" and have debt service needs covered by U.S. Government securities that 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 statement of net assets.

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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 1991 North Dakota Legislature, 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 was defeased. The principal amount outstanding as of June 30, 2005, of the defeased certificates totals \$1,360,000.

### North Dakota State University

On December 30, 1985, the North Dakota State University issued \$4,833,813 of Housing and Auxiliary Facilities Revenue Refunding Bonds (Series 1985). The purpose of issuing Series 1985 bonds was to refund in advance of maturity the outstanding advanced refunded bonds, which consisted of all bonds outstanding as of December 30, 1985, totaling \$7,675,000. The principal amount outstanding as of June 30, 2005, of the original bonds refunded by the advance refunding total \$940,000.

### 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. The principal amount outstanding as of June 30, 2005, of the original bonds refunded is \$1,180,000.

### **Component Units**

#### Municipal Bond Bank Bonds

The Bond Bank issued \$11,790,000 of revenue bonds (Series 2004 A SRF Bonds) with an average interest rate of 4.16% on October 4, 2004. The net proceeds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As of December 31, 2004, \$11,005,000 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 \$1,446,000. 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 17 years by \$919,000 and resulted in an economic gain of \$679,000.

On December 16, 2003, the Bond Bank issued \$20,455,000 of revenue bonds (Series 2003 B SRF Bonds) with an average interest rate of 4.71 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, 2004, \$19,740,000 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 \$2,129,000. 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 14 years by \$1,066,000 and resulted in an economic gain of \$842,000.

### **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 \$4,537,296 at June 30, 2005. These amounts are reported in the Government-wide and Proprietary Fund Type financial statements as an intergovernmental payable.

## **NOTE 4 – DEFICIT FUND EQUITY**

### **FEDERAL FUND**

At June 30, 2005, the Federal Fund had a deficit of \$100,085. Future federal revenues are expected to fund this deficit.

### **COMPREHENSIVE HEALTH ASSOCIATION OF NORTH DAKOTA (CHAND)**

At December 31, 2004, CHAND had a deficit of \$35,059. 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, the National Guard Security Officers and Firefighters, and as of August 1, 2004, peace officers and correctional officers employed by political subdivisions. 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, 2005, the number of participating local political subdivisions in PERS was:

Cities and Park Districts	71
Counties	44
School Districts	98
Other	55
Total Participating Local Political Subdivisions	268

Death and disability benefits are set by statute. If an active employee dies with less than three years of service for the Main System and National Guard/Law Enforcement, or less than five years of service for Supreme and district court judges, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than three years of service for the Main System and National

Guard/Law Enforcement, 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. 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 average monthly salary, using the highest 36 months out of the last 120 months of service, 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/Law Enforcement, 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) or the rule of 85 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 3.5% of final average monthly salary multiplied by the first 10 years of service, plus 2.80% of final average monthly salary times the second 10 years of service, plus 1.25% of final average monthly 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 National Guard at normal retirement age (55), and Law Enforcement, normal

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retirement age (55) or the rule of 85, is equal to 2.00 percent of their average monthly salary, using the highest 36 months out of the last 120 months of service, for each year of service.

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/Law Enforcement is set by the Board at 8.33% for the National Guard, 8.31% for Law Enforcement with previous service, and 6.43% for Law Enforcement without previous service. The required contributions are determined using an entry age normal actuarial funding method.

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 (effective August 1, 2005, the highest 36 months out of the last 120 months). 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 three years of service for the Main



System and National Guard/Law Enforcement, or five years of service for the Supreme and district court judges, 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 administered by PERS. The plan is established under NDCC 52-11-01 with benefit provisions established through the plan document, as amended. This plan document, as amended, is authorized by the Plan Administrator, who is the Executive Director of the agency.

On August 1, 2003, the administrative authority and the net assets of the Retirement Plan for Employees of Job Service North Dakota were transferred from the agency to the Public Employees Retirement System Board. This action was based on the passage of House Bill 1064 by the Fifty-eighth Legislative Assembly of North Dakota. The Retirement Plan for Employees of Job Service has an Actuarial Valuation Report produced annually. Requests to obtain or review this report should be addressed to the Executive Director, NDPERS, 400 East Broadway, Suite 505, 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 their 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 they died and elected the Contingent Annuitant Option with 55% of their retirement benefit continued to their 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 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 the frozen initial liability actuarial cost method. Benefit and contribution provisions of the JSND are administered in accordance with chapter 52-11 of the North Dakota Century Code. Effective July 1, 1999, the "scheduled contribution" will be zero as long as the Plan's actuarial value of assets exceeds the actuarial present value of projected benefits.

#### 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, 2005, the number of participating employer units in TFFR was:

<u>Type</u>	<u>Number</u>
Special Education Units	18
Vocational Education Units	4
Public School Districts	207
County Superintendents	15
Other	16
Total	<u>260</u>

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

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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, ten- or twenty-year term certain annuity, partial lump sum option, 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.

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:

	<u>PERS</u>	<u>NDHPRS</u>	<u>JSND</u>	<u>TFFR</u>
Retirees and Beneficiaries				
Currently Receiving Benefits:	5,887	92	217	5,586
Special Prior Service Retirees:	63	-	-	-
Terminated Employees:				
Vested	1,189	2	5	1,377
Nonvested	<u>3,196</u>	<u>2</u>	<u>-</u>	<u>168</u>
Total Terminated Employees	4,385	4	5	1,545
Active Employees:				
Vested	13,735	72	52	8,584
Nonvested	<u>4,196</u>	<u>53</u>	<u>-</u>	<u>1,217</u>
Total Active Employees	17,931	125	52	9,801
Date of Annual Valuation	July 1, 2005	July 1, 2005	July 1, 2005	July 1, 2005

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 and NDHPRS 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.

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.

## 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, 2005	July 1, 2005	July 1, 2005
Actuarial Cost Method	Entry Age Normal	Frozen Initial Liability**	Entry Age Normal
Amortization Method	Level Percent Open	Level Dollar Closed	Level Percentage of Payroll
Remaining Amortization Period	20 years	15 years	30 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%	4.5% to 14.0%
Includes inflation at	4.5%	5.0%	3.0%
Post retirement cost-of-living	None	5.0%	None

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

\*\* As of July 1, 2005, the actuarial value of assets exceeds the present value of projected benefits; therefore, the unfunded actuarial accrued liability is currently zero.

\*\*\* The GASB Annual Required Contribution (ARC) for this plan is defined as the larger of (a) the sum of (i) the employer normal costs, and (ii) an amount necessary to amortize the UAAL as a level percentage of payroll over an open 30-year amortization period, and (b) the 7.75% statutory employer contribution rate. Payroll is assumed to increase at 2.00% per annum.

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## 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
<b>PERS</b>						
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)%
July 1, 2003	1,166.5	1,188.8	22.3	98.1%	479.5	4.7%
July 1, 2004	1,196.5	1,272.9	76.4	94.0%	501.0	15.3%
July 1, 2005	1,236.1	1,361.2	125.1	90.8%	521.1	24.0%
<b>NDHPRS</b>						
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%
July 1, 2003	39.6	42.4	2.8	93.4%	5.4	51.9%
July 1, 2004	40.0	44.5	4.5	89.9%	5.4	83.3%
July 1, 2005	40.7	46.3	5.6	87.9%	5.3	105.7%
<b>JSND</b>						
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%
July 1, 2003	66.0	N/A	-	N/A	2.9	0.0%
July 1, 2004	67.5	N/A	-	N/A	2.5	0.0%
July 1, 2005	69.3	N/A	-	N/A	2.2	0.0%
<b>TFFR</b>						
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%
July 1, 2003	1,438.4	1,690.3	251.9	85.1%	367.9	68.5%
July 1, 2004	1,445.6	1,800.4	354.8	80.3%	376.5	94.2%
July 1, 2005	1,469.7	1,965.2	495.5	74.8%	386.6	128.2%

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

### **D. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE**

Employer contribution rates for PERS and NDHPRS 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 (3) the amount necessary to provide for operating expenses. Contribution rates for the Job Service Retirement Plan are established in the plan document, as amended, actuarially determined using the frozen initial liability actuarial cost method.

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.

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

Schedule of Employer Contributions			
	Annual Required Contribution	Percentage Contributed	
PERS			
2003	\$ 20,644,235	93.0%	
2004	26,704,376	74.0%	
2005	31,844,577	65.0%	
TFFR			
2003	\$ 28,850,725	100.0%	
2004	34,186,080	86.7%	
2005	44,471,740	68.3%	

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, 2005:

	NDHPRS	JSND
Annual required contributions	\$ 1,046,646	\$ -
Interest on net pension obligations	(64,968)	(133,486)
Adjustment to annual required contributions	56,677	137,236
Annual pension costs	1,038,355	3,750
Contributions made	867,803	-
Increase in net pension obligations	170,552	3,750
Net pension obligations, beginning of year	(812,097)	(1,668,576)
(Assets in excess of) net pension obligations, end of year	<u>\$ (641,545)</u>	<u>\$ (1,664,826)</u>

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			
2003	\$ 748,658	111%	\$ (899,304)
2004	940,629	90%	(812,097)
2005	1,046,646	83%	(641,545)
JSND			
2003	\$ 3,767	0%	\$ (1,672,335)
2004	3,759	0%	(1,668,576)
2005	3,750	0%	(1,664,826)

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## 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, 2005.

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 \$504,440 and \$489,750 respectively, for the fiscal year ended June 30, 2005.

The Board, or vendors contracted by the Board, has exclusive authority to invest and manage the assets of the Defined Contribution Retirement 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.

## 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 employees as defined by the Board of

Higher Education in its approved TIAA-CREF retirement resolution. All benefits vest immediately to the participant. Further information can be obtained by writing to TIAA-CREF, Denver Regional Office, 1700 Broadway, Suite 770, Denver, Colorado 80290 or by calling 800-842-2009.

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%
President/ Chancellor (additional employer contribution)	0 thru 3	0.00%	0.00%	0.00%
	4 thru 6	0.00%	4.00%	4.00%
	over 6	0.00%	8.00%	8.00%

Plan contributions are made on a tax-deferred basis in accordance with section 414(h)(2) of the Internal Revenue Code. All contributions are applied as premiums to retirement annuity contracts owned by the participant. The State has no further liability once annual contributions are made. The State contributed \$19,450,511 to TIAA-CREF during the fiscal year ending June 30, 2005.

## NOTE 6 - POST-RETIREMENT BENEFITS

The Retiree Health Insurance Credit 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 for employees of 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 Insurance Credit 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 one percent of

covered compensation in order to extend this benefit to judges retired under NDCC 27-17. The employer contribution for non-teaching employees of the Office of the Superintendent of Public Instruction is 3.1 percent of covered compensation beginning in the month following the transfer under chapter 54-92-02.13 of the North Dakota Century Code and continuing thereafter for a period of eight years. Job Service North Dakota reimburses the Retiree Health Insurance Credit Fund monthly for credit received by members of the retirement program for employees of 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 Insurance Credit 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 for employees of 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 \$210,714 for the period ending June 30, 2005. The number of employees from Job Service using the credit was 151 at June 30, 2005.

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, 2005. 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 employee's contribution rates expressed as a percent of covered payroll, and the dollar effect on the actuarial accrued liability:

	As a Percentage of Covered Payroll	Dollar Effect
Changes in plan experience during the year	0.01%	\$ 53,855

Employer contributions totaling \$5,085,050 were made for the year ended June 30, 2005. The actuarially required employer contribution of \$5,139,793 for the year ended June 30, 2005, is 0.95 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, 2005, the cost of benefits incurred for the fund was \$4,193,687.

Employee membership is as follows:

Retirees receiving benefit	3,682
Active participants	18,302
Total Membership	21,984

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

Actuarial accrued liability	\$ 78,090,560
Net assets available for benefits, at actuarial value	(30,891,785)
"Unfunded" accrued liability	\$ 47,198,775

The fair value of the net assets available for benefits at June 30, 2005, is \$33,915,161.

## 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.

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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	\$ 13,533
Other Jurisdictions	1,674
Total Value	<u>\$ 15,207</u>

### NOTE 8 - PERS UNIFORM GROUP INSURANCE PROGRAM

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, a final accounting was completed 24 months after the end of the biennium, which resulted in a surplus of \$3.2 million. The system has entered into a similar contract with BCBS for the 2003-2005 biennium.

In accordance with the contract, the system is to deposit a total of \$6 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. This amount will be determined as of June 30, 2007. The accumulated surplus and other invested funds in the amount of \$6,703,995 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 ING Employee Benefits 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, which resulted in an estimated surplus of \$1.4 million. The surplus is classified as accounts receivable on the State's financial statements.

### NOTE 9 - SEGMENT INFORMATION

North Dakota Housing Finance Agency maintains three separate funds which account for general agency operations and provide loans to finance construction of rental residential housing and single-family ownership. The three funds are accounted for in a single fund, but investors in the multi-family and home ownership bonds rely solely on the revenue generated by the mortgage loans and assets acquired for repayment. Segment information for the year ended June 30, 2005, was as follows (expressed in thousands):

#### Condensed Statement of Net Assets

Current assets – other  
Noncurrent assets – other  
Total Assets

Current liabilities – other  
Noncurrent liabilities – other  
Total Liabilities

Net assets – restricted  
Total Net Assets

Multi-family Bond Funds	Home- Ownership Bond Funds
\$ 232	\$ 162,100
8,040	514,221
<u>8,272</u>	<u>676,321</u>
344	42,969
7,680	583,572
<u>8,024</u>	<u>626,541</u>
248	49,780
<u>\$ 248</u>	<u>\$ 49,780</u>

#### Condensed Statement of Revenues, Expenses and Change in Fund Net Assets

Operating revenues  
Operating expenses  
Operating income (loss)  
Change in net assets  
Total net assets, beginning of year  
Equity transfer in  
Total net assets, end of year

\$ 531	\$ 34,523
670	30,943
(139)	3,580
(139)	3,580
387	45,071
-	1,129
248	49,780



**Condensed Statement of Cash Flows**

	Multi-family Bond Funds	Home- Ownership Bond Funds
Net cash from operating activities	\$ 386	\$ 15,268
Net cash used for noncapital financing activities	(2,612)	(10,755)
Net cash from investing activities	265	2
Net change in cash and cash equivalents	(1,961)	4,515
Cash and cash equivalents, beginning of year	2,150	138,032
Cash and cash equivalents, end of year	189	142,547

**NOTE 10 - MAJOR COMPONENT UNIT TRANSACTIONS**

**NORTH DAKOTA STATE UNIVERSITY AND NDSU RESEARCH AND TECHNOLOGY PARK, INC.**

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

On November 1, 2000, NDSU Research and Technology Park, Inc. (RTP) entered into a \$6.5 million lease agreement with the City of Fargo to finance the construction of laboratory and research facilities and all equipment and furnishings located on Lot 1, Block 2, Research and Technology Park First Addition to the City of Fargo (Research Building #1). Article IV, Section 4.12 of that agreement assigned to NDSU all of NDSU Research and Technology Park's obligations under the lease, including but not limited to the payment of all basic rent and additional rent, maintenance, and repair of the project, maintenance of all insurance required under the lease, and restrictions of use of the project set forth in the lease. Under the terms of Exhibit B, Assignment of Lease to the aforementioned lease agreement, "... that upon payment of all the Bonds, title to the Facility will revert to the Company." (Company is defined in the lease as NDSU Research and Technology Park, Inc.) On August 1, 2002, essentially the same legal and financial structure used to construct Research Building #1 was used to construct a second research building. The second lease agreement was for \$20,450,000.

The audited financial statements for fiscal year 2005 of the RTP report these transactions as an operating lease and report the related capital assets and related debt as assets and debt of RTP. Since the RTP is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for Research Buildings 1 and 2, fiscal year 2005 beginning balances are restated and an elimination entry is made to ending balances in the component unit's consolidating financial statements to avoid duplication.

NDSU and RTP have entered into an operating agreement, whereby NDSU leases Research Building #1 for an annual rent of \$628,943 and Research Building #2 for \$165,370 (through June 2005, then annual rent of \$1,525,963 through July 2013) plus utilities and insurance. Total payments under these agreements in fiscal year 2005 were approximately \$1,210,178. These agreements are subject to funding and legislative appropriations.

**NORTH DAKOTA STATE UNIVERSITY AND NDSU DEVELOPMENT FOUNDATION**

**NDSU Equine Science Center**

Effective January 1, 2003, NDSU and the NDSU Development Foundation entered into a ten-year lease agreement with an option for an additional ten-year term to facilitate the building of an Equine Science Center. Under the agreement, NDSU will pay rent to NDSU Development Foundation for use of the premises. The amount of the rent is tied to the debt service retirement plus necessary insurance and taxes incurred by the Development Foundation. NDSU paid the Development Foundation \$306,135 in fiscal year 2005 and has a payable of \$9,395 at June 30, 2005, under this agreement.

The facility is included in capital assets and the debt is included in long-term liabilities on the financial reports of the NDSU Development Foundation. NDSU has also recorded a capital asset and a capital lease payable of \$4,215,000 as of June 30, 2005. Since the Development Foundation is a discretely presented component unit of the North Dakota University System, and the component unit and the University System are reporting the same assets and debt for the Equine Center, an elimination entry is made to ending balances in the component unit's consolidating financial statements to avoid duplication.

The former Northern School Supply building was donated to the NDSU Development Foundation by an NDSU alum in December 2001. During fiscal years 2003 and 2004, the NDSU Development Foundation renovated the building with the intent to leave the facility to NDSU beginning fall 2004. NDSU entered into an agreement with 650 NP Avenue, LLC and Kilbourne Design Group, LLC (former related parties to the Foundation) to lease the property for \$53,333 per month through August 12, 2011, with an option to renew for two

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five-year periods. During fiscal year 2005, the Foundation transferred ready the entire ownership in 650 NP Avenue, LLC and Kilbourne Design, LLC; therefore, they are no longer considered a related party to the Foundation. When the sublease with NDSU expires, the intent is to transfer the property back to the Foundation, and a new lease between the Foundation and NDSU will be negotiated.

In fiscal years 2003 and 2004, the facility was reported on the financial statements of the NDSU Development Foundation as construction in progress and a short-term liability (for the construction loan). No asset or liability is reported in fiscal year 2005 due to the transfer of ownership. In fiscal year 2005, the amount of state income tax credits have not been determined, and no payments have started on the lease with 650 NP Avenue, LLC and Kilbourne Design Group, LLC. Expectations are that these items will be finalized in fiscal year 2006, and plans are for the transaction to be recorded as a capital asset and capital lease payable by NDSU. The cost of the facility will be approximately \$13 million; after deduction of donations and tax credits (yet to be finalized), the net cost is expected to be \$5 to \$6 million.

### UNIVERSITY OF NORTH DAKOTA AND UND AEROSPACE FOUNDATION

The Foundation reimbursed UND for salaries, building rent, aircraft rental, and goods and services under an operating agreement aggregating approximately \$1,157,489 in fiscal year 2005. This operating agreement has no specific term and is intended to memorialize various operating agreements, rate structures, duties, and obligations each party has to the other. The Foundation also reimbursed UND for air service and hangar, CRJ, 360-degree tower, and aircraft rental of \$1,097,530. These expense reimbursements represent actual costs incurred.

The Aerospace Foundation entered into a sublease with UND to lease the aircraft storage hangar/ground support equipment facility. The lease term is for 20 years, commencing on July 7, 2003, until July 6, 2023. For the first 15 years of the sublease, UND will pay the Foundation monthly minimum payments of \$12,672 beginning on October 1, 2003, subject to actual cost adjustments. At the end of the 15 years of the sublease, rent will be adjusted based upon an interest rate adjustment or a refinancing of the debt incurred by the Foundation in the construction of the hangar. The audited financial statements for fiscal year 2005 of the Foundation report the capital assets and related debt for this lease. Since the Foundation is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for this transaction, an elimination entry is made to ending balances in the component unit consolidating financial statements to avoid duplication.

### UNIVERSITY OF NORTH DAKOTA AND RE ARENA, INC.

RE Arena, Inc. manages, operates, and maintains an arena known as the Ralph Engelstad Arena, which was constructed in 2001 for the benefit of UND athletics. On July 1, 2004, UND and RE Arena, Inc., entered into a usage agreement with regards to the arena that sets forth facility usage, fees and services, and net income disposition. In accordance with this agreement, UND will control all ticket revenue from UND athletic events held in the arena, UND and RE Arena, Inc. will jointly utilize UND marketing staff, and UND agrees to pay RE Arena, Inc. a stated amount of the ticket revenue from hockey, football, and men's and women's basketball events. Revenue and expenses from all other UND events held at the arena will be negotiated on an event-by-event basis. Per this agreement, UND paid approximately \$1.6 million to RE Arena, Inc. in fiscal year 2005 for event ticket revenue. Also per this agreement, RE Arena, Inc. agrees to pay a stated amount of athletic marketing revenue to UND. Accordingly, RE Arena, Inc. paid UND \$375,000 in marketing revenue in fiscal year 2005. RE Arena, Inc. additionally agrees to annually fund a reserve for extraordinary repairs, maintenance, and building improvements in an amount up to \$350,000. And, on an annual basis, RE Arena, Inc. will remit to UND the net income after adding back depreciation, amortization, the funded reserve and capital expenditures for the fiscal year.

In addition, RE Arena, Inc. may contract with UND for materials and personnel in the service and utility areas and will reimburse UND based on separate agreements. As of June 30, 2005, RE Arena, Inc. has a payable to UND of \$78,327 for these expenditures.

### UNIVERSITY OF NORTH DAKOTA AND UNIVERSITY OF NORTH DAKOTA FOUNDATION

The University of North Dakota Foundation issued through Wells Fargo Brokerage Services, LLC, tax-exempt lease revenue bonds on October 24, 2003, of \$4,400,000 to finance the land purchase and construction of the Minot Family Practice Center. The center is a component of the School of Medicine & Health Sciences at UND. Interest only is due on a semi-annual basis at a variable rate of interest with a maturity date of December 15, 2018. The interest rate is 2.02 percent at June 30, 2005. The Foundation may pay down principal in increments of \$100,000 on interest payment dates without penalty. Principal balance outstanding at June 30, 2005, is \$4,300,000. A receivable from UND and the bond payable is included on the financial reports of the Foundation, and UND has recorded a capital asset and a capital lease payable as of June 30, 2005.

The University of North Dakota Foundation secured a loan of \$700,000 from Alerus Financial on July 1, 2000. The proceeds from this loan went to UND to enable it to complete construction of the Barnes & Noble Bookstore.

UND has paid to the UND Foundation a total of \$14,205 per month, including interest at 8 percent, through June 2003. This arrangement was refinanced in July 2003, reducing the interest to 4.31 percent and the payments to \$13,685 per month, fully amortizing the loan July 2005. The loan has a balance of \$13,551 at June 30, 2005. The Foundation's financial statements include this transaction as a receivable from UND and a long-term liability. UND's financial statements include the capitalized asset as a long-term liability due to UND Foundation.

During fiscal year 2005, the UND Foundation transferred revolving loan fund receivables of \$691,624 (less the allowance of \$49,314) along with cash of \$597,351 to UND.

UND leases office space to the UND Foundation at a cost of \$1 per year and provides some administrative services, computer services, utilities and maintenance at no cost as a partial in-kind reimbursement for services rendered by the Foundation. Lease on the office, dated November 1, 1979, has a term of four years remaining. At June 30, 2005, due to timing of receipts and payments, the UND Foundation recorded a payable of \$3,690 to UND, which was paid in full in July.

#### **NOTE 11 - 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	\$ 281,052
Financial standby letters of credit	130,725
	<u>\$ 411,777</u>

Commitments to extend credit are agreements to lend as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments 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 \$31,816,000 at June 30, 2005. 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 \$50,282,000 at June 30, 2005.

##### **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 \$41,229,000 at December 31, 2004.

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## NOTE 12 - INTEREST RATE SWAP

### NORTH DAKOTA HOUSING FINANCE AGENCY

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, the Agency entered into several interest rate swaps in connection with various variable-rate housing bond series. The intention of these swaps was to effectively change the Agency's interest rate on the bonds to a fixed rate.

