

STATE OF NORTH DAKOTA

Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED

June 30, 2006



Prepared by the Office of Management and Budget

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

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**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

December 12, 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, 2006. 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, 2006, 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, 2006, 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 an expanding and diversifying economy in recent years. Education, health services, and government constitute over 35 percent of the state's employment, providing economic stability and insulating the state from the cyclic extremes of the national economy.

A listing of the state's twenty largest employers demonstrates the diversity of the economy. Top employers include: the U.S. military, the state university system, health care providers, manufacturers, financial and insurance companies, agricultural commodity processors, information technology companies, energy producers, and retail companies.

Increases in the price of crude oil have increased crude oil production in the state. Production has increased from an average of 86,000 barrels per day in September 2004 to 113,000 barrels per day in September 2006. In 2005, the state ranked 9th nationally in crude oil production out of 31 oil-producing states. The 36 million barrels produced in 2005 represented 1.9 percent of the nation's total crude oil production. Production increased 5.9 percent in 2004 and rose 14.5 percent in 2005.

In upcoming years, Moody's Economy.com, the states economic consultant, predicts continued growth for the state economy. Through 2009, gross state product is expected to grow by over 10 percent and the state labor force by 16,000 jobs. During that time, the unemployment rate is expected to remain stable at slightly over 3 percent and personal income is expected to grow by 3.8 to 4.5 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 and developing water resources, and taking care of people.

The North Dakota Trade Office has been extremely effective in increasing the state's international export market. North Dakota exports have nearly doubled since 2000, from \$625 million to \$1.2 billion. The Governor's budget has recommended \$2.6 million to expand these activities.

The Governor is proposing a Workforce and Career Promotion initiative that will strengthen the linkages between public schools and business on careers in North Dakota so students can make career decisions that will allow them to stay in the state. The initiative includes \$1.2 million for 10 workforce talent coordinators to be stationed in each of the North Dakota Joint Powers Agreement areas.

The Internship Program Initiative is a proposal by the Governor to develop the state's workforce by expanding the use of credit and non-credit internships for postsecondary students. The internships will provide a way for students to make connections with North Dakota businesses and serve as an incentive for students to continue employment in the state.

Previously, \$30 million has been invested in the Governor's Centers of Excellence program, which harnesses the University System as an engine of economic growth for North Dakota and creates higher paying jobs and career opportunities for its citizens. The Governor is proposing to invest another \$20 million in this very worthwhile program.

Governor Hoeven created the North Dakota Commission on Education Improvement for the purpose of making recommendations to the legislature for improving funding adequacy and equity among districts. Governor Hoeven's recommendation for elementary and secondary education funding for the 2007-09 not only follows the work of the Commission, but goes above and beyond the Commission's recommendation.

The Commission recommended a landmark change in the state's K-12 funding system, as well as a \$60.0 million general fund increase in funding for state aid to K-12 education. In addition, the Governor has included an additional \$16 million from the general fund and an additional \$4.6 million from the state tuition fund to bring the total state funded increase in state aid to education to an historic \$80.6 million.

To better protect North Dakota citizens by reducing the severity of the flu, the Governor has included \$2.3 million in his budget for the purchase and stockpile of antiviral drugs like Tamflu and Relenza. An antiviral stockpile will assure availability of these drugs at a time when they may not be available through normal distribution supply chains because of high demand in other areas of the country.

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, 2005. This was the 15th 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 2005-2007 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, 2005

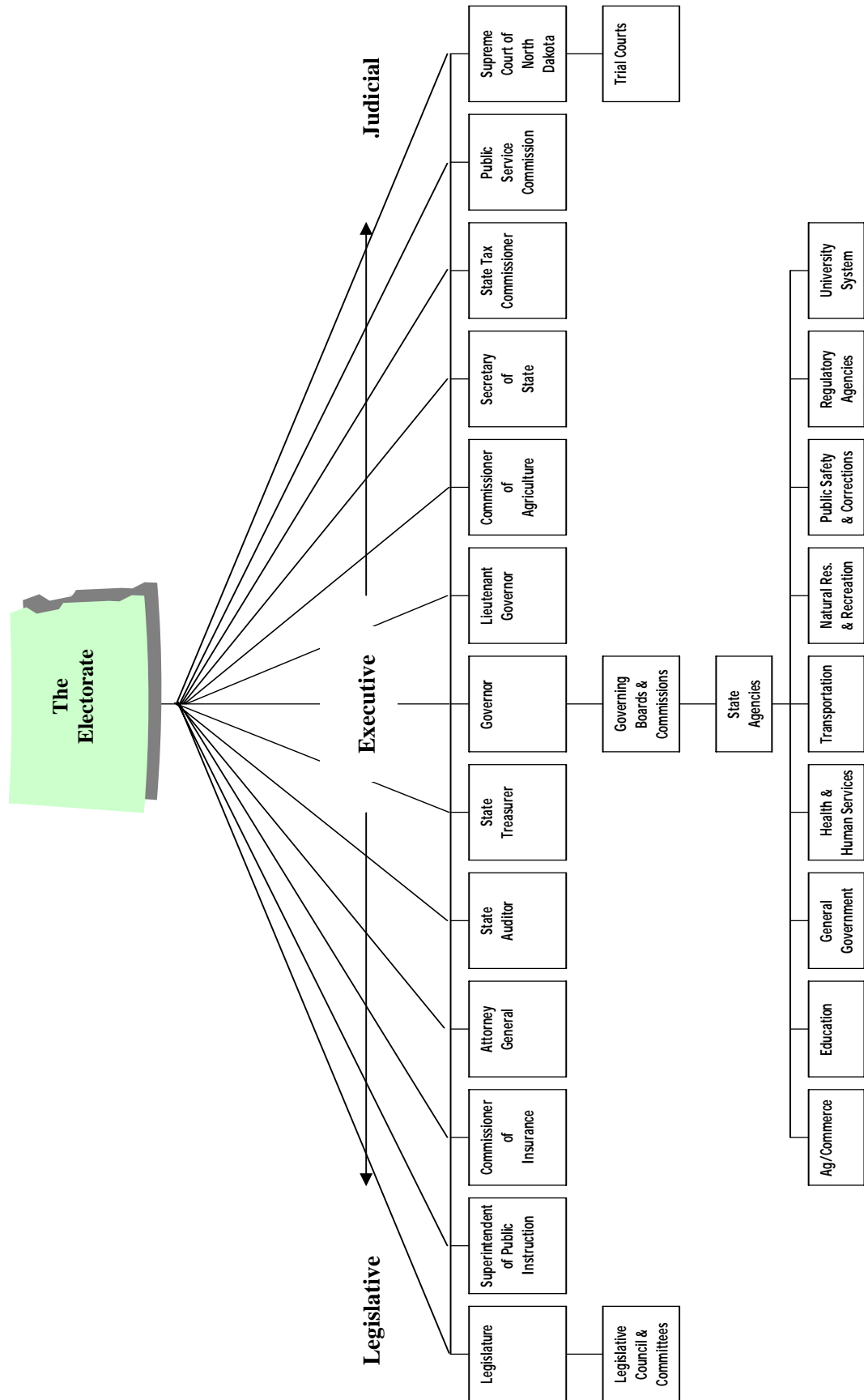
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

STATE OF NORTH DAKOTA ORGANIZATIONAL CHART



NORTH DAKOTA
PRINCIPAL STATE OFFICIALS
June 30, 2006

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



Financial Section



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

INDEPENDENT AUDITOR'S REPORT

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

Members of the Legislative Assembly
of the State of North Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of North Dakota as of and for the year ended June 30, 2006, 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%	8%
Business-Type Activities	81%	31%
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	84%	48%

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, 2006, 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 2 to the basic financial statements, the State of North Dakota changed its availability period for recognizing tax revenue from one year to 60 days.

As described in Note 18 to the basic financial statements, the Bank of North Dakota elected to present an unclassified balance sheet because current assets are not matched with current liabilities. Presentation of a classified balance sheet would give the false impression that there is a liquidity problem at the bank. Presentation of a classified balance sheet for the Bank of North Dakota would be misleading to the extent that the financial statements may be materially misstated.

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated December 12, 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 112 through 116 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

December 12, 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, 2006. 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 \$4.6 billion (reported as net assets), an increase of \$448 million from the previous year. The net assets of governmental activities increased by 13.8% while the net assets of the business-type activities showed an increase of 5.96%.

Fund Level:

As of the close of fiscal year 2006 the State's governmental funds reported combined ending fund balances of \$1.9 billion, an increase of \$352 million. Of this amount, \$888 million represents unreserved fund balance, with the remaining amount of \$1 billion 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 \$413 million.

The enterprise funds reported net assets at year-end of \$1.7 billion, an increase of \$96 million during the year.

Long-term Debt:

The State's total debt (bonds and notes payable) increased during the fiscal year to \$1.64 billion, an increase of \$100 million, or 6.4%, which represents the net difference between new issuances and payments and refundings of outstanding debt. During the year the State issued \$404 million in bonds and \$637 million 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 18 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, 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 \$4.6 billion at the end of fiscal year 2006. Net assets increased 9.7% from the prior fiscal year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2006	2005	2006	2005	2006
Current and Other Assets	\$1,970,752	\$2,317,282	\$4,697,809	\$4,962,990	\$6,235,218	\$6,514,553
Capital Assets	1,223,594	1,295,151	668,949	699,548	1,892,543	1,994,699
Total Assets	<u>3,194,346</u>	<u>3,612,433</u>	<u>5,366,758</u>	<u>5,662,538</u>	<u>8,127,761</u>	<u>8,509,404</u>
Long-Term Liabilities						
Outstanding	249,406	360,935	2,082,838	2,085,153	2,332,244	2,446,088
Other Liabilities	367,263	353,347	1,647,417	1,849,561	1,581,338	1,437,341
Total Liabilities	<u>616,669</u>	<u>714,282</u>	<u>3,730,255</u>	<u>3,934,714</u>	<u>3,913,582</u>	<u>3,883,429</u>
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	1,094,551	1,077,843	505,916	516,243	1,600,467	1,594,086
Restricted	1,046,115	1,281,417	393,237	391,313	1,439,352	1,672,730
Unrestricted	<u>437,011</u>	<u>538,891</u>	<u>737,349</u>	<u>820,268</u>	<u>1,174,360</u>	<u>1,359,159</u>
Total Net Assets	<u>\$2,577,677</u>	<u>\$2,898,151</u>	<u>\$1,636,502</u>	<u>\$1,727,824</u>	<u>\$4,214,179</u>	<u>\$4,625,975</u>

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 (36%) of the State's net assets is restricted net assets. These restricted net assets 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.

Thirty-four percent (34%) 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.

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:

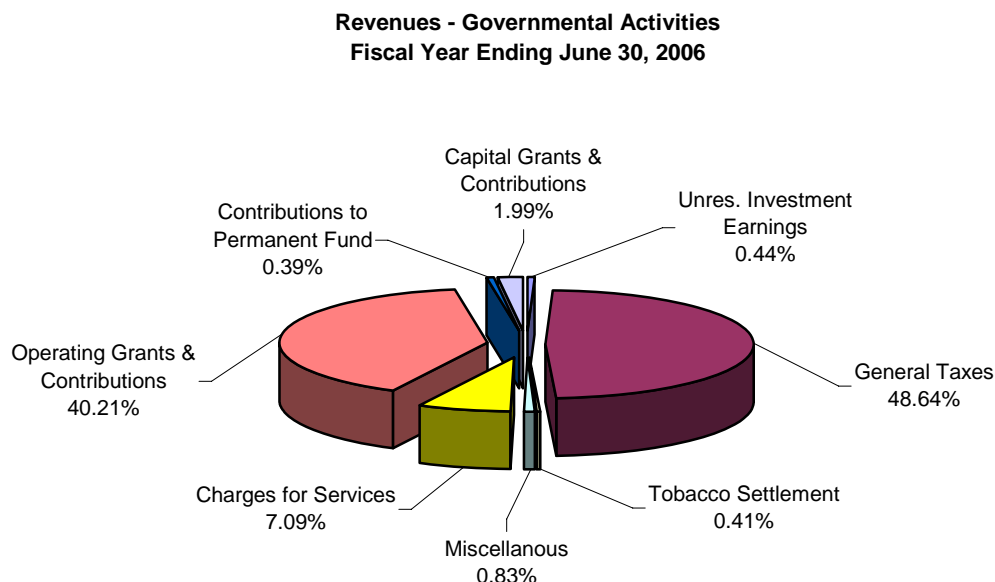
State of North Dakota's Changes in Net Assets
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2006	2005	2006	2005	2006
Revenues:						
Program Revenues:						
Charges for Services	\$ 171,779	\$ 201,847	\$ 741,172	\$ 794,071	\$ 912,951	\$ 995,918
Operating Grants & Contributions	1,084,731	1,144,749	304,001	283,315	1,388,732	1,428,064
Capital Grants & Contributions	81,850	56,557	5,998	577	87,848	57,134
General Revenues:						
Income Taxes	320,049	432,072	-	-	320,049	432,072
Sales Taxes	630,179	678,821	-	-	630,179	678,821
Other Taxes	220,751	276,771	-	-	220,751	276,771
Investment Earnings	4,106	12,409	-	-	4,106	12,409
Tobacco Settlement	12,830	11,712	-	-	12,830	11,712
Other	22,337	23,696	-	-	22,337	23,696
Total Revenues	2,548,612	2,838,634	1,051,171	1,077,963	3,599,783	3,916,597
Expenses						
General Government	243,437	264,911	-	-	243,437	264,911
Education	486,221	496,821	-	-	486,221	496,821
Health and Human Services	826,832	854,450	-	-	826,832	854,450
Regulatory	17,966	19,677	-	-	17,966	19,677
Public Safety and Corrections	132,997	145,480	-	-	132,997	145,480
Agriculture and Commerce	55,796	54,458	-	-	55,796	54,458
Natural Resources	53,440	62,431	-	-	53,440	62,431
Transportation	300,322	372,245	-	-	300,322	372,245
Interest on Long Term Debt	8,104	12,881	-	-	8,104	12,881
Bank of North Dakota	-	-	57,502	71,264	57,502	71,264
Housing Finance	-	-	45,922	46,580	45,922	46,580
Loan Programs	-	-	13,889	17,236	13,889	17,236
Mill and Elevator	-	-	95,223	101,198	95,223	101,198
State Lottery	-	-	18,917	15,622	18,917	15,622
Unemployment Compensation	-	-	43,394	43,314	43,394	43,314
University System	-	-	696,918	743,271	696,918	743,271
Workforce Safety and Insurance	-	-	183,466	116,021	183,466	116,021
Other	-	-	6,436	14,922	6,436	14,922
Total Expenses	2,125,115	2,283,354	1,161,667	1,169,428	3,286,782	3,452,782
Increase (decrease) in Net Assets Before Contributions and Transfers	423,497	555,280	(110,496)	(91,465)	313,001	463,815
Contributions to Permanent Fund Principal	13,636	11,156	-	-	13,636	11,156
Transfers	(170,925)	(215,089)	167,350	188,109	(3,575)	(26,980)
Increase in Net Assets	266,208	351,347	56,854	96,644	323,062	447,991
Net Assets - Beginning -As Restated	2,311,469	2,546,804	1,579,648	1,631,180	3,891,117	4,177,984
Net Assets- Ending	<u>\$ 2,577,677</u>	<u>\$ 2,898,151</u>	<u>\$ 1,636,502</u>	<u>\$ 1,727,824</u>	<u>\$ 4,214,179</u>	<u>\$ 4,625,975</u>

Governmental Activities

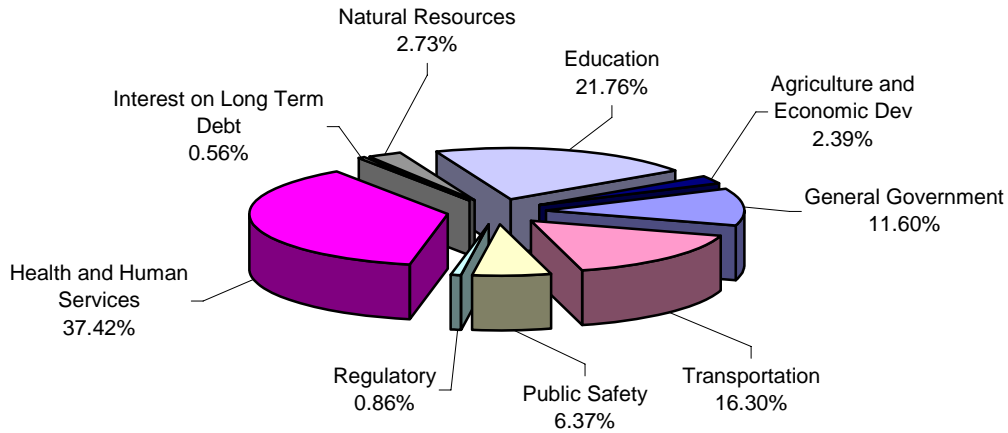
Governmental Activities increased the State's net assts by \$351 million, compared to a \$266 million increase in the prior fiscal year. The largest increases in the State's revenues for fiscal year 2006 were from the State's tax revenues. Individual and corporate income taxes increased 35%, oil and gas taxes increased 29%, and sales and use taxes increased 7.7%. The increase in individual income tax and sales tax collections is due to strong gains in the North Dakota economy, including expansion of the retail tax base throughout the state and significant job growth both from new jobs and wage gains in existing jobs. The growth in corporate income tax came from record audit collections and a very strong business sector. The strength in these collections is due in part to oil companies' record profits. Oil and gas tax revenues rose because of record high world oil prices that raise the taxable base and have led to increases in the state's oil production. Expenses for total governmental activities increased 7%, with the major increase in the transportation function. Significant costs for this function during the fiscal year include the demolition and reconstruction of the Four Bears Highway Bridge and the addition of two lanes to a section of Highway 2. None of the other governmental functions had substantial increases.

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, 2006**



Business-type Activities

Net assets of the business-type activities increased by \$97 million during the fiscal year. Factors contributing to these results included:

The net assets of the Bank of North Dakota increased \$9 million primarily due to a \$7 million decrease in transfers to the State's General Fund.

Workforce Safety and Insurance's (WSI) net assets increased \$32 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 \$39.4 million during 2006, while increasing their loss estimates only \$6.4 million.

The net assets of Housing Finance increased \$4.9 million as a result of program operations and financing activities.

The North Dakota State University System net assets increased \$29 million during 2006, as a result of increases in tuition, room and board rates, and increased grant and contract awards. These increases contributed to an operating revenue increase of 9% while operating expenses increased only 5%.

The net assets of the Unemployment Compensation Fund increased \$21.8 million as a result of the ongoing tax increases intended to move the Fund towards stability and solvency, as well as a robust economy with growing employments and lower levels of insurance claims. The 1999 Legislature established a seven year time frame in which to build the Fund to a target level to ensure its solvency. As a result of this plan along with a robust economy, this target level was reached during the year.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

As the State completed the year, its governmental funds reported combined fund balances of \$1.9 billion, an increase of \$352 million from the prior fiscal year. Approximately \$790 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 \$413 million and reserved fund balance was \$2 million. Total fund balance rose during the fiscal year by \$150 million, due to increases in tax revenues. Individual income and corporate income taxes had the largest increase, nearly \$90 million, followed by sales and use taxes with a \$32 million increase. By the end of fiscal year 2006 General Fund revenues increased 12% from the prior year.

The School Permanent Trust Fund balance at June 30, 2006 improved by \$78 million from the prior year, largely because of an increase in royalties income.

The Federal Fund balance at June 30, 2006 decreased \$2 million due to increased unavailable revenues.

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, 2006, was the first year of the 2005-07 budget cycle.

At the beginning of the 2005-07 budget cycle, there was an increase in the original budget of \$8 million. The majority of this increase is due to the authorized carryover of general fund appropriation authority from the 2003-05 biennium, which is reported as an appropriation adjustment for the 2005-07 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, \$.9 million, Legislative Council and Assembly, \$2.2 million, Department of Commerce, \$1 million, and the University System, \$2.6 million. Various other state agencies received smaller amounts of carryover totaling \$.7 million. A few agencies also received general fund carryover dollars from the 2003-05 biennium for capital construction projects. These capital construction carryover dollars totaled \$.7 million.

There were no expenditures in excess of general fund spending authority.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: At the end of the fiscal year 2006, the State had invested nearly \$2 billion, net of accumulated depreciation, in a broad range of capital assets. Depreciation charges for this fiscal year totaled \$104 million.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2006	2005	2006	2005	2006
Land and Land Improvements	\$ 44,208	\$ 47,262	\$ 18,397	\$ 18,117	\$ 62,605	\$ 65,379
Building & Building Improvements	216,344	214,778	391,982	401,537	608,326	616,315
Equipment	105,675	114,355	144,703	145,134	250,378	259,489
Infrastructure	569,336	549,958	88,158	88,195	657,494	638,153
Construction in Progress	288,031	368,798	25,709	46,565	313,740	415,363
Total	\$ 1,223,594	\$ 1,295,151	\$ 668,949	\$ 699,548	\$ 1,892,543	\$ 1,994,699

The total increase in the State's investments in capital assets for the current fiscal year was 5% in terms of net book value. However, actual expenditures to purchase or construct capital assets were approximately \$245 million for the year. Almost 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, 2006.

The State does have a number of revenue bonds outstanding at June 30, 2006. 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 \$275.6 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	
	2005	2006	2005	2006	2005	2006
Revenue Bonds	\$ 204,240	\$ 287,016	\$ 887,350	\$ 1,038,233	\$ 1,091,590	\$ 1,325,249
Notes Payable	5,613	32,314	445,080	283,509	450,693	315,823
Total	\$ 209,853	\$ 319,330	\$ 1,332,430	\$ 1,321,742	\$ 1,542,283	\$ 1,641,072

The State's total debt increased by 6.4% during the current fiscal year.

ECONOMIC CONDITION AND OUTLOOK

North Dakota's economy has showed steady growth during the 2005-07 biennium, with broad revenue growth spread throughout many tax types.

The agricultural economy remains strong, with high commodity process. Wheat prices have recently reached a ten-year high.

High oil prices have led to increased oil exploration activity and increased tax collections for oil extraction and production. Oil activity is at its highest level in two decades. Forty-five rigs are currently operating in the state compared to 33 rigs one year ago, and only 24 rigs two years ago. Up to a dozen additional oil rigs are anticipated to be moved into the state from Montana during the next year as oil companies increase exploration investment in North Dakota. Each oil rig represents up to 40 direct jobs and 80 indirect jobs.

The state's unemployment rate declined slightly during the third quarter of 2006 to 3.3 percent. Retail and finance employment growth has remained strong; service industries and energy have also contributed to job growth.

Moody's Economy.com predicts that after "several years of outperforming the nation, the North Dakota economy is expected to moderate to a slower growth trace in the near term," but the overall outlook remains positive.

CONTACTING THE STATE'S OFFICE OF FINANCIAL MANAGEMENT

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



Basic Financial Statements

STATE OF NORTH DAKOTA

Statement of Net Assets June 30, 2006

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and Cash Equivalents	\$ 9,730,612	\$ 547,648,494	\$ 557,379,106	\$ 16,567,775
Investments	920,673,217	1,705,255,000	2,625,928,217	25,636,798
Accounts Receivable - Net	39,594,901	73,077,864	112,672,765	20,294,913
Taxes Receivable - Net	210,755,548	-	210,755,548	-
Interest Receivable - Net	8,406,998	32,248,371	40,655,369	142,582
Intergovernmental Receivable - Net	168,416,093	48,590,671	217,006,764	372,000
Internal Receivable *	831,658,275	-	66,091,642	-
Due from Component Units	-	7,159,897	7,159,897	-
Due from Primary Government	-	-	-	20,278,624
Prepaid Items	4,445,765	1,762,722	6,208,487	-
Inventory	8,940,401	18,167,399	27,107,800	399,384
Loans and Notes Receivable - Net	98,303,498	1,520,093,284	1,618,396,782	9,853,624
Unamortized Bond Financing Costs	1,647,195	10,025,432	11,672,627	1,298,270
Pension Assets	2,335,568	-	2,335,568	-
Other Assets	-	9,620,003	9,620,003	6,130,703
Restricted Assets:				
Cash and Cash Equivalents	12,373,891	243,898,854	256,272,745	15,940,577
Investments	-	65,161,286	65,161,286	636,955,284
Interest Receivable - Net	-	5,443,000	5,443,000	3,850,000
Loans and Notes Receivable - Net	-	674,838,000	674,838,000	-
Capital Assets:				
Land and Construction in Progress	416,059,402	64,681,508	480,740,910	5,077,251
Infrastructure - Net	549,957,843	88,195,223	638,153,066	585,486
Buildings and Equipment - Net	329,133,593	546,671,077	875,804,670	113,598,414
Total Assets	3,612,432,800	5,662,538,085	8,509,404,252	876,981,685

* 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	143,113,429	25,950,307	169,063,736	6,723,500
Accrued Payroll	29,979,452	19,826,700	49,806,152	54,292
Securities Lending Collateral	81,363,107	331,700,598	413,063,705	-
Interest Payable	3,575,786	17,334,369	20,910,155	2,210,000
Intergovernmental Payable	36,117,441	2,325,381	38,442,822	-
Tax Refunds Payable	35,067,101	-	35,067,101	-
Internal Payable *	-	765,566,633	-	-
Due to Component Units	-	6,175,882	6,175,882	-
Due to Primary Government	-	-	-	7,459,897
Contracts Payable	8,573,430	1,656,069	10,229,499	-
Federal Funds Purchased	-	242,502,000	242,502,000	-
Reverse Repurchase Agreements	-	6,430,000	6,430,000	-
Other Deposits	-	354,569,834	354,569,834	499,964
Amounts Held in Custody for Others	-	13,919,160	13,919,160	-
Deferred Revenue	15,556,933	52,079,958	67,636,891	2,005,907
Other Liabilities	-	9,524,425	9,524,425	27,017,534
Long-Term Liabilities				
Due within one year	14,830,296	162,002,357	176,832,653	11,627,914
Due in more than one year	346,104,704	1,923,150,447	2,269,255,151	188,088,786
Total Liabilities	714,281,679	3,934,714,120	3,883,429,166	245,687,794
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	1,077,843,107	516,243,464	1,594,086,571	104,874,489
Restricted for:				
General Government	12,040,385	-	12,040,385	-
Education	84,798,948	-	84,798,948	-
Health and Human Services	26,875,553	-	26,875,553	-
Regulatory Purposes	45,089,412	-	45,089,412	-
Public Safety & Corrections	2,809,858	-	2,809,858	-
Agriculture and Commerce	11,532,230	-	11,532,230	-
Cultural and Natural Resources	62,375,143	-	62,375,143	-
Transporation	125,589,947	-	125,589,947	-
Capital Projects	26,914,000	3,530,920	30,444,920	-
Debt Service	65,534,724	97,305,839	162,840,563	71,272,000
Loan Purposes	-	47,143,370	47,143,370	128,918,000
Pledged Assets	-	85,691,000	85,691,000	-
Unemployment Compensation	-	116,160,621	116,160,621	-
Permanent and Endowment Funds - Expendable	19,472,301	28,208,599	47,680,900	-
Permanent and Endowment Funds - Nonexpendable	798,384,097	13,186,419	811,570,516	-
Other	-	85,450	85,450	258,679,758
Unrestricted	538,891,416	820,268,283	1,359,159,699	67,549,644
Total Net Assets	\$ 2,898,151,121	\$ 1,727,823,965	\$ 4,625,975,086	\$ 631,293,891

STATE OF NORTH DAKOTA

Statement of Activities

For the Fiscal Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 264,911,163	\$ 23,186,427	\$ 10,280,020	\$ -
Education	496,821,495	3,675,283	225,747,863	-
Health and Human Services	854,450,025	29,134,050	587,326,577	-
Regulatory	19,676,826	17,072,857	3,794,087	-
Public Safety and Corrections	145,479,620	7,189,302	73,753,351	-
Agriculture and Commerce	54,457,817	22,935,699	20,029,383	-
Natural Resources	62,430,892	20,685,820	15,786,189	3,402,329
Transportation	372,245,432	77,967,969	208,031,730	53,154,543
Interest on Long Term Debt	12,880,933	-	-	-
Total Governmental Activities	2,283,354,203	201,847,407	1,144,749,200	56,556,872
Business-Type Activities:				
Bank of North Dakota	71,263,587	107,518,000	-	-
Housing Finance	46,579,809	39,209,000	12,078,513	-
Loan Programs	17,235,546	17,406,328	1,774,635	-
Mill and Elevator	101,198,217	107,379,916	36,101	-
State Lottery	15,622,027	22,413,359	131,652	-
Unemployment Compensation	43,314,505	60,709,015	4,439,895	-
University System	743,271,216	331,584,391	208,591,260	577,251
Workforce Safety and Insurance	116,020,938	94,383,040	53,778,459	-
Other	14,922,322	13,467,869	2,484,666	-
Total Business-Type Activities	1,169,428,167	794,070,918	283,315,181	577,251
Total Primary Government	\$ 3,452,782,370	\$ 995,918,325	\$ 1,428,064,381	\$ 57,134,123
Component Units:				
	\$ 71,648,518	\$ 33,510,365	\$ 83,430,194	\$ -

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

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	
\$ (231,444,716)		\$ (231,444,716)	
(267,398,349)		(267,398,349)	
(237,989,398)		(237,989,398)	
1,190,118		1,190,118	
(64,536,967)		(64,536,967)	
(11,492,735)		(11,492,735)	
(22,556,554)		(22,556,554)	
(33,091,190)		(33,091,190)	
(12,880,933)		(12,880,933)	
<u>(880,200,724)</u>		<u>(880,200,724)</u>	
	\$ 36,254,413	36,254,413	
	4,707,704	4,707,704	
	1,945,417	1,945,417	
	6,217,800	6,217,800	
	6,922,984	6,922,984	
	21,834,405	21,834,405	
	(202,518,314)	(202,518,314)	
	32,140,561	32,140,561	
	1,030,213	1,030,213	
<u>-</u>	<u>(91,464,817)</u>	<u>(91,464,817)</u>	
<u>(880,200,724)</u>	<u>(91,464,817)</u>	<u>(971,665,541)</u>	
			\$ 45,292,041
432,071,872	-	432,071,872	-
678,820,618	-	678,820,618	-
210,169,616	-	210,169,616	-
66,601,785	-	66,601,785	-
12,408,573	-	12,408,573	-
11,712,175	-	11,712,175	-
23,696,003	-	23,696,003	-
11,156,063	-	11,156,063	15,669,260
(215,088,572)	188,108,694	(26,979,878)	-
<u>1,231,548,133</u>	<u>188,108,694</u>	<u>1,419,656,827</u>	<u>15,669,260</u>
351,347,409	96,643,877	447,991,286	60,961,301
2,546,803,712	1,631,180,088	4,177,983,800	570,332,590
<u>\$ 2,898,151,121</u>	<u>\$ 1,727,823,965</u>	<u>\$ 4,625,975,086</u>	<u>\$ 631,293,891</u>

STATE OF NORTH DAKOTA

Balance Sheet Governmental Funds June 30, 2006

	General	Federal	School Permanent Trust Fund	Other Governmental Funds	Total
ASSETS					
Cash Deposits at the Bank of ND	\$ 225,512,034	\$ 4,377,034	\$ 1,691,439	\$ 449,973,793	\$ 681,554,300
Cash and Cash Equivalents	5,172,919	8,674	-	4,548,500	9,730,093
Restricted Cash and Cash Equivalents	3,344,308	-	-	9,029,583	12,373,891
Investments at the Bank of ND	66,505,867	7,000,000	-	70,263,145	143,769,012
Investments	-	-	855,405,161	56,926,841	912,332,002
Accounts Receivable - Net	4,261,954	5,244,917	5,191,210	24,208,697	38,906,778
Taxes Receivable - Net	143,779,287	-	526,320	66,449,941	210,755,548
Interest Receivable - Net	846,339	475	6,021,800	1,478,454	8,347,068
Intergovernmental Receivable - Net	-	159,726,755	-	8,624,357	168,351,112
Due from Other Funds	83,175,458	17,424,560	3,375,139	22,959,759	126,934,916
Prepaid Items	603,468	1,077,066	-	2,711,240	4,391,774
Inventory	1,435,397	165,027	-	4,490,593	6,091,017
Loans and Notes Receivable - Net	79,117	22,104	25,845,744	72,356,533	98,303,498
Total Assets	\$ 534,716,148	\$ 195,046,612	\$ 898,056,813	\$ 794,021,436	\$ 2,421,841,009
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 27,888,181	\$ 87,691,360	\$ 5,519,109	\$ 20,466,399	\$ 141,565,049
Accrued Payroll	15,142,984	7,086,873	-	6,452,748	28,682,605
Securities Lending Collateral	-	-	74,623,674	5,216,640	79,840,314
Intergovernmental Payable	2,409,940	7,994,401	-	25,712,628	36,116,969
Tax Refunds Payable	34,754,612	-	-	312,489	35,067,101
Due to Other Funds	18,885,505	70,362,202	57,632	44,380,364	133,685,703
Contracts Payable	208,362	6,380,017	-	1,985,051	8,573,430
Deferred Revenue	20,489,669	17,606,160	-	29,961,999	68,057,828
Total Liabilities	119,779,253	197,121,013	80,200,415	134,488,318	531,588,999
Fund Balances:					
Reserved For:					
Inventory	1,435,397	165,027	-	4,490,593	6,091,017
Long - Term Receivables	11,734	-	-	66,435,691	66,447,425
Capital Projects	-	-	-	26,914,380	26,914,380
Debt Service	-	-	-	67,676,563	67,676,563
Prepaid Expenditures	603,468	1,077,066	-	2,711,240	4,391,774
Legal Requirements	-	-	-	12,491,800	12,491,800
Undistributed Revenue	-	-	11,213,010	-	11,213,010
Permanent Trust Fund	-	-	806,643,388	-	806,643,388
Unreserved, Reported in:					
General Fund	412,886,296	-	-	-	412,886,296
Special Revenue Funds	-	(3,316,494)	-	478,812,851	475,496,357
Total Fund Balances	414,936,895	(2,074,401)	817,856,398	659,533,118	1,890,252,010
Total Liabilities and Fund Balances	\$ 534,716,148	\$ 195,046,612	\$ 898,056,813	\$ 794,021,436	\$ 2,421,841,009

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2006

Total Fund Balances-Governmental Funds \$ 1,890,252,010

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 \$3,855,518,667 and the accumulated depreciation is \$2,622,809,687. 1,232,708,980

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. 55,231,908

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. 63,113,614

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. 1,587,350

The pension assets resulting from contributions in excess of annual required contribution are not financial resources and, therefore, are not reported in the funds. 2,335,568

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	(281,618,979)	
Notes Payable	(26,313,857)	
Accrued Interest on Long-Term Liabilities	(3,498,349)	
Compensated Absences	(28,232,426)	
Intergovernmental Payable	(172,678)	
Capital Leases	(6,315,494)	
Claims and Judgments	(926,526)	
Total Long-Term Liabilities		<u>(347,078,309)</u>

Net Assets of Governmental Activities \$ 2,898,151,121

STATE OF NORTH DAKOTA

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2006

	General	Federal	School Permanent Trust Fund	Other Governmental Funds	Total
REVENUES					
Individual and Corporate Income Taxes	\$ 400,586,546	\$ -	\$ -	\$ 9,104,759	\$ 409,691,305
Sales and Use Taxes	497,721,376	-	-	176,514,426	674,235,802
Oil, Gas, and Coal Taxes	85,863,487	-	6,282,020	118,012,271	210,157,778
Business and Other Taxes	40,119,160	-	-	17,267,446	57,386,606
Licenses, Permits and Fees	13,337,932	340	-	109,190,032	122,528,304
Intergovernmental	1,093,183	1,069,574,549	-	9,021,799	1,079,689,531
Sales and Services	2,305,360	4,226,261	-	39,072,274	45,603,895
Royalties and Rents	15,775,549	277	40,748,085	7,755,488	64,279,399
Fines and Forfeits	3,828,833	-	1,519,732	7,048,067	12,396,632
Interest and Investment Income	11,911,653	381,856	57,112,407	13,268,523	82,674,439
Tobacco Settlement	-	-	9,636,331	11,712,175	21,348,506
Commodity Assessments	-	-	-	12,673,677	12,673,677
Miscellaneous	1,400,655	242,083	-	4,472,657	6,115,395
Total Revenues	1,073,943,734	1,074,425,366	115,298,575	535,113,594	2,798,781,269
EXPENDITURES					
Current:					
General Government	75,798,797	6,679,015	-	10,248,279	92,726,091
Education	323,743,430	120,999,924	3,715,490	40,671,264	489,130,108
Health and Human Services	245,661,049	559,124,179	-	38,994,208	843,779,436
Regulatory	7,289,926	2,487,547	-	6,262,120	16,039,593
Public Safety and Corrections	74,543,947	58,796,349	-	5,703,564	139,043,860
Agriculture and Commerce	11,658,558	17,112,356	-	25,887,185	54,658,099
Natural Resources	8,259,124	11,469,706	-	35,829,163	55,557,993
Transportation	542,303	220,842,723	-	121,205,870	342,590,896
Intergovernmental - Revenue Sharing	-	-	-	171,942,576	171,942,576
Capital Outlay	5,343,699	73,125,356	-	42,964,871	121,433,926
Debt Service:					
Principal	564,788	618,456	-	10,051,866	11,235,110
Interest and Other Charges	218,037	219,758	-	11,361,538	11,799,333
Total Expenditures	753,623,658	1,071,475,369	3,715,490	521,122,504	2,349,937,021
Revenues over Expenditures	320,320,076	2,949,997	111,583,085	13,991,090	448,844,248
OTHER FINANCING SOURCES (USES)					
Bonds and Notes Issued	4,547,338	-	-	110,583,330	115,130,668
Refunding Bonds Issued	-	-	-	10,516,000	10,516,000
Payment to Refund Bond Escrow Agent	-	-	-	(10,388,000)	(10,388,000)
Capital Lease Acquisitions	17,716	1,919,501	-	8,869	1,946,086
Sale of Capital Assets	118,300	-	-	1,130,497	1,248,797
Transfers In	58,029,999	11,054,456	-	126,370,385	195,454,840
Transfers Out	(233,274,780)	(17,898,270)	(33,398,600)	(125,971,762)	(410,543,412)
Total Other Financing Sources (Uses)	(170,561,427)	(4,924,313)	(33,398,600)	112,249,319	(96,635,021)
Net Change in Fund Balances	149,758,649	(1,974,316)	78,184,485	126,240,409	352,209,227
Fund Balances - Beginning of Year, as Adjusted	265,178,246	(100,085)	739,671,913	533,292,709	1,538,042,783
Fund Balances - End of Year	\$ 414,936,895	\$ (2,074,401)	\$ 817,856,398	\$ 659,533,118	\$ 1,890,252,010

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, 2006

Net Change in Fund Balances-Total Governmental Funds \$ 352,209,227

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	119,401,604	
Depreciation expense	(47,476,783)	
Excess of capital outlay over depreciation expense		71,924,821

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. (4,834,589)

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. 958,400

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. (1,946,086)

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. 36,670,974

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 776,273

Bonds proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. (104,157,954)

Notes payable proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. (21,488,714)

The pension assets resulting from contributions in excess of annual required contribution are not financial resources and, therefore, are not reported in the funds. 29,197

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	20,429,600	
Note payments	784,882	
Capital lease payments	1,524,405	
Total long-term debt repayment		22,738,887

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	(525,673)	
Net increase/decrease in compensated absences	(1,006,827)	
Net increase/decrease in claims and judgments	(527)	
Total additional expenditures		(1,533,027)

Change in Net Assets of Governmental Activities \$ 351,347,409

STATE OF NORTH DAKOTA

Statement of Net Assets Proprietary Funds June 30, 2006

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Bank of North Dakota	Housing Finance	University System	Workforce Safety and Insurance	Other Enterprise Funds	Internal Service Funds
					Total	
ASSETS						
Current Assets:						
Cash Deposits at the Bank of ND	\$ 629,000	\$ 47,308,091	\$ 1,382,624	\$ 25,996,655	\$ 75,316,370	\$ 8,161,875
Cash and Cash Equivalents	790,000	4,736,096	-	106,178,398	111,704,494	519
Investments at the Bank of ND	-	56,542,883	8,852,300	9,831,779	75,226,962	-
Investments	1,326,000	2,861,629	1,509,678,627	30,103,174	1,543,969,430	8,341,215
Accounts Receivable - Net	521,000	14,181,680	17,005,176	41,332,295	73,040,151	627,745
Interest Receivable - Net	222,000	6,200	8,924,644	2,864,527	12,017,371	59,930
Intergovernmental Receivable - Net	157,000	45,785,216	-	2,648,455	48,590,671	64,981
Due from Other Funds	82,000	19,712,467	-	473,519	20,267,986	4,341,550
Due from Fiduciary Funds	-	-	-	37,713	37,713	60,378
Due from Component Units	-	1,495,897	-	-	1,495,897	-
Prepaid Items	26,000	-	75,096	1,661,626	1,762,722	53,991
Inventory	-	7,641,625	-	10,525,774	18,167,399	119,151
Loans and Notes Receivable - Net	-	9,858,974	-	23,625,741	33,484,715	-
Other Assets	-	3,642,225	-	-	3,642,225	-
Restricted Cash at the Bank of ND	7,791,000	-	-	5,123,451	12,914,451	5,734,157
Restricted Cash and Cash Equivalents	241,559,000	-	-	-	241,559,000	-
Restricted Investments at the Bank of ND	-	-	-	15,540,666	15,540,666	-
Restricted Interest Receivable - Net	2,961,000	-	-	2,482,000	5,443,000	-
Restricted Loans Receivable - Net	11,311,000	-	-	40,080,000	51,391,000	-
Total Current Assets	267,375,000	213,772,983	1,545,918,467	318,505,773	2,345,572,223	27,565,492
Noncurrent Assets:						
Restricted Cash at the Bank of ND	-	44,035,281	-	-	44,035,281	-
Restricted Cash and Cash Equivalents	-	2,073,644	-	266,210	2,339,854	-
Restricted Investments at the Bank of ND	-	12,173,293	-	-	12,173,293	-
Restricted Investments	26,760,000	38,186,806	-	214,480	65,161,286	-
Investments at the Bank of ND	-	18,850,000	-	-	18,850,000	-
Investments	-	9,326,570	-	-	9,326,570	-
Loans and Notes Receivable - Net	-	32,172,019	-	28,037,550	60,209,569	-
Restricted Loans Receivable - Net	562,325,000	-	-	61,122,000	623,447,000	-
Unamortized Bond Issuance Costs	5,972,000	3,272,866	-	780,566	10,025,432	59,845
Other Noncurrent Assets	2,302,000	-	-	2,358,778	4,660,778	-
Capital Assets:						
Land and Construction in Progress	-	56,444,132	901,974	6,663,402	64,009,508	-
Infrastructure - Net	-	87,165,825	-	1,029,398	88,195,223	-
Buildings and Equipment - Net	-	492,676,332	10,611,093	39,556,652	542,844,077	62,441,858
Total Noncurrent Assets	597,359,000	796,376,768	11,513,067	140,029,036	1,545,277,871	62,501,703
Bank Related Assets:						
Cash and Cash Equivalents	\$ 435,944,000				\$ 435,944,000	
Investments	151,959,000				151,959,000	
Interest Receivable - Net	20,231,000				20,231,000	
Due from Other Funds	16,285,000				16,285,000	
Due from Component Units	5,664,000				5,664,000	
Loans and Notes Receivable - Net	1,426,399,000				1,426,399,000	
Other Assets	1,317,000				1,317,000	
Capital Assets:						
Land and Construction in Progress	672,000				672,000	
Buildings and Equipment - Net	3,827,000				3,827,000	
Total Bank Related Assets	2,062,298,000				2,062,298,000	
Total Assets	2,062,298,000	864,734,000	1,010,149,751	1,557,431,534	458,534,809	5,953,148,094
						90,067,195

STATE OF NORTH DAKOTA

Statement of Net Assets

Proprietary Funds

June 30, 2006

	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
LIABILITIES							
Current Liabilities:							
Accounts Payable		537,000	16,444,684	3,108,575	5,855,785	25,946,044	1,513,716
Accrued Payroll		-	19,054,703	-	771,997	19,826,700	1,296,847
Securities Lending Collateral		-	-	326,131,613	5,568,985	331,700,598	1,522,793
Interest Payable		15,323,000	966,291	-	485,734	16,775,025	77,437
Intergovernmental Payable		601,000	146,263	-	2,454,843	3,202,106	472
Due to Other Funds		10,354,000	5,876,316	60,484	25,620,527	41,911,327	785,556
Due to Fiduciary Funds		-	-	-	4,263	4,263	34,664
Due to Component Units		-	511,882	-	-	511,882	-
Contracts Payable		-	1,656,069	-	-	1,656,069	-
Other Deposits		-	6,131,769	-	-	6,131,769	-
Amounts Held in Custody for Others		7,791,000	-	-	6,128,160	13,919,160	-
Claims/Judgments Payable		-	-	70,000,000	1,396,989	71,396,989	1,498,429
Compensated Absences Payable		110,000	1,042,316	627,000	114,250	1,893,566	92,351
Notes Payable		-	957,454	-	-	957,454	-
Capital Leases Payable		-	4,862,233	-	33,324	4,895,557	29,559
Bonds Payable		53,790,000	7,595,066	-	505,000	61,890,066	568,400
Deferred Revenue		-	9,918,764	39,276,908	2,884,286	52,079,958	780
Other Current Liabilities		-	-	-	1,331	1,331	-
Total Current Liabilities		88,506,000	75,163,810	439,204,580	51,825,474	654,699,864	7,421,004
Noncurrent Liabilities:							
Intergovernmental Payable		798,000	1,231,479	-	3,390,311	5,419,790	-
Claims/Judgments Payable		-	-	616,800,000	440,357	617,240,357	3,042,444
Compensated Absences Payable		58,000	20,448,678	111,118	876,996	21,494,792	1,278,951
Notes Payable		-	6,625,468	-	-	6,625,468	6,000,000
Capital Leases Payable		-	40,139,667	-	53,152	40,192,819	16,438
Bonds Payable		694,237,000	189,580,206	-	92,526,015	976,343,221	4,828,468
Other Noncurrent Liabilities		-	1,736,417	-	5,389,677	7,126,094	-
Total Noncurrent Liabilities		695,093,000	259,761,915	616,911,118	102,676,508	1,674,442,541	15,166,301
Bank Related Liabilities:							
Interest Payable	541,000					541,000	
Due to Other Funds	20,253,000					20,253,000	
Due to Component Units	5,664,000					5,664,000	
Federal Funds Purchased	242,502,000					242,502,000	
Reverse Repurchase Agreements	6,430,000					6,430,000	
Deposits Held for Other Funds	1,020,298,533					1,020,298,533	
Other Deposits	326,536,467					326,536,467	
Other Liabilities	2,397,000					2,397,000	
Long Term Liabilities:							
Due within one year	20,092,000					20,092,000	
Due in more than one year	255,834,000					255,834,000	
Total Bank Related Liabilities	1,900,548,000					1,900,548,000	
Total Liabilities	1,900,548,000	783,599,000	334,925,725	1,056,115,698	154,501,982	4,229,690,405	22,587,305
NET ASSETS							
Invested in Capital Assets, Net of Related Debt	4,499,000	-	454,599,436	11,513,067	45,631,961	516,243,464	62,395,861
Restricted for:							
Capital Projects	-	-	3,524,649	-	6,271	3,530,920	-
Debt Service	-	56,898,000	14,318,420	-	26,089,419	97,305,839	-
Loan Purposes	-	-	46,187,966	-	955,404	47,143,370	-
Pledged Assets	76,177,000	9,514,000	-	-	-	85,691,000	-
Unemployment Compensation	-	-	-	-	116,160,621	116,160,621	-
Endowment Funds-Nonexpendable	-	-	13,186,419	-	-	13,186,419	-
Endowment Funds-Expendable	-	-	28,208,599	-	-	28,208,599	-
Other	-	-	85,450	-	-	85,450	-
Unrestricted	81,074,000	14,723,000	115,113,087	489,802,769	115,189,151	815,902,007	5,084,029
Total Net Assets	\$ 161,750,000	\$ 81,135,000	\$ 675,224,026	\$ 501,315,836	\$ 304,032,827	\$ 1,723,457,689	\$ 67,479,890

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

June 30, 2006

Total Net Assets - Enterprise Funds \$ 1,723,457,689

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 4,366,276

Net Assets of Business-Type Activities \$ 1,727,823,965

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, 2006

	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
OPERATING REVENUES							
Sales and Services	\$ 10,337,000	\$ 1,573,000	\$ 41,389,006	\$ 92,632,068	\$ 207,374,001	\$ 353,305,075	\$ 66,003,169
Auxiliary Sales Pledges for Bonds	-	-	80,607,774	-	-	80,607,774	-
Tuition and Fees	-	-	201,783,460	-	-	201,783,460	-
Grants and Contributions	-	-	176,518,043	-	-	176,518,043	-
Royalties and Rents	-	-	-	628,629	31,667	660,296	-
Fines and Forfeits	-	-	-	1,122,343	-	1,122,343	-
Interest and Investment Income	97,181,000	37,636,000	-	-	13,228,882	148,045,882	-
Miscellaneous	-	-	1,423,697	-	680,472	2,104,169	72,794
Total Operating Revenues	107,518,000	39,209,000	501,721,980	94,383,040	221,315,022	964,147,042	66,075,963
OPERATING EXPENSES							
Cost of Sales and Services	-	-	23,416,381	-	98,192,730	121,609,111	854,348
Salaries and Benefits	8,502,000	1,848,000	461,643,310	12,565,306	5,086,968	489,645,584	16,788,954
Operating	10,271,000	3,762,000	188,628,008	5,652,620	33,040,519	241,354,147	34,749,462
Claims	-	-	-	82,972,783	46,557,796	129,530,579	3,504,365
Scholarships and Fellowships	-	-	21,616,438	-	-	21,616,438	-
Interest	51,623,000	28,480,000	-	-	4,971,330	85,074,330	-
Depreciation	739,000	15,000	38,213,749	447,877	3,662,385	43,078,011	8,908,930
Miscellaneous	-	-	-	-	3,514	3,514	-
Total Operating Expenses	71,135,000	34,105,000	733,517,886	101,638,586	191,515,242	1,131,911,714	64,806,059
Operating Income (Loss)	36,383,000	5,104,000	(231,795,906)	(7,255,546)	29,799,780	(167,764,672)	1,269,904
NONOPERATING REVENUES (EXPENSES)							
Grants and Contracts	-	-	6,088,381	-	364,730	6,453,111	-
Gifts	-	-	19,779,659	-	-	19,779,659	-
Interest and Investment Income	-	12,078,513	6,205,177	53,778,459	8,502,219	80,564,368	386,573
Interest Expense	-	(12,470,000)	(9,532,867)	(14,357,294)	(691,363)	(37,051,524)	(403,927)
Gain (Loss) on Sale of Capital Assets	-	-	3,025,329	-	(24,899)	3,000,430	(401,338)
Other	-	-	2,663,756	-	(2,260)	2,661,496	16,726
Total Nonoperating Revenues (Expenses)	-	(391,487)	28,229,435	39,421,165	8,148,427	75,407,540	(401,966)
Income (Loss) Before Contributions and Transfers	36,383,000	4,712,513	(203,566,471)	32,165,619	37,948,207	(92,357,132)	867,938
Capital Grants and Contributions	-	-	577,251	-	-	577,251	223,400
Transfers In	-	184,487	239,379,583	-	412,500	239,976,570	-
Transfer Out	(27,410,000)	(29,000)	(7,059,597)	-	(17,369,279)	(51,867,876)	-
Changes in Net Assets	8,973,000	4,868,000	29,330,766	32,165,619	20,991,428	96,328,813	1,091,338
Total Net Assets - Beginning of Year, as Adjusted	152,777,000	76,267,000	645,893,260	469,150,217	283,041,399	1,627,128,876	66,388,552
Total Net Assets - End of Year	\$ 161,750,000	\$ 81,135,000	\$ 675,224,026	\$ 501,315,836	\$ 304,032,827	\$ 1,723,457,689	\$ 67,479,890

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, 2006

Net Change in Net Assets-Total Enterprise Funds \$ 96,328,813

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 315,064

Change in Net Assets of Business-Type Activities \$ 96,643,877

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2006

	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
Cash Flows from Operating Activities:							
Receipts from Customers and Users	\$ 11,145,000	\$ 89,438,000	\$ 121,746,710	\$ 93,776,365	\$ 456,231,911	\$ 772,337,986	\$ 66,095,946
Receipts from Tuition and Fees	-	-	188,560,187	-	-	188,560,187	-
Interest Income on Loans	-	-	-	-	356,099	356,099	-
Receipts from Loan Principal Repayments	-	-	8,938,176	-	15,297,393	24,235,569	-
Receipts from Other Funds	-	-	-	-	129,798	129,798	389,486
Receipts from Grants and Contracts	-	-	192,466,682	-	-	192,466,682	-
Receipts from Others	-	-	1,905,092	4,334,942	73,302	6,313,336	-
Payments for Loan Funds	-	-	(8,917,837)	-	(14,677,885)	(23,595,722)	-
Payments to Other Funds	-	-	-	-	(124,230)	(124,230)	190,990
Payments for Scholarships and Fellowships	-	-	(21,669,506)	-	-	(21,669,506)	-
Payments to Suppliers	(7,415,000)	(91,755,000)	(219,910,948)	(2,943,164)	(344,953,106)	(666,977,218)	(36,183,294)
Payments to Employees	(8,453,000)	(1,842,000)	(456,948,181)	(9,580,814)	(11,296,388)	(488,120,383)	(15,695,691)
Claim Payments	-	-	-	(82,675,874)	(38,329,602)	(121,005,476)	(1,326,613)
Payments to Others	-	(1,210,000)	-	(10,336,882)	(180,528)	(11,727,410)	(1,696,180)
Net Cash Provided by (Used for) Operating Activities	(4,723,000)	(5,369,000)	(193,829,625)	(7,425,427)	62,526,764	(148,820,288)	11,774,644
Cash Flows from Noncapital Financing Activities:							
Proceeds from Bonds	-	229,576,000	-	-	-	229,576,000	-
Proceeds from Sale of Notes and Other Borrowings	610,050,000	-	-	-	8,600,000	618,650,000	-
Principal Payments - Bonds	-	-	-	-	(57,150,000)	(57,150,000)	-
Principal Payments - Notes and Other Borrowings	(770,717,000)	(98,501,000)	-	-	(11,000,000)	(880,218,000)	-
Interest Payments - Bonds	-	(25,839,000)	-	-	(5,010,000)	(30,849,000)	-
Interest Payments - Notes and Other Borrowings	(18,900,000)	-	-	-	(459,564)	(19,359,564)	(24,659)
Payment of Bond Issue Costs	-	(1,590,000)	-	-	-	(1,590,000)	-
Transfers In	-	-	-	-	412,500	412,500	-
Transfers Out	(30,043,000)	(29,000)	(7,059,597)	-	(7,565,850)	(44,697,447)	-
Net Increase in Non-Interest Bearing Deposits	5,622,000	-	-	-	-	5,622,000	-
Net Decrease in Interest Bearing Deposits	148,291,000	-	-	-	-	148,291,000	-
Payments of Interest on Deposits	(25,664,000)	-	-	-	-	(25,664,000)	-
Interest Paid on Federal Funds and Reverse Repurchase Agreement	(5,855,000)	-	-	-	-	(5,855,000)	-
Net Decrease in Federal Funds and Reverse Repurchase Agreements	46,973,000	-	-	-	-	46,973,000	-
Loan Proceeds from Due To Other Funds	-	-	140,020	-	-	140,020	-
Principal Payments on Due To Other Funds	-	-	(100,000)	-	(338,496)	(438,496)	-
Grants and Gifts Received for Other than Capital Purposes	-	-	19,432,861	-	364,730	19,797,591	-
State Appropriations	-	-	219,302,746	-	-	219,302,746	-
Agency Fund Cash Increase	-	-	(1,099,206)	-	-	(1,099,206)	-
Grants Given for Other than Capital Purposes	-	-	(691,369)	-	-	(691,369)	-
Disbursements for Loans and Loan Purchases	-	-	-	-	224,126	224,126	-
Other	-	-	3,315,420	-	9,829	3,325,249	617
Net Cash Provided by (Used for) Noncapital Financing Activities	(40,243,000)	103,617,000	233,240,875	-	(71,912,725)	224,702,150	(24,042)
Cash Flows from Capital and Related Financing Activities:							
Acquisition and Construction of Capital Assets	(2,601,000)	-	(52,371,595)	(21,936)	(7,232,170)	(62,226,701)	(14,755,309)
Proceeds from Sale of Capital Assets	-	-	4,909,237	-	10,518	4,919,755	2,165,680
Proceeds from Bonds	-	-	-	-	-	-	6,000,000
Proceeds from Sale of Notes and Other Borrowings	-	-	74,515,000	-	-	74,515,000	-
Principal Payments - Bonds	-	-	-	-	(205,000)	(205,000)	-
Principal Payments - Notes and Other Borrowings	-	-	(16,768,012)	-	-	(16,768,012)	(548,100)
Interest Payments - Bonds	-	-	-	-	(74,516)	(74,516)	-
Interest Payments - Notes and Other Borrowings	-	-	(8,956,102)	-	(5,859)	(8,961,961)	(236,070)
Capital Appropriations	-	-	5,996,123	-	-	5,996,123	-
Payment on Capital Leases	-	-	-	-	(41,447)	(41,447)	(26,722)
Interest Payments - Capital Leases	-	-	-	-	-	-	(6,271)
Capital Grants and Gifts Received	-	-	5,900,424	-	-	5,900,424	-
Insurance Proceeds	-	-	407,710	-	-	407,710	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	(2,601,000)	-	13,632,785	(21,936)	(7,548,474)	3,461,375	(7,406,792)
Cash Flows from Investing Activities:							
Proceeds from Sale and Maturities of Investment Securities	118,644,000	371,000	39,905,227	18,500,000	89,251,792	266,672,019	-
Purchase of Investment Securities	(23,857,000)	-	(80,331,742)	(11,666,195)	(70,427,855)	(186,282,792)	(2,068,172)
Interest and Dividends on Investments	12,141,000	1,880,000	7,675,835	-	8,639,377	30,336,212	513,333
Proceeds from Sale of Other Real Estate	483,000	-	-	-	-	483,000	-
Net Decrease in Loans	(11,986,000)	-	-	-	-	(11,986,000)	-
Receipt of Loan Principal Repayments	-	-	-	-	886,877	886,877	-
Loan Income Received	81,683,000	-	-	-	635,584	82,318,584	-
Net Cash Provided by (Used for) Investing Activities	177,108,000	2,251,000	(32,750,680)	6,833,805	28,985,775	182,427,900	(1,554,839)

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2006

	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
Net Change In Cash:							
Net Increase (Decrease) in Cash and Cash Equivalents	129,541,000	100,499,000	20,293,355	(613,558)	12,051,340	261,771,137	2,788,971
Cash and Cash Equivalents at June 30, 2005	306,403,000	150,270,000	77,859,757	1,996,182	125,513,374	662,042,313	11,107,580
Cash and Cash Equivalents at June 30, 2006	<u>\$ 435,944,000</u>	<u>\$ 250,769,000</u>	<u>\$ 98,153,112</u>	<u>\$ 1,382,624</u>	<u>\$ 137,564,714</u>	<u>\$ 923,813,450</u>	<u>\$ 13,896,551</u>
Reconciliation:							
Current:							
Cash Deposits at the Bank of North Dakota	\$ -	\$ 629,000	\$ 47,308,091	\$ 1,382,624	\$ 25,996,655	\$ 75,316,370	\$ 8,161,875
Cash and Cash Equivalents	435,944,000	790,000	4,736,096	-	106,178,398	547,648,494	519
Restricted Cash Deposits at the Bank of North Dakota	-	7,791,000	-	-	5,123,451	12,914,451	-
Restricted Cash and Cash Equivalents	-	241,559,000	-	-	-	241,559,000	-
Noncurrent:							
Restricted Cash Deposits At The Bank of North Dakota	-	-	44,035,281	-	-	44,035,281	5,734,157
Restricted Cash and Cash Equivalents	-	-	2,073,644	-	266,210	2,339,854	-
Cash and Cash Equivalents	<u>\$ 435,944,000</u>	<u>\$ 250,769,000</u>	<u>\$ 98,153,112</u>	<u>\$ 1,382,624</u>	<u>\$ 137,564,714</u>	<u>\$ 923,813,450</u>	<u>\$ 13,896,551</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:							
Operating Income (Loss)	\$ 36,383,000	\$ 5,104,000	\$ (231,795,906)	\$ (7,255,546)	\$ 29,799,780	\$ (167,764,672)	\$ 1,269,904
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:							
Depreciation	812,000	15,000	38,213,749	447,877	3,662,385	43,151,011	8,902,280
Amortization\Accretion	-	(1,197,000)	-	-	211,000	(986,000)	6,650
Reclassification of Interest Revenue\Expense	(47,340,000)	(3,426,000)	-	-	(8,013,833)	(58,779,833)	-
Gain on Sale of Student Loans	(20,000)	-	-	-	-	(20,000)	-
Gain on Sale of Real Estate	(239,000)	-	-	-	-	(239,000)	-
Net Increase in Fair Value of Investments	1,782,000	-	-	-	-	1,782,000	-
Interest Received on Program Loans	-	31,727,000	-	-	11,315,000	43,042,000	-
Disbursements for Loans and Loan Purchases	-	(86,281,000)	-	-	(49,589,000)	(135,870,000)	-
Receipt of Loan Principal Repayments	-	47,687,000	-	-	73,625,000	121,312,000	-
Provision for Losses	2,400,000	-	-	-	641,000	3,041,000	-
Premiums Collected	-	-	-	-	144,228,123	144,228,123	-
Premiums Paid	-	-	-	-	(144,228,123)	(144,228,123)	-
Other	-	(972,000)	-	-	646,659	(325,341)	1,433
Change in Assets and Liabilities:							
(Increase) Decrease in Accounts Receivable	-	347,000	(2,290,706)	5,133,930	(3,014,459)	175,765	123,409
Increase in Interest Receivable	-	-	-	-	(26,375)	(26,375)	-
(Increase) Decrease in Due From	183,000	(52,000)	-	-	(43,513)	87,487	287,363
Decrease in Due From Fiduciary Funds	-	-	-	-	30,841	30,841	-
(Increase) Decrease in Intergovernmental Receivable	-	53,000	7,833,249	-	(90,416)	7,795,833	59,739
(Increase) Decrease in Notes Receivable	-	-	1,225,562	-	(97,213)	1,128,349	-
(Increase) Decrease in Prepaid Items	-	(10,000)	-	(70,096)	84,290	4,194	(40,594)
(Increase) Decrease in Inventories	-	-	(400,700)	-	2,069,510	1,668,810	27,015
(Increase) Decrease in Other Assets	1,307,000	-	(1,594,638)	-	(202,360)	(489,998)	-
Increase (Decrease) in Accounts Payable	-	(180,000)	(9,022,026)	129,912	1,715,608	(7,356,506)	229,412
Increase in Claims\Judgments Payable	-	-	-	6,400,000	758,343	7,158,343	482,430
Increase (Decrease) in Intergovernmental Payable	-	117,000	-	-	(1,721,890)	(1,604,890)	472
Increase in Accrued Payrol	-	-	2,559,244	-	99,284	2,658,528	64,076
Increase in Compensated Absences Payable	-	5,000	2,135,885	36,955	23,532	2,201,372	88,743
Increase in Amounts Held for Others	-	1,681,000	-	-	423,743	2,104,743	-
Increase in Other Deposits	-	-	773,145	-	-	773,145	-
Increase (Decrease) in Due To Other Funds	74,000	30,000	-	19,585	(741,127)	(617,542)	286,869
Increase (Decrease) in Deferred Revenue	-	(17,000)	(1,466,483)	(12,268,044)	961,674	(12,789,853)	(14,557)
Decrease in Other Liabilities	(65,000)	-	-	-	(699)	(65,699)	-
Total Adjustments	<u>(41,106,000)</u>	<u>(10,473,000)</u>	<u>37,966,281</u>	<u>(169,881)</u>	<u>32,726,984</u>	<u>18,944,384</u>	<u>10,504,740</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (4,723,000)</u>	<u>\$ (5,369,000)</u>	<u>\$ (193,829,625)</u>	<u>\$ (7,425,427)</u>	<u>\$ 62,526,764</u>	<u>\$ (148,820,288)</u>	<u>\$ 11,774,644</u>
Noncash Transactions:							
Net Increase (Decrease) in Fair Value of Investments	\$ -	\$ 2,069,000	\$ -	\$ 715,343	\$ (467,883)	\$ 2,316,460	\$ (192,503)
Change in Securities Lending Collatera	-	-	-	(710,022)	122,294	(587,728)	324,942
Interest on Investments	-	-	-	38,837,268	-	38,837,268	-
Amortization of Bond Discount	-	-	-	-	8,754	8,754	-
Amortization of Bond Issuance Costs	-	-	-	-	3,335	3,335	-
Assets Acquired Through Capital Lease	-	-	12,564,569	-	-	12,564,569	-
Expenses Paid by Capital Lease	-	-	135,551	-	-	135,551	-
Gifts of Capital Assets	-	-	615,430	-	-	615,430	-
Reversal of Allowance for Loan Loss	-	-	-	-	149,000	149,000	-
Interest Revenue on Prize Reserves	-	-	-	-	62,676	62,676	-
Total Noncash Transactions	<u>\$ -</u>	<u>\$ 2,069,000</u>	<u>\$ 13,315,550</u>	<u>\$ 38,842,589</u>	<u>\$ (121,824)</u>	<u>\$ 54,105,315</u>	<u>\$ 132,439</u>

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STATE OF NORTH DAKOTA

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2006

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Agency Funds
ASSETS				
Cash Deposits at the Bank of ND	\$ 11,764,445	\$ 346,069	\$ 21,817,905	\$ 10,803,254
Cash and Cash Equivalents	-	-	398,610	3,709,123
Receivables:				
Contributions Receivable	11,985,752	-	-	-
Accounts Receivable - Net	2,358	-	1,002,149	6,446,602
Taxes Receivable - Net	-	-	-	14,123,295
Interest Receivable - Net	13,444,088	170,979	360,220	760
Due from Other Funds	41,044	-	51	-
Due from Fiduciary Funds	119,512	-	-	-
Total Receivables	25,592,754	170,979	1,362,420	20,570,657
Investments, at Fair Value:				
Investments at the Bank of ND	-	-	19,262	10,976,900
Equities	24,654,171	-	-	-
Equity Pool	1,970,648,893	35,144,853	-	-
Fixed Income	15,129,398	-	-	-
Fixed Income Pool	990,934,927	33,369,451	2,334,804	2,402,913
Cash and Cash Pool	33,217,261	247,204	-	-
Real Estate Pool	281,176,094	6,220,879	-	-
Private Equity	137,153,918	769,613	-	-
Annuities	125,907	-	-	-
Mutual Funds	30,576,598	-	289,320,197	-
Total Investments	3,483,617,167	75,752,000	291,674,263	13,379,813
Invested Securities Lending Collateral	284,921,902	8,464,380	-	-
Capital Assets (Net of Depreciation)	1,902	-	-	-
Other Assets	-	-	-	15,515
Total Assets	3,805,898,170	84,733,428	315,253,198	\$ 48,478,362
LIABILITIES				
Accounts Payable	4,221,933	73,679	1,821,567	\$ -
Accrued Payroll	77,927	-	-	-
Securities Lending Collateral	284,921,902	8,464,380	-	-
Intergovernmental Payable	-	-	-	27,133,392
Tax Refunds Payable	-	-	-	4,000
Due to Other Funds	115,539	-	-	-
Due to Fiduciary Funds	119,512	-	-	-
Amounts Held in Custody for Others	-	-	-	21,340,970
Deferred Revenue	17,193	-	-	-
Compensated Absences Payable	99,655	-	-	-
Total Liabilities	289,573,661	8,538,059	1,821,567	\$ 48,478,362
NET ASSETS				
Net Assets Held in Trust for:				
Pension Benefits	3,514,862,914	-	-	
Other Employee Benefits	1,461,595	-	-	
External Investment Pool Participants	-	76,195,369	-	
Other Purposes	-	-	313,431,631	
Total Net Assets Held in Trust	\$ 3,516,324,509	\$ 76,195,369	\$ 313,431,631	