The bonds and the related swap agreements have a stated maturity date, and the swap's notional amounts match the amount of variable-rate bonds. Under the swaps, the Agency pays the counterparty a fixed payment and receives a variable payment computed as a percent of the London Interbank Offered Rate (LIBOR) plus a fixed percentage. On the other hand, the bond's variable-rate coupons are determined by the remarketing agent. If, for any reason, the remarketing agent fails to act, the rate shall be the lesser of (i) the TBMA (Bond Market Association) Index plus 0.25% or (ii) the Maximum rate as defined within the applicable series resolution. The Agency did not disburse any funds to enter into these swap agreements.

As of June 30, 2005, the Agency is exposed to credit risk on the swaps that have a positive fair value, which total \$198,848. Of the swaps with negative fair value, the Agency is not exposed to credit risk. However, the swap exposes the Agency to basis risk should the relationship between LIBOR and TBMA converge, changing the synthetic rate on the bonds. The swap counterparty has guaranteed all payments and is rated AA+/AA-/AA by Moody's Investor Services, Standard & Poor's, and Fitch, respectively. To mitigate potential credit risk, the counterparty has entered into a Credit Support Agreement with Citigroup Global Marketing as a credit enhancement.

Due to the difference among the variable rate indices, the swaps had a net negative fair value of \$4,840,349 as of June 30, 2005. The swap's negative fair value may be

countered by a reduction in total interest payments required under the variable-rate bonds, creating a lower synthetic fixed interest rate. Because the coupons on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. All valuations are as of the valuation date indicated. Mid-Market or indicative unwind valuations may be derived from broker quotations or from proprietary models that take into consideration estimates about relevant present and future market conditions as well as the size and liquidity of the position and any related actual or potential hedging transactions. Valuations based on other models or different assumptions may yield different results.

As noted above, the swap exposes the Agency to basis risk should the relationship between LIBOR and the actual variable rates converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate and the synthetic rate as of June 30, 2005. If a change occurs that results in the rates moving to convergence, the expected cost savings may not be realized.

The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if counterparty's credit quality rating falls below "A3" as issued by Moody's Investors Service or "A-" as issued by Fitch Ratings or Standard & Poor's. The swap may be terminated at any time by the Agency or the counterparty with 30 days' written notice up to limits specified in the swap agreement. If the swap or swaps were terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Agency would be liable to the counterparty for payment equal to the swap's fair value, but in the event the fair value is positive, the counterparty would be liable to the Agency.

1.	Bond Series	2002 B	2002 B	2003 A	2003 A
2.	Issuance Date	8/28/02	8/28/02	5/14/03	5/14/03
3.	Maturity Date	1/1/34	7/1/11	7/1/34	1/1/12
4.	Notional Amount	\$ 16,915,000	\$ 5,530,000	\$ 13,955,000	\$ 7,850,000
5.	Variable-rate Bonds	\$ 16,915,000	\$ 5,530,000	\$ 13,955,000	\$ 7,850,000
6.	Fixed Rate	4.470%	2.940%	4.035%	2.463%
7.	LIBOR Percentage	68.70%	70.60%	62.50%	62.50%
8.	Additional Percentage	0.00%	0.00%	0.44%	0.44%
9.	Bonds Variable-rate	2.31000%	2.31000%	2.31000%	2.31000%
10.	Fair Value	\$ (591,571)	\$ (37,950)	\$ (150,559)	\$ 108,887
11.	Percentage of LIBOR	2.29458%	2.35804%	2.52750%	2.52750%
12.	Synthetic Rate	4.48542%	2.89196%	3.81750%	2.24550%
13.	Actual Synthetic Rate	4.72047%	3.16212%	3.95907%	2.38554%

1.	Bond Series	2003 B	2003 B	2004 B	2004 B
2.	Issuance Date	8/27/03	8/27/03	4/1/04	4/1/04
3.	Maturity Date	1/1/12	7/1/34	1/1/13	7/1/35
4.	Notional Amount	\$ 7,975,000	\$14,205,000	\$ 11,690,000	\$12,990,000
5.	Variable-rate Bonds	\$ 7,975,000	\$14,205,000	\$ 11,690,000	\$12,990,000
6.	Fixed Rate	3.155%	4.530%	2.620%	3.980%
7.	LIBOR Percentage	64.00%	64.00%	63.00%	63.00%
8.	Additional Percentage	0.365%	0.365%	0.34%	0.34%
9.	Bonds Variable-rate	2.31000%	2.31000%	2.31000%	2.31000%
10.	Fair Value	\$ (82,502)	\$ (1,041,071)	\$ 89,961	\$ (631,571)
11.	Percentage of LIBOR	2.50260%	2.50260%	2.44420%	2.44420%
12.	Synthetic Rate	2.96240%	4.33740%	2.48580%	3.84580%
13.	Actual Synthetic Rate	3.15437%	4.53012%	2.69349%	4.05364%

1.	Bond Series	2004C	2005A
2.	Issuance Date	6/10/2004	4/13/2005
3.	Maturity Date	1/1/2035	7/1/2024
4.	Notional Amount	\$ 28,225,000	\$ 23,100,000
5.	Variable-rate Bonds	\$ 28,245,000	\$ 23,100,000
6.	Fixed Rate	4.095%	3.870%
7.	LIBOR Percentage	63.00%	62.90%
8.	Additional Percentage	0.34%	0.32%
9.	Bonds Variable-rate	2.31000%	2.31000%
10.	Fair Value	\$ (1,587,709)	\$ (916,264)
11.	Percentage of LIBOR	2.44420%	2.42086%
12.	Synthetic Rate	3.96080%	3.75914%
13.	Actual Synthetic Rate	4.18056%	3.46824%

Using rates as of June 30, 2005, debt service requirements of the variable-rate debt and new swap payments are as follows. Interest calculations were based on rates as of June 30, 2005. As rates vary, variable-rate bond interest payments and net swap payments will vary. (Expressed in thousands.)

Fiscal Year Ending June 30	Variable-Rate Bond		Interest Rate Swap, Net	Total
	Principal	Interest		
2006	\$ 3,915	\$ 3,229	\$ 1,955	\$ 9,099
2007	6,170	3,096	1,921	11,187
2008	7,020	2,936	1,879	11,835
2009	6,730	2,778	1,837	11,345
2010	6,415	2,629	1,797	10,841
2011-2015	17,005	11,578	8,473	37,056
2016-2020	17,715	9,915	7,452	35,082
2021-2025	18,460	7,845	6,098	32,403
2026-2030	27,805	5,089	4,009	36,903
2031-2035	30,165	1,623	1,265	33,053
2036-2040	1,055	-	-	1,055
	<u>\$ 142,455</u>	<u>\$ 50,718</u>	<u>\$ 36,686</u>	<u>\$ 229,859</u>

# STATE OF NORTH DAKOTA

## **NOTE 13 – 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 14 – 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 that are not covered by RMF. These premium charges are factored into the fees agencies are charged when renting the cars.

### **WORKFORCE SAFETY & INSURANCE**

Workforce Safety & Insurance (WSI), an Enterprise Fund, is a State insurance fund and a "no fault" insurance system, covering the State's employers and employees. WSI is financed by premiums assessed to

employers. The rate of such premiums is periodically adjusted to assure the solvency of WSI. The premiums are available primarily for the payment of claims to employees injured in the course of employment. During fiscal year 2005, a total of \$157,485,282 in claims was recognized. Incurred but not reported claims of \$680,400,000 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 lesser 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, 2004, and June 30, 2005:

Fiscal Year	Beginning Balance	Current Year Claims and Changes In Estimates	Claims Payments	Ending Balance
2004	\$ 2,982,261	547,972	769,932	2,760,301
2005	2,760,301	576,533	798,494	2,538,340

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 Workforce Safety & Insurance, providing excess insurance for claims that exceed the \$100,000 cap. WCP pays separately for this coverage. Since the inception of WCP on July 1, 2001, six claims exceeded coverage by \$371,152.

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 Workforce Safety & Insurance 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 Workforce Safety & Insurance. 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, 2005:

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2004	\$ 1,346,758	\$ 2,368,743	\$ 1,416,845	\$ 2,298,656
2005	2,298,656	556,362	1,334,915	1,520,103

## NOTE 15 – 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 1,084 policies to participating entities for a total building and content coverage of \$6.1 billion. The Bonding Fund is used to provide fidelity bonding of public employees and officials. The Fund has issued 2,931 policies to participating entities. The total coverage for the Bonding Fund is \$586.4 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 that 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 (excess of \$1.0 million) 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.

#### WORKFORCE SAFETY & INSURANCE

Workforce Safety & Insurance (WSI), an Enterprise Fund, is a state insurance fund and a "no fault" insurance system covering the State's employers and employees. At June 30, 2005, coverage extended to the following employers:

<u>Annual Premium</u>	
\$125 - \$5,000	16,016
\$5,001 - \$50,000	3,154
\$50,001 - \$100,000	240
Over \$100,000	176
Total Employers	<u>19,586</u>

WSI is financed by premiums assessed to the employers of North Dakota. The premiums are available primarily

## STATE OF NORTH DAKOTA

for the payment of claims to employees injured in the course of employment.

The operations of WSI are accounted for on the accrual basis. Liability for incurred but not reported and incomplete claims and claims expense is estimated by WSI's actuary. The estimate is developed by WSI's actuary, taking into consideration past experience of WSI in paying claims, and general conditions of the environment in which WSI operates. The liability includes estimates of costs to settle individual claims that 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. WSI 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, 2005, the actuary presented an estimate in the form of a range to emphasize the uncertainty for the estimated liability of

WSI. These ranges are as follows (expressed in thousands):

	Low	Expected Value	High
Full Value Basis (undiscounted)	\$1,000,000	\$1,120,700	\$1,300,000
Discounted at 5% rate	*	680,400	785,000

\*Not computed by actuary.

WSI has adjusted the estimated liability for unpaid loss and loss adjustment expense to the actuary's five percent discounted expected value of \$680.4 million at June 30, 2005.

The June 30, 2004, liability of \$604.1 million was 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.

WSI did not incur any acquisition costs that should have been capitalized at June 30, 2005.

### 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		Workforce Safety & Ins	
	2005	2004	2005	2004	2005	2004
Unpaid claims and claims adjustment expenses at the beginning of the year	\$ 1,362	\$ 1,451	\$ 339	\$ 366	\$ 604,100	\$ 577,500
Incurred claims and claims adjustment expenses:						
Provision for current fiscal year	775	1,135	64	254	110,710	102,960
Change in provision for prior fiscal year	-	-	-	-	497	31,535
Payments and claims and adjustment expenses attributable to:						
Current fiscal year insured events	14	227	226	85	(22,156)	(20,379)
Prior fiscal years' insured events	(1,362)	(1,451)	(339)	(366)	(66,351)	(65,216)
Total Payments	(1,348)	(1,224)	(113)	(281)	(88,507)	(85,595)
Change in provision for discount	-	-	-	-	53,600	(22,300)
Total unpaid claims and claims adjustment expenses at the end of the year	<u>\$ 789</u>	<u>\$ 1,362</u>	<u>\$ 290</u>	<u>\$ 339</u>	<u>\$ 680,400</u>	<u>\$ 604,100</u>

### NOTE 16 – 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, 2005, realized gains and losses available for distribution in the current year totaled \$10,030,838 for the permanent educational trusts. This amount is included in Reserved Fund Balances—Undistributed Revenue in the governmental funds balance sheet.

## **NOTE 17 – 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 18 - COMMITMENTS AND CONTINGENCIES**

### **A. LONG-TERM COMMITMENTS**

#### **BANK OF NORTH DAKOTA**

The 2003 North Dakota Legislature passed Senate Bill 2022, which included the statewide water development goals. In connection with these goals, the bill provides that a line of credit-contingent appropriation be made. If determined necessary by the State Water Commission, the Bank of North Dakota shall extend a line of credit, not to exceed \$25,000,000 or so much of the sum as may be necessary, to the State Water Commission for the purpose of interim financing until bonds are issued under NDCC chapters 61-02 and 61-02.1 for the

biennium beginning July 1, 2003, and ending June 30, 2005. As of December 31, 2004, Bank of North Dakota has funded \$11,000,00 under the line of credit.

Under chapters 61-02 and 62-02.1 of the North Dakota Century Code, principal and interest on bonds issued are payable from transfers to be made and appropriated by the legislative assembly from the water development trust fund as provided in section 61-02.1-05, 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 revenue in the then current biennium or from payment from the Perkins county rural water system, and then from any other revenues the State Water Commission makes available during the then current biennium for that purpose, including any federal moneys received by the State to pay bonds issued for a specific project. If sufficient funds from these sources are not available, then from transfers to be made and appropriated by the legislative assembly from the first available current biennial earnings of the Bank of North Dakota, not to exceed \$6,500,000 per biennium prorated with any other bonds payable from transfers to be made and appropriated by the legislative assembly from the available current biennial earnings of the Bank of North Dakota, to be credited by the trustee to the fund established for paying principal and interest on the bonds under a trust indenture. No transfer was made from the Bank of North Dakota for statewide water development projects for the 2003-2005 biennium of the legislature.

Chapter 6-09.7 provides that the Bank of North Dakota may guarantee the loan of money by banks, credit unions, lending institutions that are part of the farm credit system, and savings and loan associations in this state to eligible persons for the purchase of agricultural real estate or the restructuring of agricultural real estate loans, provided the transactions do not exceed a loan-to-value ratio of 80%, and further provided that no single loan exceeds \$400,000. The Bank of North Dakota may have no more than \$5,000,000 in outstanding loan guarantees under this program. The Bank of North Dakota may guarantee up to 75% of the amount of principal due the lender. The guarantee term may not exceed five years. As of December 31, 2004, the Bank of North Dakota has provided guarantees totaling \$884,000. There were no guarantee commitments outstanding under this program.

Chapter 6-09.15 provides that the Bank of North Dakota establish a Beginning Entrepreneur Loan Guarantee Program. The program allows the Bank of North Dakota to enter 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.

## STATE OF NORTH DAKOTA

The term of the loan guarantee may not exceed five years. The Bank may provide guarantees totaling \$3,400,000. As of December 31, 2004, the Bank has provided guarantees totaling \$1,746,000 and has guarantee commitments of \$26,000 included in commitments to extend credit.

### STUDENT LOAN TRUST

The 2003 North Dakota Legislature also passed Senate Bill 2335, which permits the Bank of North Dakota to request from the Commission a transfer from the Trust to reimburse the Bank of North Dakota for any losses incurred from investments in North Dakota alternative and venture capital investments and early-stage capital funds up to \$5,000,000. The 2005 North Dakota Legislature passed Senate Bill 2032, which increases the amount up to \$10,000,000. As of June 30, 2005, approximately \$1,155,000 has been funded and \$3,545,000 committed, with no loss anticipated.

### RETIREMENT AND INVESTMENT OFFICE (RIO)

The North Dakota Retirement and Investment Office has entered into two contracts to implement a new pension administration software system for the North Dakota Teachers' Fund for Retirement. The contracts commenced March 1, 2004, and terminate October 31, 2005. The approximate costs under these contracts for implementation of the new software is \$1,756,375. RIO has budgeted \$2.0 million for the implementation of this system. Other costs of the system not under contract include support from the Information Technology Department and other miscellaneous costs totaling \$243,625. Fees paid under these contracts total \$1,351,602 as of June 30, 2005.

### MANDAN REMEDIATION TRUST

As of November 23, 2004, the North Dakota Department of Health entered into a quick start contract with Legette, Brashears & Graham, Inc. (LBG) for the performance of remediation services. The amount of the contract was \$149,262. A master services agreement was signed on January 18, 2005, between LBG and the North Dakota Department of Health for the performance of remediation services. Mandan Remediation Trust agrees to pay LBG for services rendered under the quick start contract and the master services agreement pursuant to the Mandan

Remediation Trust Agreement. The master services agreement provides a fee schedule for consulting services and equipment use.

### INDUSTRIAL COMMISSION

In September of 2001, the Industrial Commission, as part of the Lignite Research, Marketing and Development Program—Vision 21, entered into a contract with Montana-Dakota Utilities/Westmoreland Power, Inc. (MDU) for a total of \$10,000,000. The contract authorizes payments over a period of years based on completion of the required research and the construction of a new lignite-fired power plant in North Dakota. Payments made on the contract total \$1,725,000. The contract contains a provision for payback to the Industrial Commission of \$4.5 million over twenty years if new power plants are built and become operational. Total commitments under the contract would be reduced by \$7,650,000 if the power plant is 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 \$464,226 have been made. On June 18, 2003, the Commission approved the issuance of a Phase II feasibility matching contract in the amount of \$687,500. The current balance on the Phase II contract is \$235,000.

The Commission also has various significant commitments at June 30, 2005, for the purchase of various types of services and other goods totaling \$1,696,250.

### MILL AND ELEVATOR

The Mill has entered into futures contracts for spring wheat to lock in a price for a future delivery or settlement period. These contracts are entered into to protect the Mill against price fluctuations of the commodity and are not reflected on the face of the financial statements. The price protection is needed to cover any long or short positions compared to flour sales. All trades are completed using two different national brokerage firms on the Minneapolis Grain Exchange. The following table shows the Mill's futures positions at June 30, 2005. One contract equals 5,000 bushels.

#### Futures Positions:

Month	Contracts		Avg. Price	Fair Value
	Long	Short		
September	-	94	\$ 3.514	\$ 3.470
December	45	41	3.685	3.570

As of June 30, 2005, the Mill had commitments to purchase 983,663 bushels of spring wheat and 34,289 bushels of durum.

### BUILDING AUTHORITY

The Authority has committed funds to complete various construction and modernization programs at June 30, 2005, totaling \$725,000.

Senate Bill No. 2023 provided appropriations for the state facility energy improvement capital projects of various state departments and institutions. The senate bill authorized the Industrial Commission to issue and sell evidences of indebtedness during the June 30, 2005, through June 30, 2007, biennium, totaling \$31,180,000.

#### 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.

The Bond Bank purchased letters of credit from the Bank of North Dakota in order to fund the reserves for the Capital Financing Program Bonds. As of December 31, 2004, \$3,315,000 of credit was available through these letters of credit and no funds have been advanced.

#### DEPARTMENT OF HUMAN SERVICES

As of June 30, 2005, the Department of Human Services had significant commitments for the purchase of various types of services totaling \$21,725,236.

#### PUBLIC SERVICE COMMISSION

As of June 30, 2005, the Public Service Commission had significant commitments of \$682,435. This amount consists primarily of contractor charges associated with the Abandoned Mine Lands.

#### AERONAUTICS COMMISSION

As of June 30, 2005, the Aeronautics Commission had significant commitments of \$1,158,835. This amount consists of grants to political subdivisions for maintenance and improvements of their airports.

#### DAIRY PRODUCTS PROMOTION COMMISSION

As of June 30, 2005, the Dairy Products Commission had significant commitments of \$193,500. 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, 2005, the North Dakota Soybean Council had significant commitments of \$695,874. This amount mainly consists of grants for the research and development of soybeans.

#### NORTH DAKOTA BEEF COMMISSION

As of June 30, 2005, the North Dakota Beef Commission had significant commitments of \$200,000. This amount consists of a grant to NDSU for research purposes.

#### STATE WATER COMMISSION

As of June 30, 2005, the State Water Commission had long-term commitments of \$32,042,155 for various water projects.

#### NORTH DAKOTA DEPARTMENT OF TRANSPORTATION

At June 30, 2005, the North Dakota Department of Transportation (Special Revenue Fund) had non-construction contract commitments of approximately \$12.1 million of which \$10.5 million represents federal programs which are cost reimbursable.

Construction commitments at June 30, 2005, totaled approximately \$125.9 million, of which \$101.6 million represents federal programs which are cost reimbursable. These commitments will be funded with future appropriations as work is performed.

#### UNIVERSITY SYSTEMS

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

	Original Issue	Paid To Date	Amount To Be Paid
BSC	\$ 145	\$ 8	\$ 137
DSU	5,195	4,727	468
MaSU	1,874	1,870	4
NDSCS	138	-	138
NDSU	29,400	9,792	19,608
UND	18,632	8,706	9,926
WSC	100	90	10

#### NORTH DAKOTA DEVELOPMENT FUND

The board of directors has approved equity investments, loans, grants, and guaranty of collections at June 30, 2005, for which funds have not been disbursed or written agreements entered into in the amount of \$5,907,000.

#### OTHER CONSTRUCTION COMMITMENTS

Corrections	\$ 199
Adjutant General	5,999
Game and Fish	1,158
Transportation	47,420

#### **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 zero. Litigation that is reasonably possible

# STATE OF NORTH DAKOTA

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to result in an unfavorable outcome is estimated at \$100,000 to \$10,246,000.

The estimated gain in all the litigation brought by the State in which a gain is probable is estimated at \$4,515,395. 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, 2005, in which the settlement had not been paid as of June 30, 2005.

## **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, 2004, was completed in March of 2005. As a result of this audit, approximately \$1,800,000 of identifiable questioned costs was 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.

## **NOTE 19 - SUBSEQUENT EVENTS**

### HOUSING FINANCE AGENCY

Subsequent to June 30, 2005, the Agency issued the 2005 Series B Housing Finance Program Bonds, the proceeds of which were used to purchase mortgage loans owned by the Agency and to extinguish the debt on the corresponding loan from the Bank of North Dakota.

Subsequent to June 30, 2005, the Agency began the process for the issuance of 2005 Series C and Series D Housing Finance Program Bonds. The 2005 Series C and Series D bond issuances will be in the amount of \$60,000,000 and \$40,000,000, respectively. The 1995 B, 1995 D, 1995 F, 1996 A, and 1996 B Homeownership bond issuances of \$3,610,000, \$655,000, \$3,460,000, \$3,435,000 and \$1,175,000 were repaid on July 1, 2005.

### JOB SERVICE

Subsequent to June 30, 2005, the Agency entered into a capital lease for new information technology equipment. This capital lease of approximately \$1.8 million takes effect October 2005 and replaces mainframe equipment currently under a capital lease.

### MILL AND ELEVATOR

Subsequent to June 30, 2005, the Mill entered into a construction contract for approximately \$5.8 million to build a new "C" mill and to upgrade the existing "K" mill. In addition, the Mill received notice of a claim in the amount of \$250,000 regarding a death that occurred on Mill property.

### WATER COMMISSION

Subsequent to June 30, 2005, the Commission was given authority to issue an additional \$7,000,000 of bonds for water development projects; authorized an additional \$1,999,000 of U.S. Department of Agriculture bonds (2005 Series A) for the Southwest Pipeline project; and authorized an additional \$572,000 of U.S. Department of Agriculture bonds (2005 Series B) for the Southwest Pipeline project.

### MUNICIPAL BOND BANK

Subsequent to year end, the Industrial Commission approved the issuance of \$36,210,000 State Revolving Fund Program Bonds, Series 2005A. These bonds are for the express purpose of providing funds to political subdivisions for use in connection with various improvement, construction, and refinancing projects. The interest rates vary on these bonds from 3.00% to 5.00%, with maturity ranging from October 1, 2006, to October 1, 2023.

Effective August 1, 2005, the North Dakota Municipal Bond Bank was renamed the North Dakota Public Finance Authority. In addition, this new legislation enables the Agency to issue bonds or other evidences of indebtedness on behalf of any other state agency involved in the issuance of debt.

### NORTH DAKOTA STATE UNIVERSITY

In August 2005, NDSU issued \$18.7 million in revenue bonds for the Memorial Union renovation and addition project. The bonds will be repaid with student fees designated for the project.

#### NORTH DAKOTA UNIVERSITY SYSTEM

On September 28, 2005, the Industrial Commission issued North Dakota Building Authority, Facilities Improvement Bonds, 2005 Series A, in the amount of \$37,955,000. Of the total issue, \$22,325,351 was issued to fund various capital projects on several System campuses. Future state appropriations to the System will pay \$19,993,797 of the principal and related interest over the twenty-year life of the bonds. The University of North Dakota will repay the remaining \$2,331,554 of principal and related interest through energy savings from the funded energy improvement projects.

#### BUILDING AUTHORITY

On September 19, 2005, the Building Authority issued the 2005 Series A Facilities Improvement Bonds in the amount of \$37,955,000. These bonds mature on December 1, 2024, and were issued for projects approved by the 2005 Legislative Assembly.

#### STATE HISTORICAL SOCIETY

Subsequent to June 30, 2005, bonding funds totaling \$6,600,000 was secured by the Industrial Commission for the Historical Society. This included \$1,100,000 for the Chateau Interpretive Center in Medora and \$5,500,000 for the Heritage Center research collections expansion in Bismarck.