STATE OF NORTH DAKOTA

Statement of Changes in Fiduciary Net Assets Fiduciary Funds For the Fiscal Year Ended June 30, 2006

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds
ADDITIONS			
Contributions:			
Employer	\$ 59,962,886	\$ -	\$ -
Employee	60,665,272	-	-
From Participants	-	-	108,114,883
Transfers from Other Funds	286,771	-	-
Transfers from Other Plans	470,457	-	-
Donations	-	-	6,191
Total Contributions	<u>121,385,386</u>	<u>-</u>	<u>108,121,074</u>
Investment Income:			
Net Increase in Fair Value of Investments	349,665,550	4,887,505	16,762,400
Interest and Dividends	<u>83,215,354</u>	<u>1,833,482</u>	<u>7,065,742</u>
Less Investment Expense	<u>24,871,082</u>	<u>642,062</u>	<u>-</u>
Net Investment Income	<u>408,009,822</u>	<u>6,078,925</u>	<u>23,828,142</u>
Securities Lending Activity:			
Securities Lending Income	10,672,645	310,110	-
Less Securities Lending Expense	<u>10,073,036</u>	<u>296,857</u>	<u>-</u>
Net Securities Lending Income	<u>599,609</u>	<u>13,253</u>	<u>-</u>
Repurchase Service Credit	7,166,025	-	-
Miscellaneous Income	<u>542,726</u>	<u>-</u>	<u>-</u>
Total Additions	<u>537,703,568</u>	<u>6,092,178</u>	<u>131,949,216</u>
DEDUCTIONS			
Benefits Paid to Participants	162,218,681	-	-
Refunds	6,938,028	-	-
Prefunded Credit Applied	4,337,900	-	-
Transfer to Other Plans	286,771	-	-
Payments in Accordance with Trust Agreements	-	-	89,472,447
Administrative Expenses	<u>3,065,887</u>	<u>-</u>	<u>39,150</u>
Total Deductions	<u>176,847,267</u>	<u>-</u>	<u>89,511,597</u>
Purchase of Units at Net Asset Value of \$1.00 Per Unit	<u>-</u>	<u>2,480,661</u>	<u>-</u>
Change in Net Assets Held in Trust for:			
Pension Benefits	360,649,386	-	-
Other Employee Benefits	206,915	-	-
External Investment Pool Participants	-	8,572,839	-
Other Purposes	-	-	42,437,619
Net Assets - Beginning of Year	<u>3,155,468,208</u>	<u>67,622,530</u>	<u>270,994,012</u>
Net Assets - End of Year	<u>\$ 3,516,324,509</u>	<u>\$ 76,195,369</u>	<u>\$ 313,431,631</u>

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, 2006

	BSC Foundation	DSU Foundation	CHAND	MISU Development Foundation	Public Finance Authority	ND Development Fund	NDSU Development Foundation
ASSETS							
Current Assets:							
Cash and Cash Equivalents	\$ 1,019,983	\$ 84,826	\$ 3,446,404	\$ 114,971	\$ 2,161,000	\$ 2,513,475	\$ 553,070
Investments	-	-	-	-	-	7,347,970	-
Accounts Receivable - Net	2,702,193	873,102	-	63,649	-	-	5,101,415
Interest Receivable - Net	-	-	-	-	-	142,582	-
Intergovernmental Receivable - Net	372,000	-	-	-	-	-	-
Due from Primary Government	-	-	-	-	31,000	-	16,563
Inventory	-	-	-	-	-	-	-
Loans and Notes Receivable - Net	-	-	-	-	-	3,986,396	-
Other Assets	63,371	101,457	-	1,597	-	-	540,217
Restricted Cash and Cash Equivalents	-	-	-	-	1,572,000	-	-
Restricted Investments	-	-	-	-	18,644,000	-	-
Restricted Interest Receivable - Net	-	-	-	-	3,850,000	-	-
Total Current Assets	4,157,547	1,059,385	3,446,404	180,217	26,258,000	13,990,423	6,211,265
Noncurrent Assets:							
Restricted Cash and Cash Equivalents	-	114,226	-	-	-	-	10,335,073
Restricted Investments	14,005,642	7,843,557	-	11,546,814	347,586,000	-	81,039,422
Investments	394,234	865,000	-	454,848	-	1,014,952	11,453,930
Due from Primary Government	-	-	-	-	5,694,000	-	-
Loans and Notes Receivable - Net	-	-	-	-	-	5,867,228	-
Unamortized Bond Issuance Costs	-	-	-	-	1,262,000	-	-
Other Noncurrent Assets	2,066,600	429,919	-	-	-	-	9,585
Capital Assets:							
Land and Construction in Progress	2,842,539	65,000	-	-	-	-	925,866
Infrastructure - Net	-	74,262	-	-	-	-	-
Buildings and Equipment - Net	103,274	680,092	-	-	-	9,476	3,209,188
Total Noncurrent Assets	19,412,289	10,072,056	-	12,001,662	354,542,000	6,891,656	106,973,064
Total Assets	23,569,836	11,131,441	3,446,404	12,181,879	380,800,000	20,882,079	113,184,329
LIABILITIES							
Current Liabilities:							
Accounts Payable	380,533	603,062	2,497,070	613,914	16,000	19,633	760,704
Accrued Payroll	-	45,619	-	-	-	-	-
Interest Payable	-	-	-	-	2,210,000	-	-
Intergovernmental Payable	-	-	-	-	215,000	-	-
Due to Primary Government	37,560	6,950	-	-	31,000	300,000	216,784
Other Deposits	-	-	-	-	-	-	499,214
Notes Payable	-	9,957	-	243,027	-	-	2,990
Capital Leases Payable	-	-	-	-	-	-	-
Bonds Payable	-	-	-	-	9,620,000	-	86,110
Deferred Revenue	-	-	187,618	-	-	-	-
Total Current Liabilities	418,093	665,588	2,684,688	856,941	12,092,000	319,633	1,565,802
Noncurrent Liabilities:							
Intergovernmental Payable	-	-	-	-	278,000	-	-
Due to Primary Government	-	-	-	-	5,633,000	-	-
Notes Payable	-	479,909	-	114,960	-	-	19,774
Capital Leases Payable	-	-	-	-	-	-	-
Bonds Payable	-	-	-	-	160,459,000	-	1,383,710
Other Noncurrent Liabilities	1,957,967	771,671	-	143,690	-	-	6,101,677
Total Noncurrent Liabilities	1,957,967	1,251,580	-	258,650	166,370,000	-	7,505,161
Total Liabilities	2,376,060	1,917,168	2,684,688	1,115,591	178,462,000	319,633	9,070,963
Net Assets							
Invested in Capital Assets, Net of Related Debt	2,945,813	329,488	-	-	-	9,476	4,135,054
Restricted for:							
Debt Service	-	-	-	-	71,272,000	-	-
Loan Purposes	-	-	-	-	128,918,000	-	-
Other	15,754,877	9,185,018	-	8,982,711	-	-	89,624,839
Unrestricted	2,493,086	(300,233)	761,716	2,083,577	2,148,000	20,552,970	10,353,473
Total Net Assets	\$ 21,193,776	\$ 9,214,273	\$ 761,716	\$ 11,066,288	\$ 202,338,000	\$ 20,562,446	\$ 104,113,366

The Accompanying Notes are an Integral Part of the Financial Statements

	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
\$	536,126	\$ 210,808	\$ 630,467	\$ 832,279	\$ 4,464,366	\$ 16,567,775
	-	-	-	-	-	7,347,970
	9,134	1,109,759	209,438	10,019,144	207,079	20,294,913
	-	-	-	-	-	142,582
	-	-	-	-	-	372,000
	-	436,422	70,990	268,439	-	823,414
	-	272,020	127,364	-	-	399,384
	-	-	-	-	-	3,986,396
	295,477	150,640	210,201	321,659	474,571	2,159,190
	-	-	-	-	-	1,572,000
	-	-	-	-	-	18,644,000
	-	-	-	-	-	3,850,000
	840,737	2,179,649	1,248,460	11,441,521	5,146,016	76,159,624
	1,776,987	1,085,969	-	-	1,056,322	14,368,577
	-	-	-	130,681,236	25,608,613	618,311,284
	-	-	428,894	3,676,970	-	18,288,828
	-	-	1,901,210	11,860,000	-	19,455,210
	-	-	-	-	-	5,867,228
	-	36,270	-	-	-	1,298,270
	156,141	-	-	1,140,755	168,513	3,971,513
	-	-	1,017,396	-	226,450	5,077,251
	479,361	-	31,863	-	-	585,486
	19,421	98,335,299	7,764,988	3,119,309	357,367	113,598,414
	2,431,910	99,457,538	11,144,351	150,478,270	27,417,265	800,822,061
	3,272,647	101,637,187	12,392,811	161,919,791	32,563,281	876,981,685
	13,599	444,515	814,860	527,533	32,077	6,723,500
	8,673	-	-	-	-	54,292
	-	-	-	-	-	2,210,000
	13,042	-	-	-	-	228,042
	-	687,193	36,591	368,517	142,302	1,826,897
	-	-	-	-	750	499,964
	-	31,893	811,507	-	40,340	1,139,714
	-	-	35,532	-	-	35,532
	-	216,667	-	301,849	-	10,224,626
	-	1,559,487	258,802	-	-	2,005,907
	35,314	2,939,755	1,957,292	1,197,899	215,469	24,948,474
	199,116	-	-	-	-	477,116
	-	-	-	-	-	5,633,000
	-	6,640	3,774,817	700,000	95,093	5,191,193
	-	-	1,901,210	-	-	1,901,210
	-	6,816,557	-	11,860,000	-	180,519,267
	-	-	-	17,971,383	71,146	27,017,534
	199,116	6,823,197	5,676,027	30,531,383	166,239	220,739,320
	234,430	9,762,952	7,633,319	31,729,282	381,708	245,687,794
	(1,643,033)	91,302,075	4,227,923	3,119,309	448,384	104,874,489
	-	-	-	-	-	71,272,000
	-	-	-	-	-	128,918,000
	2,396,477	1,085,969	-	105,629,132	26,020,735	258,679,758
	2,284,773	(513,809)	531,569	21,442,068	5,712,454	67,549,644
\$	3,038,217	\$ 91,874,235	\$ 4,759,492	\$ 130,190,509	\$ 32,181,573	\$ 631,293,891

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, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
BSC Foundation	\$ 1,055,987	\$ 33,490	\$ 6,034,597	\$ 5,012,100
DSU Foundation	1,525,686	252,241	2,446,125	1,172,680
CHAND	11,301,051	12,011,277	86,549	796,775
MISU Development Foundation	684,809	-	511,671	(173,138)
Public Finance Authority	9,450,000	929,000	30,783,000	22,262,000
ND Development Fund	1,848,701	688,559	343,606	(816,536)
NDSU Development Foundation	10,386,897	2,047,418	15,779,466	7,439,987
NDSU Research and Technology Park	420,783	22,459	775,294	376,970
RE Arena, Inc., UND Arena Services & Affiliates	10,631,811	6,361,233	-	(4,270,578)
UND Aerospace Foundation	6,473,224	6,047,165	515,212	89,153
UND Alumni Association & UND Foundation	12,180,741	3,124,475	20,805,058	11,748,792
Nonmajor Component Units	5,688,828	1,993,048	5,349,616	1,653,836
Total Component Units	\$ 71,648,518	\$ 33,510,365	\$ 83,430,194	\$ 45,292,041

Additions to Permanent Endowments	Change in Net Assets	Net Assets Beginning of Year	Net Assets End of Year
\$ 636,327	\$ 5,648,427	\$ 15,545,349	\$ 21,193,776
-	1,172,680	8,041,593	9,214,273
-	796,775	(35,059)	761,716
604,037	430,899	10,635,389	11,066,288
-	22,262,000	180,076,000	202,338,000
-	(816,536)	21,378,982	20,562,446
6,466,371	13,906,358	90,207,008	104,113,366
-	376,970	2,661,247	3,038,217
-	(4,270,578)	96,144,813	91,874,235
-	89,153	4,670,339	4,759,492
6,048,064	17,796,856	112,393,653	130,190,509
1,914,461	3,568,297	28,613,276	32,181,573
<u>\$ 15,669,260</u>	<u>\$ 60,961,301</u>	<u>\$ 570,332,590</u>	<u>\$ 631,293,891</u>

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STATE OF NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2006

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, 2006, and their report dated August 15, 2006, 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, 2005, and their report dated February 23, 2006, has been previously issued under a separate cover.

Public Finance Authority (Proprietary Fund Type) - The Finance Authority was created by the Legislature as a separate agency of the State. The purpose of the Finance Authority 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 Finance Authority 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, 2005, and their report dated January 25, 2006, 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, 2006, and their report dated August 4, 2006, 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, 2006, and their report dated July 21, 2006, 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, 2006, and their report dated September 14, 2006, 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, 2006, and their report dated July 28, 2006, has been previously issued under separate cover.

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, 2006, and their report dated August 8, 2006, 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, 2006, and their report dated September 29, 2006, 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 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

STATE OF NORTH DAKOTA

the president and vice president of the Alumni Association. The Foundation was audited by other independent auditors for the fiscal year ended June 30, 2006, and their report dated August 25, 2006, 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, 2006, and their report dated August 25, 2006, has been previously issued under separate cover.

RE Arena, Inc., UND Arena Services, Inc., UND Sports Facilities, 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, 2006, and their combined report dated August 3, 2006, has been previously issued under separate cover.

NONMAJOR COMPONENT UNITS

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, 2006, and their report dated August 22, 2006, 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, 2006, and their combined report dated August 18, 2006, has been previously issued under separate cover.

The **NDSU Research Foundation** is a legally separate, nonprofit 501(c)(3) created to provide support to NDSU in its mission by enabling NDSU faculty to enhance their involvement in research, technology transfer, and business endeavors. Through linkages with public and private businesses and industries, the Foundation facilitates the commercialization of research technologies developed by NDSU faculty and staff. The Foundation is managed by an 11-member board of trustees, comprised of five NDSU employees and six individuals who are not employed by NDSU. The Foundation was audited by other independent auditors for the fiscal year ended June 30, 2006, and their report dated August 15, 2006, has been previously issued under a 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, 2006, and their report dated August 30, 2006, 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., 14th Floor
Bismarck, ND 58505-0310

North Dakota State University Research Foundation
1735 NDSU Research Park Drive
Fargo, ND 58105-5014

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

Public Finance Authority
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.

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:

STATE OF NORTH DAKOTA

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.

The State considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Other revenues are considered to be available if received within one year after the fiscal year end. 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. 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 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.

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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 2006, the first year of the 2005-2007 biennium, there were general and federal fund supplemental appropriations of \$56,609,299.

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, 2006.

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

F. INVESTMENTS

All funds of the State record their investments in accordance with Government Accounting Standards Board (GASB) Statement No. 31, *"Accounting and Financial Reporting for Certain Investments."* Investments are recorded at fair value determined by reference to published market data for publicly traded securities and through the use of independent valuation services and appraisals for other investments. The net change in fair value of investments consists of the realized gains or losses and the unrealized increase or decrease in fair value of investments during the year. Realized gains and losses on sales of investments are computed based on the difference between the sales price and the original cost of the investment sold.

Unrealized increases or decreases are computed based on changes in the fair value of investments between years. Security transactions are currently accounted for on a trade date basis. Interest income is recorded when earned. Dividend income is recorded on the ex-dividend date. Equity investments of the North Dakota Development Fund, Inc. (component unit of the State) are stated at estimated value in absence of a readily ascertainable market value. The Fund's board of directors estimates these values. Among the factors considered by the Fund's Directors in determining the fair value of investments, are the cost of the investment, developments since the acquisition of the investment, the financial condition and operating results of the issuer, the long-term potential of the business of the issuer, and other factors generally pertinent to the valuation of investments. The Fund's Directors, in making their evaluation, have relied on financial data of the investee and, in many instances, on estimates of the investee as to the potential effect of future developments. Total equity investments in the North Dakota Development Fund, Inc. are valued at \$1,014,952 at June 30, 2006. 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 118 days; however, the average term of loans for the Land Department is 54 days.

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

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

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

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

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

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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 \$2,730,233 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 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:

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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.

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	General Fund	Other Governmental Funds	University System	Major Component Units
June 30, 2005, fund balance/net assets, as previously reported	\$ 2,577,677	\$ 1,636,502	\$ 281,820	\$ 547,524	\$ 651,215	\$ 533,678
Prior period adjustment:						
Correction of error	(1,384)	-	(1,384)	-	-	-
Change in accounting policies	(29,489)	(5,322)	(15,258)	(14,231)	(5,322)	8,041
June 30, 2005, fund balance/net assets, as restated	\$ 2,546,804	\$ 1,631,180	\$ 265,178	\$ 533,293	\$ 645,893	\$ 541,719

CORRECTION OF ERRORS

The beginning net assets of the Government-wide Governmental Activities and General Fund were restated by \$1,383,546. There was an error in cash reconciliations caused by the conversion to a new software system.

CHANAGE IN ACCOUNTING POLICIES

The beginning net assets of the Government-wide Government Activities was restated by \$29,489,411, the General Fund by \$15,258,032 and Local Government, a nonmajor governmental fund, by \$14,231,379. The State changed its policy recognizing tax revenue as available if it is collected within 60 days of year end. The previous policy was one year.

The beginning net assets of the Government-wide Business-type Activities, and University System were restated by \$5,322,317. University System changed its policy for reporting the NDSU Research Foundation from a blended component unit to a discretely presented non-major component unit.

The beginning net assets of the Major Component Unites was restated by \$8,041,593. DSU Foundation was determined to be a major component unit.

State law generally requires that all State funds be deposited in the Bank of North Dakota. NDCC 21-04-01 provides that public funds belonging to or in the custody of the State shall be deposited in the Bank of North Dakota. Also, NDCC 6-09-07 states, “[a]ll state funds . . . must be deposited in the Bank of North Dakota” or must be deposited in accordance with constitutional and statutory provisions. The State does not have a formal policy that addresses custodial credit risk for deposits.

At June 30, 2006, the bank balance of the primary government’s deposits was \$385,082,167. Of the bank amount, \$276,795,224 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, 2006. Their uninsured and uncollateralized deposits totaled \$214 million, \$35.1 million, and \$1.4 million, and their bank deposits totaled \$214.3 million, \$43.9 million, and \$7.8 million, respectively.

At June 30, 2006, the bank balance of the component units’ deposits was \$41,272,647. Of the bank amount, \$13,212,023 was uncollateralized and uninsured.

Included in the internal receivable amount in the governmental activities column in the Statement of Net Assets is \$839,219,343 of Cash and Investments at the Bank of North Dakota for governmental activities. The internal payable amount in the business-type activities column includes \$744,339,912 of deposits the Bank has for governmental activities. Because the Bank has a different fiscal year end, these internal balances do not equal.

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.

B. INVESTMENTS

The investment policies of the State of North Dakota are governed by NDCC 6-09-07, 15-10-12, and 21-04-02, indicating that all public funds must be deposited in the Bank of North Dakota unless there are other constitutional or statutory provisions. If there are no

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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 employee's 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, 2006, the following table shows the debt securities of the primary government and major component units by investment type and maturity (expressed in thousands).

Notes To The Financial Statements

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	\$ 41,956	\$ 7,702	\$ -	\$ 182	\$ 34,072
Commercial Mortgage-Backed	23,798	2,492	14,188	596	6,522
Corporate Bonds	779,798	25,351	383,241	197,137	174,069
Corporate Convertible Bonds	118,087	454	72,838	4,127	40,668
Government Agencies	175,376	97,244	47,603	15,516	15,013
Government Bonds	355,488	46,651	162,317	50,512	96,008
Government Mortgage-Backed	161,287	-	119,896	181	41,210
Index-Linked Government Bonds	133,515	9,914	37,810	46,882	38,909
Municipal/Provincial Bonds	56,365	44,351	5,573	4,359	2,082
Non-Government-Backed CMOs	25,837	-	8,778	131	16,928
Short Term Bills and Notes	34,630	34,630	-	-	-
Short Term Investment Funds	10,161	10,161	-	-	-
Pooled Investments	440,731	130	8,051	410,355	22,195
Total Debt Securities	<u>\$ 2,357,029</u>	<u>\$ 279,080</u>	<u>\$ 860,295</u>	<u>\$ 729,978</u>	<u>\$ 487,676</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	\$ 1,579	\$ 695	\$ 734	\$ 77	\$ 73
Corporate Bonds	4,124	483	2,634	727	280
State and Municipal Bonds	80	-	-	68	12
Mutual Bond Funds	38,133	1,109	20,222	-	16,802
FNMA	335	-	30	305	-
FHLMC	1,921	-	682	535	704
Total Debt Securities	<u>\$ 46,172</u>	<u>\$ 2,287</u>	<u>\$ 24,302</u>	<u>\$ 1,712</u>	<u>\$ 17,871</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, 2006, the following tables present the debt securities of the primary government and major

Primary Government (includes Pension and Investment Trust Funds)

	Total Market Value	AAA	AA	A	BBB
Asset Backed Securities	\$ 47,636	\$ 13,814	\$ 46	\$ 159	\$ 26,663
Commercial Mortgage Backed	22,251	18,549	292	210	-
Corporate Bonds	784,955	33,383	27,819	160,422	261,103
Corporate Convertible Bonds	119,916	2,558	5,366	17,596	23,421
Government Agencies	77,948	76,662	-	1,286	-
Government Bonds	290,821	254,623	873	14,748	13,435
Government Mortgage Backed	74,045	74,045	-	-	-
Index-Linked Government Bonds	116,451	114,487	1,964	-	-
Municipal/Provincial Bonds	54,368	6,941	1,195	-	3,109
Non-Government Backed CMOs	28,485	25,033	-	-	-
Short Term Bills and Notes	4,742	599	-	-	-
Pooled Investments	458,865	340,267	-	-	75,217
Total Credit Risk Debt Securities	\$ 2,080,483	\$ 960,961	\$ 37,555	\$ 194,421	\$ 402,948
US Gov't & Agencies	276,546				
Total Debt Securities	\$ 2,357,029				

Notes To The Financial Statements

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

BB	B	CCC	C	D	Not Rated
\$ 974	\$ 2,946	\$ 167	\$ -	\$ -	\$ 2,867
-	-	-	-	-	3,200
96,537	113,128	14,764	157	30	77,612
19,298	14,948	2,359	-	-	34,370
-	-	-	-	-	-
5,402	468	-	-	-	1,272
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	43,123
-	131	-	-	-	3,321
-	-	-	-	-	4,143
9,311	8,051	-	-	-	26,019
<u>\$ 131,522</u>	<u>\$ 139,672</u>	<u>\$ 17,290</u>	<u>\$ 157</u>	<u>\$ 30</u>	<u>\$ 195,927</u>

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Component Units

S & P Credit Rating	Total Market Value	Corporate Bonds	State and Municipal Bonds	Mutual Bond Funds	FNMA	FHLMA
AAA	\$ 1,682	\$ 630	\$ 80	\$ -	\$ 78	\$ 894
Aaa	335	94	-	-	24	217
AA	188	188	-	-	-	-
AA-	254	254	-	-	-	-
Aa2	237	-	-	237	-	-
A+	125	125	-	-	-	-
A	1,701	1,177	-	524	-	-
A1	207	-	-	207	-	-
A-	82	82	-	-	-	-
BBB+	20	20	-	-	-	-
Baa3	49	49	-	-	-	-
Ba2	131	131	-	-	-	-
BB	188	188	-	-	-	-
NR	39,394	1,186	-	37,165	233	810
Total Credit Risk						
Debt Securities	44,593	\$ 4,124	\$ 80	\$ 38,133	\$ 335	\$ 1,921
US Treasuries	1,579					
Total Debt Securities	\$ 46,172					

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, 2006 (expressed in thousands):

	Amount	Percent
Federal Agency		
Federal Home Loan Bank	\$ 20,020	12.7%
Fannie Mae	4,939	3.1%
Mortgage-backed		
Fannie Mae	38,575	24.5%
Freddie Mac	31,011	19.7%
State and Municipal		
North Dakota Housing Finance Agency	13,459	8.5%
North Dakota Student Loan Trust	24,000	15.2%
Federal Home Loan Bank Stock	14,737	9.4%

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, 2006, 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	\$ (12,968)	\$ 8,910	\$ 19,598	\$ 15,540
Brazilian real	-	4,272	-	4,272
British pound sterling	(27,122)	4,078	102,094	79,050
Canadian dollar	(5,431)	5,210	13,343	13,122
Colombian peso	-	412	-	412
Danish krone	(935)	(170)	2,408	1,303
Euro	(63,159)	11,223	167,083	115,147
Hong Kong dollar	(1,598)	(11)	10,769	9,160
Indonesian rupiah	-	3,347	-	3,347
Japanese yen	(21,775)	-	142,648	120,873
Malaysian ringgit	-	1,866	-	1,866
Mexican peso	298	6,789	-	7,087
New Zealand dollar	(2,577)	2,762	-	185
Norwegian krone	(889)	(117)	5,559	4,553
Polish zloty	337	5,940	-	6,277
Singapore dollar	(847)	9,397	3,715	12,265
South African rand	-	122	513	635
South Korean won	-	1,022	4,680	5,702
Swedish krona	(2,301)	6,018	11,312	15,029
Swiss franc	(14,448)	-	34,293	19,845
Thai baht	1,415	3,159	-	4,574
International commingled funds (various currencies)	-	87,959	276,680	364,639
Total international investment securities	\$ (152,000)	\$ 162,188	\$ 794,695	\$ 804,883

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, 2006, the State had reverse repurchase agreements of \$6,430,000 included in securities lending collateral on the statement of net assets. The highest month end balance for the previous year was \$26,510,000, with an average daily balance of \$11,435,000. The weighted average interest rate as of year end was 3.85 percent. The weighted average interest rate paid during the year was 3.02 percent. The fair value of these securities at June 30, 2006, was \$6,430,000.

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D. RECEIVABLES

Receivables at June 30, 2006, consist of the following (expressed in thousands):

	General	Federal	School Permanent Trust Fund	Other Governmental Funds	Bank of North Dakota	Housing Finance
Receivables:						
Accounts	\$ 5,155	\$ 5,245	\$ 5,191	\$ 32,878	\$ -	\$ 521
Less Allowance	(893)	-	-	(8,669)	-	-
Taxes	150,810	-	526	66,790	-	-
Less Allowance	(7,031)	-	-	(340)	-	-
Interest	846	-	6,022	2,090	20,231	3,183
Less Allowance	-	-	-	(611)	-	-
Current Loans and Notes	102	22	25,846	41,714	408,372	11,311
Less Allowance	(23)	-	-	(4,358)	-	-
Noncurrent Loans and Notes	-	-	-	35,001	1,045,150	562,325
Less Allowance	-	-	-	-	(27,123)	-
Net Receivables	<u>\$ 148,966</u>	<u>\$ 5,267</u>	<u>\$ 37,585</u>	<u>\$ 164,495</u>	<u>\$ 1,446,630</u>	<u>\$ 577,340</u>

E. INTERFUND ACCOUNTS AND TRANSFERS

DUE FROM OTHER FUNDS/DUE TO OTHER FUNDS

Interfund balances at June 30, 2006, consist of the following (expressed in thousands):

Due To General Fund From:	
Federal Fund	\$ 42,873
Nonmajor Governmental Funds	23,000
Nonmajor Enterprise Funds	15,300
All Others	2,002
Total Due To General Fund	<u>\$ 83,175</u>
Due To Federal Fund From:	
General Fund	\$ 720
Nonmajor Governmental Funds	13,766
All Others	2,939
Total Due To Federal Fund	<u>\$ 17,425</u>
Due To Internal Service Funds From:	
General Fund	\$ 795
Nonmajor Governmental Funds	2,545
University System	417
All Others	645
Total Due To Internal Service Funds	<u>\$ 4,402</u>

Due To School Permanent Trust Fund From:

Nonmajor Enterprise Funds	\$ 2,856
All Others	519
Total Due To School Permanent Trust Fund	<u>\$ 3,375</u>

Included in the Nonmajor Enterprise Funds is an advance from the Developmentally Disabled Fund for \$2,029,065. This is not expected to be repaid within one year.

Due To Nonmajor Governmental Funds From:

General Fund	\$ 837
Federal Fund	19,435
Nonmajor Governmental Funds	1,421
All Others	1,267
Total Due To Nonmajor Governmental Funds	<u>\$ 22,960</u>

Due To Bank of North Dakota From:

University System	\$ 5,011
Nonmajor Enterprise Funds	9,534
Component Units	5,664
All Others	1,740
Total Due To Bank of North Dakota	<u>\$ 21,949</u>

The Component Unit amount is due from the Public Finance Authority and is not expected to be repaid within one year.

Notes To The Financial Statements

University System	Workforce Safety & Insurance	Other Enterprise Funds	Internal Service Funds	Fiduciary Funds	Major Component Units	Total
\$ 15,817	\$ 21,505	\$ 47,246	\$ 628	\$ 7,451	\$ 20,088	\$ 161,725
(1,635)	(4,500)	(5,914)	-	-	-	(21,611)
-	-	-	-	14,781	-	232,907
-	-	-	-	(658)	-	(8,029)
6	8,925	5,347	60	13,976	3,993	64,679
-	-	-	-	-	-	(611)
10,847	-	63,706	-	-	3,986	565,906
(988)	-	-	-	-	-	(5,369)
35,252	-	90,138	-	-	12,178	1,780,044
(3,080)	-	(978)	-	-	(6,311)	(37,492)
<u>\$ 56,219</u>	<u>\$ 25,930</u>	<u>\$ 199,545</u>	<u>\$ 688</u>	<u>\$ 35,550</u>	<u>\$ 33,934</u>	<u>\$ 2,732,149</u>

Due To University System From:

General Fund	\$ 15,307
Nonmajor Governmental Funds	3,682
Component Units	1,496
All Others	723

Total Due To University System \$ 21,208

Due To Component Units From:

University System	\$ 14,554
Bank of North Dakota	5,725

Total Due To Component Units \$ 20,279

Included in the University System amount is a receivable for \$11,860,000. This is not expected to be repaid within one year.

Due To All Other Funds From:

All Other	<u>\$ 754</u>
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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, 2006.

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

Due From's	\$ 195,527
Differences:	
Bank of ND/General Fund	17,674
Bank of ND/Housing Finance	10,199
Mill & Elevator/Bank of ND	(2,400)
University System/Bank of ND	(5,399)
Student Loan Trust/Bank of ND	(306)
Developmentally Disabled Loan Fund/ School Permanent Trust Fund	(436)
Guaranteed Student Loan/Bank of ND	103
Component Units/University System	(8,945)
Bank of ND/Governmental Agencies	1,613
Bank of ND/Component Unit	2,915
Total Differences	15,018
Due To's	<u>\$ 210,545</u>

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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, 2006, follows (expressed in thousands):

	Transfers In						Total
	General	Federal	Non-major Governmental	Housing Finance	University System	Non-major Enterprise	
Transfers Out							
General	\$ -	\$ -	\$ 12,584	\$ -	\$ 220,278	\$ 413	\$ 233,275
Federal	-	-	17,713	185	-	-	17,898
School Permanent Trust Fund	-	-	31,891	-	1,508	-	33,399
Non-major Governmental	42,887	11,001	55,125	-	16,959	-	125,972
Bank of North Dakota	27,323	-	87	-	-	-	27,410
Housing Finance	-	-	29	-	-	-	29
University System	-	53	7,006	-	-	-	7,059
Non-major Enterprise	15,300	-	1,435	-	634	-	17,369
Total	\$ 85,510	\$ 11,054	\$ 125,870	\$ 185	\$ 239,379	\$ 413	\$ 462,411

(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, 2006, transfers of excess profits of \$21.4 million were made from the Bank of North Dakota as well as legislatively-mandated transfers of \$8.45 million, and \$9.0 million from Health Care Trust, and Student Loan Trust, respectively, to the General Fund.

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

Transfers In	\$ 435,431
Differences:	
General Fund/Bank of ND	27,480
Beginning Farmer/Ag PACE	(500)
Total Differences	26,980
Transfers Out	\$ 462,411

The above timing differences of \$26,979,920 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, 2005	Increases	Decreases	Balance June 30, 2006
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 44,208	\$ 6,695	\$ (3,641)	\$ 47,262
Construction in Progress	288,031	86,825	(6,058)	368,798
Total Capital Assets Not Being Depreciated	332,239	93,520	(9,699)	416,060
Capital Assets Being Depreciated:				
Buildings and Improvements	371,096	10,363	(6,205)	375,254
Equipment	211,339	28,931	(15,019)	225,251
Infrastructure	2,937,791	16,768	(2,666)	2,951,893
Total Capital Assets Being Depreciated	3,520,226	56,062	(23,890)	3,552,398
Less Accumulated Depreciation for:				
Buildings and Improvements	(154,752)	(8,915)	3,191	(160,476)
Equipment	(105,664)	(16,306)	11,074	(110,896)
Infrastructure	(2,368,455)	(33,591)	111	(2,401,935)
Total Accumulated Depreciation	(2,628,871)	(58,812)	14,376	(2,673,307)
Total Capital Assets Being Depreciated, Net	891,355	(2,750)	(9,514)	879,091
Governmental Activities Capital Assets, Net	\$ 1,223,594	\$ 90,770	\$ (19,213)	\$ 1,295,151

Infrastructure assets of the State Water Commission, with a carrying value of \$35,252,124, are considered temporarily impaired at June 30, 2006.

Description	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Business-Type Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 18,397	\$ 75	\$ (355)	\$ 18,117
Construction in Progress	25,709	38,469	(17,614)	46,564
Total Capital Assets Not Being Depreciated	44,106	38,544	(17,969)	64,681
Capital Assets Being Depreciated:				
Buildings and Improvements	715,854	28,042	(523)	743,373
Equipment	349,987	27,806	(16,560)	361,233
Infrastructure	142,629	1,485	-	144,114
Total Capital Assets Being Depreciated	1,208,470	57,333	(17,083)	1,248,720
Less Accumulated Depreciation for:				
Buildings and Improvements	(323,783)	(18,113)	60	(341,836)
Equipment	(206,517)	(23,397)	13,815	(216,099)
Infrastructure	(54,429)	(3,589)	2,099	(55,919)
Total Accumulated Depreciation	(584,729)	(45,099)	15,974	(613,854)
Total Capital Assets Being Depreciated, Net	623,741	12,234	(1,109)	634,866
Business-Type Activities Capital Assets, Net	\$ 667,847	\$ 50,778	\$ (19,078)	\$ 699,547

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<u>Description</u>	<u>Balance July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2006</u>
Major Component Units:				
Capital Assets Not Being Depreciated				
Land	\$ 3,187	\$ 21	\$ -	\$ 3,208
Construction in Progress	3	1,640	-	1,643
Total Capital Assets Not Being Depreciated	3,190	1,661	-	4,851
Capital Assets Being Depreciated:				
Buildings and Improvements	115,845	5	-	115,850
Equipment	15,433	2,814	(590)	17,657
Infrastructure	690	46	-	736
Total Capital Assets Being Depreciated	131,968	2,865	(590)	134,243
Less Accumulated Depreciation for:				
Buildings and Improvements	(8,739)	(5,605)	-	(14,344)
Equipment	(4,676)	(1,356)	111	(5,921)
Infrastructure	(113)	(38)	-	(151)
Total Accumulated Depreciation	(13,528)	(6,999)	111	(20,416)
Total Capital Assets Being Depreciated, Net	118,440	(4,134)	(479)	113,827
Business-Type Activities Capital Assets, Net	\$ 121,630	\$ (2,473)	\$ (479)	\$ 118,678

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	\$ 4,194
Education	271
Health and Human Services	5,327
Regulatory	145
Public Safety & Corrections	6,225
Agriculture and Commerce	796
Natural Resources	4,411
Transportation	37,443
Total Governmental Activities Depreciation Expense	<u>\$ 58,812</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, 2006</u>	<u>Balance Authorized</u>
Office of Management and Budget	\$ 7,822	\$ 1,775	\$ 6,047
State Tax Commissioner	14,000	6,740	7,260
Department of Human Services	614	360	254
Department of Corrections	2,034	992	1,042
Adjutant General	23,971	9,952	14,019
State Historical Society	7,244	781	6,463
State Water Commission	27,907	25,043	2,864
Department of Transportation	358,303	323,155	35,148
Total Governmental Activities	<u>\$ 441,895</u>	<u>\$ 368,798</u>	<u>\$ 73,097</u>

Notes To The Financial Statements

<u>Business-Type Activities</u>	<u>Amount Authorized</u>	<u>Amount Expended Through June 30, 2006</u>	<u>Balance Authorized</u>
Roughrider Industries	\$ 320	\$ 309	\$ 11
Mill and Elevator	7,510	5,847	1,663
University System	149,200	40,408	108,792
Total Business-Type Activities	<u>\$ 157,030</u>	<u>\$ 46,564</u>	<u>\$ 110,466</u>

<u>Major Component Units</u>	<u>Amount Authorized</u>	<u>Amount Expended Through June 30, 2006</u>	<u>Balance Authorized</u>
BSC Foundation	<u>\$ 13,241</u>	<u>\$ 1,643</u>	<u>\$ 11,598</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, 2006, amounted to \$10,451,365 for governmental activities and \$6,589,879 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, 2006, 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>
2007	\$ 7,352	\$ 5,347
2008	2,056	2,852
2009	903	2,205
2010	508	1,252
2011	384	783
2012-2016	810	2,021
2017-2021	111	680
Total Minimum Lease Payments	<u>\$ 12,124</u>	<u>\$ 15,140</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, 2006 (expressed in thousands):

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Year Ending June 30	Governmental Activities	Business- type Activities	Major Component Units
2007	\$ 1,335	\$ 7,223	\$ 126
2008	1,257	6,509	126
2009	1,204	5,999	126
2010	1,171	5,162	126
2011	864	4,716	126
2012-2016	1,525	13,797	632
2017-2021	-	9,925	632
2022-2026	-	6,535	632
2027-2031	-	2,530	632
2032-2036	-	1,927	316
2037-2041	-	1,927	-
Total Minimum Lease Payments	7,356	66,250	3,474
Less: Amount Representing Interest	(994)	(21,161)	(1,537)
Present Value of Future Minimum Lease Payments	\$ 6,362	\$ 45,089	\$ 1,937

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, 2006, is as follows (expressed in thousands):

	Governmental Activities	Business- Type Activities	Major Component Units
Infrastructure	\$ -	\$ 1,160	\$ -
Buildings	-	30,531	-
Equipment	8,224	20,431	1,978
Less: Accumulated Depreciation	(1,649)	(12,032)	(167)
Total	\$ 6,575	\$ 40,090	\$ 1,811

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, 2006, 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 B and C Bonds, the 2001 Series A Bonds, the 2002 Series A, B and D Bonds, the 2003 Series A, B, and C Bonds, the 2005 Series A Bonds, and the 2006 Series A 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.

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 \$7,936,466 at June 30, 2006. Water development projects that will benefit from the financing are as follows:

Statewide Water Development Projects	\$ 7,000,000
Southwest Pipeline Project	936,466

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.

Department of Transportation

The North Dakota Department of Transportation (NDDOT) is authorized pursuant to NDCC 24-02, to issue grant and revenue anticipation bonds for the purpose of financing certain qualified federal aid transportation projects. The Series 2005 Bonds are limited obligations of NDDOT, payable solely from federal transportation funds, pledged state highway funds and other moneys.

Interest on the Series 2005 Bonds is payable on June 1 and December 1, of each year. Bonds maturing on or after June 1, 2016, are subject to redemption prior to maturity at the option of NDDOT, at any time on or after June 1, 2015, at a redemption price equal to 100% of the principal amount 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 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 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.

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.

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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

Public Finance Authority

The bonds of the Public Finance Authority 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 Public Finance Authority and are secured by municipal securities purchased under the applicable resolutions, interest earnings and certain accounts established pursuant to the applicable bond resolutions.

Notes To The Financial Statements

Revenue Bonds outstanding (expressed in thousands):

Fund Type/Fund	Maturities	Interest Rates	Balance 6/30/06
Primary Government			
<u>Governmental:</u>			
Building Authority	2007-2025	2.00-5.35	\$ 117,383
Water Commission	2007-2046	2.50-5.75	110,875
Department of Transportation	2008-2020	3.00-5.00	53,361
Information Technology Department	2007-2014	3.50-5.25	5,397
<u>Proprietary:</u>			
State Fair	2007-2012	3.50-4.60	1,531
Student Loan Trust	2007-2036	3.60-6.40	91,500
Housing Finance:			
Multi-Family	2007-2021	5.30-6.20	7,680
Single-Family	2007-2036	1.45-6.15	740,347
University System:			
VCSU—Valley City	2007-2033	4.30-7.25	3,475
Williston State College	2007-2019	0-4.75	936
Lake Region State College	2007-2017	3.00-5.125	935
UND—Grand Forks	2007-2036	0-5.00	79,191
NDSU—Fargo	2007-2036	0-5.60	81,676
NDSCS—Wahpeton	2007-2016	0-5.50	1,843
MiSU—Minot	2007-2030	3.00-4.75	7,726
MiSU—Bottineau	2007-2012	4.30-6.90	146
MaSU—Mayville	2007-2018	3.00-5.38	2,850
DSU—Dickinson	2007-2019	3.75-5.00	1,025
BSC—Bismarck	2007-2030	4.00-6.10	4,515
NDUS – Univ. Sys. State Office	2007-2014	4.28	12,858
Total Revenue Bonds Payable— Primary Government			<u>\$ 1,325,250</u>

Major Component Units

<u>Proprietary:</u>			
Public Finance Authority	2007-2028	2.00-10.00	\$ 170,079
NDSU Development Foundation	2007-2019	5.19	1,470
Arena Holdings Charitable LLC	2007-2031	3.93-5.17	7,033
UND Foundation	2007-2027	2.50-5.95	12,162
Total Revenue Bonds Payable— Major Component Units			<u>\$ 190,744</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>
2007	\$ 9,338	\$ 12,432
2008	13,636	12,063
2009	16,608	11,434
2010	17,480	10,689
2011	17,315	9,934
2012-2016	84,663	39,233
2017-2021	73,274	20,353
2022-2026	42,291	6,448
2027-2031	2,512	1,365
2032-2036	2,047	891
2037-2041	1,870	388
2042-2046	719	74
Bond Premium	8,354	(8,354)
Deferred Amount On Refunding	(3,091)	3,091
Total	<u>\$ 287,016</u>	<u>\$ 120,041</u>

Business-type Activities

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 61,890	\$ 44,220
2008	24,733	42,737
2009	28,033	41,338
2010	28,979	40,233
2011	34,933	39,447
2012-2016	138,133	182,219
2017-2021	131,219	170,429
2022-2026	156,255	137,001
2027-2031	194,295	91,692
2032-2036	226,825	43,325
2037-2041	11,050	1,658
Bond Premium	1,888	(1,888)
Total	<u>\$ 1,038,233</u>	<u>\$ 832,411</u>

Major Component Units

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 10,225	\$ 8,476
2008	11,437	7,700
2009	11,647	7,199
2010	12,052	6,704
2011	11,422	6,200
2012-2016	57,833	23,471
2017-2021	49,821	11,190
2022-2026	22,371	2,847
2027-2031	3,781	229
Bond Premium	155	(155)
Total	<u>\$ 190,744</u>	<u>\$ 73,861</u>

2. NOTES PAYABLE

The following is a schedule of notes payable outstanding at June 30, 2006 (expressed in thousands):

<u>Fund Type/Fund</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Balance 6/30/06</u>
Primary Government			
<u>Governmental:</u>			
Department of Corrections	2007-2015	4.59	\$ 715
Department of Human Services	2007-2014	4.24	4,113
Department of Transportation	2007-2022	4.18	2,638
Office of Management and Budget	2007-2022	4.18	4,547
Tax Department	2007-2013	3.166	14,000
School for the Deaf	2007-2021	4.84	300
Information Technology Department	2007-2011	3.75	6,000
<u>Proprietary:</u>			
Bank of North Dakota	2007-2022	2.98-7.35	275,926
University System	2007-2015	4.09-5.52	7,583
Major Component Units			
UND Aerospace Foundation	2007-2016	3.50-8.00	4,586
MiSU Development Foundation	2007-2008	6.00-7.00	358
NDSU Development Foundation	2007-2013	2.77	23
UND Foundation	2007-2012	3.60	700
RE Arena Inc.	2007-2008	5.00	39
DSU Foundation	2007-2010	5.625-6.785	490

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 651	\$ 744
2008	3,608	1,517
2009	3,944	1,003
2010	5,935	841
2011	4,873	632
2012 - 2016	9,411	1,475
2017 - 2021	3,266	524
2022 - 2026	625	19
Total	\$ 32,313	\$ 6,755

Business-type Activities

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 21,049	\$ 15,819
2008	12,249	14,961
2009	92,347	10,331
2010	8,001	8,965
2011	2,983	8,650
2012 - 2016	76,791	27,721
2017 - 2021	50,489	13,077
2022 - 2026	19,600	1,075
Total	\$ 283,509	\$ 100,599

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Major Component Units

Fiscal Year	Principal	Interest
2007	\$ 1,099	\$ 413
2008	2,145	302
2009	235	170
2010	1,322	102
2011	63	65
2012 – 2016	1,058	150
2017 – 2021	273	26
Total	<u>\$ 6,195</u>	<u>\$ 1,228</u>

Changes in General Long-Term Liabilities

Changes in Long-Term Liabilities for the year ended June 30, 2006, are summarized as follows (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Notes Payable	\$ 5,613	\$ 27,489	\$ (788)	\$ 32,314	\$ 651
Bonds Payable	204,240	103,597	(20,821)	287,016	9,485
Capital Leases Payable	5,941	1,946	(1,525)	6,362	987
Intergovernmental Payable	119	91	(38)	172	-
Compensated Absences	28,508	21,308	(20,212)	29,604	1,609
Claims/Judgments Payable	4,984	4,164	(3,681)	5,467	2,098
Total Long-Term Liabilities	<u>\$ 249,405</u>	<u>\$ 158,595</u>	<u>\$ (47,065)</u>	<u>\$ 360,935</u>	<u>\$ 14,830</u>
Business-Type Activities:					
Notes Payable—Short-Term	\$ 100,000	\$ 610,000	\$ (710,000)	\$ -	\$ -
Notes Payable—Long-Term	345,080	50	(61,621)	283,509	21,049
Bonds Payable	887,350	300,317	(149,434)	1,038,233	61,890
Capital Leases Payable	38,746	12,690	(6,347)	45,089	4,896
Intergovernmental Payable	8,997	14,049	(16,750)	6,296	877
Compensated Absences	21,187	3,470	(1,268)	23,389	1,894
Claims/Judgments Payable	681,479	122,087	(114,929)	688,637	71,397
Total Long-Term Liabilities	<u>\$ 2,082,839</u>	<u>\$ 1,062,663</u>	<u>\$ (1,060,349)</u>	<u>\$ 2,085,153</u>	<u>\$ 162,003</u>
Major Component Units:					
Notes Payable	\$ 5,031	\$ 2,253	\$ (1,089)	\$ 6,195	\$ 1,099
Bonds Payable	172,567	37,159	(18,982)	190,744	10,225
Capital Leases Payable	1,971	-	(34)	1,937	36
Intergovernmental Payable	687	129	(111)	705	228
Total Long-Term Liabilities	<u>\$ 180,256</u>	<u>\$ 39,541</u>	<u>\$ (20,216)</u>	<u>\$ 199,581</u>	<u>\$ 11,588</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, \$1,371,302 of internal service fund compensated absences and \$4,540,873 of claims and judgments are included in the above amounts. Other governmental activities compensated absences generally have been liquidated by the General Fund (53%), the Highway Fund (14%), the Federal Fund (22%), 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

Building Authority

On February 15, 2006, the Authority issued \$10,460,000 Lease Revenue Refunding Bonds, 2006 A. The proceeds of the issue were for an advance refunding of 1998 Series A and 2000 Series A. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments on the refunded bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$438,000. This amount is netted against the new debt and amortized over the life of the refunded debt, which is the same as the life of the new debt issued. The current refunding was undertaken to reduce total debt service payments over the next fourteen years by \$440,000 and resulted in an economic gain of \$288,000. As of June 30, 2006, there were bonds of \$9,950,000.

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, 2006, \$1,050,000 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. As of June 30, 2006, \$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, 2006, \$5,195,000 of bonds outstanding is considered defeased.

University System

Dickinson State University

On March 1, 2006, Dickinson State University issued \$775,000 of Student Union Improvement Revenue Refunding Bonds (Series 2006) with an average interest rate of 4.375 percent. The bonds were used to call \$770,000 of outstanding 1999 Student Union Improvement Bonds (with an average interest rate of 5.2 percent). The University advance refunded the bonds to reduce its total debt service payments over the next 14 years by approximately \$50,000 and to obtain an economic gain (difference of the present values of the debt service payments on the old and new debt) of approximately \$34,000. The reduction in the reserve requirement of \$22,500 and the net proceeds of \$749,625 (after payment of underwriting fees and other issuance costs) were used to pay the principal and outstanding interest on the 1999 bonds. As a result, the 1999 bonds are considered paid in full and the liability for those bonds has been removed from the Statement of Net Assets.

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, 2006, of the original bonds refunded by the advance refunding of 1998 totaled \$225,000.

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

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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, 2006, 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, 2006, of the original bonds refunded by the advanced refunding of 1998 totaled \$12,845,000.

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, 2006, of the original bonds refunded by the advance refunding of 1975 totaled \$355,000.

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.

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, 2006, of the defeased certificates totals \$1,910,000.

North Dakota State University

On May 1, 2006, North Dakota State University issued \$2,845,000 of Housing & Auxiliary Facilities Revenue Bonds, (Series 2006 B) with an average interest rate of 4.625 percent. The bonds were used to advance refund a portion (\$2,880,000) of outstanding 1999 Student Health & Wellness Center Revenue Bonds (with an average interest rate of 5.3 percent). The University advance refunded the bonds to reduce its total debt service payments over the next 13 years by approximately \$422,000 and to obtain an economic gain (difference of the present values of the debt service payments on the old and new debt) of approximately \$245,000. The principal amount outstanding as of June 30, 2006 of the original amount of the portion of the 1999 bonds refunded totaled \$2,880,000.

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, 2006, of the original bonds refunded by the advance refunding total \$780,000.

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, 2006, of the original bonds refunded is \$1,015,000.

Component Units

Public Finance Authority Bonds

On July 27, 2005, the Finance Authority issued \$36,210,000 of revenue bonds (Series 2005 A SRF Bonds) with an average interest rate of 3.82 percent. The net proceeds of the refunding portion of the bonds 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, 2005, \$4,070,000 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 \$386,000. 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 service payments over the next 9 years by \$806,000 and resulted in an economic gain of \$660,000.

The Finance Authority issued \$11,790,000 of revenue bonds (Series 2004 A SRF Bonds) with an average interest rate of 4.16% on October 5, 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, 2005, \$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.

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 \$1,913,678 at June 30, 2006. These amounts are reported in the Government-wide and Proprietary Fund Type financial statements as an intergovernmental payable.

NOTE 4 – NET ASSETS

The government-wide statement of net assets reports \$1,672,728,816 of restricted net assets, of which \$366,524,942 is restricted by enabling legislation.

NOTE 5 – DEFICIT FUND EQUITY

FEDERAL FUND

At June 30, 2006, the Federal Fund had a deficit of \$2,074,401. Future federal revenues are expected to fund this deficit.

NOTE 6 – 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, 2006, the number of participating local political subdivisions in PERS was:

Cities and Park Districts	73
Counties	44
School Districts	101
Other	58
Total Participating Local Political Subdivisions	<u>276</u>

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

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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 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

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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, 2006, the number of participating employer units in TFFR was:

<u>Type</u>	<u>Number</u>
Special Education Units	17
Vocational Education Units	3
Public School Districts	200
County Superintendents	13
Other	13
Total	<u>246</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 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 pay-

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

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

	PERS	NDHPRS	JSND	TFFR
Retirees and Beneficiaries				
Currently Receiving Benefits:	6,187	100	221	5,893
Special Prior Service Retirees:	48	-	-	-
Terminated Employees:				
Vested	2,566	4	5	1,409
Nonvested	1,876	2	-	143
Total Terminated Employees	4,442	6	5	1,552
Active Employees:				
Vested	13,700	63	44	8,373
Nonvested	4,402	64	-	1,212
Total Active Employees	18,102	127	44	9,585
Date of Annual Valuation	July 1, 2006	July 1, 2006	July 1, 2006	July 1, 2006

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.

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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, 2006	July 1, 2006	July 1, 2006
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	3.5%	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, 2006, 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.

Notes To The Financial Statements

Schedule Of Funding Progress (Dollars In Millions)						
Actuarial Valuation Date	Actuarial Value Of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (Funded Excess)	Funded Ratio	Annual Covered Payroll	UAAL (Funded Excess) As A Percentage Of Annual Covered Payroll
PERS						
July 1, 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%
July 1, 2006	1,314.5	1,480.5	166.0	88.8%	547.0	30.3%
NDHPRS						
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%
July 1, 2006	42.8	49.1	6.3	87.0%	5.7	110.5%
JSND						
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%
July 1, 2006	70.6	N/A	-	N/A	1.9	0.0%
TFFR						
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%
July 1, 2006	1,564.0	2,073.9	509.9	75.4%	390.1	130.7%

*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.

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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		
2004	\$ 26,704,376	74.0%
2005	31,844,577	65.0%
2006	31,906,102	69.0%
TFFR		
2004	\$ 34,186,080	86.7%
2005	44,471,740	68.3%
2006	48,747,189	63.9%

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, 2006:

	NDHPRS	JSND
Annual required contributions	\$ 904,817	\$ -
Interest on net pension obligations	(51,324)	(133,186)
Adjustment to annual required contributions	44,774	136,928
Annual pension costs	898,267	3,742
Contributions made	931,206	-
Increase in net pension obligations	(32,939)	3,742
Net pension obligations, beginning of year	(641,545)	(1,664,826)
(Assets in excess of) net pension obligations, end of year	\$ (674,484)	\$ (1,661,084)

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			
2004	\$ 940,629	90%	\$ (812,097)
2005	1,046,646	83%	(641,545)
2006	933,347	99%	(674,484)
JSND			
2004	\$ 3,759	0%	\$ (1,668,576)
2005	3,750	0%	(1,664,826)
2006	3,742	0%	(1,661,084)

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 291 participants as of June 30, 2006.

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 \$518,221 and \$503,075 respectively, for the fiscal year ended June 30, 2006.

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 \$20,163,059 to TIAA-CREF during the fiscal year ending June 30, 2006.

NOTE 7 - 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

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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 \$213,104 for the period ending June 30, 2006. The number of employees from Job Service using the credit was 151 at June 30, 2006.

Net effect of change in actuarial assumption
Changes in plan experience during the year

Employer contributions totaling \$5,373,091 were made for the year ended June 30, 2006. The actuarially required employer contribution of \$5,396,153 for the year ended June 30, 2006, 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, 2006, the cost of benefits incurred for the fund was \$4,337,900.

Employee membership is as follows:

Retirees receiving benefit	3,838
Active participants	18,465
Total Membership	<u>22,303</u>

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:

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, 2006. 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
0.02%	\$ 113,600
(0.02)%	(113,600)
-	-

Actuarial accrued liability	\$ 82,632,628
Net assets available for benefits, at actuarial value	<u>(34,020,413)</u>
"Unfunded" accrued liability	<u>\$ 48,612,215</u>

The fair value of the net assets available for benefits at June 30, 2006, is \$37,905,235.

NOTE 8 - DEFERRED COMPENSATION PLAN

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees, permits them to defer a portion of their current salary until future years. Participation in the plan is optional.

The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

All compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights, are held in trust for the exclusive use of the employee or their beneficiary.

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

Plan Participation By:	
State of North Dakota	\$ 16,112
Other Jurisdictions	2,510
Total Value	<u>\$ 18,622</u>

NOTE 9 - 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. 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 \$7,021,155 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. This contract was terminated June 30, 2005, and provides for an accounting of premiums paid and claims incurred during the biennium, which resulted in an estimated surplus of \$1.7 million. The surplus is classified as accounts receivable on the State's financial statements. The contract for life insurance for the 2005-2007 biennium is with Prudential and does not have a gain sharing arrangement.

NOTE 10 - 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, 2006, 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
\$ 229	\$ 256,497
7,754	568,418
7,983	824,915
346	70,402
7,375	697,877
7,721	768,279
262	56,636
\$ 262	\$ 56,636

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

\$ 514	\$ 37,044
500	31,933
14	5,111
14	5,111
248	49,780
-	1,745
\$ 262	\$ 56,636

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	Multi-family Bond Funds	Home- Ownership Bond Funds
Condensed Statement of Cash Flows		
Net cash used for operating activities	\$ 477	\$ (21,488)
Net cash from noncapital financing activities	(766)	120,287
Net cash from investing activities	286	1
Net change in cash and cash equivalents	(3)	98,800
Cash and cash equivalents, beginning of year	189	142,547
Cash and cash equivalents, end of year	186	241,347

NOTE 11 - MAJOR COMPONENT UNIT TRANSACTIONS

BISMARCK STATE COLLEGE AND BISMARCK STATE COLLEGE FOUNDATION

On August 25, 2005, BSC through the North Dakota State Board of Higher Education entered into a lease and development agreement, whereby BSC leases a tract of land to the foundation for \$1 per year for the next twenty-five years. Per the agreement, the foundation will develop and construct the Career and Technology Institute on the leased land and an adjoining seven-acre tract owned by the foundation. At the end of the lease, the leased land will revert back to BSC and the foundation will transfer title to the seven-acre tract of land and all buildings and fixtures attached to it.

DICKINSON STATE UNIVERSITY AND DICKINSON STATE UNIVERSITY FOUNDATION

DSU provides personnel and other services to the foundation at no charge, as partial in-kind reimbursement for services provided by the foundation, including one-half salary and fringe benefits of foundation employees, payroll preparation services, postage, utilities and buildings and ground services. For the year ended June 30, 2006, DSU has valued these services at approximately \$82,500.

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. (component unit) leases 40 acres of land for \$1 per year for the next seventy-five years.

On November 1, 2000, NDSU Research and Technology Park, Inc. (RTP) entered into a \$6.5 million lease agreement with the City of Fargo to finance the construction of laboratory and research facilities and all equipment and furnishings located on property owned by the city. The agreement assigned to NDSU all of RTP's obligations under the lease, including but not limited to the payment of all rent, maintenance, and repair of the

facility, maintenance of all insurance required under the lease, and restrictions of use of the project set forth in the lease. Upon payment of all the bonds, title to the facility will revert to RTP. On August 1, 2002, essentially the same legal and financial structure used to construct Research Building #1 was used to construct a second Research Building. The second lease agreement was for \$20,450,000.

The audited financial statements of RTP for fiscal year 2006 report these transactions as an operating lease and report the related capital assets and related debt as assets and debt of RTP. Since 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 2006 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 \$1,343,405 through July 2013, plus utilities and insurance. Total payments under these agreements in fiscal year 2006 were approximately \$2.2 million. These agreements are subject to funding and legislative appropriations.

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

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 construction 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 \$324,635 in fiscal year 2006 and has a payable of \$4,286 at June 30, 2006, under this agreement.

The facility is included in long-term investments and the debt is included in long-term liabilities on the financial reports of the NDSU Development Foundation. NDSU has also recorded a capital asset and a capital lease payable of \$4,060,000 as of June 30, 2006. Since the Development Foundation is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for the Equine Center, an elimination entry is made to ending balances in the component unit's consolidating financial statements to avoid duplication.

FARGODOME LEASE AND IMPROVEMENTS

In fiscal year 2006, the NDSU Development Foundation financed the construction and equipping of office space, locker rooms, meeting rooms, and related facilities in the Fargodome for use by NDSU through the sale of revenue bonds issued by Cass County. The Foundation has leased the space in the Fargodome from the City of Fargo and subleased the space, furniture, fixtures and equipment to NDSU. Under the agreement, NDSU will pay rent to the NDSU Development Foundation for use of the premises. The amount of the rent is tied to the debt service retirement plus the Fargodome annual space rent and all costs incurred by the Development Foundation incident to the lease, less any contributions received by the Foundation for the project. NDSU paid the Development Foundation \$165,998 in fiscal year 2006 under this agreement.

The facility is included in long-term investments and the debt is included in long-term liabilities on the financial reports of the NDSU Development Foundation. NDSU has also recorded a capital asset and a capital lease payable of \$3,419,577 as of June 30, 2006. Since the Development Foundation is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for the Fargodome improvements, an elimination entry is made to ending balances in the component unit's consolidating financial statements to avoid duplication.

NDSU DOWNTOWN CAMPUS

The former Northern School Supply building was donated to the NDSU Development Foundation by a NDSU alum in December 2001. During fiscal years 2003 and 2004, the NDSU Development Foundation renovated the building with the intent to lease the facility to NDSU beginning fall 2004. NDSU entered into an agreement with 650 NP Avenue, LLC and Kilbourne Design Group, LLC (formerly consolidated in the financial statements of the foundation) to lease the property for \$53,333 per month through August 12, 2011, with an option to renew for two five-year periods. During fiscal year 2005, the Foundation transferred

nearly the entire ownership in 650 NP Avenue, LLC and Kilbourne Design, LLC; therefore, they are no longer consolidated in the financial statements of 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 or 2006 due to the transfer of ownership. The tax credits along with the deduction for donations bring the net cost to \$5.6 million, which is shown as a capital asset and capital lease liability on the books and financial statements of NDSU. The lease payments are recorded as interest only by NDSU until fiscal 2011, when the property is transferred back to the Development Foundation and lease revenue bonds will be issued to finance the acquisition.

OTHER TRANSACTIONS

NDSU also has agreements in place with the Foundation for maintenance of the University's alumni records, for use and insurance on certain land and buildings and for lease of a vehicle. Amounts paid under these agreements in fiscal year 2006 were \$675,844. A receivable from NDSU of \$12,277 is recorded at June 30, 2006 for amounts due under this agreement. In addition, the Development Foundation may contract with NDSU for materials and personnel in the service and utility areas and will reimburse NDSU based on separate agreements.

UNIVERSITY OF NORTH DAKOTA AND UND AEROSPACE FOUNDATION

The Aerospace Foundation reimbursed UND for salaries, building rent, aircraft rental, and goods and services under an operating agreement aggregating approximately \$1.6 million in fiscal year 2006. 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. UND reimbursed the foundation for air service and hangar, CRJ, 360-degree tower, and aircraft rental of \$1.2 million. These expense reimbursements represent actual costs incurred.

In addition, the Aerospace Foundation may contract with UND for materials and personnel in the service and utility areas and will reimburse UND based on separate arrangements. As of June 30, 2006, the Foundation has recorded accounts payable to UND of \$36,591 for reimbursable costs and services under these arrangements.

The Aerospace Foundation entered into a sublease with UND to lease the aircraft storage hangar/ground support equipment facility. The lease term is for 20 years, commencing on July 7, 2003, until July 6, 2023. For the

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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 2006 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 \$1.4 million to RE Arena, Inc. in fiscal year 2006 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 \$451,860 in marketing revenue in fiscal year 2006. Additionally, under the agreement, RE Arena, Inc. will 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 and amortization, the funded reserve and capital expenditures for the fiscal year. RE Arena, Inc. paid UND \$100,000 under this agreement in fiscal year 2006.

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, 2006, RE Arena, Inc. has a payable to UND of \$687,193 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 3.6 percent at June 30, 2006. The Foundation may pay down principal in increments of \$100,000 on interest payment dates without penalty. Principal balance outstanding at June 30, 2006, is \$700,000. 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, 2006.

On July 24, 2002, UND Foundation issued lease revenue bonds of \$8,595,000 on behalf of UND to i) finance the construction of an office building for EERC, ii) renovate the current EERC building, iii) finance capitalized interest, and iv) pay cost of issuance of the bonds. UND and UND Foundation also entered into a lease agreement on July 1, 2002, whereby the Foundation leases certain property to UND and UND will pay the Foundation basic rents which will be sufficient to cover principal and interest on the lease revenue bonds when due. The bonds bear an interest rate of 2 to 5.13 percent and mature in 2027. The lease revenue bond has a balance of \$7,905,000 at June 30, 2006. The Foundation's financial statements include this transaction as a receivable from UND and a long-term liability. UND's financial statements include the capitalized asset and a long-term liability due to UND Foundation.

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, 2006, due to timing of receipts and payments, the UND Foundation recorded a payable of \$368,517 to UND.

NOTE 12 - 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	\$ 380,860
Financial standby letters of credit	175,047
	<u>\$ 555,907</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 \$35,951,000 at June 30, 2006. 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 \$106,789,000 at June 30, 2006.

PUBLIC FINANCE AUTHORITY

In the normal course of business, the Finance Authority (a component unit) makes various commitments that are not reflected in the financial statements. These commitments include commitments to extend credit of \$24,160,000 at December 31, 2005.

NOTE 13 - 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, 2006, the Agency is exposed to credit risk on the swaps that have a positive fair value, which total \$4,419,096. 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 positive fair value of \$3,054,911 as of June 30, 2006. The coupons on the government's variable-rate bonds adjust to changing interest rates, the

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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, 2006. 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	8/28/2002	8/28/2002	5/14/2003	5/14/2003
3.	Maturity Date	1/1/2034	7/1/2011	7/1/2034	1/1/2012
4.	Notional Amount	\$ 16,915,000	\$ 4,580,000	\$ 13,955,000	\$ 6,825,000
5.	Variable-rate Bonds	\$ 16,915,000	\$ 4,580,000	\$ 13,955,000	\$ 6,825,000
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	4.03000%	4.03000%	4.03000%	4.03000%
10.	Fair Value	\$ (1,198,710)	\$ 1,493,446	\$ 617,563	\$ 266,044
11.	Percentage of LIBOR	3.66472%	3.76607%	3.77399%	3.77399%
12.	Synthetic Rate	4.83528%	3.20393%	4.29101%	2.71901%
13.	Actual Synthetic Rate	4.66882%	3.10475%	3.94249%	2.37042%

1.	Bond Series	2003 B	2003 B	2004 B	2004 B
2.	Issuance Date	8/27/2003	8/27/2003	4/1/2004	4/1/2004
3.	Maturity Date	1/1/2012	7/1/2034	1/1/2013	7/1/2035
4.	Notional Amount	\$ 7,215,000	\$14,205,000	\$ 11,030,000	\$12,990,000
5.	Variable-rate Bonds	\$ 7,215,000	\$14,205,000	\$ 11,030,000	\$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	4.03000%	4.03000%	4.03000%	4.03000%
10.	Fair Value	\$ 142,443	\$ 3,291	\$ 400,432	\$ 439,375
11.	Percentage of LIBOR	3.77900%	3.77900%	3.70066%	3.70066%
12.	Synthetic Rate	3.40600%	4.78100%	2.94934%	4.30934%
13.	Actual Synthetic Rate	3.11439%	4.48787%	2.63818%	3.99733%

1.	Bond Series	2004 C	2005 A	2005 C	2006 A
2.	Issuance Date	6/10/2004	4/13/2005	9/21/2005	5/4/2006
3.	Maturity Date	1/1/2035	7/1/2024	1/1/2036	7/1/2016
4.	Notional Amount	\$27,725,000	\$23,100,000	\$12,000,000	\$30,210,000
5.	Variable-rate Bonds	\$27,725,000	\$23,100,000	\$12,000,000	\$30,210,000
6.	Fixed Rate	4.095%	3.870%	3.889%	3.955%
7.	LIBOR Percentage	63.00%	62.90%	63.00%	63.00%
8.	Additional Percentage	0.34%	0.32%	0.31%	0.31%
9.	Bonds Variable-rate	4.03000%	4.03000%	4.03000%	4.03000%
10.	Fair Value	\$ 59,270	\$ 969,719	\$27,513	\$(165,475)
11.	Percentage of LIBOR	3.70066%	3.67533%	3.67066%	3.67066%
12.	Synthetic Rate	4.42434%	4.22467%	4.24834%	4.31434%
13.	Actual Synthetic Rate	4.11430%	3.88449%	3.91212%	2.71349%

Using rates as of June 30, 2006, 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, 2006. 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		
2007	\$ 6,170	\$ 7,102	\$ 323	\$ 13,595
2008	7,020	6,823	370	14,213
2009	6,730	6,548	415	13,693
2010	6,415	6,287	457	13,159
2011	6,100	6,038	497	12,635
2012-2016	13,560	28,137	2,660	44,357
2017-2021	48,740	18,962	2,042	69,744
2022-2026	20,235	15,308	1,788	37,331
2027-2031	32,380	9,948	1,137	43,465
2032-2036	33,400	2,491	260	36,151
	<u>\$ 180,750</u>	<u>\$ 107,644</u>	<u>\$ 9,949</u>	<u>\$ 298,343</u>

NOTE 14 – 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 15 – 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.