#### MANDAN REMEDIATION TRUST

On September 27, 2005, the City of Mandan requested reimbursement from the Trust of \$420,363 for various remediation costs that have been incurred by the City of Mandan.

#### NORTH DAKOTA DEPARTMENT OF TRANSPORTATION

Per NDCC 24-02-40.1, the Department is authorized to issue grant and revenue anticipation bonds for the purpose of financing the Liberty Memorial Bridge Improvement Project and the U.S. Highway 2 Project Improvement. The Series 2005 Bonds are limited obligations of the Department, payable solely from federal transportation funds, pledged state highway funds, and other money included in the trust estate.

#### STATE TAX DEPARTMENT

On August 10, 2005, the Tax Department received \$3,550,000 from a loan that was authorized by the 2005 Legislative Assembly. HB 1006, Section 6, authorizes the Department to purchase, finance the purchase, and lease equipment, software, and services to establish an integrated tax processing system.

#### NOTE 20 – NEW PRONOUNCEMENTS

GASB Statement No. 42, “*Accounting and Financial Reporting for Improvement of Capital Assets and Insurance Recoveries*,” was issued in November 2003 and establishes guidance for accounting and reporting for the impairment of capital assets and for insurance recoveries. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2005.

GASB Statement No. 43, “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*,” was issued in April 2004. This statement establishes financial reporting standards for other postemployment benefit plans. The provisions of this statement are effective for periods beginning after December 31, 2005.

GASB Statement No. 44, “*Economic Condition Reporting: The Statistical Section*,” was issued in May 2004. This statement establishes and modifies requirements related to the information presented in the statistical section. The provisions of this statement are effective for statistical sections prepared for periods beginning after June 15, 2005.

GASB Statement No. 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*,” was issued in June 2004. This statement establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities and assets, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local government employers. The provisions of this statement are effective for periods beginning after December 15, 2006.

GASB Statement No. 46, “*Net Assets Restricted for Enabling Legislation*,” was issued in December 2004. This statement establishes and modifies requirements related to restrictions of net assets resulting from enabling legislation. The provisions of this statement are effective for periods beginning after June 15, 2005.

GASB Statement No. 47, “*Accounting for Termination Benefits*,” was issued in June 2005. This statement establishes accounting standards for employee termination benefits. For termination benefits provided through an existing defined benefit OPEB plan, the provision of this statement should be implemented simultaneously with the requirements of Statement 45 above. For all other termination benefits, including those that affect an employer’s obligations for defined pension benefits, this statement is effective for periods beginning after June 15, 2005.

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# **Required Supplementary Information — Budgetary Schedule**

# STATE OF NORTH DAKOTA

## Required Supplemental Information Budgetary Comparison Schedule General Fund June 30, 2005

	Approved Budget 2003-2005 Biennium	Appropriation Adjustments 2003-2005 Biennium	Adjusted Budget 2003-2005 Biennium	Actual Biennium To Date Thru 6-30-05	Difference Uncollected/ Unspent Thru 6-30-05
<b>Budgetary Fund Balance, July 1</b>	\$ 11,994,694	\$ (17,755,010)	\$ (5,760,316)	\$ 29,700,619	\$ 35,460,935
<b>Resources (Inflows):</b>					
Sales and Use Tax	674,764,000	42,994,293	717,758,293	717,758,293	-
Income Tax	526,705,000	28,769,298	555,474,298	555,474,298	-
Business Privilege Tax	5,200,000	(241,327)	4,958,673	4,958,673	-
Oil And Gas Production Tax	42,348,719	3,185,325	45,534,044	77,885,841	32,351,797
Oil Extraction Tax	28,651,281	(3,185,325)	25,465,956	42,592,494	17,126,538
Insurance Premium Tax	55,869,000	415,535	56,284,535	56,284,535	-
Cigarette, Cigar and Tobacco Tax	36,709,000	2,767,712	39,476,712	39,476,712	-
Wholesale Liquor Tax	11,634,000	255,465	11,889,465	11,889,465	-
Coal Conversion Tax	47,221,000	(24,169)	47,196,831	47,196,831	-
Gaming Tax	23,145,000	(2,294,089)	20,850,911	20,850,911	-
Lottery	1,431,000	5,838,005	7,269,005	7,269,005	-
Department Fees and Collections	54,410,473	56,594,064	111,004,537	111,004,537	-
Mineral Leasing Fees	4,215,000	6,809,583	11,024,583	11,024,583	-
Motor Vehicle Excise Tax	126,784,840	1,225,263	128,010,103	128,010,103	-
Interest on Public Funds	12,629,000	(5,693,985)	6,935,015	6,935,015	-
Gas Tax Administration	1,396,200	-	1,396,200	1,396,200	-
Transfers In	155,350,377	7,518,493	162,868,870	162,868,870	-
<b>Total Revenue Inflows</b>	<b>1,808,463,890</b>	<b>144,934,141</b>	<b>1,953,398,031</b>	<b>2,002,876,366</b>	<b>49,478,335</b>
<b>Amounts Available for Appropriation</b>	<b>1,820,458,584</b>	<b>127,179,131</b>	<b>1,947,637,715</b>	<b>2,032,576,985</b>	<b>(84,939,270)</b>
<b>Charges to Appropriations (Outflows):</b>					
<b>General Government:</b>					
Governor's Office	2,331,886	-	2,331,886	2,261,995	69,891
Secretary of State	4,142,844	105,000	4,247,844	4,122,112	125,732
Office of Management and Budget	19,740,511	1,203,927	20,944,438	19,651,456	1,292,982
Information Technology	8,194,803	1,070,142	9,264,945	9,197,457	67,488
State Auditor	4,581,232	-	4,581,232	4,438,700	142,532
State Treasurer	2,626,384	-	2,626,384	2,385,308	241,076
Attorney General	17,054,217	181,000	17,235,217	17,232,986	2,231
Tax Department	21,154,695	110,000	21,264,695	19,785,780	1,478,915
Legislative Assembly	8,561,252	223,676	8,784,928	7,979,757	805,171
Legislative Council	7,532,856	529,695	8,062,551	6,631,339	1,431,212
Supreme Court	55,087,369	-	55,087,369	53,301,000	1,786,369
<b>Education:</b>					
Public Instruction	604,725,006	70,706	604,795,712	604,778,020	17,692
Education Practices & Standards Board	40,000	-	40,000	7,550	32,450
State Library	3,027,046	-	3,027,046	3,026,466	580
School for the Deaf	5,073,242	-	5,073,242	4,992,628	80,614
School for the Blind	2,089,825	-	2,089,825	2,089,054	771
Vocational Education	14,673,473	-	14,673,473	14,673,365	108
<b>Health &amp; Human Services:</b>					
Dept. of Health	13,101,092	(116)	13,100,976	12,877,557	223,419
Veteran's Home	3,046,072	408,000	3,454,072	2,189,308	1,264,764
Indian Affairs Commission	355,243	-	355,243	351,073	4,170
Veteran's Affairs	480,798	22,245	503,043	500,959	2,084
Dept. of Human Services-Management	13,717,616	266,212	13,983,828	13,541,990	441,838
Dept. of Human Services-Program and Policy	310,747,679	(3,134,259)	307,613,420	301,492,625	6,120,795
Dept. of Human Services-Centers	86,616,528	2,917,999	89,534,527	87,447,062	2,087,465
Protection and Advocacy	782,723	-	782,723	783,526	(803)
Job Service	1,250,000	225,000	1,475,000	1,182,508	292,492
<b>Regulatory:</b>					
Insurance Commission	100,000	-	100,000	100,000	-
Industrial Commission	7,026,884	(4,318)	7,022,566	6,851,909	170,657
Labor Commission	877,947	-	877,947	860,493	17,454
Public Service Commission	3,911,494	60,000	3,971,494	3,913,895	57,599
Securities Commissioner	1,080,165	-	1,080,165	1,072,384	7,781
<b>Public Safety and Corrections:</b>					
Highway Patrol	18,211,522	(8,340)	18,203,182	17,938,546	264,636
Division of Emergency Management	1,369,035	7,736,057	9,105,092	8,510,764	594,328
Corrections & Rehab	81,736,611	1,788,381	83,524,992	83,477,593	47,399
Adjutant General	9,170,983	-	9,170,983	9,131,488	39,495
<b>Agriculture &amp; Commerce:</b>					
Department of Commerce	17,464,723	1,168,128	18,632,851	17,272,239	1,360,612
Department of Agriculture	4,233,525	5,511	4,239,036	4,238,036	1,000
State Fair	581,750	-	581,750	581,750	-
<b>Natural Resources:</b>					
Historical Society	7,259,934	295,536	7,555,470	7,375,007	180,463
Council on the Arts	1,004,403	-	1,004,403	1,000,278	4,125
Parks and Recreation	7,056,513	369,950	7,426,463	7,003,598	422,865
Water Commission	9,385,396	-	9,385,396	9,155,294	230,102
<b>Transportation:</b>					
Aeronautics Commission	522,500	-	522,500	522,500	-
Transfers Out	421,933,384	4,100,624	426,034,008	422,591,966	3,442,042
<b>Total Charges to Appropriations</b>	<b>1,803,661,161</b>	<b>19,710,756</b>	<b>1,823,371,917</b>	<b>1,798,519,321</b>	<b>24,852,596</b>
<b>Ending Budgetary Fund Balance</b>	<b>\$ 16,797,423</b>	<b>\$ 107,468,375</b>	<b>\$ 124,265,798</b>	<b>\$ 234,057,664</b>	<b>\$ 109,791,866</b>



## STATE OF NORTH DAKOTA

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**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Budget to GAAP Reconciliation**  
**General Fund**  
**June 30, 2005**

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	2,002,876,366
Back-out revenue from FY 2004	(956,151,886)
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	(17,279,516)
Repayment received on loans receivable are revenue for Budget not GAAP	144,591
Total revenues and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u><u>\$ 1,029,589,555</u></u>

**Uses/Outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	1,798,519,321
Back-Out Expenditures from FY 2004	(894,709,001)
Differences-Budget to GAAP:	
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	41,162,857
New Loans issued are expenditures for Budget but not for GAAP	172,509
GAAP, but not Budget expenditures are reduced by year end inventory balances	701,822
Certain due to other funds are recorded under GAAP, but not for Budget	161,071
Total expenditures and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u><u>\$ 946,008,579</u></u>

# STATE OF NORTH DAKOTA

## Required Supplemental Information Budgetary Comparison Schedule Other Funds June 30, 2005

	Approved Budget 2003-2005 Biennium	Appropriation Adjustments 2003-2005 Biennium	Adjusted Budget 2003-2005 Biennium	Actual Biennium To Date Thru 6-30-05	Difference Uncollected/ Unspent Thru 6-30-05
<b>Budgetary Fund Balance, July 1</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>					
Other Budgeted Income	3,401,503,612	253,072,728	3,654,576,340	3,210,190,829	(444,385,511)
<b>Total Revenue Inflows</b>	<b>3,401,503,612</b>	<b>253,072,728</b>	<b>3,654,576,340</b>	<b>3,210,190,829</b>	<b>(444,385,511)</b>
Amounts Available for Appropriation	3,401,503,612	253,072,728	3,654,576,340	3,210,190,829	444,385,511
<b>Charges to Appropriations (Outflows):</b>					
General Government:					
Governor's Office	780,000	1,880,000	2,660,000	2,368,584	291,416
Secretary of State	9,880,363	18,001	9,898,364	4,621,008	5,277,356
Office of Management & Budget	7,888,476	4,182,752	12,071,228	9,257,052	2,814,176
Information Technology	98,117,301	12,526	98,129,827	84,438,543	13,691,284
State Auditor	2,117,976	-	2,117,976	1,949,848	168,128
Attorney General	17,429,474	200,000	17,629,474	12,289,702	5,339,772
Tax Department	115,044	150,000	265,044	212,050	52,994
Supreme Court	2,043,536	1,357,500	3,401,036	3,127,874	273,162
Education:					
Public Instruction	266,058,803	55,000,000	321,058,803	291,942,763	29,116,040
State Library	1,629,979	-	1,629,979	1,554,521	75,458
School for the Deaf	871,449	-	871,449	667,936	203,513
Vocational Education	10,874,500	1,012,086	11,886,586	10,065,902	1,820,684
Health & Human Services:					
Dept. of Health	106,481,656	13,619,353	120,101,009	104,656,170	15,444,839
Veteran's Home	7,971,123	84,531	8,055,654	7,843,239	212,415
Indian Affairs	-	85,000	85,000	62,766	22,234
Dept. of Human Services-Management	34,130,107	(2,079,259)	32,050,848	27,907,365	4,143,483
Dept. of Human Services-Program and Policy	959,092,082	20,865,236	979,957,318	965,926,097	14,031,221
Dept. of Human Services-Centers	104,579,743	75,172	104,654,915	101,436,959	3,217,956
Protection and Advocacy	2,443,532	1,270,981	3,714,513	3,498,112	216,401
Job Service	56,204,717	1,852,262	58,056,979	52,323,009	5,733,970
Regulatory:					
Insurance Department	6,486,779	112,632	6,599,411	5,835,468	763,943
Industrial Commission	37,291,836	(565,328)	36,726,508	26,781,467	9,945,041
Labor Commission	229,698	375,000	604,698	472,657	132,041
Public Service Commission	6,072,767	-	6,072,767	4,251,785	1,820,982
Public Safety and Corrections:					
Highway Patrol	15,481,087	-	15,481,087	12,602,595	2,878,492
Division of Emergency Management	37,217,141	41,862,289	79,079,430	60,917,721	18,161,709
Corrections & Rehab	32,580,087	944,756	33,524,843	27,256,906	6,267,937
Adjutant General	20,718,716	13,185,000	33,903,716	30,462,004	3,441,712
Agriculture & Commerce:					
Department of Commerce	52,353,107	5,917,877	58,270,984	46,454,214	11,816,770
Department of Agriculture	8,318,849	2,040,550	10,359,399	8,150,364	2,209,035
Natural Resources:					
Historical Society	4,391,042	1,621,000	6,012,042	2,527,988	3,484,054
Council on the Arts	1,222,215	-	1,222,215	1,165,094	57,121
Game and Fish	43,365,763	2,162,000	45,527,763	42,969,696	2,558,067
Parks and Recreation	10,772,107	-	10,772,107	8,042,636	2,729,471
Water Commission	150,473,458	3,000,000	153,473,458	86,791,428	66,682,030
Transportation:					
Aeronautics Commission	8,637,292	(6,942)	8,630,350	3,188,805	5,441,545
Department of Transportation	784,385,918	8,837,241	793,223,159	728,182,515	65,040,644
<b>Total Charges to Appropriations</b>	<b>2,908,707,723</b>	<b>179,072,216</b>	<b>3,087,779,939</b>	<b>2,782,202,843</b>	<b>305,577,096</b>
<b>Ending Budgetary Fund Balance</b>	<b>\$ 492,795,889</b>	<b>\$ 74,000,512</b>	<b>\$ 566,796,401</b>	<b>\$ 427,987,986</b>	<b>\$ (138,808,415)</b>

# STATE OF NORTH DAKOTA

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## Required Supplemental Information Budgetary Comparison Schedule Budget to GAAP Reconciliation Federal Fund June 30, 2005

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

### Sources/Inflows of resources

Actual Amounts (budgetary basis) "total revenue inflows" from the budgetary comparison schedule	3,210,190,829
Perspective difference: Non-Federal fund revenues	(2,150,152,754)
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	(3,015,010)
Repayment received on loans receivable are revenue for Budget not GAAP	(3,063)
Certain due from other funds are recorded under GAAP, but not for Budget	(4,641,749)
Total revenues and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u><u>\$ 1,052,378,253</u></u>

### Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	2,782,202,843
Perspective difference: Non-Federal fund expenditures and FY 2002 federal expenditures	(1,722,164,768)
Differences-Budget to GAAP:	
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	(3,710,442)
New Loans issued are expenditures for Budget but not for GAAP	1,820,868
GAAP, but not Budget expenditures are reduced by year end inventory balances	207,013
Non-appropriated transfers are expenditures for GAAP, but not for Budget	(6,411,881)
Certain due to other funds are recorded under GAAP, but not for Budget	25,497,960
Total expenditures and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u><u>\$ 1,077,441,593</u></u>

# STATE OF NORTH DAKOTA

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## **Note to Required Supplemental Information Budgetary Reporting June 30, 2005**

The Budgetary Comparison Schedules present 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. All other funds are budgeted together as "Other Budgeted Funds." A budgetary schedule has been done for these other funds because they include budgeted amounts for the Federal Fund, which is a major special revenue fund. These amounts are reported on the schedule entitled "Other Funds." Only the agencies with federal funds are listed here along with any of their non-federal fund budgeted amounts.

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 2003-2005 Biennium Budget and Actual Detail (Budgetary Basis) For the Biennium Ended June 30, 2005." This budget information is available through the Office of Management and Budget, 600 East Boulevard Avenue, Dept. 110, Bismarck, ND 58505. For the 2003-2005 biennium there were general and federal fund supplemental appropriations of \$183,700,061.

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. Reconciliations of the two for the fiscal year ended June 30, 2005, for the General Fund and the Federal Fund are on the previous pages. The schedules reflect expenditures for the biennium, so the expenditures relating to fiscal year 2004 are backed out in the reconciliation. On the reconciliation for Federal Fund, the non-federal fund amounts are also backed out.



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# Combining Financial Statements

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# STATE OF NORTH DAKOTA

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## *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)

##### 447 – Ethanol Production Incentive Fund

Funds are used for paying ethanol production incentives. (NDCC 4-14.1)

##### 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)

# STATE OF NORTH DAKOTA

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## 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)

### 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)

### 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)

## 413 – NAWIS Project Reserve Fund

To be used for the replacement and extraordinary maintenance of the northwest area water supply project. (NDCC 61-24.6-08)

## 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)

**285 – Compulsive Gambling Prevention and Treatment Fund**

Funds are used for gambling prevention and treatment services. (NDCC 50-06)

**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)

**355 – Provider Assessment Fund**

Accounts for an assessment on intermediate care facilities for the mentally retarded. (NDCC 57-63)

**360 - Human Services Department Fund**

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 50-06)

**364 – Indian Affairs Printing Revolving Fund**

Accounts for the revenues and expenses relating to the sale of publications produced and distributed by the Indian Affairs Commission. (NDCC 54-36)

**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)

**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)

# STATE OF NORTH DAKOTA

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## 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)

### 268 – Restitution Collection Assistance Fund

Accounts for restitution received and used for defraying expenses related to collection of restitution. (NDCC 12.1-32)

### 278 – Racing Breeders Fund

Accounts for revenues that are used to award racehorse breeders. (NDCC 53-06.2)

### 279 – Court Facilities Improvement Fund

Used to provide grants to counties for court facilities improvement and maintenance projects. (NDCC 27-05.2)

### 282 – Indigent Defense Administration Fund

Funds are used to contract for indigent defense services in the state. (NDCC 29-26)

### 290 – Racing Purse Fund

Revenues are used to supplement and improve purses offered at racetracks within the state. (NDCC 56-06.2)

### 295 – Electronic Filing Administration Fund

Used by the Judicial Branch to cover the costs of maintaining an electronic filing system and managing electronic documents. (NDCC 27-03)

### 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 – Racing Promotion Fund

Revenues are used for the promotion of racing and for the 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)

**283 – Election Fund**

Funds are to be used for the exclusive purpose of carrying out the activities of the Help America Vote Act of 2002. (NDCC 16.1-01)

**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. (2003 S.L. ch. 22, 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)

# STATE OF NORTH DAKOTA

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## 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)

### 311 – Special Operations Team Reimbursement Fund

Funds are used to reimburse city and county governments that provide special operations team services to rural areas. (NDCC 54-12)

### 321 – Probationer Violation Transportation Fund

Funds are used to defray the costs of returning to the state probationers who violate their conditions of supervision. (2003 S.L., SB 2339)

### 361 – Highway Patrol Special Fund

Used for distributions from the state highway tax distribution fund to be used for the expenses of the department. (2003 HB 1011).

### 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)

**244 - Investor Education and Technology Fund**

Funds provide education services to the public regarding the financial services industry and for the technology needs of the Securities Department. (NDCC 10-04)

**247 - Oil and Gas Research Fund**

Funds are to be used for oil and gas research activities. (NDCC 57-51.1)

**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)

**280 - Performance Assurance Fund**

Revenues received under the performance assurance plan are to be used to monitor the operation and effect of the plan. (NDCC 49-21)

**301 - Siting Process Recovery Fund**

Deposits in this fund are to pay for expenses incurred in the energy conversion facility siting process. (NDCC 49-22)

**305 - Industrial Commission Fund**

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

**395 - Credit Sale Contract Indemnity Fund**

Accounts for an assessment on grain sold under a credit-sale contract to be used to reimburse persons selling grain under a credit sale contract upon insolvency of a grain buyer. (NDCC 60-10)

**TRANSPORTATION****200,201,277 - 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)

# STATE OF NORTH DAKOTA

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## 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)

**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)

**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)

# STATE OF NORTH DAKOTA

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2005

	Special Revenue Funds					
	Agriculture	Commodity Promotion	Commerce	Cultural and Natural Resources	Education	Health and Human Services
<b>ASSETS</b>						
Cash Deposits at the Bank of ND	\$ 5,940,307	\$ 3,864,529	\$ 4,878,493	\$ 30,010,266	\$ 19,563,711	\$ 26,004,728
Cash and Cash Equivalents	237,797	542,959	8,500	5,321	390,643	457,257
Investments at the Bank of ND	1,698,350	-	1,899,999	2,178,656	-	16,608,000
Investments	74,000	1,975,999	-	282,000	-	250,001
Accounts Receivable - Net	168,770	1,389,004	23,801	5,210,635	3,596,816	9,099,755
Taxes Receivable - Net	23,070	-	-	164,532	490,696	326,705
Interest Receivable - Net	363	5,764	236,188	1,545	-	225,713
Intergovernmental Receivable - Net	-	-	-	438,937	-	1,029,317
Due from Other Funds	29,629	-	300,940	237,066	11,303	4,697,303
Prepaid Items	-	-	-	422,866	-	-
Inventory	-	-	27,991	-	113,518	-
Loans and Notes Receivable - Net	1,941	-	9,610,400	3,944,984	-	10,562,759
<b>Total Assets</b>	<b>\$ 8,174,227</b>	<b>\$ 7,778,255</b>	<b>\$ 16,986,312</b>	<b>\$ 42,896,808</b>	<b>\$ 24,166,687</b>	<b>\$ 69,261,538</b>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>Liabilities:</b>						
Accounts Payable	\$ 138,722	\$ 3,671,581	\$ 305,183	\$ 2,398,048	\$ 67,063	\$ 1,663,441
Accrued Payroll	151,276	103,261	27,087	96,808	317,351	557,904
Securities Lending Collateral	-	-	-	-	-	-
Intergovernmental Payable	-	-	3,880	-	-	-
Tax Refunds Payable	-	-	-	-	-	-
Due to Other Funds	516,326	20	48,014	333,671	840,818	13,160,414
Contracts Payable	-	-	-	1,936,877	-	-
Deferred Revenue	39,466	-	-	-	1,222,394	-
<b>Total Liabilities</b>	<b>845,790</b>	<b>3,774,862</b>	<b>384,164</b>	<b>4,765,404</b>	<b>2,447,626</b>	<b>15,381,759</b>
<b>Fund Balances:</b>						
<b>Reserved For:</b>						
Inventory	-	-	27,991	-	113,518	-
Long - Term Receivables	1,941	-	8,093,348	3,944,984	-	10,173,229
Capital Projects	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Prepaid Expenditures	-	-	-	422,866	-	-
Legal Requirements	-	-	-	-	-	-
<b>Unreserved:</b>						
<b>Designated for:</b>						
Fund Activities	-	-	-	-	-	-
Patients Welfare	-	-	-	-	-	501,229
<b>Unreserved, Reported in:</b>						
Special Revenue Funds	7,326,496	4,003,393	8,480,809	33,763,554	21,605,543	43,205,321
<b>Total Fund Balances</b>	<b>7,328,437</b>	<b>4,003,393</b>	<b>16,602,148</b>	<b>38,131,404</b>	<b>21,719,061</b>	<b>53,879,779</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,174,227</b>	<b>\$ 7,778,255</b>	<b>\$ 16,986,312</b>	<b>\$ 42,896,808</b>	<b>\$ 24,166,687</b>	<b>\$ 69,261,538</b>