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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 2006, a total of \$82,972,783 in claims was recognized. Incurred but not reported claims of \$686,800,000 have been accrued as a liability based primarily upon actuarial estimates.

RISK MANAGEMENT FUND

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

Fund and continues to transfer liabilities for medical malpractice and aviation to private insurance carriers. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

Revenues to the RMF are generated from contributions required from state agencies, boards and commissions, and the University System. The need for and amount of funding is determined using a projected cost allocation approach. The premise of this plan is that the agencies with greater expected loss costs should contribute more to the funding of the RMF than those agencies with 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, 2005, and June 30, 2006:

Fiscal Year	Beginning Balance	Current Year Claims and Changes In Estimates	Claims Payments	Ending Balance
2005	\$ 2,760,301	\$ 576,533	\$ 798,494	\$ 2,538,340
2006	2,538,340	1,022,938	1,333,432	2,227,846

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 \$350,057.

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, 2006:

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2005	\$ 2,298,656	\$ 556,362	\$ 1,334,915	\$ 1,520,103
2006	1,520,103	2,481,427	1,688,503	2,313,027

NOTE 16 – 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 1,075 policies to participating entities for a total building and content coverage of \$7.3 billion. The Bonding Fund is used to provide fidelity bonding of public employees and officials. The Fund has issued 2,948 policies to participating entities. The total coverage for the Bonding Fund is \$420.8 million. If the assets of these funds were exhausted, fund participants would not be responsible for the funds' liabilities.

The Fire and Tornado and Bonding Fund are accounted for on the accrual basis. The Fire and Tornado Fund establishes claim liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims incurred but not reported. The Bonding Fund establishes claim liabilities based on actual judgments obtained against the fund but not paid prior to fiscal year end. Liabilities for incurred but not reported losses have not been established as they are not expected to be material amounts. Neither fund incurred any acquisition costs 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, 2006, coverage extended to the following employers:

Annual Premium	
\$125 - \$5,000	15,938
\$5,001 - \$50,000	3,346
\$50,001 - \$100,000	265
Over \$100,000	207
Total Employers	19,756

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

The operations of 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.

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For the year ended June 30, 2006, the actuary presented an estimate in the form of a range to emphasize the uncertainty for a "long-tailed" liability insurer such as workers' compensation. These ranges are as follows (expressed in thousands):

	Low	Expected Value	High
Full Value Basis (undiscounted)	\$ 1,020,000	\$ 1,133,900	\$ 1,300,000
Discounted at 5% rate		* \$ 686,800	\$ 790,000

*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 \$686.8 million at June 30, 2006.

The June 30, 2005, liability of \$680.4 million was recorded at the discounted rate of five 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, 2006.

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	
	2006	2005	2006	2005	2006	2005
Unpaid claims and claims adjustment expenses at the beginning of the year	\$ 789	\$ 1,362	\$ 290	\$ 339	\$ 680,400	\$ 604,100
Incurred claims and claims adjustment expenses:						
Provision for current fiscal year	2,851	1,775	392	64	112,044	110,710
Change in provision for prior fiscal year	-	-	-	-	(29,768)	497
Payments and claims and adjustment expenses attributable to:						
Current fiscal year insured events	(1,660)	(986)	254	226	(20,511)	(22,156)
Prior fiscal years' insured events	(789)	(1,362)	(290)	(339)	(62,165)	(66,351)
Total Payments	(2,449)	(2,348)	(36)	(113)	(82,676)	(88,507)
Change in provision for discount	-	-	-	-	6,800	53,600
Total unpaid claims and claims adjustment expenses at the end of the year	<u>\$ 1,191</u>	<u>\$ 789</u>	<u>\$ 646</u>	<u>\$ 290</u>	<u>\$ 686,800</u>	<u>\$ 680,400</u>

NOTE 17 – 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, 2006, realized gains and losses available for distribution in the current year totaled \$13,672,264 for the permanent educational trusts. This amount is included in Reserved Fund Balances—Undistributed Revenue in the governmental funds balance sheet.

NOTE 18 – 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 19 - COMMITMENTS AND CONTINGENCIES

A. *LONG-TERM COMMITMENTS*

BANK OF NORTH DAKOTA

House Bill No. 1021 provides the State Water Commission a line of credit-contingent appropriation, that states, if determined necessary by the State Water Commission, Bank of North Dakota shall extend a line of credit, not to exceed \$25,000,000, for the biennium beginning July 1, 2005, and ending June 30, 2007. Bank of North Dakota has not funded and has not committed to fund any amount under the line of credit.

Under chapter 62-02.1-04 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, 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 for the construction of flood control or reduction projects to pay bonds issued for that 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 appropriations were made by the legislature for transfers from the Bank of North Dakota during the 2005-2007 biennium.

Senate Bill No. 2018 authorizes the Office of Management and Budget to borrow the sum of \$15,000,000, or so much of the sum as may be necessary, from the Bank of North Dakota, which is appropriated for the purpose of providing funding to centers of excellence as directed by the Centers of Excellence Commission, for the biennium beginning July 1, 2005, and ending June 30, 2007. By June 30, 2007, the Office of Management and Budget shall repay any loan obtained pursuant to provisions of this section, including accrued interest, from funds available in the permanent oil tax trust fund. Repayment may be made from transfers into the permanent oil tax trust fund after a total of \$77,000,000 of oil tax revenues has been received by the general fund during the 2005-2007 biennium, including the \$71,000,000 deposited in the general fund in accordance with section 57-51.1-07.2.

Senate Bill No. 2018 also provided contingent borrowing authority to the Office of Management and Budget to borrow the sum of \$5,000,000, or so much of the sum as may be necessary, from the Bank of North Dakota, which is appropriated for the purpose of providing funding to centers of excellence as directed by the centers of excellence commission, for the biennium beginning July 1, 2005, and ending June 30, 2007. The Office of Management and Budget shall request funding from the sixtieth legislative assembly to repay any loan obtained pursuant to provisions of Section 13 of this bill, including accrued interest, from funds available in the permanent oil tax trust fund. The borrowing authority and appropriation provided for in this section is available only if all other funding provided by the fifty-ninth legislative assembly for centers of excellence has been obligated.

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, 2005, the Bank of North Dakota has provided guarantees totaling \$782,000. There were no guarantee commitments outstanding under this program.

STATE OF NORTH DAKOTA

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. The term of the loan guarantee may not exceed five years. The Bank may provide guarantees totaling \$3,400,000. As of December 31, 2005, the Bank has provided guarantees totaling \$2,321,000 and has guarantee commitments of \$79,000 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, 2006, approximately \$1,969,000 has been funded and \$5,099,000 committed, with no request for reimbursement anticipated.

RETIREMENT AND INVESTMENT OFFICE (RIO)

The State Investment Board has at June 30, 2006, committed to fund certain alternative private equity partnerships for an amount of \$353.5 million. Funding of \$268.7 million has been provided leaving an unfunded commitment of \$84.8 million.

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. LBG was reimbursed \$2,114,843 during 2005 for services rendered under the contract.

INDUSTRIAL COMMISSION

In September 2001, the Industrial Commission, as part of the Lignite Research, Marketing and Development Program - Vision21 - entered into a contract with Montana-Dakota Utilities Co. and Westmoreland Power Inc. (MDU). Under this contract the Industrial Commission will provide up to \$10,000,000 to assist in the development and construction of a state-of-the-art electric power generating plant fueled primarily with North Dakota lignite. The funding will be provided as matching funds in three phases. Phases I and II involves the completion of detailed feasibility and permitting studies, electric power market analysis, transmission outlet and permitting study, lignite mine costing study, environmental and socioeconomic impact studies and initial generating plan and lignite combustion product utilization plant design activities. The Commission's commitment to Phases I and II on a matching basis is \$2,850,000. Phase III involves the design, construction and operation of a \pm 65% of 500,000 kw class North Dakota lignite-fired base-loaded electric generating station. The Commission's commitment to Phase III is \$7,150,000. Should MDU determine that they would not proceed with Phase III, the Commission's commitment to Phases I and II is reduced by \$500,000. MDU has agreed that should Phases I, II and III be completed and a new power plant has been built and is operational, after the first year of commercial operation MDU will repay the Commission \$4.5 million in annual payments of \$225,000 for 20 years. The current balance on the Phase I and Phase II portion of the contract is \$1,725,000.

Under the Lignite Vision 21 Program, the Industrial Commission has entered into a contract with Great Northern Power Development LP (GNP). GNP is completing feasibility studies regarding the development of a lignite-fired power plant in the Gascoyne area of the state. On November 25, 2005, the Commission authorized the issuance of Phase III feasibility matching contract in the amount of \$1,310,443. The current balance on the Phase III contract is \$1,310,443.

The Commission also has various significant commitments at June 30, 2006, for the purchase of various types of services and other goods totaling \$1,269,142.

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, 2006. One contract equals 5,000 bushels.

Futures Positions:

Month	Contracts		Avg. Price	Fair Value
	Long	Short		
September	-	167	\$ 4,700	\$ 4,930
December	-	59	4,580	4,990
March	-	48	4,900	5,025

As of June 30, 2006, the Mill had commitments to purchase 2,210,105 bushels of spring wheat and 125,585 bushels of durum.

around the state to provide legal services for eligible indigent persons at all stages of proceedings as specified in the contract.

BUILDING AUTHORITY

The Authority has committed funds to complete various construction and modernization programs at June 30, 2006, totaling \$26,093,000.

DEPARTMENT OF HUMAN SERVICES

As of June 30, 2006, the Department of Human Services had significant commitments for the purchase of various types of services totaling \$27,186,877.

PUBLIC FINANCE AUTHORITY

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 Finance Authority 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.

PUBLIC SERVICE COMMISSION

As of June 30, 2006, the Public Service Commission had significant commitments of \$901,535. This amount consists primarily of contractor charges associated with the Abandoned Mine Lands.

The Finance Authority 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, 2005, \$3,315,000 of credit was available through these letters of credit and no funds have been advanced.

AERONAUTICS COMMISSION

As of June 30, 2006, the Aeronautics Commission had significant commitments of \$1,366,865. This amount consists of grants to political subdivisions for maintenance and improvements of their airports.

JOB SERVICE NORTH DAKOTA

As of June 30, 2006, Job Service has commitments to pay \$2,074,068 for purchase orders and contracts awarded for goods, services, software licenses, software support, and software server hosting to be provided in future periods.

DAIRY PRODUCTS PROMOTION COMMISSION

As of June 30, 2006, the Dairy Products Commission had significant commitments of \$209,250. This amount consists of a contract with Midwest Dairy Association to implement and administer programs intended to contribute to the betterment of North Dakota dairy farmers and the State's dairy industry. The contract also provides the Commission with administrative, financial, and reporting services.

STATE JUDICIARY

As of June 30, 2006, State Judiciary had significant commitments of \$509,776. The majority consists of contracts to provide various types of judicial services.

NORTH DAKOTA SOYBEAN COUNCIL

As of June 30, 2006, the North Dakota Soybean Council had significant commitments of \$846,920. This amount mainly consists of grants for the research and development of soybeans.

COMMISSION ON LEGAL COUNSEL FOR INDIGENTS

As of June 30, 2006, the Commission had significant commitments of \$2,736,612. The majority of the amount consists of indigent defense contracts with law firms

NORTH DAKOTA BEEF COMMISSION

As of June 30, 2006, 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, 2006, the State Water Commission had long-term commitments of \$28,850,571 for various water projects.

STATE OF NORTH DAKOTA

NORTH DAKOTA DEPARTMENT OF TRANSPORTATION

At June 30, 2006, the North Dakota Department of Transportation (Special Revenue Fund) had non-construction contract commitments of approximately \$13.3 million of which \$10.5 million represents federal programs which are cost reimbursable.

Construction commitments at June 30, 2006, totaled approximately \$174.8 million, of which \$146.0 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	\$ 1,650	\$ 1,306	\$ 344
DSU	3,557	1,000	2,557
LRSC	316	220	96
MaSU	187	61	126
MiSU	5,234	4,081	1,153
MiSU-B	2,567	421	2,146
NDSCS	1,204	566	638
NDSU	27,881	9,698	18,183
UND	37,468	19,804	17,664
VCSU	241	230	11
WSC	71	64	7

NORTH DAKOTA DEVELOPMENT FUND

The board of directors has approved equity investments, loans, grants, and guaranty of collections at June 30, 2006, for which funds have not been disbursed or written agreements entered into in the amount of \$6,278,000.

OTHER CONSTRUCTION COMMITMENTS

Management and Budget	\$ 2,860
State Tax Commissioner	3,795
Human Services	254
Corrections	208
Adjutant General	14,019
Historical Society	6,463
Water Commission	773
Transportation	35,148

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 to result in an unfavorable outcome is estimated at \$100,000 to \$25,000,000.

The estimated gain in all the litigation brought by the State in which a gain is probable is estimated at \$2,894,385. 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, 2006, in which the settlement had not been paid as of June 30, 2006.

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.

The 2005-2006 single audit will be issued sometime in March 2007. It is anticipated there will be potential questioned costs against the State as a result of this audit. The State does not believe the results of the audit will have a material impact.

NOTE 20 - SUBSEQUENT EVENTS

WATER COMMISSION

Subsequent to June 30, 2006, the Commission issued additional bonds for the Southwest Pipeline project. US Department of Agriculture 2005 Series A Bonds were

issued totaling \$497,962, and US Department of Agriculture Series B Bonds were issued totaling \$420,630.

MANDAN REMEDIATION TRUST

Subsequent to the Trust's year end, the city of Mandan requested reimbursement from the Trust of \$587,825 for various remediation costs that have been incurred by the city. Subsequent contracts with Legette, Brashears & Graham, Inc. for various remediation efforts have been signed, totaling \$3,354,610.

INDUSTRIAL COMMISSION

On September 22, 2006, the Industrial Commission approved funding under the Lignite Research, Development and Marketing Program in the amount of \$2,000,000 for the Spirit Energy Power Plant Project and authorized the Industrial Commission's executive director to enter into a contract with Great River Energy.

In addition, the Commission approved funding the Lignite Research, Development and Marketing Program for the Lignite Vision 21 Program Phase V in the amount of \$851,000 and authorized the Industrial Commission's executive director to enter into a contract with the Lignite Energy Council.

BUILDING AUTHORITY

On October 26, 2006, the Building Authority issued the 2006 Series B Lease Revenue Refunding Bonds in the amount of \$9,770,000. This was a refunding of a portion of the 2001 Series A Bonds.

PUBLIC FINANCE AUTHORITY

Subsequent to year end, the Industrial Commission approved the issuance of \$1,360,000 Industrial Development Program Bonds, Series 2006 A and \$1,385,000 Capital Financing Program Bonds, Series 2006 A. These bonds are for the express purpose of providing funds to political subdivisions for use in connection with various improvement, construction and refinancing projects. The interest rates vary on these bonds from 3.90% to 5.00%, with maturity ranging from June 1, 2007 to June 1, 2031.

NOTE 21 – NEW PRONOUNCEMENTS

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 July 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.

The State implemented the following two new pronouncements for fiscal year 2006:

GASB Statement No. 42, "*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*".

GASB Statement No. 46, "*Net Assets Restricted by Enabling Legislations-an amendment of GASB Statement No. 34*".

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Required Supplementary Information — Budgetary Schedule

STATE OF NORTH DAKOTA

Required Supplemental Information Budgetary Comparison Schedule General Fund June 30, 2006

	Approved Budget 2005-2007 Biennium	Appropriation Adjustments 2005-2007 Biennium	Adjusted Budget 2005-2007 Biennium	Actual Biennium To Date Thru 6-30-06	Difference Uncollected/ Unspent Thru 6-30-06
Budgetary Fund Balance, July 1	\$ 65,000,000	\$ 8,164,616	\$ 73,164,616	\$ 75,862,696	\$ 2,698,080
Resources (Inflows):					
Sales and Use Tax	762,724,000	-	762,724,000	394,697,753	(368,026,247)
Income Tax	548,166,000	-	548,166,000	384,268,539	(163,897,461)
Business Privilege Tax	5,166,400	-	5,166,400	4,172,320	(994,080)
Oil And Gas Production Tax	39,838,800	-	39,838,800	45,774,119	5,935,319
Oil Extraction Tax	31,161,200	-	31,161,200	25,225,881	(5,935,319)
Insurance Premium Tax	63,637,000	-	63,637,000	25,864,662	(37,772,338)
Cigarette, Cigar and Tobacco Tax	37,147,000	-	37,147,000	21,986,081	(15,160,919)
Wholesale Liquor Tax	12,300,000	-	12,300,000	6,340,589	(5,959,411)
Coal Conversion Tax	48,833,000	-	48,833,000	24,042,047	(24,790,953)
Gaming Tax	20,130,000	-	20,130,000	9,282,165	(10,847,835)
Lottery	10,000,000	-	10,000,000	6,300,000	(3,700,000)
Department Fees and Collections	48,545,021	-	48,545,021	25,496,586	(23,048,435)
Mineral Leasing Fees	5,996,333	-	5,996,333	7,046,893	1,050,560
Motor Vehicle Excise Tax	136,133,400	-	136,133,400	61,326,559	(74,806,841)
Interest on Public Funds	10,470,000	-	10,470,000	12,406,744	1,936,744
Gas Tax Administration	1,400,000	-	1,400,000	700,000	(700,000)
Transfers In	153,100,000	-	153,100,000	38,566,408	(114,533,592)
Total Revenue Inflows	1,934,748,154	-	1,934,748,154	1,093,497,346	(841,250,808)
Amounts Available for Appropriation	1,999,748,154	8,164,616	2,007,912,770	1,169,360,042	838,552,728
Charges to Appropriations (Outflows):					
General Government:					
Governor's Office	2,598,137	-	2,598,137	1,248,232	1,349,905
Secretary of State	4,489,363	105,000	4,594,363	2,210,722	2,383,641
Office of Management and Budget	20,156,011	634,633	20,790,644	8,940,627	11,850,017
Information Technology	9,972,837	-	9,972,837	4,917,752	5,055,085
State Auditor	5,126,005	-	5,126,005	2,394,827	2,731,178
State Treasurer	2,344,547	-	2,344,547	1,148,325	1,196,222
Attorney General	19,212,156	97,000	19,309,156	8,893,424	10,415,732
Tax Department	22,485,152	-	22,485,152	10,533,416	11,951,736
Legislative Assembly	9,492,225	805,171	10,297,396	2,634,641	7,662,755
Legislative Council	7,788,941	1,431,212	9,220,153	3,601,722	5,618,431
Supreme Court	65,168,362	(6,627,512)	58,540,850	27,868,866	30,671,984
Legal Counsel for Indigents	-	6,877,590	6,877,590	2,312,279	4,565,311
Public Employees Retirement System	19,000	-	19,000	-	19,000
Education:					
Public Instruction	636,443,587	-	636,443,587	310,862,242	325,581,345
Education Practices & Standards Board	-	-	-	-	-
State Library	3,507,082	-	3,507,082	1,566,130	1,940,952
School for the Deaf	5,365,097	-	5,365,097	2,392,380	2,972,717
School for the Blind	2,524,609	-	2,524,609	1,398,180	1,126,429
Vocational Education	16,840,786	-	16,840,786	7,828,539	9,012,247
Health & Human Services:					
Dept. of Health	13,468,904	-	13,468,904	6,238,685	7,230,219
Veteran's Home	4,329,092	-	4,329,092	2,515,033	1,814,059
Indian Affairs Commission	387,297	-	387,297	190,286	197,011
Veteran's Affairs	653,668	-	653,668	309,667	344,001
Dept. of Human Services-Management	19,526,461	244,026	19,770,487	9,447,789	10,322,698
Dept. of Human Services-Program and Policy	366,718,185	236,519	366,954,704	178,498,744	188,455,960
Dept. of Human Services-Centers	98,176,828	(147,045)	98,029,783	53,332,614	44,697,169
Protection and Advocacy	812,093	-	812,093	359,617	452,476
Job Service	1,501,012	-	1,501,012	415,191	1,085,821
Regulatory:					
Insurance Commission	-	-	-	-	-
Industrial Commission	6,878,658	-	6,878,658	3,455,077	3,423,581
Labor Commission	961,239	-	961,239	411,986	549,253
Public Service Commission	4,362,837	(60,000)	4,302,837	2,077,292	2,225,545
Securities Commissioner	1,459,244	-	1,459,244	672,742	786,502
Public Safety and Corrections:					
Highway Patrol	20,080,862	-	20,080,862	13,153,085	6,927,777
Division of Emergency Management	5,115,672	276,238	5,391,910	2,686,718	2,705,192
Corrections & Rehab	101,135,684	21,934	101,157,618	50,479,184	50,678,434
Adjutant General	16,445,229	-	16,445,229	6,973,418	9,471,811
Agriculture & Commerce:					
Department of Commerce	19,180,781	1,026,120	20,206,901	9,047,194	11,159,707
Department of Agriculture	4,523,112	183,471	4,706,583	2,499,204	2,207,379
State Fair	615,000	-	615,000	412,500	202,500
Racing Commission	117,479	-	117,479	69,814	47,665
Natural Resources:					
Historical Society	8,094,058	170,000	8,264,058	3,691,458	4,572,600
Council on the Arts	999,691	-	999,691	435,991	563,700
Parks and Recreation	8,144,153	215,616	8,359,769	3,738,397	4,621,372
Water Commission	1,011,220	-	1,011,220	646,238	364,982
Transportation:					
Aeronautics Commission	550,187	-	550,187	542,303	7,884
Transfers Out	450,670,080	2,548,443	453,218,523	223,793,772	229,424,751
Total Charges to Appropriations	1,989,452,623	8,038,416	1,997,491,039	976,846,303	1,020,644,736
Ending Budgetary Fund Balance	\$ 10,295,531	\$ 126,200	\$ 10,421,731	\$ 192,513,739	\$ 182,092,008

STATE OF NORTH DAKOTA

Required Supplemental Information Budgetary Comparison Schedule Budget to GAAP Reconciliation General Fund June 30, 2006

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	1,093,497,346
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	32,949,678
Repayment received on loans receivable are revenue for Budget not GAAP	979,371
Proceeds are recorded for new capital leases on GAAP, but not for Budget	4,547,338
Total revenues and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u><u>\$ 1,131,973,733</u></u>

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	976,846,303
Differences-Budget to GAAP:	
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	9,953,032
New Loans issued are expenditures for Budget but not for GAAP	330,220
GAAP, but not Budget expenditures are reduced by year end inventory balances	(634,217)
New capital leases are recorded as expenditures for GAAP, but not for Budget	17,716
Certain due to other funds are recorded under GAAP, but not for Budget	385,384
Total expenditures and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u><u>\$ 986,898,438</u></u>

STATE OF NORTH DAKOTA

Required Supplemental Information Budgetary Comparison Schedule Other Funds June 30, 2006

	Approved Budget 2005-2007 Biennium	Appropriation Adjustments 2005-2007 Biennium	Adjusted Budget 2005-2007 Biennium	Actual Biennium To Date Thru 6-30-06	Difference Uncollected/ Unspent Thru 6-30-06
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):					
Other Budgeted Income	3,904,671,167	160,670,348	4,065,341,515	1,704,893,078	(2,360,448,437)
Total Revenue Inflows	3,904,671,167	160,670,348	4,065,341,515	1,704,893,078	(2,360,448,437)
Amounts Available for Appropriation	3,904,671,167	160,670,348	4,065,341,515	1,704,893,078	2,360,448,437
Charges to Appropriations (Outflows):					
General Government:					
Governor's Office	2,560,000	5,000	2,565,000	1,069,305	1,495,695
Secretary of State	9,944,028	-	9,944,028	4,114,655	5,829,373
Office of Management & Budget	46,655,319	100,000	46,755,319	33,876,739	12,878,580
Information Technology	98,934,390	500,000	99,434,390	40,301,737	59,132,653
State Auditor	2,435,141	-	2,435,141	1,034,301	1,400,840
Attorney General	24,488,401	-	24,488,401	7,542,663	16,945,738
Tax Department	14,120,000	-	14,120,000	7,400,828	6,719,172
Legislative Assembly	20,000	-	20,000	10,000	10,000
Supreme Court	2,729,978	(1,173,000)	1,556,978	988,431	568,547
Legal Counsel for Indigents	-	1,220,000	1,220,000	-	1,220,000
Public Employees Retirement System	4,700,237	-	4,700,237	1,929,601	2,770,636
Education:					
Public Instruction	295,899,635	-	295,899,635	154,796,807	141,102,828
State Library	1,659,272	-	1,659,272	754,881	904,391
School for the Deaf	1,327,265	-	1,327,265	375,315	951,950
\ School for the Blind	846,447	-	846,447	159,125	687,322
Vocational Education	11,291,197	-	11,291,197	5,001,499	6,289,698
Health & Human Services:					
Dept. of Health	112,270,220	11,775,000	124,045,220	53,098,493	70,946,727
Veteran's Home	6,974,833	163,200	7,138,033	3,125,216	4,012,817
Indian Affairs	20,000	-	20,000	1,093	18,907
Dept. of Human Services-Management	52,153,741	(208,512)	51,945,229	10,822,175	41,123,054
Dept. of Human Services-Program and Policy	1,035,138,447	818,985	1,035,957,432	482,139,526	553,817,906
Dept. of Human Services-Centers	108,348,645	(610,473)	107,738,172	47,876,229	59,861,943
Protection and Advocacy	2,908,886	-	2,908,886	1,285,341	1,623,545
Job Service	58,270,259	-	58,270,259	24,999,275	33,270,984
Regulatory:					
Insurance Department	13,679,655	15,000	13,694,655	6,244,469	7,450,186
Industrial Commission	43,903,138	-	43,903,138	16,845,981	27,057,157
Labor Commission	498,965	-	498,965	276,254	222,711
Public Service Commission	6,937,151	-	6,937,151	1,861,035	5,076,116
Securities Commission	217,199	-	217,199	102,633	114,566
Public Safety and Corrections:					
Highway Patrol	14,738,746	-	14,738,746	2,308,673	12,430,073
Division of Emergency Management	57,870,280	29,749,389	87,619,669	43,640,891	43,978,778
Corrections & Rehab	27,765,147	266,367	28,031,514	13,479,451	14,552,063
Adjutant General	31,433,798	19,060,000	50,493,798	20,135,538	30,358,260
Agriculture & Commerce:					
Department of Commerce	57,434,283	718,485	58,152,768	19,673,918	38,478,850
Department of Agriculture	9,486,532	17,715	9,504,247	3,836,126	5,668,121
Racing Commission	249,666	-	249,666	63,066	186,600
Natural Resources:					
Historical Society	9,927,165	553,425	10,480,590	1,521,106	8,959,484
Council on the Arts	1,268,318	-	1,268,318	566,034	702,284
Game and Fish	51,201,059	778,943	51,980,002	22,718,735	29,261,267
Parks and Recreation	13,427,583	-	13,427,583	3,214,661	10,212,922
Water Commission	125,059,718	-	125,059,718	41,331,636	83,728,082
Transportation:					
Aeronautics Commission	5,240,118	600,000	5,840,118	1,403,128	4,436,990
Department of Transportation	955,008,348	11,330,148	966,338,496	449,394,601	516,943,895
Total Charges to Appropriations	3,319,043,210	75,679,672	3,394,722,882	1,531,321,171	1,863,401,711
Ending Budgetary Fund Balance	\$ 585,627,957	\$ 84,990,676	\$ 670,618,633	\$ 173,571,907	\$ (497,046,726)

STATE OF NORTH DAKOTA

Required Supplemental Information Budgetary Comparison Schedule Budget to GAAP Reconciliation Federal Fund June 30, 2006

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	1,704,893,078
Perspective difference: Non-Federal fund revenues	(609,059,193)
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	(8,283,976)
Repayment received on loans receivable are revenue for Budget not GAAP	(39,708)
Certain due from other funds are recorded under GAAP, but not for Budget	(2,030,379)
Total revenues and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 1,085,479,822</u>

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	1,531,321,171
Perspective difference: Non-Federal fund expenditures and prior FY federal expenditures	(435,487,286)
Differences-Budget to GAAP:	
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	(3,358,871)
New Loans issued are expenditures for Budget but not for GAAP	777,957
GAAP, but not Budget expenditures are reduced by year end inventory balances	(38,251)
Non-appropriated transfers are expenditures for GAAP, but not for Budget	(3,841,081)
Total expenditures and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 1,089,373,639</u>

STATE OF NORTH DAKOTA

Note To Required Supplemental Information - Budgetary Reporting June 30, 2006

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 2005-2007 Biennium Budget and Actual Detail (Budgetary Basis) For the Biennium Ended June 30, 2007." This budget information is available through the Office of Management and Budget, 600 East Boulevard Ave Dept. 110, Bismarck, ND 58505. For the 2005-2007 biennium there were general and federal fund supplemental appropriations of \$59,157,743.

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, 2006, for the General Fund and the Federal Fund is on the previous pages. On the reconciliation of Federal Fund, the non-federal fund amounts are also backed out.



Combining Financial Statements

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STATE OF NORTH DAKOTA

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

278 - Breeders Fund

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

STATE OF NORTH DAKOTA

290 - Purse Fund

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

330 - Economic Development Commission Fund

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

334 - Horse Racing Operating Fund

Accounts for the revenues and expenditures for the general operation of the horse racing commission. (NDCC 53-06.2)

339 - Promotion Fund

Revenues are used for the promotion of racing and for the operating expenses of the Racing Commission. (NDCC 53-06.2)

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 55-02)

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 - NAWS 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)

Nonmajor Governmental Funds

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 - Career & Technical 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)

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)

STATE OF NORTH DAKOTA

462 - Domestic Violence Prevention Fund

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

931 - Human Services Donor Implied Trust Fund

Funds donated with informal requests to be used for the welfare of the patients the department serves. (NDCC 15-67)

938 - State Hospital - Special Revenue Fund

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

996 - Developmental Center Residents Welfare Fund

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

JUDICIAL AND LEGAL

204 - Attorney General Asset Forfeiture Fund

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

237 - Indigent Civil Legal Services Fund

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

250 - Attorney General Refund Fund

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

268 - Restitution Collection Assistance Fund

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

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)

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)

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)

255 - Senior Citizens Services & Programs

Accounts for a portion of sales, use and motor vehicle excise taxes to be granted to counties for senior citizens services and programs. (NDCC 57-39.2)

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)

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)

287 - Integrated Tax System Fund

Accounts for the costs to establish an integrated tax processing system. (2005 Session Laws, HB 1006)

298 - OMB Debt Financing Fund

Used for capital expenditures paid with debt and used to provide payments to the university System's Centers of Excellence from loan proceeds. (2005 Session Laws, SB 2018 & 2023)

302 - Athletic Commission Fund

Accounts for revenues and expenditures associated with the athletic advisory board. (NDCC 53-01)

STATE OF NORTH DAKOTA

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)

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)

STATE OF NORTH DAKOTA

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)

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)

DEPARTMENT OF TRANSPORTATION

949 - Department of Transportation Debt Service Fund

Account for accumulation of resources for, and the payment of principal and interest on bonds issued by the Department of Transportation. (NDCC 24-02-40.1)

LIGNITE RESEARCH

928 - Lignite Research Debt Service Fund

Account for accumulation of resources for, and the payment of, principal and interest on bonds issued by the Industrial Commission of North Dakota to assist Dakota Gasification Company with the funding of construction of an anhydrous ammonia plant. (NDCC 54-17.5)

WATER COMMISSION

962 - Water Commission Debt Service Fund

Account for accumulation of resources for, and the payment of, principal and interest on bonds issued by the State Water Commission. (NDCC 61-02)

STATE OF NORTH DAKOTA

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2006

	Special Revenue Funds					
	Agriculture	Commodity Promotion	Commerce	Cultural and Natural Resources	Education	Health and Human Services
ASSETS						
Cash Deposits at the Bank of ND	\$ 7,847,490	\$ 4,117,314	\$ 10,002,963	\$ 30,167,062	\$ 26,327,232	\$ 52,644,310
Cash and Cash Equivalents	125,171	290,819	-	4,862	390,853	831,545
Restricted Cash and Cash Equivalents	-	-	-	-	-	-
Investments at the Bank of ND	2,151,824	-	1,700,000	2,417,114	-	15,801,333
Investments	124,000	2,358,000	-	482,410	-	250,000
Accounts Receivable - Net	116,809	1,822,202	26,807	5,299,367	3,903,814	7,604,639
Taxes Receivable - Net	27,554	-	30,071	49,440	532,443	144,809
Interest Receivable - Net	835	13,476	318,612	8,962	-	218,847
Intergovernmental Receivable - Net	-	-	-	217,164	-	483,466
Due from Other Funds	19,869	72	2,954	468,864	341	3,200,593
Prepaid Items	-	-	-	370,108	-	-
Inventory	-	-	43,322	-	117,475	-
Loans and Notes Receivable - Net	-	-	9,157,851	3,566,136	-	10,168,687
Total Assets	\$ 10,413,552	\$ 8,601,883	\$ 21,282,580	\$ 43,051,489	\$ 31,272,158	\$ 91,348,229
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts Payable	\$ 28,256	\$ 3,142,129	\$ 6,165	\$ 2,629,490	\$ 103,994	\$ 996,963
Accrued Payroll	173,167	92,285	32,824	396,631	218,287	269,085
Securities Lending Collateral	-	-	-	34,343	-	-
Intergovernmental Payable	-	-	-	-	-	-
Tax Refunds Payable	-	-	-	-	-	-
Due to Other Funds	67,278	63,907	41,256	235,566	657,918	33,680,594
Contracts Payable	-	-	-	550,892	-	-
Deferred Revenue	20,160	-	5,658	-	1,351,523	-
Total Liabilities	288,861	3,298,321	85,903	3,846,922	2,331,722	34,946,642
Fund Balances:						
Reserved For:						
Inventory	-	-	43,322	-	117,475	-
Long - Term Receivables	-	-	7,690,820	3,566,136	-	9,696,215
Capital Projects	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Prepaid Expenditures	-	-	-	370,108	-	-
Legal Requirements	-	-	-	-	-	-
Unreserved:						
Designated for:						
Fund Activities	-	-	-	-	-	-
Patients Welfare	-	-	-	-	-	475,869
Other	-	-	-	-	-	-
Unreserved, Reported in:						
Special Revenue Funds	10,124,691	5,303,562	13,462,535	35,268,323	28,822,961	46,229,503
Total Fund Balances	10,124,691	5,303,562	21,196,677	39,204,567	28,940,436	56,401,587
Total Liabilities and Fund Balances	\$ 10,413,552	\$ 8,601,883	\$ 21,282,580	\$ 43,051,489	\$ 31,272,158	\$ 91,348,229

Special Revenue Funds							
Judicial and Legal	Land Department Coal and Mineral	Local Government	Oil Tax Resources	Other Special	PACE Fund	Permanent Oil Tax Trust	
\$ 5,378,222	\$ 689,873	\$ 31,819,425	\$ 11,353,315	\$ 3,008,476	\$ 15,390,506	\$ 43,775,440	
155,792	-	395,542	-	30,230	-	-	
-	-	-	-	7,115,422	-	-	
4,136	-	-	15,000,000	1,021,237	-	-	
-	35,886,174	-	-	764,919	-	-	
1,268,324	-	177,300	155,541	570,798	-	-	
-	255,253	43,900,789	1,064,886	435,766	-	12,483,554	
-	225,836	-	49,166	168,737	-	-	
33,369	-	-	-	186,203	-	-	
50,993	200,514	-	49,048	325,129	-	-	
-	-	-	-	-	1,960,515	-	
-	-	-	-	309,048	-	-	
-	37,719,688	-	4,640,404	-	-	-	
<u>\$ 6,890,836</u>	<u>\$ 74,977,338</u>	<u>\$ 76,293,056</u>	<u>\$ 32,312,360</u>	<u>\$ 13,935,965</u>	<u>\$ 17,351,021</u>	<u>\$ 56,258,994</u>	
\$ 190,468	\$ 7,747	\$ -	\$ -	\$ 860,706	\$ -	\$ 5,232	
120,639	-	-	-	154,162	-	-	
-	2,924,638	-	-	-	-	-	
11,271	-	25,699,374	-	-	-	-	
-	-	21	-	-	-	-	
130,350	370,155	-	-	240,228	-	356,293	
-	-	-	-	39,529	-	-	
317,983	-	28,031,562	-	140,763	-	-	
<u>770,711</u>	<u>3,302,540</u>	<u>53,730,957</u>	<u>-</u>	<u>1,435,388</u>	<u>-</u>	<u>361,525</u>	
-	-	-	-	309,048	-	-	
-	35,000,960	-	4,318,929	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	1,960,515	-	
-	-	-	-	-	12,491,800	-	
4,209	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	2,898,706	-	
6,115,916	36,673,838	22,562,099	27,993,431	12,191,529	-	55,897,469	
<u>6,120,125</u>	<u>71,674,798</u>	<u>22,562,099</u>	<u>32,312,360</u>	<u>12,500,577</u>	<u>17,351,021</u>	<u>55,897,469</u>	
<u>\$ 6,890,836</u>	<u>\$ 74,977,338</u>	<u>\$ 76,293,056</u>	<u>\$ 32,312,360</u>	<u>\$ 13,935,965</u>	<u>\$ 17,351,021</u>	<u>\$ 56,258,994</u>	

STATE OF NORTH DAKOTA

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2006

Special Revenue Funds

	Special Revenue Funds					
	Public Safety and Corrections	Recreation	Regulatory	Transportation	Veterans	Total
ASSETS						
Cash Deposits at the Bank of ND	\$ 4,399,769	\$ 11,159,163	\$ 10,153,445	\$ 98,144,253	\$ 1,483,856	\$ 367,862,114
Cash and Cash Equivalents	14,300	203,523	148	93,152	204,747	2,740,684
Restricted Cash and Cash Equivalents	-	-	-	1,914,161	-	9,029,583
Investments at the Bank of ND	-	18,974,501	-	-	-	57,070,145
Investments	-	-	12,506,578	-	4,554,760	56,926,841
Accounts Receivable - Net	1,324,089	17,428	245,013	1,096,584	579,982	24,208,697
Taxes Receivable - Net	-	-	-	7,525,376	-	66,449,941
Interest Receivable - Net	-	2,720	72,760	194,636	13,420	1,288,007
Intergovernmental Receivable - Net	-	-	-	5,654,467	560,121	7,134,790
Due from Other Funds	2,012,518	647,058	-	15,895,462	5,344	22,878,759
Prepaid Items	-	-	-	380,617	-	2,711,240
Inventory	-	101,651	60,399	3,858,698	-	4,490,593
Loans and Notes Receivable - Net	-	-	-	6,819,612	284,155	72,356,533
Total Assets	\$ 7,750,676	\$ 31,106,044	\$ 23,038,343	\$ 141,577,018	\$ 7,686,385	\$ 695,147,927
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts Payable	\$ 318,108	\$ 131,071	\$ 32,083	\$ 10,068,578	\$ 455,843	\$ 18,976,833
Accrued Payroll	82,194	484,069	293,803	3,812,955	322,647	6,452,748
Securities Lending Collateral	-	-	2,257,659	-	-	5,216,640
Intergovernmental Payable	-	-	-	1,983	-	25,712,628
Tax Refunds Payable	-	-	-	312,468	-	312,489
Due to Other Funds	565,893	197,909	2,630,518	2,337,955	11,544	41,587,364
Contracts Payable	-	-	-	1,261,389	133,241	1,985,051
Deferred Revenue	-	-	60,412	10,208	23,730	29,961,999
Total Liabilities	966,195	813,049	5,274,475	17,805,536	947,005	130,205,752
Fund Balances:						
Reserved For:						
Inventory	-	101,651	60,399	3,858,698	-	4,490,593
Long - Term Receivables	-	-	-	5,985,760	176,871	66,435,691
Capital Projects	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Prepaid Expenditures	-	-	-	380,617	-	2,711,240
Legal Requirements	-	-	-	-	-	12,491,800
Unreserved:						
Designated for:						
Fund Activities	-	-	-	-	-	4,209
Patients Welfare	-	-	-	-	40,438	516,307
Other	-	-	-	-	-	2,898,706
Unreserved, Reported in:						
Special Revenue Funds	6,784,481	30,191,344	17,703,469	113,546,407	6,522,071	475,393,629
Total Fund Balances	6,784,481	30,292,995	17,763,868	123,771,482	6,739,380	564,942,175
Total Liabilities and Fund Balances	\$ 7,750,676	\$ 31,106,044	\$ 23,038,343	\$ 141,577,018	\$ 7,686,385	\$ 695,147,927

Debt Service Funds					Capital Projects Funds			Total Nonmajor Governmental Funds
Building Authority	Department of Transportation	Lignite Research	Water Commission	Total	Building Authority	Water Commission	Total	
\$ 3,252,000	\$ 40,412,740	\$ -	\$ 8,739,939	\$ 52,404,679	\$ 29,707,000	\$ -	\$ 29,707,000	\$ 449,973,793
-	-	-	1,807,437	1,807,437	-	379	379	4,548,500
-	-	-	-	-	-	-	-	9,029,583
13,193,000	-	-	-	13,193,000	-	-	-	70,263,145
-	-	-	-	-	-	-	-	56,926,841
-	-	-	-	-	-	-	-	24,208,697
-	-	-	-	-	-	-	-	66,449,941
-	-	-	190,447	190,447	-	-	-	1,478,454
-	-	-	-	-	-	1,489,567	1,489,567	8,624,357
81,000	-	-	-	81,000	-	-	-	22,959,759
-	-	-	-	-	-	-	-	2,711,240
-	-	-	-	-	-	-	-	4,490,593
-	-	-	-	-	-	-	-	72,356,533
<u>\$ 16,526,000</u>	<u>\$ 40,412,740</u>	<u>\$ -</u>	<u>\$ 10,737,823</u>	<u>\$ 67,676,563</u>	<u>\$ 29,707,000</u>	<u>\$ 1,489,946</u>	<u>\$ 31,196,946</u>	<u>\$ 794,021,436</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,489,566	\$ 1,489,566	\$ 20,466,399
-	-	-	-	-	-	-	-	6,452,748
-	-	-	-	-	-	-	-	5,216,640
-	-	-	-	-	-	-	-	25,712,628
-	-	-	-	-	-	-	-	312,489
-	-	-	-	-	2,793,000	-	2,793,000	44,380,364
-	-	-	-	-	-	-	-	1,985,051
-	-	-	-	-	-	-	-	29,961,999
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,793,000</u>	<u>1,489,566</u>	<u>4,282,566</u>	<u>134,488,318</u>
-	-	-	-	-	-	-	-	4,490,593
-	-	-	-	-	-	-	-	66,435,691
-	-	-	-	-	26,914,000	380	26,914,380	26,914,380
16,526,000	40,412,740	-	10,737,823	67,676,563	-	-	-	67,676,563
-	-	-	-	-	-	-	-	2,711,240
-	-	-	-	-	-	-	-	12,491,800
-	-	-	-	-	-	-	-	4,209
-	-	-	-	-	-	-	-	516,307
-	-	-	-	-	-	-	-	2,898,706
-	-	-	-	-	-	-	-	475,393,629
<u>16,526,000</u>	<u>40,412,740</u>	<u>-</u>	<u>10,737,823</u>	<u>67,676,563</u>	<u>26,914,000</u>	<u>380</u>	<u>26,914,380</u>	<u>659,533,118</u>
<u>\$ 16,526,000</u>	<u>\$ 40,412,740</u>	<u>\$ -</u>	<u>\$ 10,737,823</u>	<u>\$ 67,676,563</u>	<u>\$ 29,707,000</u>	<u>\$ 1,489,946</u>	<u>\$ 31,196,946</u>	<u>\$ 794,021,436</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, 2006

	Special Revenue Funds					
	Agriculture	Commodity Promotion	Commerce	Cultural and Natural Resources	Education	Health and Human Services
REVENUES						
Individual and Corporate Income Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,609
Sales and Use Taxes	1,791,989	-	1,092	-	-	82
Oil, Gas, and Coal Taxes	-	-	-	494,078	6,266,398	-
Business and Other Taxes	187,279	-	365,995	-	13,866	3,599,410
Licenses, Permits and Fees	4,337,877	17,346	44,630	1,806,210	4,000	2,253,507
Intergovernmental	-	-	8,258	1,336,482	8,923	2,367,888
Sales and Services	2,365,715	139,495	96,185	95,958	4,657,551	17,991,175
Royalties and Rents	-	-	-	-	255,799	194,039
Fines and Forfeits	4,191	1,370	-	-	4,817,416	-
Interest and Investment Income	70,365	138,570	641,092	1,296,570	-	1,190,753
Tobacco Settlement	-	-	-	9,582,689	-	2,129,486
Commodity Assessments	32,817	12,640,860	-	-	-	-
Miscellaneous	31,384	143,291	903,662	259,199	124,863	1,276,287
Total Revenues	8,821,617	13,080,932	2,060,914	14,871,186	16,148,816	31,015,236
EXPENDITURES						
Current:						
General Government	-	-	-	10,000	-	-
Education	-	-	-	-	40,541,331	-
Health and Human Services	118,268	-	-	-	-	35,197,392
Regulatory	-	-	-	348,232	-	-
Public Safety and Corrections	-	-	-	-	-	-
Agriculture and Commerce	6,346,387	11,158,109	3,740,919	1,606,981	-	-
Natural Resources	-	-	-	23,922,488	-	-
Transportation	-	-	-	-	-	-
Intergovernmental - Revenue Sharing	-	-	-	-	-	-
Capital Outlay	5,646	29,009	-	11,740,816	5,170	31,011
Debt Service:						
Principal	2,523	2,062	-	-	3,420	970
Interest and Other Charges	-	-	-	-	9,123	-
Total Expenditures	6,472,824	11,189,180	3,740,919	37,628,517	40,559,044	35,229,373
Revenues over (under) Expenditures	2,348,793	1,891,752	(1,680,005)	(22,757,331)	(24,410,228)	(4,214,137)
OTHER FINANCING SOURCES (USES)						
Bonds and Notes Issued	-	-	-	-	303,317	-
Refunding Bonds Issued	-	-	-	-	-	-
Payment to Refund Bond Escrow Agent	-	-	-	-	-	-
Capital Lease Acquisitions	-	8,869	-	-	-	-
Sale of Capital Assets	-	-	-	416,700	-	-
Transfers In	646,385	-	1,924,571	28,741,790	31,381,800	15,613,388
Transfers Out	(198,924)	(600,452)	(17,958)	(5,327,996)	(53,514)	(8,877,443)
Total Other Financing Sources (Uses)	447,461	(591,583)	1,906,613	23,830,494	31,631,603	6,735,945
Net Change in Fund Balances	2,796,254	1,300,169	226,608	1,073,163	7,221,375	2,521,808
Fund Balances - Beginning of Year, as Adjusted	7,328,437	4,003,393	20,970,069	38,131,404	21,719,061	53,879,779
Fund Balances - End of Year	\$ 10,124,691	\$ 5,303,562	\$ 21,196,677	\$ 39,204,567	\$ 28,940,436	\$ 56,401,587

Special Revenue Funds						
Judicial and Legal	Land Department Coal and Mineral	Local Government	Oil Tax Resources	Other Special	PACE Fund	Permanent Oil Tax Trust
\$ -	\$ -	\$ 6,868,311	\$ -	\$ 2,223,839	\$ -	\$ -
-	-	91,840,311	-	-	-	-
-	3,464,263	42,909,202	12,532,798	-	-	51,045,532
-	-	13,097,476	-	-	-	-
187,227	-	18,957,764	-	30,929	-	-
1,294	-	370,110	611,674	-	-	-
1,662,563	-	-	-	2,703,753	-	-
-	6,601,551	-	6,526	158,199	-	-
1,925,024	-	164	-	2,611	-	-
134	1,627,869	-	984,590	328,717	291,734	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
8,909	-	-	643	728,426	-	-
3,785,151	11,693,683	174,043,338	14,136,231	6,176,474	291,734	51,045,532
2,135,806	503,280	-	-	7,434,929	-	122,578
-	-	-	-	129,933	-	-
-	-	-	-	417,817	-	44,244
248,198	-	-	-	1,029	-	-
716,538	-	-	-	107,163	-	-
-	-	-	-	144,452	2,890,337	-
-	-	-	-	536,666	-	-
-	-	-	-	86,409	-	-
-	-	171,942,576	-	-	-	-
-	-	-	-	7,340,520	-	-
954	-	-	-	-	-	337
-	-	-	-	-	-	-
3,101,496	503,280	171,942,576	-	16,198,918	2,890,337	167,159
683,655	11,190,403	2,100,762	14,136,231	(10,022,444)	(2,598,603)	50,878,373
-	-	-	-	14,000,000	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,516,754	-	995,253	-	16,109,683	7,900,000	-
(1,161,654)	(4,189,637)	-	(24,650,000)	(12,421,710)	-	(45,350,000)
355,100	(4,189,637)	995,253	(24,650,000)	17,687,973	7,900,000	(45,350,000)
1,038,755	7,000,766	3,096,015	(10,513,769)	7,665,529	5,301,397	5,528,373
5,081,370	64,674,032	19,466,084	42,826,129	4,835,048	12,049,624	50,369,096
\$ 6,120,125	\$ 71,674,798	\$ 22,562,099	\$ 32,312,360	\$ 12,500,577	\$ 17,351,021	\$ 55,897,469

STATE OF NORTH DAKOTA

Combining Statement of Revenues, Expenditures and Changes in Fund Balance Nonmajor Governmental Funds For the Fiscal Year Ended June 30, 2006

	Special Revenue Funds					
	Public Safety and Corrections	Recreation	Regulatory	Transportation	Veterans	Total
REVENUES						
Individual and Corporate Income Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,104,759
Sales and Use Taxes	1,833,795	2,983	-	81,044,174	-	176,514,426
Oil, Gas, and Coal Taxes	-	-	1,300,000	-	-	118,012,271
Business and Other Taxes	-	-	3,420	-	-	17,267,446
Licenses, Permits and Fees	2,293,451	13,364,010	5,327,067	60,541,219	24,795	109,190,032
Intergovernmental	533,146	1,327	10,121	838,743	2,933,833	9,021,799
Sales and Services	170,758	1,962,651	2,637,016	467,253	2,601,267	37,551,340
Royalties and Rents	170,242	41,062	-	325,214	2,856	7,755,488
Fines and Forfeits	-	15,397	281,894	-	-	7,048,067
Interest and Investment Income	-	12,838	707,030	1,727,147	432,490	9,449,899
Tobacco Settlement	-	-	-	-	-	11,712,175
Commodity Assessments	-	-	-	-	-	12,673,677
Miscellaneous	177,073	154,247	7,164	376,762	270,747	4,462,657
Total Revenues	5,178,465	15,554,515	10,273,712	145,320,512	6,265,988	529,764,036
EXPENDITURES						
Current:						
General Government	7,943	-	-	-	33,743	10,248,279
Education	-	-	-	-	-	40,671,264
Health and Human Services	-	-	-	104,061	3,112,426	38,994,208
Regulatory	-	-	5,646,002	18,659	-	6,262,120
Public Safety and Corrections	4,687,774	-	-	-	192,089	5,703,564
Agriculture and Commerce	-	-	-	-	-	25,887,185
Natural Resources	-	11,370,009	-	-	-	35,829,163
Transportation	-	-	-	121,119,461	-	121,205,870
Intergovernmental - Revenue Sharing	-	-	-	-	-	171,942,576
Capital Outlay	15,000	2,048,414	3,797	18,274,464	1,836,644	41,330,491
Debt Service:						
Principal	-	-	-	-	-	10,266
Interest and Other Charges	-	-	-	-	-	9,123
Total Expenditures	4,710,717	13,418,423	5,649,799	139,516,645	5,174,902	498,094,109
Revenues over (under) Expenditures	467,748	2,136,092	4,623,913	5,803,867	1,091,086	31,669,927
OTHER FINANCING SOURCES (USES)						
Bonds and Notes Issued	-	-	-	2,638,059	-	16,941,376
Refunding Bonds Issued	-	-	-	-	-	-
Payment to Refund Bond Escrow Agent	-	-	-	-	-	-
Capital Lease Acquisitions	-	-	-	-	-	8,869
Sale of Capital Assets	-	151,000	-	562,797	-	1,130,497
Transfers In	3,684,457	49,570	285,694	2,726,440	153,930	111,729,715
Transfers Out	(45,017)	(1,214,865)	(2,660,232)	(414,117)	(128,874)	(107,312,393)
Total Other Financing Sources (Uses)	3,639,440	(1,014,295)	(2,374,538)	5,513,179	25,056	22,498,064
Net Change in Fund Balances	4,107,188	1,121,797	2,249,375	11,317,046	1,116,142	54,167,991
Fund Balances - Beginning of Year, as Adjusted	2,677,293	29,171,198	15,514,493	112,454,436	5,623,238	510,774,184
Fund Balances - End of Year	\$ 6,784,481	\$ 30,292,995	\$ 17,763,868	\$ 123,771,482	\$ 6,739,380	\$ 564,942,175

Debt Service Funds					Capital Projects Funds			Total Nonmajor Governmental Funds
Building Authority	Department of Transportation	Lignite Research	Water Commission	Total	Building Authority	Water Commission	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,104,759
-	-	-	-	-	-	-	-	176,514,426
-	-	-	-	-	-	-	-	118,012,271
-	-	-	-	-	-	-	-	17,267,446
-	-	-	-	-	-	-	-	109,190,032
-	-	-	-	-	-	-	-	9,021,799
-	-	-	1,520,934	1,520,934	-	-	-	39,072,274
-	-	-	-	-	-	-	-	7,755,488
-	-	-	-	-	-	-	-	7,048,067
619,000	1,717,002	22,211	525,066	2,883,279	935,000	345	935,345	13,268,523
-	-	-	-	-	-	-	-	11,712,175
-	-	-	-	-	-	-	-	12,673,677
10,000	-	-	-	10,000	-	-	-	4,472,657
629,000	1,717,002	22,211	2,046,000	4,414,213	935,000	345	935,345	535,113,594
-	-	-	-	-	-	-	-	10,248,279
-	-	-	-	-	-	-	-	40,671,264
-	-	-	-	-	-	-	-	38,994,208
-	-	-	-	-	-	-	-	6,262,120
-	-	-	-	-	-	-	-	5,703,564
-	-	-	-	-	-	-	-	25,887,185
-	-	-	-	-	-	-	-	35,829,163
-	-	-	-	-	-	-	-	121,205,870
-	-	-	-	-	-	-	-	171,942,576
-	-	-	-	-	-	1,634,380	1,634,380	42,964,871
6,711,000	-	1,910,000	1,420,600	10,041,600	-	-	-	10,051,866
5,270,000	2,144,269	56,503	3,881,643	11,352,415	-	-	-	11,361,538
11,981,000	2,144,269	1,966,503	5,302,243	21,394,015	-	1,634,380	1,634,380	521,122,504
(11,352,000)	(427,267)	(1,944,292)	(3,256,243)	(16,979,802)	935,000	(1,634,035)	(699,035)	13,991,090
7,343,000	53,484,420	-	-	60,827,420	31,180,000	1,634,534	32,814,534	110,583,330
10,516,000	-	-	-	10,516,000	-	-	-	10,516,000
(10,388,000)	-	-	-	(10,388,000)	-	-	-	(10,388,000)
-	-	-	-	-	-	-	-	8,869
-	-	-	-	-	-	-	-	1,130,497
10,021,000	-	1,056,827	3,562,843	14,640,670	-	-	-	126,370,385
-	(12,644,413)	(1,857)	-	(12,646,270)	(6,010,000)	(3,099)	(6,013,099)	(125,971,762)
17,492,000	40,840,007	1,054,970	3,562,843	62,949,820	25,170,000	1,631,435	26,801,435	112,249,319
6,140,000	40,412,740	(889,322)	306,600	45,970,018	26,105,000	(2,600)	26,102,400	126,240,409
10,386,000	-	889,322	10,431,223	21,706,545	809,000	2,980	811,980	533,292,709
\$ 16,526,000	\$ 40,412,740	\$ -	\$ 10,737,823	\$ 67,676,563	\$ 26,914,000	\$ 380	\$ 26,914,380	\$ 659,533,118

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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, 2006

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Developmentally Disabled Facility Loan	Fire and Tornado	Guaranteed Student Loan
ASSETS						
Current Assets:						
Cash Deposits at the Bank of ND	\$ 9,218,288	\$ 282,571	\$ 1,568,100	\$ 129,791	\$ 2,403,285	\$ 457,970
Cash and Cash Equivalents	-	-	-	-	-	-
Investments at the Bank of ND	-	-	-	-	-	5,533,779
Investments	-	2,961,034	-	-	27,142,140	-
Accounts Receivable - Net	-	58,614	-	-	27,685	2,596
Interest Receivable - Net	256,517	30,601	176,568	6,275	137,396	-
Intergovernmental Receivable - Net	-	-	-	-	-	1,722,660
Due from Other Funds	119,765	-	-	4,941	8,221	225,792
Due from Fiduciary Funds	-	-	-	-	-	-
Prepaid Items	990,447	-	-	-	110,210	-
Inventory	-	-	-	-	-	-
Loans and Notes Receivable - Net	1,353,582	-	544,896	391,163	-	-
Restricted Cash at the Bank of ND	-	-	-	-	-	2,720,451
Restricted Investments at the Bank of ND	-	-	-	-	-	3,209,666
Restricted Interest Receivable - Net	-	-	-	-	-	-
Restricted Loans Receivable - Net	-	-	-	-	-	-
Total Current Assets	11,938,599	3,332,820	2,289,564	532,170	29,828,937	13,872,914
Noncurrent Assets:						
Restricted Cash and Cash Equivalents	-	-	-	-	-	-
Restricted Investments	-	-	-	-	-	-
Loans and Notes Receivable - Net	6,717,731	-	17,170,798	1,897,021	-	-
Restricted Loans Receivable - Net	-	-	-	-	-	-
Unamortized Bond Issuance Costs	-	-	-	-	-	-
Other Noncurrent Assets	1,489,613	-	-	-	-	-
Capital Assets:						
Land and Construction in Progress	-	-	-	-	-	-
Infrastructure - Net	-	-	-	-	-	-
Buildings and Equipment - Net	-	-	-	-	-	517,235
Total Noncurrent Assets	8,207,344	-	17,170,798	1,897,021	-	517,235
Total Assets	20,145,943	3,332,820	19,460,362	2,429,191	29,828,937	14,390,149
LIABILITIES						
Current Liabilities:						
Accounts Payable	-	1,580	-	-	14,304	148,267
Accrued Payroll	-	869	-	-	30,339	-
Securities Lending Collateral	-	550,596	-	-	5,018,389	-
Interest Payable	-	-	-	-	-	-
Intergovernmental Payable	-	-	-	-	-	1,305,495
Due to Other Funds	55,572	15	22,590	2,429,191	13,865	1,570,980
Due to Fiduciary Funds	-	-	-	-	-	-
Amounts Held in Custody for Others	-	-	-	-	-	-
Claims/Judgments Payable	-	325,000	-	-	1,071,989	-
Compensated Absences Payable	-	1,889	-	-	32,958	-
Capital Leases Payable	-	-	-	-	-	-
Bonds Payable	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	253,000
Other Current Liabilities	-	-	-	-	1,331	-
Total Current Liabilities	55,572	879,949	22,590	2,429,191	6,183,175	3,277,742
Noncurrent Liabilities:						
Intergovernmental Payable	-	-	-	-	-	2,718,311
Claims/Judgments Payable	-	321,247	-	-	119,110	-
Compensated Absences Payable	-	-	-	-	1,735	-
Capital Leases Payable	-	-	-	-	-	-
Bonds Payable	-	-	-	-	-	-
Other Noncurrent Liabilities	-	-	-	-	-	5,389,677
Total Noncurrent Liabilities	-	321,247	-	-	120,845	8,107,988
Total Liabilities	55,572	1,201,196	22,590	2,429,191	6,304,020	11,385,730
Net Assets						
Invested in Capital Assets, Net of Related Debt	-	-	-	-	-	517,235
Restricted for:						
Capital Projects	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Loan Purposes	-	-	-	-	-	955,404
Unemployment Compensation	-	-	-	-	-	-
Unrestricted	20,090,371	2,131,624	19,437,772	-	23,524,917	1,531,780
Total Net Assets	\$ 20,090,371	\$ 2,131,624	\$ 19,437,772	\$ -	\$ 23,524,917	\$ 3,004,419

Mill and Elevator	PERS Uniform Group Insurance	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 77,856	\$ 3,049,537	\$ 325,183	\$ 1,797,980	\$ 6,539,715	\$ 140,000	\$ 6,379	\$ 25,996,655
-	7,021,155	700	199,034	-	-	98,957,509	106,178,398
-	-	-	-	-	4,298,000	-	9,831,779
-	-	-	-	-	-	-	30,103,174
20,017,847	1,908,862	223,314	61,662	760,579	-	18,271,136	41,332,295
-	-	-	-	-	1,118,000	1,139,170	2,864,527
-	-	-	-	-	682,000	243,795	2,648,455
-	18,894	4,534	-	372	91,000	-	473,519
-	37,713	-	-	-	-	-	37,713
452,149	-	23,455	26,305	7,060	52,000	-	1,661,626
9,603,215	-	922,559	-	-	-	-	10,525,774
295,100	-	-	-	-	21,041,000	-	23,625,741
-	-	-	-	-	2,403,000	-	5,123,451
-	-	-	-	-	12,331,000	-	15,540,666
-	-	-	-	-	2,482,000	-	2,482,000
-	-	-	-	-	40,080,000	-	40,080,000
30,446,167	12,036,161	1,499,745	2,084,981	7,307,726	84,718,000	118,617,989	318,505,773
-	-	-	266,210	-	-	-	266,210
-	-	-	214,480	-	-	-	214,480
-	-	-	-	-	2,252,000	-	28,037,550
-	-	-	-	-	61,122,000	-	61,122,000
-	-	-	20,566	-	760,000	-	780,566
125,547	-	-	-	743,618	-	-	2,358,778
5,963,150	-	309,436	390,816	-	-	-	6,663,402
143,759	-	-	885,639	-	-	-	1,029,398
28,086,341	-	467,693	10,485,383	-	-	-	39,556,652
34,318,797	-	777,129	12,263,094	743,618	64,134,000	-	140,029,036
64,764,964	12,036,161	2,276,874	14,348,075	8,051,344	148,852,000	118,617,989	458,534,809
3,961,051	26,567	130,859	6,258	542,687	39,000	985,212	5,855,785
476,211	35,296	113,301	64,106	51,875	-	-	771,997
-	-	-	-	-	-	-	5,568,985
-	-	-	22,734	-	463,000	-	485,734
-	-	-	-	-	27,000	1,122,348	2,454,843
4,600,000	5,313	18,085	-	6,303,108	10,252,000	349,808	25,620,527
-	4,263	-	-	-	-	-	4,263
-	6,128,160	-	-	-	-	-	6,128,160
-	-	-	-	-	-	-	1,396,989
30,924	2,250	3,623	36,000	6,606	-	-	114,250
-	-	33,324	-	-	-	-	33,324
-	-	-	205,000	-	300,000	-	505,000
-	2,448,378	-	-	182,908	-	-	2,884,286
-	-	-	-	-	-	-	1,331
9,068,186	8,650,227	299,192	334,098	7,087,184	11,081,000	2,457,368	51,825,474
-	-	-	-	-	672,000	-	3,390,311
-	-	-	-	-	-	-	440,357
641,333	46,987	97,794	9,813	79,334	-	-	876,996
-	-	53,152	-	-	-	-	53,152
-	-	-	1,326,015	-	91,200,000	-	92,526,015
-	-	-	-	-	-	-	5,389,677
641,333	46,987	150,946	1,335,828	79,334	91,872,000	-	102,676,508
9,709,519	8,697,214	450,138	1,669,926	7,166,518	102,953,000	2,457,368	154,501,982
34,193,250	-	690,653	10,230,823	-	-	-	45,631,961
-	-	-	6,271	-	-	-	6,271
-	-	-	474,419	-	25,615,000	-	26,089,419
-	-	-	-	-	-	-	955,404
-	-	-	-	-	-	116,160,621	116,160,621
20,862,195	3,338,947	1,136,083	1,966,636	884,826	20,284,000	-	115,189,151
\$ 55,055,445	\$ 3,338,947	\$ 1,826,736	\$ 12,678,149	\$ 884,826	\$ 45,899,000	\$ 116,160,621	\$ 304,032,827

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, 2006

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Developmentally Disabled Facility Loan	Fire and Tornado	Guaranteed Student Loan
OPERATING REVENUES						
Sales and Services	\$ -	\$ 17,141	\$ -	\$ -	\$ 5,146,551	\$ 3,508,005
Royalties and Rents	-	-	-	-	-	-
Interest and Investment Income	383,719	-	521,982	129,181	-	-
Miscellaneous	-	-	669,000	-	-	441
Total Operating Revenues	383,719	17,141	1,190,982	129,181	5,146,551	3,508,446
OPERATING EXPENSES						
Cost of Sales and Services	-	-	-	-	-	-
Salaries and Benefits	-	13,207	-	-	307,902	-
Operating	939,639	11,112	94,113	15,894	2,041,114	5,779,877
Claims	-	391,751	-	-	2,851,540	-
Interest	-	-	-	114,330	-	-
Depreciation	-	-	-	-	-	519,179
Miscellaneous	3,514	-	-	-	-	-
Total Operating Expenses	943,153	416,070	94,113	130,224	5,200,556	6,299,056
Operating Income (Loss)	(559,434)	(398,929)	1,096,869	(1,043)	(54,005)	(2,790,610)
NONOPERATING REVENUES (EXPENSES)						
Grants and Contracts	-	-	-	-	-	-
Interest and Investment Income	141,165	161,641	14,689	1,043	1,521,783	170,738
Interest Expense	-	(26,634)	-	-	(241,870)	-
Gain (Loss) on Sale of Capital Assets	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	141,165	135,007	14,689	1,043	1,279,913	170,738
Income (Loss) Before Contributions and Transfers	(418,269)	(263,922)	1,111,558	-	1,225,908	(2,619,872)
Transfers In	-	-	-	-	-	-
Transfer Out	(925,000)	-	-	-	-	(371,086)
Change in Net Assets	(1,343,269)	(263,922)	1,111,558	-	1,225,908	(2,990,958)
Total Net Assets - Beginning of Year	21,433,640	2,395,546	18,326,214	-	22,299,009	5,995,377
Total Net Assets - End of Year	\$ 20,090,371	\$ 2,131,624	\$ 19,437,772	\$ -	\$ 23,524,917	\$ 3,004,419