(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	
\$ 8,028,793	\$ 530,667	\$ 26,130,852	\$ 19,039,077	\$ 2,573,994	\$ 10,036,689	\$ 890,761	
117,945	-	1,223,713	560	29,475	-	-	
4,021	-	-	17,700,000	1,020,652	-	-	
-	36,082,608	-	-	664,919	-	-	
684,122	-	81,235	2,257	109,409	-	-	
101,573	208,892	37,276,481	981,390	360,054	-	-	
-	199,418	-	53,438	161,479	-	-	
76,445	-	-	-	80,749	-	-	
950,383	143,466	333	7,778	80,646	-	49,478,335	
-	-	-	-	-	2,012,935	-	
-	-	-	-	320,583	-	-	
-	36,454,665	-	5,041,629	-	-	-	
<b>\$ 9,963,282</b>	<b>\$ 73,619,716</b>	<b>\$ 64,712,614</b>	<b>\$ 42,826,129</b>	<b>\$ 5,401,960</b>	<b>\$ 12,049,624</b>	<b>\$ 50,369,096</b>	
\$ 88,030	\$ 7,943	\$ -	\$ -	\$ 194,145	\$ -	\$ -	
120,776	-	-	-	118,167	-	-	
-	8,609,771	-	-	-	-	-	
11,959	-	22,264,835	-	-	-	-	
-	-	63	-	-	-	-	
70,688	327,970	10,770	-	134,109	-	-	
-	-	-	-	-	-	-	
222,538	-	8,739,483	-	120,491	-	-	
<b>513,991</b>	<b>8,945,684</b>	<b>31,015,151</b>	<b>-</b>	<b>566,912</b>	<b>-</b>	<b>-</b>	
-	-	-	-	320,583	-	-	
-	33,249,679	-	4,726,743	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	2,012,935	-	
-	-	-	-	-	10,036,689	-	
3,995	-	-	-	-	-	-	
-	-	-	-	-	-	-	
9,445,296	31,424,353	33,697,463	38,099,386	4,514,465	-	50,369,096	
<b>9,449,291</b>	<b>64,674,032</b>	<b>33,697,463</b>	<b>42,826,129</b>	<b>4,835,048</b>	<b>12,049,624</b>	<b>50,369,096</b>	
<b>\$ 9,963,282</b>	<b>\$ 73,619,716</b>	<b>\$ 64,712,614</b>	<b>\$ 42,826,129</b>	<b>\$ 5,401,960</b>	<b>\$ 12,049,624</b>	<b>\$ 50,369,096</b>	

# STATE OF NORTH DAKOTA

## Combining Balance Sheet Nonmajor Governmental Funds (Continued) June 30, 2005

	Special Revenue Funds					
	Public Safety and Corrections	Recreation	Regulatory	Transportation	Veterans	Total
<b>ASSETS</b>						
Cash Deposits at the Bank of ND	\$ 2,113,810	\$ 9,257,493	\$ 7,724,101	\$ 92,067,122	\$ 774,102	\$ 269,429,495
Cash and Cash Equivalents	14,898	126,308	272	94,495	265,586	3,515,729
Investments at the Bank of ND	-	20,303,025	-	-	-	61,412,703
Investments	-	-	12,014,002	-	5,394,143	56,737,672
Accounts Receivable - Net	1,006,747	24,313	158,659	1,293,505	560,405	23,409,433
Taxes Receivable - Net	-	-	-	6,975,431	-	46,908,824
Interest Receivable - Net	-	670	71,733	182,147	2,038	1,140,496
Intergovernmental Receivable - Net	94,320	-	-	3,684,906	223,530	5,628,204
Due from Other Funds	476,752	1,194,225	10,372	14,237,227	2,207	71,857,965
Prepaid Items	-	-	-	353,144	-	2,788,945
Inventory	-	82,705	109,273	4,241,155	-	4,895,225
Loans and Notes Receivable - Net	-	-	-	5,553,377	305,102	71,474,857
Total Assets	\$ 3,706,527	\$ 30,988,739	\$ 20,088,412	\$ 128,682,509	\$ 7,527,113	\$ 619,199,548
<b>LIABILITIES AND FUND BALANCE</b>						
Liabilities:						
Accounts Payable	\$ 102,736	\$ 1,099,161	\$ 24,747	\$ 9,830,586	\$ 230,897	\$ 19,822,283
Accrued Payroll	207,034	461,254	271,871	3,714,599	12,813	6,160,201
Securities Lending Collateral	-	-	2,253,891	-	831,130	11,694,792
Intergovernmental Payable	2,199	-	-	1,078	-	22,283,951
Tax Refunds Payable	-	-	-	336,861	-	336,924
Due to Other Funds	301,472	257,126	1,984,472	1,285,758	800,814	20,072,442
Contracts Payable	93,098	-	-	939,261	-	2,969,236
Deferred Revenue	322,695	-	38,938	119,930	28,221	10,854,156
Total Liabilities	1,029,234	1,817,541	4,573,919	16,228,073	1,903,875	94,193,985
Fund Balances:						
Reserved For:						
Inventory	-	82,705	109,273	4,241,155	-	4,895,225
Long - Term Receivables	-	-	-	4,797,841	169,502	65,157,267
Capital Projects	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Prepaid Expenditures	-	-	-	353,144	-	2,788,945
Legal Requirements	-	-	-	-	-	10,036,689
Unreserved:						
Designated for:						
Fund Activities	-	-	-	-	-	3,995
Patients Welfare	-	-	-	-	-	501,229
Unreserved, Reported in:						
Special Revenue Funds	2,677,293	29,088,493	15,405,220	103,062,296	5,453,736	441,622,213
Total Fund Balances	2,677,293	29,171,198	15,514,493	112,454,436	5,623,238	525,005,563
Total Liabilities and Fund Balances	\$ 3,706,527	\$ 30,988,739	\$ 20,088,412	\$ 128,682,509	\$ 7,527,113	\$ 619,199,548

Debt Service Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
Building Authority	Lignite Research	Water Commission	Total	Building Authority	Water Commission	Total	
\$ 711,000	\$ 38	\$ 8,655,277	\$ 9,366,315	\$ 1,997,000	\$ 71,379	\$ 2,068,379	\$ 280,864,189
-	-	1,683,853	1,683,853	-	-	-	5,199,582
9,638,000	882,500	-	10,520,500	-	-	-	71,933,203
-	-	-	-	-	-	-	56,737,672
-	-	-	-	-	-	-	23,409,433
-	-	-	-	-	-	-	46,908,824
37,000	-	92,093	129,093	-	-	-	1,269,589
-	-	-	-	-	-	-	5,628,204
-	6,784	-	6,784	-	-	-	71,864,749
-	-	-	-	-	-	-	2,788,945
-	-	-	-	-	-	-	4,895,225
-	-	-	-	-	-	-	71,474,857
<u>\$ 10,386,000</u>	<u>\$ 889,322</u>	<u>\$ 10,431,223</u>	<u>\$ 21,706,545</u>	<u>\$ 1,997,000</u>	<u>\$ 71,379</u>	<u>\$ 2,068,379</u>	<u>\$ 642,974,472</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,399	\$ 68,399	\$ 19,890,682
-	-	-	-	-	-	-	6,160,201
-	-	-	-	-	-	-	11,694,792
-	-	-	-	-	-	-	22,283,951
-	-	-	-	-	-	-	336,924
-	-	-	-	1,188,000	-	1,188,000	21,260,442
-	-	-	-	-	-	-	2,969,236
-	-	-	-	-	-	-	10,854,156
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,188,000</u>	<u>68,399</u>	<u>1,256,399</u>	<u>95,450,384</u>
-	-	-	-	-	-	-	4,895,225
-	-	-	-	-	-	-	65,157,267
-	-	-	-	809,000	2,980	811,980	811,980
10,386,000	889,322	10,431,223	21,706,545	-	-	-	21,706,545
-	-	-	-	-	-	-	2,788,945
-	-	-	-	-	-	-	10,036,689
-	-	-	-	-	-	-	3,995
-	-	-	-	-	-	-	501,229
-	-	-	-	-	-	-	441,622,213
<u>10,386,000</u>	<u>889,322</u>	<u>10,431,223</u>	<u>21,706,545</u>	<u>809,000</u>	<u>2,980</u>	<u>811,980</u>	<u>547,524,088</u>
<u>\$ 10,386,000</u>	<u>\$ 889,322</u>	<u>\$ 10,431,223</u>	<u>\$ 21,706,545</u>	<u>\$ 1,997,000</u>	<u>\$ 71,379</u>	<u>\$ 2,068,379</u>	<u>\$ 642,974,472</u>

# STATE OF NORTH DAKOTA

## Combining Statement of Revenues, Expenditures and Changes in Fund Balance Nonmajor Governmental Funds For the Fiscal Year Ended June 30, 2005

	Special Revenue Funds					
	Agriculture	Commodity Promotion	Commerce	Cultural and Natural Resources	Education	Health and Human Services
<b>REVENUES</b>						
Individual and Corporate Income Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,903
Sales and Use Taxes	1,862,655	-	4,231	-	-	-
Oil, Gas, and Coal Taxes	-	-	-	700,974	4,601,775	-
Business and Other Taxes	226,424	-	-	-	-	3,524,484
Licenses, Permits and Fees	1,423,502	16,474	39,614	1,578,755	-	1,498,672
Intergovernmental	-	-	-	3,579,329	17,371	2,499,542
Sales and Services	2,362,621	2,057	139,832	115,867	4,857,580	14,556,796
Royalties and Rents	-	-	-	-	263,784	185,974
Fines and Forfeits	8,138	735	-	30,000	4,404,185	648
Interest and Investment Income	32,197	64,313	363,145	609,627	-	1,389,907
Tobacco Settlement	-	-	-	10,497,039	-	2,332,675
Commodity Assessments	24,703	10,795,278	-	695	-	-
Miscellaneous	8,246	112,979	265,719	76,164	120,198	1,841,142
Total Revenues	5,948,486	10,991,836	812,541	17,188,450	14,264,893	27,842,743
<b>EXPENDITURES</b>						
Current:						
General Government	-	-	-	-	13,867	-
Education	-	-	-	-	40,322,328	-
Health and Human Services	78,834	-	-	-	-	49,865,120
Regulatory	-	-	-	84,458	-	-
Public Safety and Corrections	-	-	-	-	-	-
Agriculture and Commerce	5,618,161	9,914,307	3,038,594	2,597,849	-	-
Natural Resources	-	-	-	13,759,189	-	-
Transportation	-	-	-	-	-	-
Intergovernmental - Revenue Sharing	-	-	-	-	-	-
Capital Outlay	40,428	25,938	-	27,305,387	6,040	1,076,728
Debt Service:						
Principal	2,198	-	-	-	-	2,727
Interest and Other Charges	-	-	-	-	-	-
Total Expenditures	5,739,621	9,940,245	3,038,594	43,746,883	40,342,235	50,944,575
Revenues over (under) Expenditures	208,865	1,051,591	(2,226,053)	(26,558,433)	(26,077,342)	(23,101,832)
<b>OTHER FINANCING SOURCES (USES)</b>						
Bonds and Notes Issued	-	-	-	-	-	-
Refunding Bonds Issued	-	-	-	-	-	-
Payment to Refund Bond Escrow Agent	-	-	-	-	-	-
Capital Lease Acquisitions	-	-	-	-	-	-
Sale of Capital Assets	35,000	-	-	560,400	-	-
Transfers In	43,388	25,000	916,423	62,305,629	30,297,894	24,443,068
Transfers Out	(102,857)	(565,736)	(83,517)	(28,392,109)	(5,203)	(19,233,288)
Total Other Financing Sources (Uses)	(24,469)	(540,736)	832,906	34,473,920	30,292,691	5,209,780
Net Change in Fund Balances	184,396	510,855	(1,393,147)	7,915,487	4,215,349	(17,892,052)
Fund Balances - Beginning of Year, as Adjusted	7,144,041	3,492,538	17,995,295	30,215,917	17,503,712	71,771,831
Fund Balances - End of Year	\$ 7,328,437	\$ 4,003,393	\$ 16,602,148	\$ 38,131,404	\$ 21,719,061	\$ 53,879,779

Special Revenue Funds						
Judicial and Legal	Land Department Coal and Mineral	Local Government	Oil Tax Resources	Other Special	PACE Fund	Permanent Oil Tax Trust
\$ -	\$ -	\$ 6,695,680	\$ -	\$ 1,972,063	\$ -	\$ -
-	-	81,713,169	-	-	-	-
-	3,090,766	35,207,742	9,862,297	-	-	-
240,201	-	14,474,554	-	-	-	-
36,870	-	14,394,606	-	47,738	-	-
150	-	370,799	661,100	62,952	-	-
1,509,542	-	-	-	2,507,835	-	-
-	6,925,819	-	8,429	346,682	-	-
2,170,486	-	100	-	-	-	-
50,242	1,367,335	-	238,936	297,697	252,399	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
34,025	-	-	-	525,587	-	-
4,041,516	11,383,920	152,856,650	10,770,762	5,760,554	252,399	-
3,224,342	165,311	-	-	3,252,027	-	-
-	-	-	-	119,062	-	-
-	-	-	-	527,984	-	-
184,831	-	-	-	7,648	-	-
246,639	-	-	-	118,228	-	-
-	-	-	-	149,442	2,444,580	-
-	-	-	-	551,036	-	-
-	-	-	-	84,683	-	-
-	-	157,867,895	-	-	-	-
14,397	-	-	-	9,445	-	-
-	-	-	-	-	-	-
1,180	-	-	-	-	-	-
-	-	-	-	-	-	-
3,671,389	165,311	157,867,895	-	4,819,555	2,444,580	-
370,127	11,218,609	(5,011,245)	10,770,762	940,999	(2,192,181)	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,815	-	-	-	-	-	-
-	-	-	-	-	-	-
15,669	842,447	-	18,575,000	76,793	1,000,000	49,478,335
-	(6,843,006)	-	-	(124,842)	(4,000,000)	-
19,484	(6,000,559)	-	18,575,000	(48,049)	(3,000,000)	49,478,335
389,611	5,218,050	(5,011,245)	29,345,762	892,950	(5,192,181)	49,478,335
9,059,680	59,455,982	38,708,708	13,480,367	3,942,098	17,241,805	890,761
\$ 9,449,291	\$ 64,674,032	\$ 33,697,463	\$ 42,826,129	\$ 4,835,048	\$ 12,049,624	\$ 50,369,096

# STATE OF NORTH DAKOTA

## Combining Statement of Revenues, Expenditures and Changes in Fund Balance Nonmajor Governmental Funds (Continued) For the Fiscal Year Ended June 30, 2005

	Special Revenue Funds					
	Public Safety and Corrections	Recreation	Regulatory	Transportation	Veterans	Total
<b>REVENUES</b>						
Individual and Corporate Income Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,680,646
Sales and Use Taxes	5,617,261	3,002	-	75,130,428	-	164,330,746
Oil, Gas, and Coal Taxes	-	-	-	-	-	53,463,554
Business and Other Taxes	-	-	23,240	-	-	18,488,903
Licenses, Permits and Fees	3,072,301	13,403,545	4,797,277	47,662,224	23,865	87,995,443
Intergovernmental	428,200	6,317	8,776	870,560	701,247	9,206,343
Sales and Services	212,075	1,853,471	3,039,747	426,307	1,789,844	33,373,574
Royalties and Rents	190,462	36,994	-	96,685	1,874	8,056,703
Fines and Forfeits	-	1,850	136,336	-	-	6,752,478
Interest and Investment Income	4,655	2,593	704,311	816,971	360,367	6,554,695
Tobacco Settlement	-	-	-	-	-	12,829,714
Commodity Assessments	-	-	-	-	-	10,820,676
Miscellaneous	99,840	579,818	5,571	371,947	431,738	4,472,974
Total Revenues	9,624,794	15,887,590	8,715,258	125,375,122	3,308,935	425,026,449
<b>EXPENDITURES</b>						
Current:						
General Government	5,851	-	-	-	-	6,661,398
Education	-	-	-	-	-	40,441,390
Health and Human Services	-	-	-	62,751	3,607,919	54,142,608
Regulatory	-	-	4,915,011	46,083	-	5,238,031
Public Safety and Corrections	11,625,140	-	-	-	85,415	12,075,422
Agriculture and Commerce	-	-	-	-	-	23,762,933
Natural Resources	-	12,884,849	-	-	-	27,195,074
Transportation	-	-	-	89,769,131	-	89,853,814
Intergovernmental - Revenue Sharing	-	-	-	-	-	157,867,895
Capital Outlay	2,719,230	940,435	10,000	18,242,067	232,412	50,622,507
Debt Service:						
Principal	-	-	-	-	-	6,105
Interest and Other Charges	-	-	-	-	-	-
Total Expenditures	14,350,221	13,825,284	4,925,011	108,120,032	3,925,746	467,867,177
Revenues over (under) Expenditures	(4,725,427)	2,062,306	3,790,247	17,255,090	(616,811)	(42,840,728)
<b>OTHER FINANCING SOURCES (USES)</b>						
Bonds and Notes Issued	-	-	-	-	-	-
Refunding Bonds Issued	-	-	-	-	-	-
Payment to Refund Bond Escrow Agent	-	-	-	-	-	-
Capital Lease Acquisitions	-	-	-	-	-	3,815
Sale of Capital Assets	-	-	-	714,853	3,500	1,313,753
Transfers In	3,942,687	424,001	124,596	25,155,168	152,698	217,818,796
Transfers Out	(3,409)	(651,274)	(1,931,335)	(443,850)	(47,026)	(62,427,452)
Total Other Financing Sources (Uses)	3,939,278	(227,273)	(1,806,739)	25,426,171	109,172	156,708,912
Net Change in Fund Balances	(786,149)	1,835,033	1,983,508	42,681,261	(507,639)	113,868,184
Fund Balances - Beginning of Year, as Adjusted	3,463,442	27,336,165	13,530,985	69,773,175	6,130,877	411,137,379
Fund Balances - End of Year	\$ 2,677,293	\$ 29,171,198	\$ 15,514,493	\$ 112,454,436	\$ 5,623,238	\$ 525,005,563

Debt Service Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
Building Authority	Lignite Research	Water Commission	Total	Building Authority	Water Commission	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,680,646
-	-	-	-	-	-	-	164,330,746
-	-	-	-	-	-	-	53,463,554
-	-	-	-	-	-	-	18,488,903
-	-	-	-	-	-	-	87,995,443
-	-	-	-	-	-	-	9,206,343
-	-	2,303,134	2,303,134	-	-	-	35,676,708
-	-	-	-	-	-	-	8,056,703
-	-	-	-	-	-	-	6,752,478
286,000	54,367	252,968	593,335	84,000	3,103	87,103	7,235,133
-	-	-	-	-	-	-	12,829,714
-	-	-	-	-	-	-	10,820,676
12,000	-	-	12,000	-	-	-	4,484,974
298,000	54,367	2,556,102	2,908,469	84,000	3,103	87,103	428,022,021
-	-	-	-	-	-	-	6,661,398
-	-	-	-	-	-	-	40,441,390
-	-	-	-	-	-	-	54,142,608
-	-	-	-	-	-	-	5,238,031
-	-	-	-	-	-	-	12,075,422
-	-	-	-	-	-	-	23,762,933
-	-	-	-	-	-	-	27,195,074
-	-	-	-	-	-	-	89,853,814
-	-	-	-	-	-	-	157,867,895
-	-	-	-	-	894,848	894,848	51,517,355
-	-	-	-	-	-	-	-
5,618,000	950,000	2,472,910	9,040,910	-	-	-	9,047,015
3,985,000	138,998	3,482,849	7,606,847	-	-	-	7,606,847
9,603,000	1,088,998	5,955,759	16,647,757	-	894,848	894,848	485,409,782
(9,305,000)	(1,034,631)	(3,399,657)	(13,739,288)	84,000	(891,745)	(807,745)	(57,387,761)
-	-	6,779,167	6,779,167	-	60,894,802	60,894,802	67,673,969
-	-	21,630,000	21,630,000	-	-	-	21,630,000
-	-	(22,281,509)	(22,281,509)	-	-	-	(22,281,509)
-	-	-	-	-	-	-	3,815
-	-	-	-	-	-	-	1,313,753
9,170,000	1,034,790	2,338,136	12,542,926	-	-	-	230,361,722
-	-	(110,620)	(110,620)	(8,181,000)	(60,000,283)	(68,181,283)	(130,719,355)
9,170,000	1,034,790	8,355,174	18,559,964	(8,181,000)	894,519	(7,286,481)	167,982,395
(135,000)	159	4,955,517	4,820,676	(8,097,000)	2,774	(8,094,226)	110,594,634
10,521,000	889,163	5,475,706	16,885,869	8,906,000	206	8,906,206	436,929,454
\$ 10,386,000	\$ 889,322	\$ 10,431,223	\$ 21,706,545	\$ 809,000	\$ 2,980	\$ 811,980	\$ 547,524,088

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## *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)

### **ROUGH RIDER INDUSTRIES**

#### 926 - Roughrider Industries

Accounts for the revenues and expenses associated with the operation, manufacture and sale of products made by the prison inmates. (NDCC 12-48)

### **STATE FAIR**

#### 601 (977) - State Fair

Accounts for revenues and expenditures associated with the operation of the State Fair. (NDCC 4-02.1)

### **STATE LOTTERY FUND**

#### 966 (292/296) - State Lottery Fund

Accounts for operations of the North Dakota lottery. (NDCC 53-12)

### **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, 2005

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Developmentally Disabled Facility Loan	Fire and Tornado	Guaranteed Student Loan
<b>ASSETS</b>						
Current Assets:						
Cash Deposits at the Bank of ND	\$ 10,679,424	\$ 264,118	\$ 622,998	\$ 99,311	\$ 2,387,403	\$ 776,102
Cash and Cash Equivalents	-	-	-	-	-	-
Investments at the Bank of ND	-	-	-	-	-	6,185,160
Investments	-	2,898,611	-	-	25,316,327	-
Accounts Receivable - Net	-	63,329	-	-	29,171	9,500
Interest Receivable - Net	230,142	30,157	161,179	6,085	133,558	-
Intergovernmental Receivable - Net	-	-	-	-	-	1,677,376
Due from Other Funds	-	380	-	-	87,752	182,162
Due from Fiduciary Funds	-	-	-	-	-	-
Prepaid Items	886,962	-	-	-	115,257	-
Inventory	-	-	-	-	-	-
Loans and Notes Receivable - Net	1,141,807	-	490,960	373,293	-	-
Other Assets	1,674,002	-	-	-	-	-
Restricted Cash at the Bank of ND	-	-	-	-	-	2,254,943
Restricted Investments at the Bank of ND	-	-	-	-	-	3,264,147
Restricted Interest Receivable - Net	-	-	-	-	-	-
Restricted Loans Receivable - Net	-	-	-	-	-	-
Total Current Assets	14,612,337	3,256,595	1,275,137	478,689	28,069,468	14,349,390
Noncurrent Assets:						
Restricted Cash and Cash Equivalents	-	-	-	-	-	-
Restricted Investments	-	-	-	-	-	-
Loans and Notes Receivable - Net	6,832,293	-	17,074,003	2,134,499	-	-
Restricted Loans Receivable - Net	-	-	-	-	-	-
Unamortized Bond Issuance Costs	-	-	-	-	-	-
Capital Assets:						
Land and Construction in Progress	-	-	-	-	-	-
Infrastructure - Net	-	-	-	-	-	-
Buildings and Equipment - Net	-	-	-	-	-	1,676,073
Total Noncurrent Assets	6,832,293	-	17,074,003	2,134,499	-	1,676,073
Total Assets	21,444,630	3,256,595	18,349,140	2,613,188	28,069,468	16,025,463
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable	-	1,842	-	-	14,592	91,245
Accrued Payroll	-	1,127	-	-	28,332	-
Securities Lending Collateral	-	562,973	-	-	4,883,718	-
Interest Payable	-	-	-	-	-	-
Intergovernmental Payable	-	-	-	-	-	609,390
Due to Other Funds	10,990	3,073	22,926	2,613,188	15,272	2,292,582
Amounts Held in Custody for Others	-	-	-	-	-	-
Claims/Judgments Payable	-	263,862	-	-	788,641	-
Compensated Absences Payable	-	1,672	-	-	1,836	-
Capital Leases Payable	-	-	-	-	-	-
Bonds Payable	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	176,000
Other Current Liabilities	-	-	-	-	-	-
Total Current Liabilities	10,990	834,549	22,926	2,613,188	5,732,391	3,169,217
Noncurrent Liabilities:						
Intergovernmental Payable	-	-	-	-	-	2,723,020
Claims/Judgments Payable	-	26,500	-	-	-	-
Compensated Absences Payable	-	-	-	-	38,068	-
Capital Leases Payable	-	-	-	-	-	-
Bonds Payable	-	-	-	-	-	-
Other Noncurrent Liabilities	-	-	-	-	-	4,137,849
Total Noncurrent Liabilities	-	26,500	-	-	38,068	6,860,869
Total Liabilities	10,990	861,049	22,926	2,613,188	5,770,459	10,030,086
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	-	-	-	-	-	373,642
Restricted for:						
Capital Projects	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Loan Purposes	-	-	-	-	-	1,083,681
Unemployment Compensator	-	-	-	-	-	-
Unrestricted	21,433,640	2,395,546	18,326,214	-	22,299,009	4,538,054
Total Net Assets	\$ 21,433,640	\$ 2,395,546	\$ 18,326,214	\$ -	\$ 22,299,009	\$ 5,995,377