Mill and Elevator	PERS Uniform Group Insurance	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 107,320,650	\$ 863,709	\$ 3,363,760	\$ 4,031,811	\$ 22,413,359	\$ -	\$ 60,709,015	\$ 207,374,001
-	-	31,667	-	-	-	-	31,667
-	-	-	-	-	12,194,000	-	13,228,882
-	-	11,031	-	-	-	-	680,472
107,320,650	863,709	3,406,458	4,031,811	22,413,359	12,194,000	60,709,015	221,315,022
96,281,355	-	1,911,375	-	-	-	-	98,192,730
1,591,321	493,974	1,316,620	877,415	486,529	-	-	5,086,968
632,024	274,063	199,306	3,005,879	15,135,498	4,912,000	-	33,040,519
-	-	-	-	-	-	43,314,505	46,557,796
-	-	-	-	-	4,857,000	-	4,971,330
2,264,969	-	48,790	829,447	-	-	-	3,662,385
-	-	-	-	-	-	-	3,514
100,769,669	768,037	3,476,091	4,712,741	15,622,027	9,769,000	43,314,505	191,515,242
6,550,981	95,672	(69,633)	(680,930)	6,791,332	2,425,000	17,394,510	29,799,780
-	-	-	364,730	-	-	-	364,730
36,101	419,817	-	16,695	131,652	1,447,000	4,439,895	8,502,219
(345,234)	-	(5,859)	(71,766)	-	-	-	(691,363)
(26,117)	-	(981)	2,199	-	-	-	(24,899)
9,829	-	-	(12,089)	-	-	-	(2,260)
(325,421)	419,817	(6,840)	299,769	131,652	1,447,000	4,439,895	8,148,427
6,225,560	515,489	(76,473)	(381,161)	6,922,984	3,872,000	21,834,405	37,948,207
-	-	-	412,500	-	-	-	412,500
(233,193)	-	-	-	(6,500,000)	(9,340,000)	-	(17,369,279)
5,992,367	515,489	(76,473)	31,339	422,984	(5,468,000)	21,834,405	20,991,428
49,063,078	2,823,458	1,903,209	12,646,810	461,842	51,367,000	94,326,216	283,041,399
\$ 55,055,445	\$ 3,338,947	\$ 1,826,736	\$ 12,678,149	\$ 884,826	\$ 45,899,000	\$ 116,160,621	\$ 304,032,827

STATE OF NORTH DAKOTA

Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Fiscal Year Ended June 30, 2006

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Develop- mentally Disabled Facility Loan	Fire and Tornado	Guaranteed Student Loan
Cash Flows from Operating Activities:						
Receipts from Customers and Users	\$ 1,245	\$ 21,856	\$ -	\$ -	\$ 5,148,037	\$ 2,274,998
Interest Income on Loans	356,099	-	-	-	-	-
Receipts from Loan Principal Repayments	1,514,154	-	-	-	-	13,783,239
Receipts from Other Funds	44,316	380	-	-	79,531	-
Receipts from Others	-	-	-	-	-	-
Payments to Other Funds	(119,765)	(3,058)	-	-	(1,407)	-
Payments for Loan Funds	(1,611,367)	-	-	-	-	(13,066,518)
Payments to Suppliers	(858,469)	(47,240)	(94,449)	(15,336)	(2,035,024)	(3,411,102)
Payments to Employees	-	(13,248)	-	-	(311,106)	-
Claim Payments	-	-	-	-	(2,449,082)	-
Payments to Others	(3,514)	-	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	(677,301)	(41,310)	(94,449)	(15,336)	430,949	(419,383)
Cash Flows from Noncapital Financing Activities:						
Proceeds from Sale of Notes and Other Borrowings	-	-	-	-	-	-
Principal Payments - Bonds	-	-	-	-	-	-
Principal Payments - Notes and Other Borrowings	-	-	-	-	-	-
Interest Payments - Bonds	-	-	-	-	-	-
Interest Payments - Notes and Other Borrowings	-	-	-	(114,330)	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	(925,000)	-	-	-	-	(371,086)
Principal Payments on Due To Other Funds	-	-	-	(338,496)	-	-
Disbursements for Loans and Loan Purchases	-	-	-	-	-	-
Grants Received	-	-	-	-	-	-
Other	-	-	-	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(925,000)	-	-	(452,826)	-	(371,086)
Cash Flows from Capital and Related Financing Activities:						
Acquisition and Construction of Capital Assets	-	-	-	-	-	-
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	-	-	-	-	-	-
Cash Flows from Investing Activities:						
Proceeds from Sale and Maturities of Investment Securities	-	-	-	-	-	17,663,792
Purchase of Investment Securities	-	(119,114)	-	-	(2,114,811)	(16,957,930)
Interest and Dividends on Investments	141,165	178,877	14,689	1,043	1,699,744	231,983
Disbursements for Loans and Loan Purchases	-	-	-	-	-	-
Receipt of Loan Principal Repayments	-	-	518,269	368,608	-	-
Loan Income Received	-	-	506,593	128,991	-	-
Net Cash Provided by (Used for) Investing Activities	141,165	59,763	1,039,551	498,642	(415,067)	937,845
Net Change in Cash:						
Net Increase (Decrease) in Cash and Cash Equivalents	(1,461,136)	18,453	945,102	30,480	15,882	147,376
Cash and Cash Equivalents at June 30, 2005	10,679,424	264,118	622,998	99,311	2,387,403	3,031,045
Cash and Cash Equivalents at June 30, 2006	\$ 9,218,288	\$ 282,571	\$ 1,568,100	\$ 129,791	\$ 2,403,285	\$ 3,178,421
Reconciliation:						
Current:						
Cash Deposits at the Bank of North Dakota	\$ 9,218,288	\$ 282,571	\$ 1,568,100	\$ 129,791	\$ 2,403,285	\$ 457,970
Cash and Cash Equivalents	-	-	-	-	-	-
Restricted Cash Deposits at the Bank of North Dakota	-	-	-	-	-	2,720,451
Noncurrent:						
Restricted Cash and Cash Equivalents	-	-	-	-	-	-
Cash and Cash Equivalents	\$ 9,218,288	\$ 282,571	\$ 1,568,100	\$ 129,791	\$ 2,403,285	\$ 3,178,421

Mill and Elevator	PERS Uniform Group Insurance	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 133,488,058	\$ 145,731,005	\$ 3,521,506	\$ 4,013,971	\$ 16,775,368	\$ 84,943,000	\$ 60,312,867	\$ 456,231,911
-	-	-	-	-	-	-	356,099
-	-	-	-	-	-	-	15,297,393
-	-	5,571	-	-	-	-	129,798
-	-	-	-	-	-	73,302	73,302
-	-	-	-	-	-	-	(124,230)
-	-	-	-	-	-	-	(14,677,885)
(115,996,968)	(144,519,757)	(2,180,224)	(3,021,262)	(9,995,806)	(56,627,000)	(6,150,469)	(344,953,106)
(7,878,591)	(505,214)	(1,333,009)	(808,483)	(446,737)	-	-	(11,296,388)
-	-	-	-	-	-	(35,880,520)	(38,329,602)
-	-	-	-	(177,014)	-	-	(180,528)
9,612,499	706,034	13,844	184,226	6,155,811	28,316,000	18,355,180	62,526,764
8,600,000	-	-	-	-	-	-	8,600,000
-	-	-	-	-	(57,150,000)	-	(57,150,000)
(11,000,000)	-	-	-	-	-	-	(11,000,000)
-	-	-	-	-	(5,010,000)	-	(5,010,000)
(345,234)	-	-	-	-	-	-	(459,564)
-	-	-	412,500	-	-	-	412,500
(233,193)	-	-	-	(6,036,571)	-	-	(7,565,850)
-	-	-	-	-	-	-	(338,496)
224,126	-	-	-	-	-	-	224,126
-	-	-	364,730	-	-	-	364,730
9,829	-	-	-	-	-	-	9,829
(2,744,472)	-	-	777,230	(6,036,571)	(62,160,000)	-	(71,912,725)
(6,860,440)	-	(312,199)	(59,531)	-	-	-	(7,232,170)
7,520	-	-	2,998	-	-	-	10,518
-	-	-	(205,000)	-	-	-	(205,000)
-	-	-	(74,516)	-	-	-	(74,516)
-	-	(5,859)	-	-	-	-	(5,859)
-	-	(41,447)	-	-	-	-	(41,447)
(6,852,920)	-	(359,505)	(336,049)	-	-	-	(7,548,474)
-	-	-	-	-	71,588,000	-	89,251,792
-	-	-	-	-	(51,236,000)	-	(70,427,855)
36,101	419,817	-	16,276	64,730	1,519,000	4,315,952	8,639,377
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	886,877
-	-	-	-	-	-	-	635,584
36,101	419,817	-	16,276	64,730	21,871,000	4,315,952	28,985,775
51,208	1,125,851	(345,661)	641,683	183,970	(11,973,000)	22,671,132	12,051,340
26,648	8,944,841	671,544	1,621,541	6,355,745	14,516,000	76,292,756	125,513,374
\$ 77,856	\$ 10,070,692	\$ 325,883	\$ 2,263,224	\$ 6,539,715	\$ 2,543,000	\$ 98,963,888	\$ 137,564,714
\$ 77,856	\$ 3,049,537	\$ 325,183	\$ 1,797,980	\$ 6,539,715	\$ 140,000	\$ 6,379	\$ 25,996,655
-	7,021,155	700	199,034	-	-	98,957,509	106,178,398
-	-	-	-	-	2,403,000	-	5,123,451
-	-	-	266,210	-	-	-	266,210
\$ 77,856	\$ 10,070,692	\$ 325,883	\$ 2,263,224	\$ 6,539,715	\$ 2,543,000	\$ 98,963,888	\$ 137,564,714

STATE OF NORTH DAKOTA

Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Fiscal Year Ended June 30, 2006

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Develop- mentally Disabled Facility Loan	Fire and Tornado	Guaranteed Student Loan
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:						
Operating Income (Loss)	\$ (559,434)	\$ (398,929)	\$ 1,096,869	\$ (1,043)	\$ (54,005)	\$ (2,790,610)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation	-	-	-	-	-	519,179
Amortization\Accretion	-	-	-	-	-	-
Reclassification of Interest Revenue\Expense	-	-	(521,982)	(14,851)	-	-
Interest Received on Program Loans	-	-	-	-	-	-
Disbursements for Loans and Loan Purchases	-	-	-	-	-	-
Receipt of Loan Principal Repayments	-	-	-	-	-	-
Provision for Losses	-	-	(669,000)	-	-	1,285,000
Premiums Collected	-	-	-	-	-	-
Premiums Paid	-	-	-	-	-	-
Other	-	-	-	-	-	646,659
Change in Assets and Liabilities:						
(Increase) Decrease in Accounts Receivable	-	4,715	-	-	1,486	(38,465)
Increase in Interest Receivable	(26,375)	-	-	-	-	-
(Increase) Decrease in Due From	(119,765)	380	-	(4,941)	79,531	(3,917)
Decrease in Due From Fiduciary Funds	-	-	-	-	-	-
Increase in Intergovernmental Receivable	-	-	-	-	-	(37,597)
Increase in Notes Receivable	(97,213)	-	-	-	-	-
(Increase) Decrease in Prepaid Items	80,904	-	-	-	5,047	-
(Increase) Decrease in inventories	-	-	-	-	-	-
Increase in Other Assets	-	-	-	-	-	-
Increase (Decrease) in Accounts Payable	-	(262)	-	-	(288)	(125,786)
Increase in Claims\Judgments Payable	-	355,885	-	-	402,458	-
Increase (Decrease) in Intergovernmental Payable	-	-	-	-	-	339,188
Increase (Decrease) in Accrued Payroll	-	(258)	-	-	2,007	-
Increase (Decrease) in Compensated Absences Payable	-	217	-	-	(5,211)	-
Increase in Amounts Held for Others	-	-	-	-	-	-
Increase (Decrease) in Due To	44,582	(3,058)	(336)	5,499	(1,407)	(533,832)
Increase in Deferred Revenue	-	-	-	-	-	322,828
Increase (Decrease) in Other Liabilities	-	-	-	-	1,331	(2,030)
Total Adjustments	(117,867)	357,619	(1,191,318)	(14,293)	484,954	2,371,227
Net Cash Provided by (Used for) Operating Activities	\$ (677,301)	\$ (41,310)	\$ (94,449)	\$ (15,336)	\$ 430,949	\$ (419,383)
Noncash Transactions:						
Net Increase (Decrease) in Fair Value of investments	\$ -	\$ (44,214)	\$ -	\$ -	\$ (423,669)	\$ -
Change in Securities Lending Collateral	-	(12,377)	-	-	134,671	-
Amortization of Bond Discount	-	-	-	-	-	-
Amortization of Bond Issuance Costs	-	-	-	-	-	-
Reversal of Allowance for Loan Loss	-	-	-	149,000	-	-
Interest Revenue on Prize Reserves	-	-	-	-	-	-
Total Noncash Transactions	\$ -	\$ (56,591)	\$ -	\$ 149,000	\$ (288,998)	\$ -

Mill and Elevator	PERS Uniform Group Insurance	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 6,550,981	\$ 95,672	\$ (69,633)	\$ (680,930)	\$ 6,791,332	\$ 2,425,000	\$ 17,394,510	\$ 29,799,780
2,264,969	-	48,790	829,447	-	-	-	3,662,385
-	-	-	-	-	211,000	-	211,000
-	-	-	-	-	(7,477,000)	-	(8,013,833)
-	-	-	-	-	11,315,000	-	11,315,000
-	-	-	-	-	(49,589,000)	-	(49,589,000)
-	-	-	-	-	73,625,000	-	73,625,000
-	-	-	-	-	25,000	-	641,000
-	144,228,123	-	-	-	-	-	144,228,123
-	(144,228,123)	-	-	-	-	-	(144,228,123)
-	-	-	-	-	-	-	646,659
(2,831,980)	(347,559)	114,300	(17,840)	(623,508)	-	724,392	(3,014,459)
-	-	-	-	-	-	-	(26,375)
-	-	5,571	-	(372)	-	-	(43,513)
-	30,841	-	-	-	-	-	30,841
-	(17,427)	-	-	-	-	(35,392)	(90,416)
-	-	-	-	-	-	-	(97,213)
(19,042)	-	(13,500)	5,327	(2,446)	28,000	-	84,290
2,106,566	-	(37,056)	-	-	-	-	2,069,510
(25,346)	-	-	-	(177,014)	-	-	(202,360)
1,521,385	(8,359)	(19,318)	(20,710)	43,439	-	325,507	1,715,608
-	-	-	-	-	-	-	758,343
-	(13,475)	-	-	-	(1,969,000)	(78,603)	(1,721,890)
29,618	(6,995)	(8,240)	64,106	19,046	-	-	99,284
15,348	(4,245)	(8,149)	4,826	20,746	-	-	23,532
-	423,743	-	-	-	-	-	423,743
-	4,263	1,079	-	(4,683)	(278,000)	24,766	(741,127)
-	549,575	-	-	89,271	-	-	961,674
-	-	-	-	-	-	-	(699)
3,061,518	610,362	83,477	865,156	(635,521)	25,891,000	960,670	32,726,984
\$ 9,612,499	\$ 706,034	\$ 13,844	\$ 184,226	\$ 6,155,811	\$ 28,316,000	\$ 18,355,180	\$ 62,526,764
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(467,883)
-	-	-	-	-	-	-	122,294
-	-	-	8,754	-	-	-	8,754
-	-	-	3,335	-	-	-	3,335
-	-	-	-	-	-	-	149,000
-	-	-	-	62,676	-	-	62,676
\$ -	\$ -	\$ -	\$ 12,089	\$ 62,676	\$ -	\$ -	(121,824)

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, 2006

	Central Services	Fleet Services	Information Technology Department	Retirement and Investment Board	Risk Management	Total
ASSETS						
Current Assets:						
Cash Deposits at the Bank of ND	\$ 347,524	\$ 3,784,455	\$ 2,818,858	\$ 192,755	\$ 1,018,283	\$ 8,161,875
Cash and Cash Equivalents	519	-	-	-	-	519
Investments	-	-	-	-	8,341,215	8,341,215
Accounts Receivable - Net	23,907	21,056	580,346	2,436	-	627,745
Interest Receivable - Net	-	-	-	-	59,930	59,930
Intergovernmental Receivable - Net	17,131	-	47,850	-	-	64,981
Due from Other Funds	154,421	1,319,431	2,855,972	215	11,511	4,341,550
Due from Fiduciary Funds	-	-	-	60,378	-	60,378
Prepaid Items	5,325	-	-	-	48,666	53,991
Inventory	119,151	-	-	-	-	119,151
Restricted Cash at the Bank of ND	-	-	5,734,157	-	-	5,734,157
Total Current Assets	667,978	5,124,942	12,037,183	255,784	9,479,605	27,565,492
Noncurrent Assets:						
Unamortized Bond Issuance Costs	-	-	59,845	-	-	59,845
Capital Assets:						
Buildings and Equipment - Net	67,035	53,276,708	7,856,083	1,035,729	206,303	62,441,858
Total Noncurrent Assets	67,035	53,276,708	7,915,928	1,035,729	206,303	62,501,703
Total Assets	735,013	58,401,650	19,953,111	1,291,513	9,685,908	90,067,195
LIABILITIES						
Current Liabilities:						
Accounts Payable	38,293	883,420	432,580	148,595	10,828	1,513,716
Accrued Payroll	57,737	62,363	1,152,435	-	24,312	1,296,847
Securities Lending Collateral	-	-	-	-	1,522,793	1,522,793
Interest Payable	1,932	-	71,719	-	3,786	77,437
Intergovernmental Payable	-	-	472	-	-	472
Due to Other Funds	6,301	524,373	92,580	33,822	128,480	785,556
Due to Fiduciary Funds	-	-	-	34,664	-	34,664
Claims/Judgments Payable	-	-	-	-	1,498,429	1,498,429
Compensated Absences Payable	3,352	37,385	50,439	1,175	-	92,351
Capital Leases Payable	23,457	-	-	4,451	1,651	29,559
Bonds Payable	-	-	568,400	-	-	568,400
Deferred Revenue	-	-	-	-	780	780
Total Current Liabilities	131,072	1,507,541	2,368,625	222,707	3,191,059	7,421,004
Noncurrent Liabilities:						
Claims/Judgments Payable	-	-	-	-	3,042,444	3,042,444
Compensated Absences Payable	63,687	-	1,095,909	97,830	21,525	1,278,951
Notes Payable	-	-	6,000,000	-	-	6,000,000
Capital Leases Payable	15,227	-	-	1,211	-	16,438
Bonds Payable	-	-	4,828,468	-	-	4,828,468
Total Noncurrent Liabilities	78,914	-	11,924,377	99,041	3,063,969	15,166,301
Total Liabilities	209,986	1,507,541	14,293,002	321,748	6,255,028	22,587,305
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	28,351	53,276,708	7,856,083	1,030,067	204,652	62,395,861
Unrestricted	496,676	3,617,401	(2,195,974)	(60,302)	3,226,228	5,084,029
Total Net Assets	\$ 525,027	\$ 56,894,109	\$ 5,660,109	\$ 969,765	\$ 3,430,880	\$ 67,479,890

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, 2006

	Central Services	Fleet Services	Information Technology Department	Retirement and Investment Board	Risk Management	Total
OPERATING REVENUES						
Sales and Services	\$ 2,116,321	\$ 23,424,959	\$ 34,453,428	\$ 1,880,345	\$ 4,128,116	\$ 66,003,169
Miscellaneous	-	53,377	-	19,417	-	72,794
Total Operating Revenues	2,116,321	23,478,336	34,453,428	1,899,762	4,128,116	66,075,963
OPERATING EXPENSES						
Cost of Sales and Services	854,348	-	-	-	-	854,348
Salaries and Benefits	803,796	1,331,156	13,406,332	957,489	290,181	16,788,954
Operating	450,407	11,808,030	21,150,877	747,651	592,497	34,749,462
Claims	-	-	-	-	3,504,365	3,504,365
Depreciation	27,155	6,344,338	2,311,279	185,935	40,223	8,908,930
Total Operating Expenses	2,135,706	19,483,524	36,868,488	1,891,075	4,427,266	64,806,059
Operating Income (Loss)	(19,385)	3,994,812	(2,415,060)	8,687	(299,150)	1,269,904
NONOPERATING REVENUES (EXPENSES)						
Interest and Investment Income	-	-	102,480	1,961	282,132	386,573
Interest Expense	(28,636)	-	(307,789)	(1,063)	(66,439)	(403,927)
(Loss) on Sale of Capital Assets	(3,312)	(372,789)	(22,745)	-	(2,492)	(401,338)
Other	618	-	16,108	-	-	16,726
Total Nonoperating Revenues (Expenses)	(31,330)	(372,789)	(211,946)	898	213,201	(401,966)
Income (Loss) Before Contributions and Transfers	(50,715)	3,622,023	(2,627,006)	9,585	(85,949)	867,938
Capital Grants and Contributions	-	223,400	-	-	-	223,400
Changes in Net Assets	(50,715)	3,845,423	(2,627,006)	9,585	(85,949)	1,091,338
Total Net Assets - Beginning of Year	575,742	53,048,686	8,287,115	960,180	3,516,829	66,388,552
Total Net Assets - End of Year	\$ 525,027	\$ 56,894,109	\$ 5,660,109	\$ 969,765	\$ 3,430,880	\$ 67,479,890

STATE OF NORTH DAKOTA

Combining Statement of Cash Flows Internal Service Funds For the Fiscal Year Ended June 30, 2006

	Central Services	Fleet Services	Information Technology	Retirement and Investment Office	Risk Management	Total
Cash Flows from Operating Activities:						
Receipts from Customers and Users	\$ 2,137,846	\$ 23,481,637	\$ 34,499,632	\$ 1,924,342	\$ 4,052,489	\$ 66,095,946
Receipts from Other Funds	-	389,486	-	-	-	389,486
Payments to Other Funds	-	190,990	-	-	-	190,990
Payments to Suppliers	(1,363,154)	(11,538,239)	(20,853,506)	(1,777,397)	(650,998)	(36,183,294)
Payments to Employees	(819,255)	(1,396,315)	(13,188,986)	-	(291,135)	(15,695,691)
Claim Payments	-	-	-	-	(1,326,613)	(1,326,613)
Payments to Others	-	-	-	-	(1,696,180)	(1,696,180)
Net Cash Provided by (Used for) Operating Activities	(44,563)	11,127,559	457,140	146,945	87,563	11,774,644
Cash Flows from Noncapital Financing Activities:						
Interest Payments - Notes and Other Borrowings	(24,659)	-	-	-	-	(24,659)
Other	617	-	-	-	-	617
Net Cash Used for Noncapital Financing Activities	(24,042)	-	-	-	-	(24,042)
Cash Flows from Capital and Related Financing Activities:						
Acquisition and Construction of Capital Assets	(7,465)	(12,515,389)	(2,023,955)	(208,500)	-	(14,755,309)
Proceeds from Sale of Capital Assets	-	2,165,680	-	-	-	2,165,680
Proceeds from Bonds	-	-	6,000,000	-	-	6,000,000
Principal Payments - Notes and Other Borrowings	-	-	(548,100)	-	-	(548,100)
Interest Payments - Notes and Other Borrowings	-	-	(236,070)	-	-	(236,070)
Payment on Capital Leases	(21,319)	-	-	(3,888)	(1,515)	(26,722)
Interest Payments - Capital Leases	(4,947)	-	-	(1,063)	(261)	(6,271)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(33,731)	(10,349,709)	3,191,875	(213,451)	(1,776)	(7,406,792)
Cash Flows from Investing Activities:						
Purchase of Investment Securities	-	-	-	-	(2,068,172)	(2,068,172)
Interest and Dividends on Investments	-	-	102,481	2,022	408,830	513,333
Net Cash Provided by (Used for) Investing Activities	-	-	102,481	2,022	(1,659,342)	(1,554,839)
Net Change in Cash:						
Net Increase (Decrease) in Cash and Cash Equivalents	(102,336)	777,850	3,751,496	(64,484)	(1,573,555)	2,788,971
Cash and Cash Equivalents at June 30, 2005	450,379	3,006,605	4,801,519	257,239	2,591,838	11,107,580
Cash and Cash Equivalents at June 30, 2006	\$ 348,043	\$ 3,784,455	\$ 8,553,015	\$ 192,755	\$ 1,018,283	\$ 13,896,551
Reconciliation:						
Cash Deposits at the Bank of North Dakota	\$ 347,524	\$ 3,784,455	\$ 2,818,858	\$ 192,755	\$ 1,018,283	\$ 8,161,875
Cash and Cash Equivalents	519	-	-	-	-	519
Restricted Cash Deposits at the Bank of North Dakota	-	-	5,734,157	-	-	5,734,157
Cash and Cash Equivalents	\$ 348,043	\$ 3,784,455	\$ 8,553,015	\$ 192,755	\$ 1,018,283	\$ 13,896,551
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:						
Operating Income (Loss)	\$ (19,385)	\$ 3,994,812	\$ (2,415,060)	\$ 8,687	\$ (299,150)	\$ 1,269,904
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation	27,155	6,344,338	2,304,629	185,935	40,223	8,902,280
Amortization/Accretion	-	-	6,650	-	-	6,650
Other	800	-	-	-	633	1,433
Change in Assets and Liabilities:						
(Increase) Decrease in Accounts Receivable	(17,096)	3,301	136,099	(350)	1,455	123,409
(Increase) Decrease in Due From	14,467	389,486	(115,631)	(24,225)	23,266	287,363
Decrease in Intergovernmental Receivable	24,154	-	35,585	-	-	59,739
(Increase) Decrease in Prepaid Items	8,072	-	-	-	(48,666)	(40,594)
Decrease in Inventories	27,015	-	-	-	-	27,015
Increase (Decrease) in Accounts Payable	(94,322)	269,791	194,471	(36,228)	(104,300)	229,412
Increase in Claims/Judgments Payable	-	-	-	-	482,430	482,430
Increase In Intergovernmental Payable	-	-	472	-	-	472
Increase (Decrease) in Accrued Payroll	(10,056)	(35,685)	109,752	-	65	64,076
Increase (Decrease) in Compensated Absences Payable	(5,403)	(29,474)	107,593	17,046	(1,019)	88,743
Increase (Decrease) in Due To	36	190,990	92,580	(3,920)	7,183	286,869
Decrease In Deferred Revenue	-	-	-	-	(14,557)	(14,557)
Total Adjustments	(25,178)	7,132,747	2,872,200	138,258	386,713	10,504,740
Net Cash Provided by (Used For) Operating Activities	\$ (44,563)	\$ 11,127,559	\$ 457,140	\$ 146,945	\$ 87,563	\$ 11,774,644
Noncash Transactions:						
Net Decrease in Fair Value of investments	\$ -	\$ -	\$ -	\$ -	\$ (192,503)	\$ (192,503)
Change in Securities Lending Collateral	-	-	-	-	324,942	324,942
Total Noncash Transactions	\$ -	\$ -	\$ -	\$ -	\$ 132,439	\$ 132,439

STATE OF NORTH DAKOTA

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)

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)

437 - City Motor Vehicle Rental Tax

Accounts for city motor vehicle rental tax collected by the state tax commissioner. (NDCC 40-57.3)

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, 2006

	Pension and Other Employee Benefit Trust Funds					
	Deferred Compensation	Defined Contribution Retirement	Highway Patrolmen's Retirement	Job Service Retirement	PERS Flexcomp	Prefunded Retiree Health Program
ASSETS						
Cash Deposits at the Bank of ND	\$ 53,756	\$ 7,031	\$ -	\$ 4,116	\$ 1,039,572	\$ 86,525
Cash and Cash Equivalents	-	-	-	-	-	-
Receivables:						
Contributions Receivable	-	84,262	-	12,133	449,981	399,426
Accounts Receivable - Net	-	-	-	-	-	-
Interest Receivable - Net	-	-	134,064	241,253	-	338,916
Due from Other Funds	-	-	-	-	-	-
Due from Fiduciary Funds	10,027	-	-	17,474	7,160	-
Total Receivables	10,027	84,262	134,064	270,860	457,141	738,342
Investments, at Fair Value:						
Investments at the Bank of ND	-	-	-	-	-	-
Equities	-	-	-	-	-	24,654,171
Equity Pool	-	-	28,574,399	33,697,071	-	-
Fixed Income	-	2,541,004	-	-	-	12,588,394
Fixed Income Pool	-	-	17,168,219	50,348,223	-	-
Cash and Cash Pool	-	-	540,335	130,613	-	-
Real Estate Pool	-	-	3,102,791	-	-	-
Private Equity	-	-	2,138,470	-	-	-
Annuities	125,907	-	-	-	-	-
Mutual Funds	18,496,704	12,079,894	-	-	-	-
Total Investments	18,622,611	14,620,898	51,524,214	84,175,907	-	37,242,565
Invested Securities Lending Collateral	-	-	4,591,674	12,162,923	-	-
Capital Assets (Net of Depreciation)	-	-	-	-	-	-
Total Assets	18,686,394	14,712,191	56,249,952	96,613,806	1,496,713	38,067,432
LIABILITIES						
Accounts Payable	5,479	68	-	50,081	2,450	15,870
Accrued Payroll	19,184	-	-	-	13,487	-
Securities Lending Collateral	-	-	4,591,674	12,162,923	-	-
Due to Other Funds	503	2,197	-	4,039	356	34,462
Due to Fiduciary Funds	2,175	3,889	29,851	3,749	1,088	61,286
Deferred Revenue	17,193	-	-	-	-	-
Compensated Absences Payable	27,274	-	-	-	17,737	-
Total Liabilities	71,808	6,154	4,621,525	12,220,792	35,118	111,618
NET ASSETS						
Net Assets Held in Trust for:						
Pension Benefits	18,614,586	14,706,037	51,628,427	84,393,014	-	37,955,814
Other Employee Benefits	-	-	-	-	1,461,595	-
External Investment Pool Participants	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-
Total Net Assets	\$ 18,614,586	\$ 14,706,037	\$ 51,628,427	\$ 84,393,014	\$ 1,461,595	\$ 37,955,814

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
\$ 938,935	\$ 9,634,510	\$ 11,764,445	\$ 35,524	\$ 71,615	\$ 238,930	\$ 346,069
-	-	-	-	-	-	-
3,323,400	7,716,550	11,985,752	-	-	-	-
2,358	-	2,358	-	-	-	-
4,112,869	8,616,986	13,444,088	155,590	2,123	13,266	170,979
21,540	19,504	41,044	-	-	-	-
84,851	-	119,512	-	-	-	-
7,545,018	16,353,040	25,592,754	155,590	2,123	13,266	170,979
-	-	-	-	-	-	-
-	-	24,654,171	-	-	-	-
876,615,411	1,031,762,012	1,970,648,893	29,614,327	668,778	4,861,748	35,144,853
-	-	15,129,398	-	-	-	-
526,692,632	396,725,853	990,934,927	28,152,933	576,567	4,639,951	33,369,451
16,576,583	15,969,730	33,217,261	247,204	-	-	247,204
95,188,500	182,884,803	281,176,094	6,220,879	-	-	6,220,879
65,604,727	69,410,721	137,153,918	769,613	-	-	769,613
-	-	125,907	-	-	-	-
-	-	30,576,598	-	-	-	-
1,580,677,853	1,696,753,119	3,483,617,167	65,004,956	1,245,345	9,501,699	75,752,000
140,864,975	127,302,330	284,921,902	6,546,434	233,436	1,684,510	8,464,380
1,902	-	1,902	-	-	-	-
1,730,028,683	1,850,042,999	3,805,898,170	71,742,504	1,552,519	11,438,405	84,733,428
1,789,504	2,358,481	4,221,933	66,552	1,266	5,861	73,679
45,256	-	77,927	-	-	-	-
140,864,975	127,302,330	284,921,902	6,546,434	233,436	1,684,510	8,464,380
16,742	57,240	115,539	-	-	-	-
17,474	-	119,512	-	-	-	-
-	-	17,193	-	-	-	-
54,644	-	99,655	-	-	-	-
142,788,595	129,718,051	289,573,661	6,612,986	234,702	1,690,371	8,538,059
1,587,240,088	1,720,324,948	3,514,862,914	-	-	-	-
-	-	1,461,595	-	-	-	-
-	-	-	65,129,518	1,317,817	9,748,034	76,195,369
-	-	-	-	-	-	-
\$ 1,587,240,088	\$ 1,720,324,948	\$ 3,516,324,509	\$ 65,129,518	\$ 1,317,817	\$ 9,748,034	\$ 76,195,369

STATE OF NORTH DAKOTA

Combining Statement of Fiduciary Net Assets Pension, Investment and Private-Purpose Trust Funds June 30, 2006

	Private-Purpose Trust Funds			
	Student Donations	Mandan Remediation Trust	College SAVE	Total
ASSETS				
Cash Deposits at the Bank of ND	\$ 112,763	\$ 21,705,142	\$ -	\$ 21,817,905
Cash and Cash Equivalents	7,501	268,517	122,592	398,610
Receivables:				
Contributions Receivable	-	-	-	-
Accounts Receivable - Net	-	-	1,002,149	1,002,149
Interest Receivable - Net	-	360,220	-	360,220
Due from Other Funds	51	-	-	51
Due from Fiduciary Funds	-	-	-	-
Total Receivables	51	360,220	1,002,149	1,362,420
Investments, at Fair Value:				
Investments at the Bank of ND	19,262	-	-	19,262
Equities	-	-	-	-
Equity Pool	-	-	-	-
Fixed Income	-	-	-	-
Fixed Income Pool	34,804	2,300,000	-	2,334,804
Cash and Cash Pool	-	-	-	-
Real Estate Pool	-	-	-	-
Private Equity	-	-	-	-
Annuities	-	-	-	-
Mutual Funds	-	-	289,320,197	289,320,197
Total Investments	54,066	2,300,000	289,320,197	291,674,263
Invested Securities Lending Collateral	-	-	-	-
Capital Assets (Net of Depreciation)	-	-	-	-
Total Assets	174,381	24,633,879	290,444,938	315,253,198
LIABILITIES				
Accounts Payable	-	491,715	1,329,852	1,821,567
Accrued Payroll	-	-	-	-
Securities Lending Collateral	-	-	-	-
Due to Other Funds	-	-	-	-
Due to Fiduciary Funds	-	-	-	-
Deferred Revenue	-	-	-	-
Compensated Absences Payable	-	-	-	-
Total Liabilities	-	491,715	1,329,852	1,821,567
NET ASSETS				
Net Assets Held in Trust for:				
Pension Benefits	-	-	-	-
Other Employee Benefits	-	-	-	-
External Investment Pool Participants	-	-	-	-
Other Purposes	174,381	24,142,164	289,115,086	313,431,631
Total Net Assets	\$ 174,381	\$ 24,142,164	\$ 289,115,086	\$ 313,431,631