Mill and Elevator	PERS Uniform Group Insurance	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 26,648	\$ 2,240,846	\$ 670,844	\$ 1,228,587	\$ 6,355,745	\$ 6,032,000	\$ 16,314	\$ 31,400,340
-	6,703,995	700	120,680	-	-	76,276,442	83,101,817
-	-	-	-	-	-	-	6,185,160
-	-	-	-	1,000	-	-	28,215,938
17,185,867	1,561,303	337,614	43,822	132,461	-	18,995,528	38,358,595
-	-	-	-	-	1,170,000	1,015,227	2,746,348
-	-	-	-	-	807,000	208,403	2,692,779
-	1,467	10,105	-	-	163,000	-	444,866
-	68,554	-	-	-	-	-	68,554
433,107	-	9,955	31,632	4,614	80,000	-	1,561,527
11,709,781	-	885,504	-	-	-	-	12,595,285
519,227	-	-	-	-	14,030,000	-	16,555,287
100,201	-	-	-	536,001	-	-	2,310,204
-	-	-	-	-	8,484,000	-	10,738,943
-	-	-	-	-	36,981,000	-	40,245,147
-	-	-	-	-	3,187,000	-	3,187,000
-	-	-	-	-	28,073,000	-	28,073,000
29,974,831	10,576,165	1,914,722	1,424,721	7,029,821	99,007,000	96,511,914	308,480,790
-	-	-	272,274	-	-	-	272,274
-	-	-	214,061	-	-	-	214,061
-	-	-	-	-	5,550,000	-	31,590,795
-	-	-	-	-	99,242,000	-	99,242,000
-	-	-	23,901	-	871,000	-	894,901
1,812,400	-	-	390,816	-	-	-	2,203,216
169,004	-	-	946,473	-	-	-	1,115,477
27,650,012	-	514,700	11,195,264	-	-	-	41,036,049
29,631,416	-	514,700	13,042,789	-	105,663,000	-	176,568,773
59,606,247	10,576,165	2,429,422	14,467,510	7,029,821	204,670,000	96,511,914	485,049,563
2,439,666	34,926	150,177	26,968	530,957	36,000	659,705	3,986,078
446,594	42,291	121,541	-	32,829	-	-	672,714
-	-	-	-	-	-	-	5,446,691
-	-	-	25,484	-	717,000	-	742,484
-	-	-	-	-	1,910,000	1,200,951	3,720,341
7,000,000	18,788	17,006	-	5,844,362	1,232,000	325,042	19,395,229
-	5,704,417	-	-	-	-	-	5,704,417
-	-	-	-	-	-	-	1,052,503
34,744	2,444	3,778	25,000	10,965	-	-	80,439
-	-	41,446	-	-	-	-	41,446
-	-	-	205,000	-	54,850,000	-	55,055,000
-	1,898,803	-	-	93,637	-	-	2,168,440
-	-	-	-	1,000	-	-	1,000
9,921,004	7,701,669	333,948	282,452	6,513,750	58,745,000	2,185,698	98,066,782
-	-	-	-	-	758,000	-	3,481,020
-	-	-	-	-	-	-	26,500
622,165	51,038	105,788	15,987	54,229	-	-	887,275
-	-	86,477	-	-	-	-	86,477
-	-	-	1,522,261	-	93,800,000	-	95,322,261
-	-	-	-	-	-	-	4,137,849
622,165	51,038	192,265	1,538,248	54,229	94,558,000	-	103,941,382
10,543,169	7,752,707	526,213	1,820,700	6,567,979	153,303,000	2,185,698	202,008,164
29,631,416	-	392,513	10,805,292	-	-	-	41,202,863
-	-	-	12,641	-	-	-	12,641
-	-	-	473,694	-	43,273,000	-	43,746,694
-	-	-	-	-	-	-	1,083,681
-	-	-	-	-	-	94,326,216	94,326,216
19,431,662	2,823,458	1,510,696	1,355,183	461,842	8,094,000	-	102,669,304
\$ 49,063,078	\$ 2,823,458	\$ 1,903,209	\$ 12,646,810	\$ 461,842	\$ 51,367,000	\$ 94,326,216	\$ 283,041,399

# 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, 2005

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Developmentally Disabled Facility Loan	Fire and Tornado	Guaranteed Student Loan
<b>OPERATING REVENUES</b>						
Sales and Services	\$ -	\$ 46,387	\$ -	\$ -	\$ 4,951,968	\$ 3,496,019
Royalties and Rents	-	-	-	-	-	-
Interest and Investment Income	373,531	-	476,975	170,545	-	-
Miscellaneous	-	-	-	-	-	893
Total Operating Revenues	373,531	46,387	476,975	170,545	4,951,968	3,496,912
<b>OPERATING EXPENSES</b>						
Cost of Sales and Services	-	-	-	-	-	-
Salaries and Benefits	-	13,478	-	-	296,956	-
Operating	852,078	13,626	203,407	17,328	1,627,116	3,719,951
Claims	-	64,101	-	-	1,774,825	-
Interest	-	-	-	153,742	-	-
Depreciation	-	-	-	-	-	705,079
Miscellaneous	2,268	-	-	-	-	-
Total Operating Expenses	854,346	91,205	203,407	171,070	3,698,897	4,425,030
Operating Income (Loss)	(480,815)	(44,818)	273,568	(525)	1,253,071	(928,118)
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Grants and Contracts	-	-	-	-	55,000	-
Interest and Investment Income	56,090	272,253	9,590	525	1,692,403	114,343
Interest Expense	-	(26,286)	-	-	(154,062)	-
Gain on Sale of Capital Assets	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	56,090	245,967	9,590	525	1,593,341	114,343
Income (Loss) Before Contributions and Transfers	(424,725)	201,149	283,158	-	2,846,412	(813,775)
Transfers In	1,300,000	-	-	-	86,082	-
Transfer Out	-	(1,300,000)	-	-	-	(367,069)
Change in Net Assets	875,275	(1,098,851)	283,158	-	2,932,494	(1,180,844)
Total Net Assets - Beginning of Year	20,558,365	3,494,397	18,043,056	-	19,366,515	7,176,221
Total Net Assets - End of Year	\$ 21,433,640	\$ 2,395,546	\$ 18,326,214	\$ -	\$ 22,299,009	\$ 5,995,377

Mill and Elevator	PERS Uniform Group Insurance	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 101,027,776	\$ 828,875	\$ 3,036,869	\$ 3,402,879	\$ 19,223,089	\$ -	\$ 60,969,669	\$ 196,983,531
-	-	16,970	-	-	-	-	16,970
-	-	-	-	-	12,534,000	-	13,555,051
-	-	16,857	-	-	-	-	17,750
101,027,776	828,875	3,070,696	3,402,879	19,223,089	12,534,000	60,969,669	210,573,302
90,399,353	-	1,821,338	-	-	-	-	92,220,691
1,515,837	504,759	1,199,062	883,448	360,931	-	-	4,774,471
625,656	333,952	172,591	2,689,732	12,457,598	4,610,000	-	27,323,035
-	-	-	-	-	-	43,393,675	45,232,601
-	-	-	-	-	3,697,000	-	3,850,742
2,173,948	-	48,835	841,830	-	-	-	3,769,692
-	-	-	-	-	-	-	2,268
94,714,794	838,711	3,241,826	4,415,010	12,818,529	8,307,000	43,393,675	177,173,500
6,312,982	(9,836)	(171,130)	(1,012,131)	6,404,560	4,227,000	17,575,994	33,399,802
-	-	-	325,633	-	-	-	380,633
29,234	221,323	-	6,749	60,335	921,000	3,965,141	7,348,986
(205,919)	-	(6,653)	(77,149)	-	-	-	(470,069)
22,526	-	2,500	-	-	-	-	25,026
(352,666)	-	-	(12,089)	-	-	-	(364,755)
(506,825)	221,323	(4,153)	243,144	60,335	921,000	3,965,141	6,919,821
5,806,157	211,487	(175,283)	(768,987)	6,464,895	5,148,000	21,541,135	40,319,623
-	-	-	195,875	-	-	-	1,581,957
(5,028,782)	-	-	-	(6,098,494)	-	-	(12,794,345)
777,375	211,487	(175,283)	(573,112)	366,401	5,148,000	21,541,135	29,107,235
48,285,703	2,611,971	2,078,492	13,219,922	95,441	46,219,000	72,785,081	253,934,164
\$ 49,063,078	\$ 2,823,458	\$ 1,903,209	\$ 12,646,810	\$ 461,842	\$ 51,367,000	\$ 94,326,216	\$ 283,041,399

# STATE OF NORTH DAKOTA

## Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Fiscal Year Ended June 30, 2005

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Develop- mentally Disabled Facility Loan	Fire and Tornado	Guaranteed Student Loan
<b>Cash Flows from Operating Activities:</b>						
Receipts from Customers and Users	\$ 1,475	\$ 43,524	\$ -	\$ -	\$ 4,914,381	\$ 1,813,145
Interest Income on Loans	400,389	-	-	-	-	-
Receipts from Loan Principal Repayments	2,440,514	-	-	-	-	11,608,091
Receipts from Other Funds	-	-	-	-	-	-
Receipts from Others	-	-	-	-	-	-
Payments to Other Funds	-	-	-	-	(779)	-
Payments for Loan Funds	(1,938,166)	-	-	-	-	(9,959,152)
Payments to Suppliers	(1,133,418)	(129,123)	(84,211)	(18,314)	(1,760,407)	(2,938,002)
Payments to Employees	-	(13,415)	-	-	(288,082)	-
Claim Payments	-	-	-	-	(1,348,038)	-
Payments to Others	(2,268)	-	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	(231,474)	(99,014)	(84,211)	(18,314)	1,517,075	524,082
<b>Cash Flows from Noncapital Financing Activities:</b>						
Proceeds from Sale of Notes and Other Borrowings	-	-	-	-	-	-
Principal Payments - Notes and Other Borrowings	-	-	-	-	-	-
Interest Payments - Bonds	-	-	-	-	-	-
Interest Payments - Notes and Other Borrowings	-	-	-	(153,742)	-	-
Operating Grant Received	-	-	-	-	55,000	-
Transfers In	1,300,000	-	-	-	86,082	-
Transfers Out	-	(1,300,000)	-	-	-	(367,069)
Principal Payments on Due To Other Funds	-	-	-	(804,381)	-	-
Disbursements for Loans and Loan Purchases	-	-	-	-	-	-
Grants Received	-	-	-	-	-	-
Other	-	-	-	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	1,300,000	(1,300,000)	-	(958,123)	141,082	(367,069)
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Acquisition and Construction of Capital Assets	-	-	-	-	-	(502,825)
Proceeds from Sale of Capital Assets	-	-	-	-	-	-
Principal Payments - Bonds	-	-	-	-	-	-
Interest Payments - Bonds	-	-	-	-	-	-
Interest Payments - Notes and Other Borrowings	-	-	-	-	-	-
Payment on Capital Leases	-	-	-	-	-	-
Net Cash Used for Capital and Related Financing Activities	-	-	-	-	-	(502,825)
<b>Cash Flows from Investing Activities:</b>						
Proceeds from Sale and Maturities of Investment Securities	-	1,053,360	-	-	-	21,641,498
Purchase of Investment Securities	-	-	-	-	(2,731,862)	(25,699,307)
Interest and Dividends on Investments	56,090	237,603	9,590	525	1,385,099	89,687
Disbursements for Loans and Loan Purchases	-	-	(2,461,700)	-	-	-
Receipt of Loan Principal Repayments	-	-	464,042	721,635	-	-
Loan Income Received	-	-	469,675	176,174	-	-
Net Cash Provided by (Used for) Investing Activities	56,090	1,290,963	(1,518,393)	898,334	(1,346,763)	(3,968,122)
<b>Net Change in Cash:</b>						
Net Increase (Decrease) in Cash and Cash Equivalents	1,124,616	(108,051)	(1,602,604)	(78,103)	311,394	(4,313,934)
Cash and Cash Equivalents at June 30, 2004	9,554,808	372,169	2,225,602	177,414	2,076,009	7,344,979
Cash and Cash Equivalents at June 30, 2005	\$ 10,679,424	\$ 264,118	\$ 622,998	\$ 99,311	\$ 2,387,403	\$ 3,031,045
<b>Reconciliation:</b>						
Current:						
Cash Deposits at the Bank of North Dakota	\$ 10,679,424	\$ 264,118	\$ 622,998	\$ 99,311	\$ 2,387,403	\$ 776,102
Cash and Cash Equivalents	-	-	-	-	-	-
Restricted Cash Deposits at the Bank of North Dakota	-	-	-	-	-	2,254,943
Noncurrent:						
Restricted Cash and Cash Equivalents	-	-	-	-	-	-
Cash and Cash Equivalents	\$ 10,679,424	\$ 264,118	\$ 622,998	\$ 99,311	\$ 2,387,403	\$ 3,031,045

Mill and Elevator	PERS Uniform Group Insurance	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 127,823,481	\$ 135,114,188	\$ 2,982,122	\$ 3,407,095	\$ 14,816,683	\$ 54,410,000	\$ 59,240,186	\$ 404,566,280
-	-	-	-	-	-	-	400,389
-	-	-	-	-	-	-	14,048,605
-	-	44,019	-	-	-	-	44,019
-	-	-	-	-	-	73,398	73,398
-	-	-	-	-	-	-	(779)
-	-	-	-	-	-	-	(11,897,318)
(111,822,301)	(129,697,390)	(1,984,991)	(2,676,292)	(8,050,701)	(41,461,000)	(5,960,574)	(307,716,724)
(7,675,082)	(505,558)	(1,185,043)	(886,884)	(364,641)	-	-	(10,918,705)
-	-	-	-	-	-	(35,559,488)	(36,907,526)
-	-	-	-	(457,742)	-	-	(460,010)
8,326,098	4,911,240	(143,893)	(156,081)	5,943,599	12,949,000	17,793,522	51,231,629
6,500,000	-	-	-	-	23,000,000	-	29,500,000
(7,500,000)	-	-	-	-	-	-	(7,500,000)
-	-	-	-	-	(2,998,000)	-	(2,998,000)
(205,919)	-	-	-	-	-	-	(359,661)
-	-	-	-	-	-	-	55,000
-	-	-	195,875	-	-	-	1,581,957
(5,028,782)	-	-	-	(1,832,434)	(26,259,000)	-	(34,787,285)
-	-	-	-	-	-	-	(804,381)
184,312	-	-	-	-	-	-	184,312
-	-	-	325,633	-	-	-	325,633
(352,666)	-	-	-	-	-	-	(352,666)
(6,403,055)	-	-	521,508	(1,832,434)	(6,257,000)	-	(15,155,091)
(1,970,407)	-	(16,505)	(136,964)	-	-	-	(2,626,701)
13,850	-	3,500	-	-	-	-	17,350
-	-	-	(205,000)	-	-	-	(205,000)
-	-	-	(79,541)	-	-	-	(79,541)
-	-	(6,653)	-	-	-	-	(6,653)
-	-	(43,131)	-	-	-	-	(43,131)
(1,956,557)	-	(62,789)	(421,505)	-	-	-	(2,943,676)
-	-	-	433,473	-	82,015,000	-	105,143,331
-	-	-	(432,266)	-	(84,162,000)	-	(113,025,435)
29,234	221,323	-	8,192	31,261	836,000	3,677,633	6,582,237
-	-	-	-	-	-	-	(2,461,700)
-	-	-	-	-	-	-	1,185,677
-	-	-	-	-	-	-	645,849
29,234	221,323	-	9,399	31,261	(1,311,000)	3,677,633	(1,930,041)
(4,280)	5,132,563	(206,682)	(46,679)	4,142,426	5,381,000	21,471,155	31,202,821
30,928	3,812,278	878,226	1,668,220	2,213,319	9,135,000	54,821,601	94,310,553
\$ 26,648	\$ 8,944,841	\$ 671,544	\$ 1,621,541	\$ 6,355,745	\$ 14,516,000	\$ 76,292,756	\$ 125,513,374
\$ 26,648	\$ 2,240,846	\$ 670,844	\$ 1,228,587	\$ 6,355,745	\$ 6,032,000	\$ 16,314	\$ 31,400,340
-	6,703,995	700	120,680	-	-	76,276,442	83,101,817
-	-	-	-	-	8,484,000	-	10,738,943
-	-	-	272,274	-	-	-	272,274
\$ 26,648	\$ 8,944,841	\$ 671,544	\$ 1,621,541	\$ 6,355,745	\$ 14,516,000	\$ 76,292,756	\$ 125,513,374

# STATE OF NORTH DAKOTA

## Combining Statement of Cash Flows Nonmajor Enterprise Funds (Continued) For the Fiscal Year Ended June 30, 2005

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Develop- mentally Disabled Facility Loan	Fire and Tornado	Guaranteed Student Loan
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:</b>						
Operating Income (Loss)	\$ (480,815)	\$ (44,818)	\$ 273,568	\$ (525)	\$ 1,253,071	\$ (928,118)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation	-	-	-	-	-	705,079
Amortization\Accretion	-	-	-	-	-	-
Reclassification of Interest Revenue\Expense	-	-	(476,975)	(16,803)	-	-
Interest Received on Program Loans	-	-	-	-	-	-
Disbursements for Loans and Loan Purchases	-	-	-	-	-	-
Receipt of Loan Principal Repayments	-	-	-	-	-	-
Provision for Losses	-	-	117,000	-	-	639,000
Premiums Collected	-	-	-	-	-	-
Premiums Paid	-	-	-	-	-	-
Other	-	-	-	-	-	196,000
Change in Assets and Liabilities:						
(Increase) Decrease in Accounts Receivable	-	(2,483)	-	-	9,148	(22,816)
(Increase) Decrease in Interest Receivable	28,333	(3,501)	-	-	-	-
(Increase) Decrease in Due From	-	(380)	-	-	(46,735)	-
Increase in Due From Fiduciary Funds	-	-	-	-	-	-
(Increase) Decrease in Intergovernmental Receivable	-	-	-	-	-	246,228
Decrease in Notes Receivable	502,348	-	-	-	-	-
(Increase) Decrease in Prepaid Items	(280,883)	-	-	-	(115,257)	-
Increase in inventories	-	-	-	-	-	-
Increase in Other Assets	-	-	-	-	-	-
Increase (Decrease) in Accounts Payable	-	(633)	-	-	(18,034)	15,898
Increase (Decrease) in Claims\Judgments Payable	-	(48,363)	-	-	426,787	-
Increase (Decrease) in Intergovernmental Payable	-	-	-	-	-	(611,699)
Increase (Decrease) in Accrued Payroll	-	10	-	-	5,443	-
Increase (Decrease) in Compensated Absences Payable	-	53	-	-	3,431	-
Increase in Amounts Held for Others	-	-	-	-	-	-
Increase (Decrease) in Due To	(457)	1,101	2,196	(986)	(779)	44,441
Increase in Deferred Revenue	-	-	-	-	-	240,069
Decrease in Other Liabilities	-	-	-	-	-	-
Total Adjustments	249,341	(54,196)	(357,779)	(17,789)	264,004	1,452,200
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ (231,474)</b>	<b>\$ (99,014)</b>	<b>\$ (84,211)</b>	<b>\$ (18,314)</b>	<b>\$ 1,517,075</b>	<b>\$ 524,082</b>
<b>Noncash Transactions:</b>						
Net Increase in Fair Value of investments	\$ -	\$ 8,364	\$ -	\$ -	\$ 132,279	\$ -
Change in Securities Lending Collateral	-	193,128	-	-	965,515	-
Amortization of Bond Discount	-	-	-	-	-	-
Amortization of Bond Issuance Costs	-	-	-	-	-	-
Acquisition of Equipment Under Capital Lease	-	-	-	-	-	-
Total Noncash Transactions	\$ -	\$ 201,492	\$ -	\$ -	\$ 1,097,794	\$ -



Mill and Elevator	PERS Uniform Group Insurance	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 6,312,982	\$ (9,836)	\$ (171,130)	\$ (1,012,131)	\$ 6,404,560	\$ 4,227,000	\$ 17,575,994	\$ 33,399,802
2,173,948	-	48,835	841,830	-	-	-	3,769,692
-	-	-	-	-	402,000	-	402,000
-	-	-	-	-	(9,173,000)	-	(9,666,778)
-	-	-	-	-	10,552,000	-	10,552,000
-	-	-	-	-	(36,256,000)	-	(36,256,000)
-	-	-	-	-	43,858,000	-	43,858,000
-	-	-	-	-	51,000	-	807,000
-	129,346,034	-	-	-	-	-	129,346,034
-	(129,346,034)	-	-	-	-	-	(129,346,034)
-	-	-	-	-	-	-	196,000
600,396	(1,526,503)	(86,161)	4,216	20,003	-	(203,608)	(1,207,808)
-	-	-	-	-	-	-	24,832
-	-	44,019	-	1,332	-	-	(1,764)
-	(58,621)	-	-	-	-	-	(58,621)
-	1,484	-	-	-	-	(3,669)	244,043
-	-	-	-	-	-	-	502,348
20,045	-	(69)	11,445	(1,120)	-	-	(365,839)
(56,541)	-	(67,888)	-	-	-	-	(124,429)
-	-	-	-	(457,742)	-	-	(457,742)
(905,774)	(401)	70,318	1,995	(44,020)	-	179,752	(700,899)
-	-	-	-	-	-	-	378,424
-	-	-	-	-	(751,000)	353,747	(1,008,952)
137,522	(1,066)	8,648	-	3,844	-	-	154,401
43,520	267	5,371	(3,436)	(6,986)	-	-	42,220
-	4,871,330	-	-	-	-	-	4,871,330
-	(17,003)	4,164	-	5,979	39,000	(108,694)	(31,038)
-	1,651,589	-	-	23,749	-	-	1,915,407
-	-	-	-	(6,000)	-	-	(6,000)
2,013,116	4,921,076	27,237	856,050	(460,961)	8,722,000	217,528	17,831,827
\$ 8,326,098	\$ 4,911,240	\$ (143,893)	\$ (156,081)	\$ 5,943,599	\$ 12,949,000	\$ 17,793,522	\$ 51,231,629
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 140,643
-	-	-	-	-	-	-	1,158,643
-	-	-	8,754	-	-	-	8,754
-	-	-	3,335	-	-	-	3,335
-	-	89,580	-	-	-	-	89,580
\$ -	\$ -	\$ 89,580	\$ 12,089	\$ -	\$ -	\$ -	\$ 1,400,955

## ***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, 2005

	Central Services	Fleet Services	Information Technology Department	Retirement and Investment Board	Risk Management	Total
<b>ASSETS</b>						
Current Assets:						
Cash Deposits at the Bank of ND	\$ 450,279	\$ 3,006,605	\$ 4,801,519	\$ 257,239	\$ 2,587,869	\$ 11,103,511
Cash and Cash Equivalents	100	-	-	-	3,969	4,069
Investments	-	-	-	-	6,140,604	6,140,604
Accounts Receivable - Net	6,811	24,357	716,446	2,086	1,455	751,155
Interest Receivable - Net	-	-	-	-	58,575	58,575
Intergovernmental Receivable - Net	41,285	-	83,436	-	-	124,721
Due from Other Funds	168,888	1,708,917	2,740,341	381	34,777	4,653,304
Due from Fiduciary Funds	-	-	-	36,048	-	36,048
Prepaid Items	13,397	-	-	-	-	13,397
Inventory	146,166	-	-	-	-	146,166
Total Current Assets	826,926	4,739,879	8,341,742	295,754	8,827,249	23,031,550
Noncurrent Assets:						
Unamortized Bond Issuance Costs	-	-	66,494	-	-	66,494
Capital Assets:						
Buildings and Equipment - Net	90,836	49,420,726	8,159,502	1,013,164	249,018	58,933,246
Total Noncurrent Assets	90,836	49,420,726	8,225,996	1,013,164	249,018	58,999,740
Total Assets	917,762	54,160,605	16,567,738	1,308,918	9,076,267	82,031,290
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable	132,615	613,629	238,109	184,823	115,128	1,284,304
Accrued Payroll	67,793	98,048	1,042,683	-	24,247	1,232,771
Securities Lending Collateral	-	-	-	-	1,197,851	1,197,851
Interest Payable	2,902	-	-	-	1,425	4,327
Due to Other Funds	6,265	333,383	-	33,439	121,297	494,384
Due to Fiduciary Funds	-	-	-	38,967	-	38,967
Claims/Judgments Payable	-	-	-	-	1,215,891	1,215,891
Compensated Absences Payable	3,622	3,037	45,705	798	-	53,162
Capital Leases Payable	21,351	-	-	3,888	1,515	26,754
Bonds Payable	-	-	549,000	-	-	549,000
Deferred Revenue	-	-	-	-	15,337	15,337
Total Current Liabilities	234,548	1,048,097	1,875,497	261,915	2,692,691	6,112,748
Noncurrent Liabilities:						
Claims/Judgments Payable	-	-	-	-	2,842,552	2,842,552
Compensated Absences Payable	68,820	63,822	993,050	81,161	22,544	1,229,397
Capital Leases Payable	38,652	-	-	5,662	1,651	45,965
Bonds Payable	-	-	5,412,076	-	-	5,412,076
Total Noncurrent Liabilities	107,472	63,822	6,405,126	86,823	2,866,747	9,529,990
Total Liabilities	342,020	1,111,919	8,280,623	348,738	5,559,438	15,642,738
<b>NET ASSETS</b>						
Invested in Capital Assets, Net of Related Debt	90,836	49,420,726	8,159,502	1,003,164	245,852	58,920,080
Unrestricted	484,906	3,627,960	127,613	(42,984)	3,270,977	7,468,472
Total Net Assets	\$ 575,742	\$ 53,048,686	\$ 8,287,115	\$ 960,180	\$ 3,516,829	\$ 66,388,552

# 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, 2005

	Central Services	Fleet Services	Information Technology Department	Retirement and Investment Board	Risk Management	Total
<b>OPERATING REVENUES</b>						
Sales and Services	\$ 2,226,885	\$ 20,681,217	\$ 31,208,382	\$ 2,449,738	\$ 6,162,760	\$ 62,728,982
Miscellaneous	-	68,655	-	18,808	-	87,463
Total Operating Revenues	2,226,885	20,749,872	31,208,382	2,468,546	6,162,760	62,816,445
<b>OPERATING EXPENSES</b>						
Cost of Sales and Services	968,742	-	-	-	-	968,742
Salaries and Benefits	790,219	1,177,762	12,198,890	906,336	288,875	15,362,082
Operating	481,693	9,451,735	16,189,669	970,299	2,566,766	29,660,162
Claims	-	-	-	-	1,132,895	1,132,895
Depreciation	27,329	6,566,801	2,106,488	5,224	25,705	8,731,547
Total Operating Expenses	2,267,983	17,196,298	30,495,047	1,881,859	4,014,241	55,855,428
Operating Income (Loss)	(41,098)	3,553,574	713,335	586,687	2,148,519	6,961,017
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest and Investment Income	-	-	19,842	1,107	405,727	426,676
Interest Expense	(40,425)	-	(248,790)	(1,555)	(31,860)	(322,630)
Loss on Sale of Capital Assets	-	(725,949)	(6,464)	-	-	(732,413)
Other	9	-	(4,350)	-	-	(4,341)
Total Nonoperating Revenues (Expenses)	(40,416)	(725,949)	(239,762)	(448)	373,867	(632,708)
Income (Loss) Before Contributions and Transfers	(81,514)	2,827,625	473,573	586,239	2,522,386	6,328,309
Capital Grants and Contributions	-	100,864	49,400	-	-	150,264
Changes in Net Assets	(81,514)	2,928,489	522,973	586,239	2,522,386	6,478,573
Total Net Assets - Beginning of Year, As Adjusted	657,256	50,120,197	7,764,142	373,941	994,443	59,909,979
Total Net Assets - End of Year	\$ 575,742	\$ 53,048,686	\$ 8,287,115	\$ 960,180	\$ 3,516,829	\$ 66,388,552

# STATE OF NORTH DAKOTA

## Combining Statement of Cash Flows Internal Service Funds For the Fiscal Year Ended June 30, 2005

	Central Services	Fleet Services	Information Technology	Retirement and Investment Office	Risk Management	Total
<b>Cash Flows from Operating Activities:</b>						
Receipts from Customers and Users	\$ 2,200,206	\$ 20,307,152	\$ 30,916,943	\$ 2,699,369	\$ 6,098,028	\$ 62,221,698
Receipts from Federal and Local Agencies	-	489	-	-	-	489
Payments to Other Funds	-	(1,871,534)	-	-	-	(1,871,534)
Payments to Suppliers	(1,393,800)	(9,198,821)	(16,203,138)	(1,975,951)	(608,703)	(29,380,413)
Payments to Employees	(781,341)	(1,158,337)	(12,167,573)	-	(285,648)	(14,392,899)
Claim Payments	-	-	-	-	(2,751,880)	(2,751,880)
Payments to Others	-	-	-	-	(1,389,762)	(1,389,762)
Net Cash Provided by Operating Activities	25,065	8,078,949	2,546,232	723,418	1,062,035	12,435,699
<b>Cash Flows from Noncapital Financing Activities:</b>						
Interest Payments - Notes and Other Borrowings	(35,388)	-	-	-	-	(35,388)
Other	9	-	-	-	-	9
Net Cash Provided By (Used for) Noncapital Financing Activities	(35,379)	-	-	-	-	(35,379)
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Acquisition and Construction of Capital Assets	-	(10,189,078)	(2,260,166)	(595,000)	(97,781)	(13,142,025)
Proceeds from Sale of Capital Assets	-	1,895,375	-	-	-	1,895,375
Principal Payments - Notes and Other Borrowings	-	-	(433,402)	-	-	(433,402)
Interest Payments - Bonds	-	-	(223,133)	-	-	(223,133)
Interest Payments - Notes and Other Borrowings	-	-	(10,165)	-	-	(10,165)
Payment on Capital Leases	(14,144)	-	-	(3,396)	(1,365)	(18,905)
Interest Payments - Capital Leases	(5,807)	-	-	(1,555)	(411)	(7,773)
Net Cash Used for Capital and Related Financing Activities	(19,951)	(8,293,703)	(2,926,866)	(599,951)	(99,557)	(11,940,028)
<b>Cash Flows from Investing Activities:</b>						
Proceeds from Sale and Maturities of Investment Securities	-	-	-	-	673,855	673,855
Purchase of Investment Securities	-	-	-	-	(145,029)	(145,029)
Interest and Dividends on Investments	-	-	-	1,034	261,431	262,465
Net Cash Provided by Investing Activities	-	-	-	1,034	790,257	791,291
<b>Net Change in Cash:</b>						
Net Increase (Decrease) in Cash and Cash Equivalents	(30,265)	(214,754)	(380,634)	124,501	1,752,735	1,251,583
Cash and Cash Equivalents at June 30, 2004	480,644	3,221,359	5,182,153	132,738	839,103	9,855,997
Cash and Cash Equivalents at June 30, 2005	\$ 450,379	\$ 3,006,605	\$ 4,801,519	\$ 257,239	\$ 2,591,838	\$ 11,107,580
<b>Reconciliation:</b>						
Cash Deposits at the Bank of North Dakota	\$ 450,279	\$ 3,006,605	\$ 4,801,519	\$ 257,239	\$ 2,587,869	\$ 11,103,511
Cash and Cash Equivalents at the Bank of North Dakota	100	-	-	-	3,969	4,069
	\$ 450,379	\$ 3,006,605	\$ 4,801,519	\$ 257,239	\$ 2,591,838	\$ 11,107,580
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:</b>						
Operating Income (Loss)	\$ (41,098)	\$ 3,553,574	\$ 713,335	\$ 586,687	\$ 2,148,519	\$ 6,961,017
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation	27,329	6,566,801	2,106,488	5,224	25,705	8,731,547
Other	-	-	-	-	725	725
Change in Assets and Liabilities:						
(Increase) Decrease in Accounts Receivable	10,448	(21,705)	(677,864)	-	(1,455)	(690,576)
(Increase) Decrease in Due From	(39,613)	(421,016)	(146,462)	105,856	38,284	(462,951)
Decrease in Intergovernmental Receivable	2,486	489	523,036	-	3,000	529,011
Increase in Prepaid Items	(10,198)	-	-	-	-	(10,198)
Increase in Inventories	(35,175)	-	-	-	-	(35,175)
Increase (Decrease) in Accounts Payable	103,030	252,915	3,345	(39,345)	(78,003)	241,942
Decrease in Claims/Judgments Payable	-	-	-	-	(1,000,514)	(1,000,514)
Decrease In Intergovernmental Payable	(600)	(1,871,534)	-	-	-	(1,872,134)
Increase in Accrued Payroll	3,659	16,823	14,122	-	1,011	35,615
Increase in Compensated Absences Payable	5,219	2,602	17,195	6,846	2,216	34,078
Increase (Decrease) in Due To	(422)	-	(6,963)	58,150	103,362	154,127
Decrease In Deferred Revenue	-	-	-	-	(180,815)	(180,815)
Total Adjustments	66,163	4,525,375	1,832,897	136,731	(1,086,484)	5,474,682
Net Cash Provided by Operating Activities	\$ 25,065	\$ 8,078,949	\$ 2,546,232	\$ 723,418	\$ 1,062,035	\$ 12,435,699
<b>Noncash Transactions:</b>						
Acquisition of Equipment Under Capital Lease	\$ 243,342	\$ -	\$ 49,400	\$ -	\$ -	\$ 292,742
Net Increase in Fair Value of investments	-	-	-	-	104,563	104,563
Change in Securities Lending Collateral	-	-	-	-	18,744	18,744
Total Noncash Transactions	\$ 243,342	\$ -	\$ 49,400	\$ -	\$ 123,307	\$ 416,049

## ***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)

##### 950 – City of Fargo RIO Investments

Account for the investment assets held by the State Investment Board in a trustee capacity as an agent for the City of Fargo. (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)

#### **MANDAN REMEDIATION TRUST**

##### 943 – Mandan Remediation Trust

Accounts for the funds obtained from a lawsuit settlement for the remediation efforts of the North Dakota Health Department and the City of Mandan.

### **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)

##### 404 – Provider Assessment Trust Fund

Accounts for bonds or securities in lieu of surety bonds for transacting business as an intermediate care facility. (NDCC 57-63)

##### 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 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, 2005

	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
<b>ASSETS</b>						
Cash Deposits at the Bank of ND	\$ 31,959	\$ -	\$ -	\$ 43,113	\$ 832,188	\$ 95,166
Cash and Cash Equivalents	-	-	-	-	-	-
Receivables:						
Contributions Receivable	-	83,315	-	12,740	448,672	385,062
Accounts Receivable - Net	-	-	-	-	-	-
Interest Receivable - Net	-	-	106,474	155,747	-	291,578
Due from Other Funds	-	-	9,599	14,909	-	-
Due from Fiduciary Funds	-	-	-	5,790	-	-
Total Receivables	-	83,315	116,073	189,186	448,672	676,640
Investments, at Fair Value:						
Investments at the Bank of ND	-	-	648,328	1,580,989	-	-
Equities	-	-	-	-	-	21,862,661
Equity Pool	-	-	26,535,989	32,471,364	-	-
Fixed Income	-	2,608,552	-	-	-	11,478,767
Fixed Income Pool	-	-	14,997,961	46,825,767	-	-
Cash and Cash Pool	-	-	570,742	451,414	-	-
Real Estate Pool	-	-	2,401,629	-	-	-
Private Equity	-	-	1,928,877	-	-	-
Annuities	76,988	-	-	-	-	-
Mutual Funds	15,129,972	10,438,493	-	-	-	-
Total Investments	15,206,960	13,047,045	47,083,526	81,329,534	-	33,341,428
Invested Securities Lending Collateral	-	-	3,884,040	10,564,632	-	-
Prepaid Items	-	-	-	40,075	-	-
Capital Assets (Net of Depreciation)	-	-	-	-	-	-
Total Assets	15,238,919	13,130,360	51,083,639	92,166,540	1,280,860	34,113,234
<b>LIABILITIES</b>						
Accounts Payable	5,188	62	-	48,527	7,853	13,800
Accrued Payroll	10,600	-	-	-	7,906	-
Securities Lending Collateral	-	-	3,884,040	10,564,632	-	-
Due to Other Funds	965	29	-	2,001	361	49,263
Due to Fiduciary Funds	-	-	20,402	-	-	79,153
Deferred Revenue	31,663	-	-	-	-	-
Compensated Absences Payable	9,659	-	-	-	10,060	-
Total Liabilities	58,075	91	3,904,442	10,615,160	26,180	142,216
<b>NET ASSETS</b>						
Net Assets Held in Trust for:						
Pension Benefits	15,180,844	13,130,269	47,179,197	81,551,380	-	33,971,018
Other Employee Benefits	-	-	-	-	1,254,680	-
External Investment Pool Participants	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-
Total Net Assets	\$ 15,180,844	\$ 13,130,269	\$ 47,179,197	\$ 81,551,380	\$ 1,254,680	\$ 33,971,018



Pension and Other Employee Benefit Trust Funds				Investment Trust Funds			
Public Employees Retirement	Teachers Retirement	Total		City of Bismarck	ND Association of Counties	City of Fargo	Total
\$ 1,459,546	\$ 8,648,006	\$ 11,109,978		\$ 40,910	\$ 48,113	\$ 72,825	\$ 161,848
-	-	-		-	-	-	-
3,399,826	7,403,583	11,733,198		-	-	-	-
702	-	702		-	-	-	-
3,224,939	7,865,162	11,643,900		96,793	1,976	11,525	110,294
309,591	264,872	598,971		8,863	-	-	8,863
99,555	-	105,345		-	-	-	-
7,034,613	15,533,617	24,082,116		105,656	1,976	11,525	119,157
19,637,139	10,000,496	31,866,952		745,449	-	-	745,449
-	-	21,862,661		-	-	-	-
803,746,309	1,004,754,159	1,867,507,821		30,269,999	353,447	3,679,529	34,302,975
-	-	14,087,319		-	-	-	-
454,271,986	262,427,723	778,523,437		24,738,236	385,912	3,557,205	28,681,353
17,287,192	28,950,655	47,260,003		694,820	-	-	694,820
72,742,734	139,039,070	214,183,433		2,092,312	-	-	2,092,312
58,423,596	62,572,727	122,925,200		872,107	-	-	872,107
-	-	76,988		-	-	-	-
-	-	25,568,465		-	-	-	-
1,426,108,956	1,507,744,830	3,123,862,279		59,412,923	739,359	7,236,734	67,389,016
117,643,354	104,685,772	236,777,798		5,888,955	157,673	1,368,399	7,415,027
-	-	40,075		-	-	-	-
12,779	-	12,779		-	-	-	-
1,552,259,248	1,636,612,225	3,395,885,025		65,448,444	947,121	8,689,483	75,085,048
1,439,448	1,699,041	3,213,919		41,753	1,030	4,708	47,491
45,274	-	63,780		-	-	-	-
117,643,354	104,685,772	236,777,798		5,888,955	157,673	1,368,399	7,415,027
36,496	32,985	122,100		-	-	-	-
5,790	-	105,345		-	-	-	-
31,872	-	63,535		-	-	-	-
50,621	-	70,340		-	-	-	-
119,252,855	106,417,798	240,416,817		5,930,708	158,703	1,373,107	7,462,518
1,433,006,393	1,530,194,427	3,154,213,528		-	-	-	-
-	-	1,254,680		-	-	-	-
-	-	-		59,517,736	788,418	7,316,376	67,622,530
-	-	-		-	-	-	-
\$ 1,433,006,393	\$ 1,530,194,427	\$ 3,155,468,208		\$ 59,517,736	\$ 788,418	\$ 7,316,376	\$ 67,622,530

# STATE OF NORTH DAKOTA

## Combining Statement of Fiduciary Net Assets Pension, Investment and Private-Purpose Trust Funds (Continued) June 30, 2005

	Private-Purpose Trust Funds			
	Student Donations	Mandan Remediation Trust	College SAVE	Total
<b>ASSETS</b>				
Cash Deposits at the Bank of ND	\$ 106,795	\$ 407,639	\$ -	\$ 514,434
Cash and Cash Equivalents	6,353	260,679	524,237	791,269
Receivables:				
Contributions Receivable	-	-	-	-
Accounts Receivable - Net	-	-	351,469	351,469
Interest Receivable - Net	-	1,849	-	1,849
Due from Other Funds	23	25,728	-	25,751
Due from Fiduciary Funds	-	-	-	-
Total Receivables	23	27,577	351,469	379,069
Investments, at Fair Value:				
Investments at the Bank of ND	18,798	23,596,450	-	23,615,248
Equities	-	-	-	-
Equity Pool	-	-	-	-
Fixed Income	-	-	-	-
Fixed Income Pool	34,804	2,250,000	-	2,284,804
Cash and Cash Pool	-	-	-	-
Real Estate Pool	-	-	-	-
Private Equity	-	-	-	-
Annuities	-	-	-	-
Mutual Funds	-	-	244,480,118	244,480,118
Total Investments	53,602	25,846,450	244,480,118	270,380,170
Invested Securities Lending Collateral	-	-	-	-
Prepaid Items	-	-	-	-
Capital Assets (Net of Depreciation)	-	-	-	-
Total Assets	166,773	26,542,345	245,355,824	272,064,942
<b>LIABILITIES</b>				
Accounts Payable	-	67,348	1,003,582	1,070,930
Accrued Payroll	-	-	-	-
Securities Lending Collateral	-	-	-	-
Due to Other Funds	-	-	-	-
Due to Fiduciary Funds	-	-	-	-
Deferred Revenue	-	-	-	-
Compensated Absences Payable	-	-	-	-
Total Liabilities	-	67,348	1,003,582	1,070,930
<b>NET ASSETS</b>				
Net Assets Held in Trust for:				
Pension Benefits	-	-	-	-
Other Employee Benefits	-	-	-	-
External Investment Pool Participants	-	-	-	-
Other Purposes	166,773	26,474,997	244,352,242	270,994,012
Total Net Assets	\$ 166,773	\$ 26,474,997	\$ 244,352,242	\$ 270,994,012

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# 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, 2005

	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
<b>ADDITIONS</b>						
Contributions:						
Employer	\$ -	\$ 504,440	\$ 867,803	\$ -	\$ -	\$ 5,085,050
Employee	2,179,991	489,750	535,233	163,594	5,120,693	7,061
From Participants	-	-	-	-	-	-
Remediation Settlement	-	-	-	-	-	-
Transfers from Other Funds	201,958	27,657	-	-	-	-
Transfers from Other Plans	-	83,194	-	-	-	-
Donations	-	-	-	-	-	-
Total Contributions	2,381,949	1,105,041	1,403,036	163,594	5,120,693	5,092,111
Investment Income:						
Net Increase in Fair Value of Investments	710,941	554,901	4,992,110	9,452,747	-	1,833,279
Interest and Dividends	369,170	332,256	1,101,266	1,682,683	13,319	922,864
Less Investment Expense	78,254	9,474	171,716	268,358	-	62,164
Net Investment Income	1,001,857	877,683	5,921,660	10,867,072	13,319	2,693,979
Securities Lending Activity:						
Securities Lending Income	-	-	73,255	205,406	-	-
Less Securities Lending Expense	-	-	64,883	187,850	-	-
Net Securities Lending Income	-	-	8,372	17,556	-	-
Repurchase Service Credit	-	-	-	1,143	-	246,500
Miscellaneous Income	-	7,135	101	-	512,316	-
Total Additions	3,383,806	1,989,859	7,333,169	11,049,365	5,646,328	8,032,590
<b>DEDUCTIONS</b>						
Benefits Paid to Participants	2,263,415	298,217	2,351,564	20,977	5,108,677	10,610
Refunds	-	-	95,601	2,817,963	-	1,880
Prefunded Credit Applied	-	-	-	-	-	4,193,687
Transfer to Other Plans	-	-	-	-	208,484	-
Payments in Accordance with Trust Agreements	-	-	-	-	-	-
Administrative Expenses	199,656	13,735	16,058	25,379	145,850	85,262
Total Deductions	2,463,071	311,952	2,463,223	2,864,319	5,463,011	4,291,439
Purchase of Units at Net Asset Value of \$1.00 Per Unit	-	-	-	-	-	-
Change in Net Assets Held in Trust for:						
Pension Benefits	920,735	1,677,907	4,869,946	8,185,046	-	3,741,151
Other Employee Benefits	-	-	-	-	183,317	-
External Investment Pool Participants	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-
Net Assets - Beginning of Year	14,260,109	11,452,362	42,309,251	73,366,334	1,071,363	30,229,867
Net Assets - End of Year	\$ 15,180,844	\$ 13,130,269	\$ 47,179,197	\$ 81,551,380	\$ 1,254,680	\$ 33,971,018

Pension and Other Employee Benefit Trust Funds			Investment Trust Funds			
Public Employees Retirement	Teachers Retirement	Total	City of Bismarck	ND Association of Counties	City of Fargo	Total
\$ 20,704,241	\$ 30,388,265	\$ 57,549,799	\$ -	\$ -	\$ -	\$ -
19,671,214	30,388,650	58,556,186	-	-	-	-
-	-	-	-	-	-	-
-	-	229,615	-	-	-	-
-	-	83,194	-	-	-	-
-	-	-	-	-	-	-
40,375,455	60,776,915	116,418,794	-	-	-	-
149,878,152	147,669,725	315,091,855	4,881,309	39,313	274,460	5,195,082
33,056,983	38,900,553	76,379,094	1,020,290	20,720	192,967	1,233,977
5,144,472	6,137,707	11,872,145	166,857	3,937	17,144	187,938
177,790,663	180,432,571	379,598,804	5,734,742	56,096	450,283	6,241,121
2,203,222	1,863,404	4,345,287	90,287	3,004	27,969	121,260
1,951,521	1,535,720	3,739,974	82,517	2,708	25,633	110,858
251,701	327,684	605,313	7,770	296	2,336	10,402
4,426,282	3,292,441	7,966,366	-	-	-	-
13,399	3,525	536,476	-	-	-	-
222,857,500	244,833,136	505,125,753	5,742,512	56,392	452,619	6,251,523
51,286,688	84,498,130	145,838,278	-	-	-	-
4,433,294	2,733,407	10,082,145	-	-	-	-
-	-	4,193,687	-	-	-	-
21,131	-	229,615	-	-	-	-
-	-	-	-	-	-	-
1,072,277	2,086,849	3,645,066	-	-	-	-
56,813,390	89,318,386	163,988,791	-	-	-	-
-	-	-	13,952,438	100,000	1,000,000	15,052,438
166,044,110	155,514,750	340,953,645	-	-	-	-
-	-	183,317	-	-	-	-
-	-	-	19,694,950	156,392	1,452,619	21,303,961
-	-	-	-	-	-	-
1,266,962,283	1,374,679,677	2,814,331,246	39,822,786	632,026	5,863,757	46,318,569
\$ 1,433,006,393	\$ 1,530,194,427	\$ 3,155,468,208	\$ 59,517,736	\$ 788,418	\$ 7,316,376	\$ 67,622,530

# STATE OF NORTH DAKOTA

## Combining Statement of Changes in Fiduciary Net Assets Pension, Investment and Private-Purpose Trust Funds (Continued) For the Fiscal Year Ended June 30, 2005

	Private-Purpose Trust Funds			
	Student Donations	Mandan Remediation Trust	College SAVE	Total
<b>ADDITIONS</b>				
Contributions:				
Employer	\$ -	\$ -	\$ -	\$ -
Employee	-	-	-	-
From Participants	-	-	110,518,738	110,518,738
Remediation Settlement	-	26,500,000	-	26,500,000
Transfers from Other Funds	-	-	-	-
Transfers from Other Plans	-	-	-	-
Donations	2,491	-	-	2,491
Total Contributions	2,491	26,500,000	110,518,738	137,021,229
Investment Income:				
Net Increase in Fair Value of Investments	-	-	12,936,278	12,936,278
Interest and Dividends	1,799	142,776	4,240,433	4,385,008
Less Investment Expense	-	559	-	559
Net Investment Income	1,799	142,217	17,176,711	17,320,727
Securities Lending Activity:				
Securities Lending Income	-	-	-	-
Less Securities Lending Expense	-	-	-	-
Net Securities Lending Income	-	-	-	-
Repurchase Service Credit	-	-	-	-
Miscellaneous Income	-	-	-	-
Total Additions	4,290	26,642,217	127,695,449	154,341,956
<b>DEDUCTIONS</b>				
Benefits Paid to Participants	-	-	-	-
Refunds	-	-	-	-
Prefunded Credit Applied	-	-	-	-
Transfer to Other Plans	-	-	-	-
Payments in Accordance with Trust Agreements	3,523	142,664	52,152,705	52,298,892
Administrative Expenses	-	24,556	-	24,556
Total Deductions	3,523	167,220	52,152,705	52,323,448
Purchase of Units at Net Asset Value of \$1.00 Per Unit	-	-	-	-
Change in Net Assets Held in Trust for:				
Pension Benefits	-	-	-	-
Other Employee Benefits	-	-	-	-
External Investment Pool Participants	-	-	-	-
Other Purposes	767	26,474,997	75,542,744	102,018,508
Net Assets - Beginning of Year	166,006	-	168,809,498	168,975,504
Net Assets - End of Year	\$ 166,773	\$ 26,474,997	\$ 244,352,242	\$ 270,994,012

# STATE OF NORTH DAKOTA

## Combining Statement of Fiduciary Assets and Liabilities

### Agency Funds

June 30, 2005

	Bonding	Payroll	Child Support	Student and Other	Tax Collection	Total
<b>ASSETS</b>						
Cash Deposits at the Bank of ND	\$ 1,098,762	\$ 498,174	\$ 2,999,472	\$ 611,807	\$ 9,732,507	\$ 14,940,722
Cash and Cash Equivalents	2,156,112	-	334,159	272,286	-	2,762,557
Investments at the Bank of ND	8,426,210	-	-	50,000	-	8,476,210
Investments	2,330,894	-	-	12,757	-	2,343,651
Accounts Receivable - Net	-	5,733,198	119	-	-	5,733,317
Taxes Receivable - Net	-	-	-	-	9,548,665	9,548,665
Other Assets	-	-	-	21,683	-	21,683
Total Assets	<u>\$ 14,011,978</u>	<u>\$ 6,231,372</u>	<u>\$ 3,333,750</u>	<u>\$ 968,533</u>	<u>\$ 19,281,172</u>	<u>\$ 43,826,805</u>
<b>LIABILITIES</b>						
Intergovernmental Payable	\$ -	\$ -	\$ -	\$ -	\$ 19,281,172	\$ 19,281,172
Amounts Held in Custody for Others	14,011,978	6,231,372	3,333,750	968,533	-	24,545,633
Total Liabilities	<u>\$ 14,011,978</u>	<u>\$ 6,231,372</u>	<u>\$ 3,333,750</u>	<u>\$ 968,533</u>	<u>\$ 19,281,172</u>	<u>\$ 43,826,805</u>

# STATE OF NORTH DAKOTA

## Combining Statement of Changes in Assets and Liabilities

### Agency Funds

For the Fiscal Year Ended June 30, 2005

	June 30 2004	Additions	Deductions	June 30 2005
<b>Bonding</b>				
<b>ASSETS</b>				
Cash Deposits at the Bank of ND	\$ 999,743	\$ 283,905	\$ 184,886	\$ 1,098,762
Cash and Cash Equivalents	1,531,751	5,678,759	5,054,398	2,156,112
Investments at the Bank of ND	8,019,758	721,295	314,843	8,426,210
Investments	2,390,270	5,000	64,376	2,330,894
Total Assets	<u>\$ 12,941,522</u>	<u>\$ 6,688,959</u>	<u>\$ 5,618,503</u>	<u>\$ 14,011,978</u>
<b>LIABILITIES</b>				
Amounts Held in Custody for Others	\$ 12,941,522	\$ 6,688,959	\$ 5,618,503	\$ 14,011,978
Total Liabilities	<u>\$ 12,941,522</u>	<u>\$ 6,688,959</u>	<u>\$ 5,618,503</u>	<u>\$ 14,011,978</u>
<b>Payroll</b>				
<b>ASSETS</b>				
Cash Deposits at the Bank of ND	\$ 548,635	\$ 75,397,559	\$ 75,448,020	\$ 498,174
Accounts Receivable - Net	5,602,278	5,733,198	5,602,278	5,733,198
Due from Other Funds	175	-	175	-
Total Assets	<u>\$ 6,151,088</u>	<u>\$ 81,130,757</u>	<u>\$ 81,050,473</u>	<u>\$ 6,231,372</u>
<b>LIABILITIES</b>				
Intergovernmental Payable	\$ 5,650,541	\$ -	\$ 5,650,541	\$ -
Amounts Held in Custody for Others	500,547	75,528,304	69,797,479	6,231,372
Total Liabilities	<u>\$ 6,151,088</u>	<u>\$ 75,528,304</u>	<u>\$ 75,448,020</u>	<u>\$ 6,231,372</u>
<b>Child Support</b>				
<b>ASSETS</b>				
Cash Deposits at the Bank of ND	\$ 1,171,785	\$ 92,762,745	\$ 90,935,058	\$ 2,999,472
Cash and Cash Equivalents	288,355	334,159	288,355	334,159
Accounts Receivable - Net	370	119	370	119
Total Assets	<u>\$ 1,460,510</u>	<u>\$ 93,097,023</u>	<u>\$ 91,223,783</u>	<u>\$ 3,333,750</u>
<b>LIABILITIES</b>				
Amounts Held in Custody for Others	\$ 1,460,510	\$ 93,471,685	\$ 91,598,445	\$ 3,333,750
Total Liabilities	<u>\$ 1,460,510</u>	<u>\$ 93,471,685</u>	<u>\$ 91,598,445</u>	<u>\$ 3,333,750</u>



	June 30 2004	Additions	Deductions	June 30 2005
<b>Student and Other</b>				
<b>ASSETS</b>				
Cash Deposits at the Bank of ND	\$ 465,796	\$ 1,596,955	\$ 1,450,944	\$ 611,807
Cash and Cash Equivalents	280,522	2,250,165	2,258,401	272,286
Investments at the Bank of ND	50,000	-	-	50,000
Investments	18,523	12,757	18,523	12,757
Interest Receivable - Net	175	-	175	-
Other Assets	38,841	647,446	664,604	21,683
Total Assets	<u>\$ 853,857</u>	<u>\$ 4,507,323</u>	<u>\$ 4,392,647</u>	<u>\$ 968,533</u>
<b>LIABILITIES</b>				
Amounts Held in Custody for Others	\$ 853,857	\$ 4,271,852	\$ 4,157,176	\$ 968,533
Total Liabilities	<u>\$ 853,857</u>	<u>\$ 4,271,852</u>	<u>\$ 4,157,176</u>	<u>\$ 968,533</u>
<b>Tax Collection</b>				
<b>ASSETS</b>				
Cash Deposits at the Bank of ND	\$ 6,942,469	\$ 91,892,862	\$ 89,102,824	\$ 9,732,507
Cash and Cash Equivalents	114,286	-	114,286	-
Taxes Receivable - Net	10,113,907	9,999,491	10,564,733	9,548,665
Total Assets	<u>\$ 17,170,662</u>	<u>\$ 101,892,353</u>	<u>\$ 99,781,843</u>	<u>\$ 19,281,172</u>
<b>LIABILITIES</b>				
Intergovernmental Payable	\$ 17,170,662	\$ 92,505,804	\$ 90,395,294	\$ 19,281,172
Total Liabilities	<u>\$ 17,170,662</u>	<u>\$ 92,505,804</u>	<u>\$ 90,395,294</u>	<u>\$ 19,281,172</u>
<b>Total -All Agency Funds</b>				
<b>ASSETS</b>				
Cash Deposits at the Bank of ND	\$ 10,128,428	\$ 261,934,026	\$ 257,121,732	\$ 14,940,722
Cash and Cash Equivalents	2,214,914	8,263,083	7,715,440	2,762,557
Investments at the Bank of ND	8,069,758	721,295	314,843	8,476,210
Investments	2,408,793	17,757	82,899	2,343,651
Accounts Receivable - Net	5,602,648	5,733,317	5,602,648	5,733,317
Taxes Receivable - Net	10,113,907	9,999,491	10,564,733	9,548,665
Interest Receivable - Net	175	-	175	-
Due from Other Funds	175	-	175	-
Other Assets	38,841	647,446	664,604	21,683
Total Assets	<u>\$ 38,577,639</u>	<u>\$ 287,316,415</u>	<u>\$ 282,067,249</u>	<u>\$ 43,826,805</u>
<b>LIABILITIES</b>				
Intergovernmental Payable	\$ 22,821,203	\$ 92,505,804	\$ 96,045,835	\$ 19,281,172
Amounts Held in Custody for Others	15,756,436	179,960,800	171,171,603	24,545,633
Total Liabilities	<u>\$ 38,577,639</u>	<u>\$ 272,466,604</u>	<u>\$ 267,217,438</u>	<u>\$ 43,826,805</u>

### ***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.*

905 - Dickinson State University Foundation, Inc.

Organized in 1952 as a nonprofit corporation to benefit present and future students by providing scholarship assistance and the funding of special projects not available through other funding sources.

906 - Lake Region Community College Foundation

Established in 1959 to provide a permanent, nonprofit structure through which support for Lake Region State College could be channeled.

907 - Mayville State University Foundation

Established to act primarily as a fund-raising organization to supplement the resources that are available to Mayville State University (MaSU). The Comet Athletic Club, a legally separate nonprofit organization, operates as an entity within the Foundation. The Club's purpose is to promote, support, and encourage interest and participation in MaSU sports.

908 - Minot State University-Bottineau Development Foundation and Logrollers

The Foundation and Logrollers are separate legal entities that were established to act primarily as fund-raising organizations to supplement the resources that are available to MiSU-B.

909 - North Dakota State College of Science Development Foundation

A nonprofit organization established to act primarily as a fund-raising organization to supplement the resources that are available to NDSCS.

914 - Valley City State University Foundation

Established to support Valley City State University by involving alumni and friends of the university in activities and private giving that meet the university's needs and advance its welfare.

951 - Williston State College Foundation

A nonprofit organization established to act primarily as a fund-raising organization to supplement the resources that are available to WSC.

# STATE OF NORTH DAKOTA

## Combining Statement of Net Assets Nonmajor Component Units - Proprietary Funds June 30, 2005

	DSU Foundation	Lake Region Community College Foundation	MaSU Alumni Foundation	MISU-B Development Foundation	NDSCS Development Foundation	VCSU Foundation	WSC Foundation	Total
<b>ASSETS</b>								
Current Assets								
Cash and Cash Equivalents	\$ 415,130	\$ 85	\$ 795,423	\$ 23,991	\$ 2,189,561	\$ 281,708	\$ 724,878	\$ 4,430,776
Accounts Receivable - Net	850,438	55,473	50,754	-	-	148,693	11,532	1,116,890
Other Assets	951,795	-	66,012	-	-	157,694	315,907	1,491,408
Total Current Assets	2,217,363	55,558	912,189	23,991	2,189,561	588,095	1,052,317	7,039,074
Noncurrent Assets:								
Restricted Cash and Cash Equivalents	1,456,747	-	-	-	-	-	72,693	1,529,440
Investments	5,777,957	2,359,448	991,840	1,479,694	5,802,277	2,802,754	4,776,213	23,990,183
Capital Assets:								
Land and Construction in Progress	65,000	-	-	-	218,560	-	7,890	291,450
Buildings and Equipment - Net	726,496	-	600	-	140,968	5,728	246,183	1,119,975
Total Noncurrent Assets	8,026,200	2,359,448	992,440	1,479,694	6,161,805	2,808,482	5,102,979	26,931,048
Total Assets	10,243,563	2,415,006	1,904,629	1,503,685	8,351,366	3,396,577	6,155,296	33,970,122
<b>LIABILITIES</b>								
Current Liabilities:								
Accounts Payable	815,079	-	-	-	8,562	16,796	-	840,437
Due to Primary Government	91,750	-	156,071	-	-	34,890	-	282,711
Other Deposits	-	-	-	-	750	-	-	750
Notes Payable	8,956	-	-	-	37,869	-	-	46,825
Total Current Liabilities	915,785	-	156,071	-	47,181	51,686	-	1,170,723
Noncurrent Liabilities:								
Notes Payable	489,864	-	-	-	106,341	-	-	596,205
Other Noncurrent Liabilities	796,321	-	-	-	-	49,771	24,549	870,641
Total Noncurrent Liabilities	1,286,185	-	-	-	106,341	49,771	24,549	1,466,846
Total Liabilities	2,201,970	-	156,071	-	153,522	101,457	24,549	2,637,569
<b>NET ASSETS</b>								
Invested in Capital Assets, Net of Related Debt	292,676	-	600	-	215,318	5,728	254,073	768,395
Restricted for:								
Other	7,887,997	2,094,639	2,074,090	1,374,261	7,850,095	3,385,835	1,728,810	26,395,727
Unrestricted	(139,080)	320,367	(326,132)	129,424	132,431	(96,443)	4,147,864	4,168,431
Total Net Assets	\$ 8,041,593	\$ 2,415,006	\$ 1,748,558	\$ 1,503,685	\$ 8,197,844	\$ 3,295,120	\$ 6,130,747	\$ 31,332,553

# STATE OF NORTH DAKOTA

## Combining Statement of Activities Nonmajor Component Units-Proprietary Funds For the Fiscal Year Ended June 30, 2005

Functions/Programs	Program Revenues			Net (Expense) Revenue	Additions to Permanent Endowments	Change in Net Assets	Net Assets Beginning of Year	Net Assets End of Year
	Expenses	Charges for Services	Operating Grants and Contributions					
DSU Foundation	\$ 1,716,039	\$ 216,265	\$ 4,116,203	2,616,429	\$ -	\$ 2,616,429	\$ 5,425,164	\$ 8,041,593
Lake Region Community College	300,461	65,771	425,165	190,475	64,344	254,819	2,160,187	2,415,006
MaSU Alumni Foundation	960,657	44,395	430,165	(486,097)	599,300	113,203	1,635,355	1,748,558
MISU-B Development Foundation	131,297	72,492	105,967	47,162	30,985	78,147	1,425,538	1,503,685
NDSCS Development Foundation	911,315	161,092	665,158	(85,065)	489,024	403,959	7,793,885	8,197,844
VCSU Foundation	641,708	47,291	540,319	(54,098)	868,286	814,188	2,480,932	3,295,120
WSC Foundation	1,003,265	280,421	1,867,568	1,144,724	295,000	1,439,724	4,691,023	6,130,747
Total Nonmajor Component Units	<u>\$ 5,664,742</u>	<u>\$ 887,727</u>	<u>\$ 8,150,545</u>	<u>\$ 3,373,530</u>	<u>\$ 2,346,939</u>	<u>\$ 5,720,469</u>	<u>\$ 25,612,084</u>	<u>\$ 31,332,553</u>



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# Statistical Information

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**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.

## STATE OF NORTH DAKOTA

### General Governmental Expenditures (GAAP Basis) By Function Last Ten Fiscal Years (Expressed In Thousands)

<i>Expenditures By Function</i>	1996	1997	1998	1999
General Government	\$ 76,034	\$ 77,968	\$ 78,414	\$ 92,534
Education	340,073	347,109	364,389	373,740
Health and Human Services	558,607	586,421	598,833	618,241
Regulatory	17,713	20,544	14,493	14,326
Public Safety & Corrections	54,443	97,498	149,811	146,050
Agriculture and Commerce	19,319	20,544	21,070	22,830
Natural Resources	42,402	34,905	31,561	35,030
Transportation	212,335	236,743	280,647	264,980
Intergovernmental - Revenue Sharing (2)	-	-	-	-
Capital Outlay	5,427	5,855	13,128	5,351
Debt Service:				
Principal	3,878	4,446	5,180	5,119
Interest and Other Charges	4,936	5,294	5,345	5,479
Advance Refunding Escrow	-	-	-	-
<b>Total Expenditures By Function</b>	<b>\$ 1,335,167</b>	<b>\$ 1,437,327</b>	<b>\$ 1,562,871</b>	<b>\$ 1,583,680</b>

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

<i>Revenues By Source</i>	1996	1997	1998	1999
Taxes	\$ 722,954	\$ 745,896	\$ 802,456	\$ 781,235
Licenses and Permits	39,120	38,244	44,008	44,995
Intergovernmental	669,853	705,174	827,772	808,529
Sales and Service	30,403	36,090	36,420	32,684
Royalties and Rents	7,361	7,874	7,787	4,742
Fines and Forfeits	4,583	4,951	6,610	10,034
Interest	14,459	16,379	15,879	15,528
Tobacco Settlement	-	-	-	-
Commodity Assessment (3)	-	-	-	-
Miscellaneous	4,520	4,973	5,877	2,703
<b>Total Revenues By Source</b>	<b>\$ 1,493,253</b>	<b>\$ 1,559,581</b>	<b>\$ 1,746,809</b>	<b>\$ 1,700,450</b>

#### 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 financial 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



2000	2001	2002	2003	2004	2005
\$ 80,236	\$ 230,999	\$ 70,248	\$ 76,539	\$ 74,213	\$ 84,287
398,518	403,644	413,417	446,274	461,791	478,725
635,288	696,715	728,511	771,908	795,013	822,942
14,595	18,340	14,662	16,181	14,948	15,364
142,102	120,378	135,591	95,264	102,275	128,185
23,433	25,733	51,263	52,922	57,476	55,747
33,638	37,452	46,959	52,405	57,537	49,844
313,115	279,076	324,821	233,089	240,044	234,263
-	-	142,778	148,181	157,201	157,868
13,264	11,462	9,148	115,191	125,531	156,324
4,731	4,700	6,374	7,738	8,382	9,586
5,420	7,048	7,327	8,403	6,962	7,837
-	-	-	-	-	-
\$ 1,664,340	\$ 1,835,547	\$ 1,951,099	\$ 2,024,095	\$ 2,101,373	\$ 2,200,972

2000	2001	2002	2003	2004	2005
\$ 838,306	\$ 995,216	\$ 952,538	\$ 969,439	\$ 1,039,165	\$ 1,170,247
52,373	67,454	90,298	89,763	100,503	99,655
914,839	879,058	918,932	969,097	1,011,334	1,060,896
34,564	36,933	39,297	38,360	44,430	39,037
6,624	9,083	17,918	21,204	25,480	54,938
6,909	3,017	10,892	10,746	15,355	14,460
17,907	23,630	4,289	32,458	84,295	69,224
16,475	12,620	26,781	26,856	22,983	23,327
-	-	9,444	10,221	11,897	10,821
5,565	2,597	3,091	4,190	5,411	5,729
\$ 1,893,562	\$ 2,029,608	\$ 2,073,480	\$ 2,172,334	\$ 2,360,853	\$ 2,548,334

**General Governmental Revenues (Budgetary Basis) By Source  
Last Ten Fiscal Years (In Bienniums)**

<b>Revenues By Source</b>	<b>1995-1997</b>	<b>1997-1999</b>	<b>1999-2001</b>	<b>2001-2003</b>	<b>2003-2005</b>
Sales and Use Tax	\$ 605,471,019	\$ 664,364,916	\$ 722,181,696	\$ 640,618,363	\$ 717,758,293
Motor Vehicle Excise Tax	-	-	-	119,592,232	128,010,103
Individual Income Tax	315,516,252	358,287,825	409,331,437	396,153,000	452,547,326
Corporate Income Tax	99,347,937	123,420,219	99,134,868	88,417,166	102,926,972
Business Privilege Tax	3,854,132	6,494,162	5,464,941	6,257,389	4,958,673
Oil and Gas Production Tax	33,042,320	26,973,613	47,783,630	45,516,520	77,885,841
Oil Extraction Tax	21,987,655	16,703,114	27,395,668	24,048,705	42,592,494
Insurance Premium Tax	36,968,670	35,733,266	39,113,433	48,990,027	56,284,535
Cigarette, Cigar and Tobacco Tax	45,030,090	44,091,170	41,706,350	39,313,360	39,476,712
Wholesale Liquor Tax	10,339,078	11,140,328	10,321,999	11,155,834	11,889,465
Department Fees and Collections	28,737,207	41,193,364	40,816,171	57,506,019	111,004,537
Gaming Tax	22,848,486	22,801,868	27,437,507	27,612,652	20,850,911
Lottery	-	-	-	-	7,269,005
Coal Severance Tax	22,245,267	22,596,137	22,173,854	-	-
Interest on Public Funds	15,554,914	19,013,889	20,832,123	8,509,483	6,935,015
Coal Conversion Tax	24,064,781	23,786,790	25,672,170	46,878,511	47,196,831
Mineral Leasing Fees	5,629,526	7,257,989	9,531,698	6,440,513	11,024,583
Bank of North Dakota Profits - Transfer	50,214,540	29,600,000	50,000,000	78,699,787	60,000,000
Mill and Elevator Profits - Transfer	1,000,000	3,000,000	3,000,000	6,000,000	5,000,000
Gas Tax Administration - Transfer	1,071,878	1,128,872	1,380,608	1,363,392	1,396,200
Other Transfers	38,445,224	36,713,873	6,522,115	24,370,511	97,868,870
<b>Total Revenues By Source</b>	<b>\$ 1,381,368,976</b>	<b>\$ 1,494,301,395</b>	<b>\$ 1,609,800,268</b>	<b>\$ 1,677,443,464</b>	<b>\$ 2,002,876,366</b>

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**

<u>Fiscal Year</u>	<u>Population (2)</u>	<u>Gross Bonded Debt (3)</u>	<u>Less Payable From Enterprise Revenues</u>	<u>Net Bonded Debt</u>	<u>Net Bonded Debt Per Capita</u>
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	636,285	-	-	-	-
2002	633,911	-	-	-	-
2003	633,837	-	-	-	-
2004	634,366	-	-	-	-
2005	634,366	-	-	-	-

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 2005  
 3) The State has had no General Obligation Bonded Debt since Fiscal Year 1998.

Source: Real Estate Trust  
 Job Service of North Dakota

### Revenue Bond Coverage Last Ten Fiscal Years

**MUNICIPAL BOND BANK (1)**

Fiscal Year	Gross Revenues	Principal Proceeds	Direct Operating Expenses (3)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
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
2002	6,122,000	10,524,000	1,369,000	15,277,000	7,160,000	8,079,000	15,239,000	1.00
2003	7,177,000	11,763,000	1,562,000	17,378,000	31,619,000	7,786,000	39,405,000	0.44
2004	7,036,000	12,416,000	1,707,000	17,745,000	21,106,000	7,544,000	28,650,000	0.62

**STUDENT LOAN TRUST**

Fiscal Year	Gross Revenues	Principal Proceeds	Direct Operating Expenses (3)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
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
2003	10,663,000	32,257,000	4,583,000	38,337,000	63,855,000	2,629,000	66,484,000	0.58
2004	12,460,000	37,884,000	6,406,000	43,938,000	1,000,000	1,750,000	2,750,000	15.98
2005	13,455,000	43,909,000	5,309,000	52,055,000	-	2,998,000	2,998,000	17.36

**HOUSING FINANCE AGENCY**

Fiscal Year	Gross Revenues	Principal Proceeds	Direct Operating Expenses (3)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
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
2003	63,697,000	142,058,000	16,376,000	189,379,000	140,411,000	39,337,000	179,748,000	1.05
2004	52,016,000	150,145,000	16,512,000	185,649,000	177,594,000	33,115,000	210,709,000	0.88
2005	51,152,000	77,160,000	18,048,000	110,264,000	120,539,000	27,859,000	148,398,000	0.74

**STATE FAIR ASSOCIATION (2)**

Fiscal Year	Gross Revenues	Principal Proceeds	Direct Operating Expenses (3)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
					Principal (4)	Interest	Total	
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	195,000	127,796	322,796	0.59
2002	3,448,061	-	3,150,042	298,019	-	93,010	93,010	3.20
2003	3,511,582	-	3,362,756	148,826	210,000	74,843	284,843	0.52
2004	3,735,261	-	3,585,269	149,992	205,000	77,149	282,149	0.53

**UNIVERSITY SYSTEM (5)**

Fiscal Year	Gross Revenues	Principal Proceeds	Direct Operating Expenses (3)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
2002	\$ 398,935,980	\$ 54,829,544	\$ 552,709,442	\$ (98,943,918)	\$ 15,509,175	\$ 3,249,608	\$ 18,758,783	(5.27)
2003	430,941,780	47,034,242	579,083,257	(101,107,235)	22,090,280	4,838,767	26,929,047	(3.75)
2004	484,761,680	69,003,654	619,035,327	(65,269,993)	12,689,507	5,508,951	18,198,458	(3.59)
2005	490,990,656	92,070,040	655,641,086	(72,580,390)	12,506,875	7,344,029	19,850,904	(3.66)

(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 four years only as 2002 was the first year presented as an Enterprise Fund

**Population And Employment  
Last Ten Calendar Years**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Population (1)	641,548	642,858	640,945	637,808	633,666	642,200	636,285	633,911	633,837	634,366
Employed	324,613	333,616	338,691	335,212	325,366	336,925	336,939	336,430	338,809	342,221
Unemployed	10,983	10,558	8,848	11,053	11,456	9,930	9,558	12,328	12,658	12,104
Total Labor Force	335,596	344,174	347,539	346,265	336,822	346,855	346,497	348,758	351,467	354,325
N.D. Unemployment Rate	3.3%	3.1%	2.5%	3.2%	3.4%	2.9%	2.8%	3.5%	3.6%	3.4%
U.S. Unemployment Rate	5.6%	5.4%	4.9%	4.5%	4.2%	4.0%	4.7%	5.8%	6.0%	5.5%

Source: Job Service North Dakota

**Demographic Statistics  
Last Ten Fiscal Years**

Fiscal Year	(1) Population	(2) Per Capita Income	(3) School Enrollment	Unemployment Rate
1996	642,858	21,068	117,816	3.1%
1997	640,945	20,686	116,103	2.5%
1998	637,808	22,872	113,929	3.2%
1999	633,666	23,180	111,705	3.4%
2000	642,200	25,106	108,094	2.9%
2001	636,285	25,876	105,214	2.8%
2002	633,911	26,450	103,013	3.5%
2003	633,837	28,725	101,137	3.6%
2004	634,366	29,247	99,324	3.4%
2005	N/A	N/A	97,120	N/A

Source: Job Service North Dakota  
North Dakota Department of Public Instruction

N/A: Not Available

- (1) Population Estimates are from Job Service of North Dakota.  
 (2) Preliminary figure for 2004 per capita income.  
 (3) Kindergarten through 12th grade.

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

<u>Calendar Year</u>	<u>Total Taxable Sales And Purchases</u>	<u>Individual Income Total Federal Tax Liability</u>
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	2,465,136,000
2002	7,044,743,275	2,503,952,000
2003	7,347,458,242	2,603,011,000
2004	8,000,269,656	N/A

Sources: Office of State Tax Commissioner  
IRS SOI Gross Collections by State FY04

N/A: Not Available

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

<u>Academic Year</u>	<u>Kindergarten</u>	<u>Grades 1-3</u>	<u>Grades 4-6</u>	<u>Grades 7-8</u>	<u>Grades 9-12</u>	<u>Total Enrollment</u>	<u>Special Education Students Served</u>
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	13,901
2003-04	6,890	21,229	22,645	16,287	34,086	101,137	13,868
2004-05	6,641	21,115	22,109	16,148	33,311	99,324	14,681
2005-06	6,578	20,736	21,390	15,864	32,552	97,120	N/A

<u>Academic Year</u>	<u>Average Daily Membership</u>	<u>Total Cost Of Education</u>	<u>Average cost Per Pupil</u>
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	107,823	625,247,474	5,799
2002-03	105,512	667,881,068	6,330
2003-04	103,923	693,708,288	6,675
2004-05	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**

	1996 FTE	1997 FTE	1998 FTE	1999 FTE	2000 FTE	2001 FTE	2002 FTE	2003 FTE	2004 FTE	2005 FTE
Bismarck State College	1,932	2,001	2,082	2,181	2,126	2,320	2,384	2,575	2,625	2,440
Dickinson State University	1,459	1,470	1,484	1,535	1,592	1,637	1,818	1,867	1,907	1,904
Lake Region State College	437	439	492	474	491	624	652	693	692	692
Mayville State University	723	635	643	651	644	620	616	657	713	677
Minot State University	2,964	2,727	2,597	2,588	2,491	2,739	2,789	2,840	2,844	2,884
MiSU - Bottineau	369	389	410	467	394	389	447	443	419	362
ND State College Of Science	2,340	2,271	2,219	2,139	2,276	2,106	2,112	2,177	2,129	2,084
North Dakota State University	8,190	8,079	8,142	8,253	8,469	9,056	9,368	9,701	10,073	10,132
University of North Dakota	9,221	8,725	8,684	8,911	9,302	9,906	10,458	11,073	11,185	10,918
Valley City State University	932	879	903	896	910	841	864	824	896	843
Williston State College	702	663	592	615	550	579	611	659	665	658
Total	29,269	28,278	28,248	28,710	29,245	30,817	32,119	33,509	34,148	33,594

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

<u>Fiscal Years</u>	<u>Mining And Oil Extraction</u>	<u>Construction</u>	<u>Manufacturing</u>	<u>Transportation, Communications And Public Utilities</u>	<u>Wholesale</u>	<u>Retail</u>	<u>Services</u>	<u>Misc.</u>	<u>Fiscal Year Total</u>
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
2003	57,410,837	176,634,221	297,930,174	648,627,210	1,220,077,418	3,847,762,942	715,890,346	69,892,481	7,034,225,629
2004	59,521,970	218,478,887	325,717,286	763,314,774	1,387,931,535	4,097,170,017	763,810,335	64,078,624	7,680,023,428
2005	104,386,957	234,410,022	353,787,125	825,034,776	1,501,072,540	4,307,070,171	794,169,518	70,949,487	8,190,880,596

#### Fiscal Years - Percentage Change

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%
2003	23.7%	-3.9%	-3.9%	8.2%	-17.3%	2.1%	1.0%	16.2%	-1.6%
2004	3.7%	23.7%	9.3%	17.7%	13.8%	6.5%	6.7%	-8.3%	9.2%
2005	75.4%	7.3%	8.6%	8.1%	8.2%	5.1%	4.0%	10.7%	6.7%

Source: Office of State Tax Commissioner

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

Industry	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Construction	13,450	14,850	15,000	15,600	16,800	15,850	15,400	15,100	15,900	17,150
Educational and Health Services	42,450	43,150	43,900	44,550	44,550	45,050	46,000	46,700	47,550	48,550
Financial Activities	14,300	14,800	14,950	15,650	16,250	16,750	16,900	18,050	18,400	18,600
Government	70,800	70,750	70,700	71,100	72,150	73,350	73,350	74,250	75,500	74,550
Information	7,000	7,050	7,300	7,800	8,200	8,450	8,450	7,950	7,700	7,650
Leisure and Hospitality	28,400	29,400	29,200	29,000	29,050	29,350	29,400	29,850	30,000	30,750
Manufacturing	20,150	20,550	22,100	22,550	22,800	23,900	24,050	23,700	23,450	24,550
Natural Resources & Mining	3,350	3,700	3,700	3,500	3,150	3,300	3,500	3,200	3,300	3,550
Other Services	14,750	14,900	15,250	15,100	15,400	15,300	15,250	15,250	15,300	15,100
Professional and Business Services	16,650	18,750	20,950	22,200	23,950	24,900	25,250	24,100	23,700	24,050
Retail Trade	39,250	39,900	40,350	41,000	41,050	41,100	40,700	40,650	40,900	41,250
Transportation, Ware- housing and Utilities	13,650	13,000	12,300	12,950	12,000	11,950	13,000	13,000	13,050	13,050
Wholesale Trade	17,500	17,850	18,250	18,400	18,500	18,350	18,350	18,000	17,950	18,250
Total	301,700	308,600	314,000	319,400	323,800	327,700	329,650	329,800	332,600	337,150

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	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Total Nonfarm Average	\$ 20,493	\$ 21,236	\$ 22,045	\$ 22,993	\$ 23,750	\$ 24,683	\$ 25,707	\$ 26,550	\$ 27,629	\$ 28,987
Construction	24,879	26,608	27,305	28,782	31,454	31,343	31,903	31,862	32,551	34,284
Educational and Health Services	21,931	22,759	23,484	24,031	24,637	25,712	27,037	28,270	29,202	30,779
Financial Activities	24,408	25,275	26,468	27,555	28,383	29,924	31,250	31,927	33,614	35,507
Government	22,779	23,397	24,147	24,964	25,404	26,362	27,284	28,283	29,361	30,545
Information	23,364	24,533	26,368	27,752	28,463	31,303	32,227	34,227	37,230	40,297
Leisure and Hospitality	7,718	7,980	8,492	8,769	9,209	9,579	9,229	9,582	9,856	9,996
Manufacturing	25,183	26,672	27,531	29,126	29,873	30,614	31,618	32,474	34,082	36,016
Natural Resources & Mining	29,332	30,172	31,897	33,099	33,782	35,286	37,742	38,549	39,197	41,360
Other Services	13,374	13,860	14,740	15,118	15,582	16,332	17,229	17,606	18,590	18,698
Professional and Business Services	21,003	20,988	21,022	22,581	24,059	25,104	25,944	27,511	28,790	30,172
Retail Trade	14,668	15,162	15,851	16,378	16,789	17,410	18,198	18,776	19,268	19,802
Transportation, Ware- housing and Utilities	30,219	30,864	32,563	34,357	33,883	35,219	37,034	37,587	39,304	41,595
Wholesale Trade	26,245	27,379	28,439	29,896	31,023	32,467	33,237	34,493	36,126	38,380

Source: Job Service North Dakota

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

<u>Crude Oil</u>		
<u>Calendar Year</u>	<u>Barrels</u>	<u>Average Price Per Barrel</u>
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
2002	30,799,563	21
2003	29,405,942	26
2004	31,154,035	36

Source: North Dakota Industrial Commission, Oil and Gas Division

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

<u>Fiscal Years</u>	<u>Coal Production (Coal Tons)</u>	<u>Gas Produced (Cubic Feet)</u>
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	31,159,000	56,326,543,000
2001	30,497,000	56,612,387,000
2002	30,667,000	58,969,302,000
2003	31,116,000	58,454,779,000
2004	31,122,000	59,962,232,000
2005	29,006,000	58,332,205,000

Sources: Office of State Tax Commissioner  
North Dakota Industrial Commission, Oil and Gas Division

## Value of Export Shares of Agricultural Commodities - 2003-2004 (1)

	2003 <u>Dollars</u> (Mil.)	2003 <u>% of U.S.</u>	2004 <u>Dollars</u> (Mil.)	2004 <u>% of U.S.</u>
Wheat and Products	582.3	10.9	749.8	11.3
Soybeans and Products	261.0	3.1	325.7	3.6
Feeds Grains and Products	106.9	1.6	141.7	1.7
Vegetables and Preparations	120.6	2.6	128.9	2.5
Sunflower Seed and Oil	81.1	69.3	96.9	57.0
Feeds and Fodder	56.4	2.8	79.5	3.9
Seeds	35.5	4.4	41.9	4.2
Dairy Products	-	0.0	4.1	0.3
Live Animals and Meats Excluding Poultry	6.8	0.1	4.0	0.0
Poultry and Products	1.5	0.1	1.4	0.1
Fats, Oils and Greases	0.2	0.0	0.1	0.0
Hides and Skins	0.7	0.0	-	0.0
Other (2)	514.3	3.2	318.0	4.8
Total (3)	<u>\$ 1,767.3</u>	3.1	<u>\$ 1,891.9</u>	3.0

Sources: Foreign Agricultural Trade of U.S. - E.R.S.  
North Dakota Agricultural Statistics 2005

- (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.
- (2) Includes minor oilseeds, sugar, confectionery, and tropical products, nursery & greenhouse, essential oils, beverages, exc. Juice, and other misc. vegetable products.
- (3) Totals may not add due to rounding.

## 2004 Crop Rank Among States

<u>North Dakota</u> <u>Ranks</u>	<u>Crop Description</u>	<u>North Dakota</u> <u>Produces</u>
1st	Flaxseed	95%
	Canola	91%
	Dry Edible Peas	61%
	Durum Wheat	59%
	Pinto Beans	46%
	Spring Wheat	43%
	Oil Sunflowers	39%
	All Sunflowers	39%
	Non-oil Sunflowers	37%
	Barley	33%
	Lentils	31%
	All Dry Edible Beans	27%
	Honey	17%
	Oats	12%
2nd	Navy Beans	30%
	All Wheat	14%
	Rye	9%
3rd	Sugarbeets	16%

Source: North Dakota Agricultural Statistics 2005

**Cash Receipts From  
Farm Marketings and Government Payments - 2001-2004**

<u>Item</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2004</u> Pct. Of Total (1)
	Thousand Dollars				
<b>Crops</b> (1)	<u>\$ 2,186,920</u>	<u>\$ 2,544,332</u>	<u>\$ 3,040,712</u>	<u>\$ 3,152,582</u>	<u>69.2%</u>
Food Grains	776,056	857,283	955,304	1,076,424	23.6%
Wheat	775,487	856,994	954,619	1,075,122	23.6%
Rye	569	289	685	1,303	0.0%
Feed Crops	344,160	389,655	505,939	566,302	12.4%
Barley	147,014	129,405	220,507	220,470	4.8%
Corn	125,802	192,249	218,312	269,265	5.9%
Hay	63,861	59,180	56,939	67,312	1.5%
Oats	7,483	8,821	10,181	9,255	0.2%
Oil Crops	604,800	791,254	1,031,970	908,434	19.9%
Soybeans	258,657	375,006	622,738	536,619	11.8%
Sunflower	149,598	178,820	192,806	145,415	3.2%
Canola	148,615	162,025	146,937	143,403	3.1%
Flaxseed	42,878	67,161	57,152	72,427	1.6%
Miscellaneous	5,052	8,242	12,337	10,570	0.2%
Veg., Fruits, Nuts	245,597	291,865	289,167	346,182	7.6%
Dry Beans	104,837	138,159	130,940	156,741	3.4%
Potatoes	124,922	129,243	124,657	126,652	2.8%
Dry Peas	8,164	14,794	17,946	37,747	0.8%
Lentils	5,789	5,483	9,480	19,062	0.4%
Miscellaneous	1,885	4,185	6,144	5,980	0.1%
Other Crops	216,307	214,275	258,331	255,240	5.6%
Sugarbeets	197,769	196,759	240,853	240,853	5.3%
Miscellaneous	18,538	17,516	17,478	14,387	0.3%
<b>Livestock</b>	<u>787,906</u>	<u>797,520</u>	<u>868,858</u>	<u>938,281</u>	<u>20.6%</u>
Meat Animals	639,163	652,453	728,875	788,336	17.3%
Cattle And Calves	585,742	612,180	690,905	738,975	16.2%
Hogs	47,917	32,704	30,252	42,112	0.9%
Sheep and Lambs	5,504	7,569	7,718	7,249	0.2%
Dairy Products	89,744	68,676	62,098	83,945	1.8%
Poultry and Eggs	17,599	18,834	14,863	13,620	0.3%
Turkeys	14,728	16,365	11,846	10,560	0.2%
Eggs and Other Poultry	2,871	2,469	3,017	3,060	0.1%
Miscellaneous Livestock	41,400	57,557	63,022	52,380	1.1%
Honey	18,547	35,040	40,229	31,941	0.7%
Wool	270	474	390	559	0.0%
Other Livestock	22,583	22,043	22,403	19,880	0.4%
<b>TOTAL CROPS &amp; LIVESTOCK (1)</b>	<u>2,974,826</u>	<u>3,341,852</u>	<u>3,909,570</u>	<u>4,090,864</u>	<u>89.8%</u>
<b>GOVERNMENT PAYMENTS</b>	<u>944,591</u>	<u>383,499</u>	<u>652,148</u>	<u>466,546</u>	<u>10.2%</u>
<b>GRAND TOTAL</b>	<u>\$ 3,919,417</u>	<u>\$ 3,725,351</u>	<u>\$ 4,561,718</u>	<u>\$ 4,557,410</u>	<u>100.0%</u>

Source: North Dakota Agricultural Statistics 2005  
<http://www.ers.usda.gov/data/farmincome/finfidmu.htm>

(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)

Bonding Fund

	Fiscal And Policy Year Ended									
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
1 Net Earned Required Contribution and Investment Revenues	\$ 305	\$ 370	\$ 633	\$ 479	\$ 637	\$ 116	\$ (50)	\$ 405	\$ 448	\$ 319
2 Unallocated Expenses	68	63	205	79	84	93	45	58	42	53
3 Estimated Incurred Claims and Expense, End of Policy Year	325	91	128	229	60	71	26	259	253	64
4 Paid (Cumulative) as of:										
End of Policy Year	11	91	18	(29)	(22)	(32)	(100)	(107)	(85)	(226)
One Year Later	11	91	18	(29)	(22)	(32)	(100)	(107)	(85)	
Two Years Later	11	91	18	(29)	(22)	(32)	(100)	(107)		
Three Years Later	11	91	18	(29)	(22)	(32)	(100)			
Four Years Later	11	91	18	(29)	(22)	(32)				
Five Years Later	11	91	18	(29)	(22)					
Six Years Later	11	91	18	(29)						
Seven Years Later	11	91	18							
Eight Years Later	11	91								
Nine Years Later	11									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	11	91	128	229	60	71	26	259	253	64
One Year Later	11	91	128	229	60	71	26	259	253	
Two Years Later	11	91	128	229	60	71	26	259		
Three Years Later	11	91	128	229	60	71	26			
Four Years Later	11	91	128	229	60	71				
Five Years Later	11	91	128	229	60					
Six Years Later	11	91	128	229						
Seven Years Later	11	91	128							
Eight Years Later	11	91								
Nine Years Later	11									
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

	<b>Fiscal And Policy Year Ended</b>									
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
1 Net Earned Required Contribution and Investment Revenues	\$ 3,545	\$ 3,946	\$ 5,870	\$ 4,787	\$ 5,482	\$ 4,540	\$ 2,437	\$ 6,646	\$ 4,864	\$ 5,073
2 Unallocated Expenses	422	345	1,282	1,031	1,026	812	991	613	621	552
3 Estimated Incurred Claims and Expense, End of Policy Year	1,598	7,612	5,521	3,578	2,104	6,828	5,481	2,523	1,135	775
4 Paid (Cumulative) as of:										
End of Policy Year	(5)	3,143	345	(2,554)	303	269	(1,589)	(3,974)	(227)	(14)
One Year Later	(5)	3,143	345	(2,554)	303	269	(1,589)	(3,974)	(227)	
Two Years Later	(5)	3,143	345	(2,554)	303	269	(1,589)	(3,974)		
Three Years Later	(5)	3,143	345	(2,554)	303	269	(1,589)			
Four Years Later	(5)	3,143	345	(2,554)	303	269				
Five Years Later	(5)	3,143	345	(2,554)	303					
Six Years Later	(5)	3,143	345	(2,554)						
Seven Years Later	(5)	3,143	345							
Eight Years Later	(5)	3,143								
Nine Years Later	(5)									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	1,589	7,612	5,521	3,578	2,104	6,828	5,481	2,523	1,135	775
One Year Later	1,589	7,612	5,521	3,578	2,104	6,828	5,481	2,523	1,135	
Two Years Later	1,589	7,612	5,521	3,578	2,104	6,828	5,481	2,523		
Three Years Later	1,589	7,612	5,521	3,578	2,104	6,828	5,481			
Four Years Later	1,589	7,612	5,521	3,578	2,104	6,828				
Five Years Later	1,589	7,612	5,521	3,578	2,104					
Six Years Later	1,589	7,612	5,521	3,578						
Seven Years Later	1,589	7,612	5,521							
Eight Years Later	1,589	7,612								
Nine Years Later	1,589									
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)

Workforce Safety & Insurance

	<b>Fiscal And Policy Year Ended</b>									
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
1 Net Earned Required Contribution and Investment Revenues	\$ 173,417	\$ 209,594	\$ 223,056	\$ 178,654	\$ 210,363	\$ 117,222	\$ 85,553	\$ 175,459	\$ 194,499	\$ 193,237
2 Unallocated Expenses	11,960	18,498	22,795	21,189	24,664	27,888	23,030	22,301	20,612	25,351
3 Estimated Incurred Claims and Expense, End Of Policy Year	94,160	84,551	89,020	92,130	80,505	82,905	80,567	92,605	102,850	110,710
4 Paid (Cumulative) as of:										
End of Policy Year	13,295	12,939	15,334	14,318	16,157	17,253	17,131	18,586	20,379	22,156
One Year Later	25,834	25,438	28,136	27,335	29,534	29,024	29,843	32,776	36,106	
Two Years Later	30,467	30,206	32,676	32,644	35,470	35,064	36,524	37,938		
Three Years Later	33,547	33,688	35,903	36,424	39,586	39,682	41,233			
Four Years Later	36,584	37,064	37,994	39,338	43,019	41,990				
Five Years Later	38,884	39,512	40,040	41,814	46,974					
Six Years Later	40,669	41,633	41,792	42,749						
Seven Years Later	42,514	43,326	43,194							
Eight Years Later	44,098	44,894								
Nine Years Later	45,555									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	94,160	84,551	89,020	92,130	80,505	82,905	80,567	92,605	102,960	110,710
One Year Later	89,357	86,080	89,100	83,830	80,075	80,801	83,597	93,920	103,130	
Two Years Later	85,720	85,940	81,641	82,404	78,893	83,161	83,419	92,680		
Three Years Later	85,350	78,143	79,747	77,070	81,221	82,628	88,494			
Four Years Later	76,888	76,523	70,397	79,270	79,455	78,614				
Five Years Later	76,903	71,733	72,497	82,115	81,826					
Six Years Later	68,248	73,533	70,000	76,075						
Seven Years Later	70,788	72,844	71,444							
Eight Years Later	73,038	73,036								
Nine Years Later	70,999									
6 Increase in Estimated Incurred Claims and Expense From End of Policy Year	(23,161)	(11,515)	(17,576)	(16,055)	1,321	(4,291)	7,927	75	170	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)

	<b>Fire And Tornado</b>		<b>Bonding</b>		<b>Workforce Safety &amp; Insurance</b>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Unpaid Claims and Claims Adjustment Expenses at the Beginning of the Year	\$ 1,362	\$ 1,451	\$ 338	\$ 366	\$ 604,100	\$ 577,500
Incurred Claims and Claims Adjustment Expenses:						
Provision for Current Fiscal Year	775	1,135	64	253	110,710	102,960
Change in Provision for Prior Fiscal Year	-	-	-	-	497	31,535
Payments and Claims and Adjustment Expenses Attributable To:						
Current Fiscal Year Insured Events	14	227	226	85	(22,156)	(20,379)
Prior Fiscal Years Insured Events	(1,362)	(1,451)	(338)	(366)	(66,351)	(65,216)
Total Payments	(1,348)	(1,224)	(112)	(281)	(88,507)	(85,595)
Change in Provision for Discount	-	-			53,600	(22,300)
Other	-	-				
Total Unpaid Claims and Claims Adjustment Expenses at the End of the Year	<u>\$ 789</u>	<u>\$ 1,362</u>	<u>\$ 290</u>	<u>\$ 338</u>	<u>\$ 680,400</u>	<u>\$ 604,100</u>

Source: Individual Financial Statements