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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, 2006

	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
ADDITIONS						
Contributions:						
Employer	\$ -	\$ 518,221	\$ 931,206	\$ -	\$ -	\$ 5,373,091
Employee	2,325,190	503,075	574,341	150,633	5,127,952	7,210
From Participants	-	-	-	-	-	-
Transfers from Other Funds	245,000	41,771	-	-	-	-
Transfers from Other Plans	453,807	16,650	-	-	-	-
Donations	-	-	-	-	-	-
Total Contributions	3,023,997	1,079,717	1,505,547	150,633	5,127,952	5,380,301
Investment Income:						
Net Increase in Fair Value of Investments	898,077	823,818	4,847,290	4,905,261	-	1,796,221
Interest and Dividends	728,073	538,394	1,174,599	1,917,471	25,885	1,102,168
Less Investment Expense	45,570	10,792	407,286	1,073,229	-	69,457
Net Investment Income	1,580,580	1,351,420	5,614,603	5,749,503	25,885	2,828,932
Securities Lending Activity:						
Securities Lending Income	-	-	170,565	442,673	-	-
Less Securities Lending Expense	-	-	162,158	424,954	-	-
Net Securities Lending Income	-	-	8,407	17,719	-	-
Repurchase Service Credit	-	-	-	25,927	-	211,601
Miscellaneous Income	-	8,442	219	-	512,615	-
Total Additions	4,604,577	2,439,579	7,128,776	5,943,782	5,666,452	8,420,834
DEDUCTIONS						
Benefits Paid to Participants	943,172	855,838	2,662,076	3,071,590	5,042,509	5,278
Refunds	-	-	-	-	-	4,291
Prefunded Credit Applied	-	-	-	-	-	4,337,900
Transfer to Other Plans	-	-	-	-	245,500	-
Payments in Accordance with Trust Agreements	-	-	-	-	-	-
Administrative Expenses	227,663	7,973	17,470	30,558	171,528	88,569
Total Deductions	1,170,835	863,811	2,679,546	3,102,148	5,459,537	4,436,038
Purchase of Units at Net Asset Value of \$1.00 Per Unit	-	-	-	-	-	-
Change in Net Assets Held in Trust for:						
Pension Benefits	3,433,742	1,575,768	4,449,230	2,841,634	-	3,984,796
Other Employee Benefits	-	-	-	-	206,915	-
External Investment Pool Participants	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-
Net Assets - Beginning of Year	15,180,844	13,130,269	47,179,197	81,551,380	1,254,680	33,971,018
Net Assets - End of Year	\$ 18,614,586	\$ 14,706,037	\$ 51,628,427	\$ 84,393,014	\$ 1,461,595	\$ 37,955,814

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
\$ 21,969,517	\$ 31,170,851	\$ 59,962,886	\$ -	\$ -	\$ -	\$ -
20,805,715	31,171,156	60,665,272	-	-	-	-
-	-	-	-	-	-	-
-	-	286,771	-	-	-	-
-	-	470,457	-	-	-	-
-	-	-	-	-	-	-
42,775,232	62,342,007	121,385,386	-	-	-	-
147,256,275	189,138,608	349,665,550	4,648,437	22,673	216,395	4,887,505
35,778,459	41,950,305	83,215,354	1,568,418	29,951	235,113	1,833,482
12,410,974	10,853,774	24,871,082	615,869	4,202	21,991	642,062
170,623,760	220,235,139	408,009,822	5,600,986	48,422	429,517	6,078,925
5,194,469	4,864,938	10,672,645	249,560	6,747	53,803	310,110
4,938,531	4,547,393	10,073,036	238,764	6,431	51,662	296,857
255,938	317,545	599,609	10,796	316	2,141	13,253
3,702,908	3,225,589	7,166,025	-	-	-	-
11,218	10,232	542,726	-	-	-	-
217,369,056	286,130,512	537,703,568	5,611,782	48,738	431,658	6,092,178
57,820,126	91,818,092	162,218,681	-	-	-	-
4,236,429	2,697,308	6,938,028	-	-	-	-
-	-	4,337,900	-	-	-	-
41,271	-	286,771	-	-	-	-
-	-	-	-	-	-	-
1,037,535	1,484,591	3,065,887	-	-	-	-
63,135,361	95,999,991	176,847,267	-	-	-	-
-	-	-	-	480,661	2,000,000	2,480,661
154,233,695	190,130,521	360,649,386	-	-	-	-
-	-	206,915	-	-	-	-
-	-	-	5,611,782	529,399	2,431,658	8,572,839
-	-	-	-	-	-	-
1,433,006,393	1,530,194,427	3,155,468,208	59,517,736	788,418	7,316,376	67,622,530
\$ 1,587,240,088	\$ 1,720,324,948	\$ 3,516,324,509	\$ 65,129,518	\$ 1,317,817	\$ 9,748,034	\$ 76,195,369

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, 2006

	Private-Purpose Trust Funds			
	Student Donations	Mandan Remediation Trust	College SAVE	Total
ADDITIONS				
Contributions:				
Employer	\$ -	\$ -	\$ -	\$ -
Employee	-	-	-	-
From Participants	-	-	108,114,883	108,114,883
Transfers from Other Funds	-	-	-	-
Transfers from Other Plans	-	-	-	-
Donations	6,191	-	-	6,191
Total Contributions	6,191	-	108,114,883	108,121,074
Investment Income:				
Net Increase in Fair Value of Investments	-	-	16,762,400	16,762,400
Interest and Dividends	2,744	723,361	6,339,637	7,065,742
Less Investment Expense	-	-	-	-
Net Investment Income	2,744	723,361	23,102,037	23,828,142
Securities Lending Activity:				
Securities Lending Income	-	-	-	-
Less Securities Lending Expense	-	-	-	-
Net Securities Lending Income	-	-	-	-
Repurchase Service Credit	-	-	-	-
Miscellaneous Income	-	-	-	-
Total Additions	8,935	723,361	131,216,920	131,949,216
DEDUCTIONS				
Benefits Paid to Participants	-	-	-	-
Refunds	-	-	-	-
Prefunded Credit Applied	-	-	-	-
Transfer to Other Plans	-	-	-	-
Payments in Accordance with Trust Agreements	1,327	3,017,044	86,454,076	89,472,447
Administrative Expenses	-	39,150	-	39,150
Total Deductions	1,327	3,056,194	86,454,076	89,511,597
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	7,608	(2,332,833)	44,762,844	42,437,619
Net Assets - Beginning of Year	166,773	26,474,997	244,352,242	270,994,012
Net Assets - End of Year	\$ 174,381	\$ 24,142,164	\$ 289,115,086	\$ 313,431,631

STATE OF NORTH DAKOTA

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2006

	Bonding	Payroll	Child Support	Student and Other	Tax Collection	Total
ASSETS						
Cash Deposits at the Bank of ND	\$ 1,178,076	\$ 100,927	\$ 2,774,695	\$ 728,870	\$ 6,020,686	\$ 10,803,254
Cash and Cash Equivalents	1,994,897	-	314,813	367,425	1,031,988	3,709,123
Investments at the Bank of ND	10,926,900	-	-	50,000	-	10,976,900
Investments	2,346,894	-	-	56,019	-	2,402,913
Accounts Receivable - Net	5,000	6,087,958	353,644	-	-	6,446,602
Taxes Receivable - Net	-	-	-	-	14,123,295	14,123,295
Interest Receivable - Net	-	-	-	760	-	760
Other Assets	-	-	-	15,515	-	15,515
Total Assets	<u>\$ 16,451,767</u>	<u>\$ 6,188,885</u>	<u>\$ 3,443,152</u>	<u>\$ 1,218,589</u>	<u>\$ 21,175,969</u>	<u>\$ 48,478,362</u>
LIABILITIES						
Intergovernmental Payable	\$ -	\$ 5,961,423	\$ -	\$ -	\$ 21,171,969	\$ 27,133,392
Tax Refunds Payable	-	-	-	-	4,000	4,000
Amounts Held in Custody for Others	16,451,767	227,462	3,443,152	1,218,589	-	21,340,970
Total Liabilities	<u>\$ 16,451,767</u>	<u>\$ 6,188,885</u>	<u>\$ 3,443,152</u>	<u>\$ 1,218,589</u>	<u>\$ 21,175,969</u>	<u>\$ 48,478,362</u>

STATE OF NORTH DAKOTA

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Fiscal Year Ended June 30, 2006

	June 30 2005	Additions	Deductions	June 30 2006
Bonding				
ASSETS				
Cash Deposits at the Bank of ND	\$ 1,098,762	\$ 171,287	\$ 91,973	\$ 1,178,076
Cash and Cash Equivalents	2,156,112	6,119,978	6,281,193	1,994,897
Investments at the Bank of ND	8,426,210	2,615,690	115,000	10,926,900
Investments	2,330,894	26,000	10,000	2,346,894
Accounts Receivable - Net	-	5,000	-	5,000
Total Assets	<u>\$ 14,011,978</u>	<u>\$ 8,937,955</u>	<u>\$ 6,498,166</u>	<u>\$ 16,451,767</u>
LIABILITIES				
Amounts Held in Custody for Others	\$ 14,011,978	\$ 8,937,955	\$ 6,498,166	\$ 16,451,767
Total Liabilities	<u>\$ 14,011,978</u>	<u>\$ 8,937,955</u>	<u>\$ 6,498,166</u>	<u>\$ 16,451,767</u>
Payroll				
ASSETS				
Cash Deposits at the Bank of ND	\$ 498,174	\$ 77,024,073	\$ 77,421,320	\$ 100,927
Accounts Receivable - Net	5,733,198	6,087,958	5,733,198	6,087,958
Total Assets	<u>\$ 6,231,372</u>	<u>\$ 83,112,031</u>	<u>\$ 83,154,518</u>	<u>\$ 6,188,885</u>
LIABILITIES				
Accounts Payable				
Intergovernmental Payable	\$ -	\$ 5,961,423	\$ -	\$ 5,961,423
Amounts Held in Custody for Others	6,231,372	71,417,410	77,421,320	227,462
Total Liabilities	<u>\$ 6,231,372</u>	<u>\$ 77,378,833</u>	<u>\$ 77,421,320</u>	<u>\$ 6,188,885</u>
Child Support				
ASSETS				
Cash Deposits at the Bank of ND	\$ 2,999,472	\$ 96,324,910	\$ 96,549,687	\$ 2,774,695
Cash and Cash Equivalents	334,159	314,813	334,159	314,813
Accounts Receivable - Net	119	353,644	119	353,644
Total Assets	<u>\$ 3,333,750</u>	<u>\$ 96,993,367</u>	<u>\$ 96,883,965</u>	<u>\$ 3,443,152</u>
LIABILITIES				
Amounts Held in Custody for Others	\$ 3,333,750	\$ 96,993,248	\$ 96,883,846	\$ 3,443,152
Total Liabilities	<u>\$ 3,333,750</u>	<u>\$ 96,993,248</u>	<u>\$ 96,883,846</u>	<u>\$ 3,443,152</u>

	June 30 2005	Additions	Deductions	June 30 2006
Student and Other				
ASSETS				
Cash Deposits at the Bank of ND	\$ 611,807	\$ 1,640,126	\$ 1,523,063	\$ 728,870
Cash and Cash Equivalents	272,286	2,841,935	2,746,796	367,425
Investments at the Bank of ND	50,000	-	-	50,000
Investments	12,757	43,262	-	56,019
Interest Receivable - Net	-	760	-	760
Other Assets	21,683	654,102	660,270	15,515
Total Assets	<u>\$ 968,533</u>	<u>\$ 5,180,185</u>	<u>\$ 4,930,129</u>	<u>\$ 1,218,589</u>
LIABILITIES				
Amounts Held in Custody for Others	\$ 968,533	\$ 5,032,504	\$ 4,782,448	\$ 1,218,589
Total Liabilities	<u>\$ 968,533</u>	<u>\$ 5,032,504</u>	<u>\$ 4,782,448</u>	<u>\$ 1,218,589</u>
Tax Collection				
ASSETS				
Cash Deposits at the Bank of ND	\$ 9,732,507	\$ 112,884,246	\$ 116,596,067	\$ 6,020,686
Cash and Cash Equivalents	-	1,031,988	-	1,031,988
Taxes Receivable - Net	9,548,665	12,115,210	7,540,580	14,123,295
Total Assets	<u>\$ 19,281,172</u>	<u>\$ 126,031,444</u>	<u>\$ 124,136,647</u>	<u>\$ 21,175,969</u>
LIABILITIES				
Tax Refunds Payable	\$ -	\$ 4,000	\$ -	\$ 4,000
Intergovernmental Payable	19,281,172	119,331,679	117,440,882	21,171,969
Total Liabilities	<u>\$ 19,281,172</u>	<u>\$ 119,335,679</u>	<u>\$ 117,440,882</u>	<u>\$ 21,175,969</u>
Total -All Agency Funds				
ASSETS				
Cash Deposits at the Bank of ND	\$ 14,940,722	\$ 288,044,642	\$ 292,182,110	\$ 10,803,254
Cash and Cash Equivalents	2,762,557	10,308,714	9,362,148	3,709,123
Investments at the Bank of ND	8,476,210	2,615,690	115,000	10,976,900
Investments	2,343,651	69,262	10,000	2,402,913
Accounts Receivable - Net	5,733,317	6,446,602	5,733,317	6,446,602
Taxes Receivable - Net	9,548,665	12,115,210	7,540,580	14,123,295
Interest Receivable - Net	-	760	-	760
Other Assets	21,683	654,102	660,270	15,515
Total Assets	<u>\$ 43,826,805</u>	<u>\$ 320,254,982</u>	<u>\$ 315,603,425</u>	<u>\$ 48,478,362</u>
LIABILITIES				
Intergovernmental Payable	\$ 19,281,172	\$ 125,293,102	\$ 117,440,882	\$ 27,133,392
Tax Refunds Payable	-	4,000	-	4,000
Amounts Held in Custody for Others	24,545,633	182,381,117	185,585,780	21,340,970
Total Liabilities	<u>\$ 43,826,805</u>	<u>\$ 307,678,219</u>	<u>\$ 303,026,662</u>	<u>\$ 48,478,362</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.

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.

984 - NDSU Research Foundation

A non-profit organization created to provide support to NDSU in its mission by enabling NDSU faculty to enhance their involvement in research, technology transfer, and business endeavors.

STATE OF NORTH DAKOTA

Combining Statement of Net Assets Nonmajor Component Units - Proprietary Funds June 30, 2006

	Lake Region Community College Foundation	MaSU Alumni Foundation	MISU-B Development Foundation	NDSCS Development Foundation	NDSU Research Foundation	VCSU Foundation	WSC Foundation	Total
ASSETS								
Current Assets								
Cash and Cash Equivalents	\$ -	\$ 112,691	\$ 70,147	\$ 2,017,122	\$ 321,637	\$ 421,820	\$ 1,520,949	\$ 4,464,366
Accounts Receivable - Net	29,206	14,742	-	-	-	108,644	54,487	207,079
Other Assets	-	110,821	-	-	-	4,228	359,522	474,571
Total Current Assets	29,206	238,254	70,147	2,017,122	321,637	534,692	1,934,958	5,146,016
Noncurrent Assets:								
Restricted Cash and Cash Equivalents	-	-	-	-	1,056,322	-	-	1,056,322
Restricted Investments	2,545,765	1,890,719	1,745,778	6,292,469	3,604,408	3,481,851	6,047,623	25,608,613
Other Noncurrent Assets	-	-	-	-	-	168,513	-	168,513
Capital Assets:								
Land and Construction in Progress	-	-	-	218,560	-	-	7,890	226,450
Buildings and Equipment - Net	-	-	-	130,093	-	3,350	223,924	357,367
Total Noncurrent Assets	2,545,765	1,890,719	1,745,778	6,641,122	4,660,730	3,653,714	6,279,437	27,417,265
Total Assets	2,574,971	2,128,973	1,815,925	8,658,244	4,982,367	4,188,406	8,214,395	32,563,281
LIABILITIES								
Current Liabilities:								
Accounts Payable	-	-	12,522	7,126	-	12,429	-	32,077
Due to Primary Government	-	107,019	-	-	-	35,283	-	142,302
Other Deposits	-	-	-	750	-	-	-	750
Notes Payable	-	-	-	40,340	-	-	-	40,340
Total Current Liabilities	-	107,019	12,522	48,216	-	47,712	-	215,469
Noncurrent Liabilities:								
Notes Payable	-	-	-	95,093	-	-	-	95,093
Other Noncurrent Liabilities	-	-	-	-	-	50,178	20,968	71,146
Total Noncurrent Liabilities	-	-	-	95,093	-	50,178	20,968	166,239
Total Liabilities	-	107,019	12,522	143,309	-	97,890	20,968	381,708
NET ASSETS								
Invested in Capital Assets, Net of Related Debt	-	-	-	213,220	-	3,350	231,814	448,384
Restricted for:								
Other	2,242,517	2,517,200	1,572,960	7,665,945	4,660,580	4,222,740	3,138,793	26,020,735
Unrestricted	332,454	(495,246)	230,443	635,770	321,787	(135,574)	4,822,820	5,712,454
Total Net Assets	\$ 2,574,971	\$ 2,021,954	\$ 1,803,403	\$ 8,514,935	\$ 4,982,367	\$ 4,090,516	\$ 8,193,427	\$ 32,181,573

STATE OF NORTH DAKOTA

Combining Statement of Activities Nonmajor Component Units - Proprietary Funds For the Fiscal Year Ended June 30, 2006

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					
Lake Region Community College	\$ 317,807	\$ 76,215	\$ 328,749	\$ 87,157	\$ 72,808	\$ 159,965	\$ 2,415,006	\$ 2,574,971
MaSU Alumni Foundation	889,720	88,334	578,046	(223,340)	496,736	273,396	1,748,558	2,021,954
MISU-B Development Foundation	151,824	32,768	118,143	(913)	300,631	299,718	1,503,685	1,803,403
NDSCS Development Foundation	950,714	179,039	1,088,766	317,091	-	317,091	8,197,844	8,514,935
NDSU Research Foundation	1,843,700	1,214,747	289,003	(339,950)	-	(339,950)	5,322,317	4,982,367
VCSU Foundation	710,665	80,554	1,188,721	558,610	236,786	795,396	3,295,120	4,090,516
WSC Foundation	824,398	321,391	1,758,188	1,255,181	807,500	2,062,681	6,130,746	8,193,427
Total Nonmajor Component Units	<u>\$ 5,688,828</u>	<u>\$ 1,993,048</u>	<u>\$ 5,349,616</u>	<u>\$ 1,653,836</u>	<u>\$ 1,914,461</u>	<u>\$ 3,568,297</u>	<u>\$ 28,613,276</u>	<u>\$ 32,181,573</u>



Statistical Information

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Schedule 1 -- Net Assets by Component

Last Five Fiscal Years

(accrual basis of accounting)

	2002	2003	2004	2005	2006
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	\$ 1,066,084,756	\$ 1,049,297,664	\$ 1,027,252,008	\$ 1,094,550,779	\$ 1,077,843,107
Restricted	833,944,103	856,159,519	927,324,320	1,046,115,113	1,281,416,598
Unrestricted	318,778,093	291,089,526	353,193,506	437,010,686	538,891,416
Total Governmental Activities Net Assets	\$ 2,218,806,952	\$ 2,196,546,709	\$ 2,307,769,834	\$ 2,577,676,578	\$ 2,898,151,121
Business-Type Activities					
Invested in Capital Assets, Net of Related Debt	\$ 459,592,422	\$ 462,653,314	\$ 499,222,000	\$ 505,915,735	\$ 516,243,464
Restricted	310,456,870	336,630,733	366,936,437	393,237,729	391,312,218
Unrestricted	688,828,021	670,890,468	711,777,176	737,348,941	820,268,283
Total Business-Type Activities Net Assets	\$ 1,458,877,313	\$ 1,470,174,515	\$ 1,577,935,613	\$ 1,636,502,405	\$ 1,727,823,965
Primary Government					
Invested in Capital Assets, Net of Related Debt	\$ 1,525,677,178	\$ 1,511,950,978	\$ 1,526,474,008	\$ 1,600,466,514	\$ 1,594,086,571
Restricted	1,144,400,973	1,192,790,252	1,294,260,757	1,439,352,842	1,672,728,816
Unrestricted	1,007,606,114	961,979,994	1,064,970,682	1,174,359,627	1,359,159,699
Total Primary Government Net Assets	\$ 3,677,684,265	\$ 3,666,721,224	\$ 3,885,705,447	\$ 4,214,178,983	\$ 4,625,975,086

NOTE: The State implemented Governmental Accounting Standards Board Statement No. 34 in fiscal year 2002; the relevant government-wide schedules are effective beginning in fiscal year 2002.

Schedule 2 -- Changes in Net Assets

Last Five Fiscal Years

(accrual basis of accounting)

	2002	2003	2004	2005	2006
Expenses					
Governmental Activities:					
General Governmental	\$ 212,412,396	\$ 226,150,473	\$ 233,633,735	\$ 243,437,116	\$ 264,911,163
Education	421,031,864	453,869,441	469,333,531	486,221,447	496,821,495
Health and Human Services	730,285,413	776,275,467	803,600,511	826,832,059	854,450,025
Regulatory	17,757,644	18,141,782	17,756,651	17,966,367	19,676,826
Public Safety and Corrections	129,220,216	99,876,170	107,036,068	132,996,669	145,479,620
Agriculture and Commerce	51,344,782	53,050,858	57,532,612	55,795,473	54,457,817
Natural Resources	44,326,140	58,940,584	63,117,591	53,440,349	62,430,892
Transportation	320,773,349	352,535,072	360,231,121	300,321,693	372,245,432
Interest on Long Term Debt	8,335,096	7,602,467	7,372,042	8,103,849	12,880,933
Total Governmental Activities Expenses	1,935,486,900	2,046,442,314	2,119,613,862	2,125,115,022	2,283,354,203
Business-Type Activities:					
Bank of North Dakota	90,103,458	67,919,991	58,865,964	57,501,500	\$ 71,263,587
Housing Finance	59,502,532	55,744,846	49,646,082	45,922,148	46,579,809
Loan Programs	13,768,752	12,708,660	13,846,154	13,889,079	17,235,546
Mill and Elevator	79,009,119	90,834,520	92,261,275	95,222,870	101,198,217
State Lottery	-	-	5,943,739	18,917,023	15,622,027
Unemployment Compensation	50,485,399	56,753,361	49,327,620	43,393,675	43,314,505
University System	587,778,460	614,871,996	656,811,533	696,918,168	743,271,216
Workers Compensation	78,051,165	171,406,004	125,727,859	183,465,747	116,020,938
Other	15,667,981	10,959,458	9,511,724	6,436,187	14,922,322
Total Business-Type Activities Expenses	974,366,866	1,081,198,836	1,061,941,950	1,161,666,397	1,169,428,167
Total Primary Government Expenses	\$ 2,909,853,766	\$ 3,127,641,150	\$ 3,181,555,812	\$ 3,286,781,419	\$ 3,452,782,370
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Governmental	\$ 20,113,433	\$ 19,420,980	\$ 21,798,406	\$ 24,128,539	\$ 23,186,427
Education	2,890,417	2,727,406	3,443,449	4,082,785	3,675,283
Health and Human Services	19,868,736	11,491,268	19,339,252	18,744,551	29,134,050
Regulatory	14,309,927	14,567,967	19,476,543	16,700,094	17,072,857
Public Safety and Corrections	2,626,650	2,834,399	5,460,128	6,931,898	7,189,302
Agriculture and Commerce	17,223,430	20,349,207	20,260,986	16,234,145	22,935,699
Natural Resources	14,728,718	19,966,065	20,873,885	23,899,425	20,685,820
Transportation	60,347,992	60,534,100	64,565,890	61,057,805	77,967,969
Operating Grants and Contributions	838,814,709	917,576,293	1,050,657,720	1,084,731,432	1,144,749,200
Capital Grants and Contributions	103,012,904	102,682,160	73,412,734	81,850,194	56,556,872
Total Governmental Activities Program Revenues	1,093,936,916	1,172,149,845	1,299,288,993	1,338,360,868	1,403,153,479
Business-Type Activities:					
Charges for Services:					
Bank of North Dakota	123,315,000	100,995,000	88,549,000	90,838,000	107,518,000
Housing Finance	51,350,000	46,837,000	39,327,000	36,643,000	39,209,000
Loan Programs	10,724,770	14,054,083	16,980,295	17,051,963	17,406,328
Mill and Elevator	80,960,600	92,785,165	97,914,279	101,050,302	107,379,916
State Lottery	-	-	6,039,180	19,283,424	22,413,359
Unemployment Compensation	48,361,519	60,058,581	64,644,433	60,969,669	60,709,015
University System	229,915,020	237,138,708	270,650,811	296,896,978	331,584,391
Workers Compensation	94,167,427	90,747,299	99,083,053	106,195,254	94,383,040
Other	10,702,036	12,215,700	12,432,831	12,242,970	13,467,869
Operating Grants and Contributions	180,077,823	285,158,222	309,148,951	304,001,326	283,315,181
Capital Grants and Contributions	6,483,747	7,929,417	9,405,153	5,997,781	577,251
Total Business-Type Activities Program Revenues	836,057,942	947,919,175	1,014,174,986	1,051,170,667	1,077,963,350
Total Primary Government Program Revenues	\$ 1,929,994,858	\$ 2,120,069,020	\$ 2,313,463,979	\$ 2,389,531,535	\$ 2,481,116,829
Net (Expense)/Revenue					
Governmental Activities	\$ (841,549,984)	\$ (874,292,469)	\$ (820,324,869)	\$ (786,754,154)	\$ (880,200,724)
Business-Type Activities	(138,308,924)	(133,279,661)	(47,766,964)	(110,495,730)	(91,464,817)
Total Primary Government Net Expense	\$ (979,858,908)	\$ (1,007,572,130)	\$ (868,091,833)	\$ (897,249,884)	\$ (971,665,541)
General Revenues and Other Changes in Net Assets					
Governmental Activities:					
Taxes:					
Individual and Corporate Income Taxes	\$ 233,288,277	\$ 248,068,344	\$ 266,252,580	\$ 320,048,741	\$ 432,071,872
Sales and Use Taxes	567,901,369	550,220,785	599,064,637	630,178,563	678,820,618
Oil, Gas and Coal Taxes	90,976,331	107,448,761	112,454,541	162,919,498	210,169,616
Business and Other Taxes	59,284,332	62,991,361	61,395,792	57,831,733	66,601,785
Unrestricted Investment Earnings	5,213,490	2,539,604	1,103,625	4,105,864	12,408,573
Tobacco Settlement	14,729,391	14,770,608	12,640,791	12,829,714	11,712,175
Miscellaneous	6,858,007	9,646,690	10,528,733	22,337,630	23,696,003
Contributions to Permanent Fund Principal	13,665,257	13,126,756	11,262,038	13,635,693	11,156,063
Transfers	(170,233,044)	(159,389,462)	(152,421,836)	(170,925,314)	(215,088,572)
Total Governmental Activities	821,683,410	849,423,447	922,280,901	1,052,962,122	1,231,548,133
Business-Type Activities:					
Transfers	188,309,895	155,306,013	155,342,786	167,349,759	188,108,694
Total Primary Government	1,009,993,305	1,004,729,460	1,077,623,687	1,220,311,881	1,419,656,827
Change in Net Assets					
Governmental Activities	(19,866,574)	(24,869,022)	101,956,032	266,207,968	351,347,409
Business-Type Activities	50,000,971	22,026,352	107,575,822	56,854,029	96,643,877
Total Primary Government	\$ 30,134,397	\$ (2,842,670)	\$ 209,531,854	\$ 323,061,997	\$ 447,991,286

NOTE: The State implemented Governmental Accounting Standards Board Statement No. 34 in fiscal year 2002; the relevant government-wide schedules are effective beginning in fiscal year 2002.
The State Lottery became effective beginning in fiscal year 2004.

Schedule 3 -- Fund Balances, Governmental Funds

Last Five Fiscal Years

(modified accrual basis of accounting)

	2002	2003	2004	2005	2006
General Fund					
Reserved	\$ 770,922	\$ 1,202,632	\$ 1,108,857	\$ 1,532,133	\$ 2,050,599
Unreserved	114,717,188	125,713,572	195,646,056	280,287,601	412,886,296
Total General Fund	115,488,110	126,916,204	196,754,913	281,819,734	414,936,895
All Other Governmental Funds					
Reserved	675,669,784	699,229,225	772,703,412	846,154,741	999,818,758
Unreserved, Reported in:					
Special Revenue Funds	392,936,521	365,135,360	344,890,456	440,941,175	475,496,357
Total All Other Governmental Funds	1,068,606,305	1,064,364,585	1,117,593,868	1,287,095,916	1,475,315,115
Total Fund Balances, Governmental Funds:	\$ 1,184,094,415	\$ 1,191,280,789	\$ 1,314,348,781	\$ 1,568,915,650	\$ 1,890,252,010

NOTE: Due to changes in the State's fund structure initiated when Governmental Accounting Standards Board Statement No. 34 was implemented; the fund balance information is available only beginning in fiscal year 2002.

Schedule 4 -- Changes in Fund Balances, Governmental Funds

Last Five Fiscal Years

(modified accrual basis of accounting)

	2002	2003	2004	2005	2006
Revenues					
Individual and Corporate Income Taxes	\$ 234,812,455	\$ 248,810,178	\$ 265,907,357	\$ 319,862,263	\$ 409,691,305
Sales and Use Taxes	567,465,059	550,220,785	599,407,365	630,178,563	674,235,802
Oil, Gas, and Coal Taxes	90,976,331	107,448,761	112,454,541	162,919,498	210,157,778
Business and Other Taxes	59,284,332	62,959,218	61,395,792	57,286,643	57,386,606
Licenses, Permits and Fees	90,297,704	89,763,132	100,502,495	99,655,471	122,528,304
Intergovernmental	918,931,998	969,097,381	1,011,333,930	1,060,896,574	1,079,689,531
Sales and Services	39,297,051	38,360,653	44,429,465	39,036,704	45,603,895
Royalties and Rents	17,917,887	21,203,780	25,480,076	54,937,603	64,279,399
Fines and Forfeits	10,892,091	10,745,861	15,355,746	14,460,365	12,396,632
Interest and Investment Income	4,289,399	32,457,723	84,295,367	69,224,302	82,674,439
Tobacco Settlement	26,780,711	26,855,651	22,983,256	23,326,753	21,348,506
Commodity Assessments	9,443,805	10,221,202	11,897,001	10,820,676	12,673,677
Miscellaneous	3,091,525	4,190,226	5,411,013	5,728,587	6,115,395
Total Revenues	2,073,480,348	2,172,334,551	2,360,853,404	2,548,334,002	2,798,781,269
Expenditures					
Current:					
General Government	70,248,362	76,538,930	74,212,740	84,287,121	92,726,091
Education	413,416,472	446,273,895	461,791,383	478,725,082	489,130,108
Health and Human Services	728,510,901	771,907,427	795,012,587	822,941,681	843,779,436
Regulatory	14,662,032	16,180,944	14,948,304	15,364,493	16,039,593
Public Safety and Corrections	135,591,016	95,264,315	102,275,243	128,185,075	139,043,860
Agriculture and Commerce	51,263,030	52,921,944	57,476,139	55,747,507	54,658,099
Natural Resources	46,958,824	52,405,276	57,536,974	49,843,758	55,557,993
Transportation	324,821,384	233,089,215	240,043,640	234,262,747	342,590,896
Intergovernmental - Revenue Sharing	142,778,046	148,181,078	157,200,675	157,867,895	171,942,576
Capital Outlay	9,147,424	115,190,590	125,531,217	156,323,725	121,433,926
Debt Service:					
Principal	6,374,010	7,738,353	8,381,770	9,586,080	11,235,110
Interest and Other Charges	7,327,477	8,403,267	6,962,225	7,836,683	11,799,333
Total Expenditures	1,951,098,978	2,024,095,234	2,101,372,897	2,200,971,847	2,349,937,021
Revenue over (under) Expenditures	122,381,370	148,239,317	259,480,507	347,362,155	448,844,248
Other Financing Sources (Uses)					
Bonds and Notes Issued	11,368,445	16,121,023	5,871,011	69,013,223	115,130,668
Refunding Bonds Issued	-	43,374,000	187,283	21,630,000	10,516,000
Payment to Refund Bond Escrow Agent	-	(16,224,000)	-	(22,281,509)	(10,388,000)
Payment on Refunded Bonds	-	(28,100,000)	-	-	-
Capital Lease Acquisitions	160,415	1,775,805	-	5,211,960	1,946,086
Sale of Capital Assets	439,396	234,029	581,050	1,313,753	1,248,797
Other	3,813	(14,621)	(7,862)	-	-
Transfers In	132,083,095	177,213,969	207,479,994	303,157,108	195,454,840
Transfers Out	(302,916,415)	(336,603,431)	(360,337,994)	(474,082,423)	(410,543,412)
Total Other Financing Sources (Uses)	(158,861,251)	(142,223,226)	(146,226,518)	(96,037,888)	(96,635,021)
Net Changes in Fund Balances	\$ (36,479,881)	\$ 6,016,091	\$ 113,253,989	\$ 251,324,267	\$ 352,209,227
Debt Service as a Percentage of Noncapital Expenditures	<1%	<1%	<1%	<1%	<1%

NOTE: Due to changes in the State's fund structure initiated when Governmental Accounting Standards Board Statement No. 34 was implemented; the fund balance information is available only beginning in fiscal year 2002.

STATE OF NORTH DAKOTA

Schedule 5 Taxable Sales by Industry Last Ten Calendar Years

	Calendar Year			
	1996	1997	1998	1999
Mining and Oil Extraction	\$ 47,433,799	\$ 44,382,562	\$ 40,007,667	\$ 31,086,570
Construction	176,494,471	181,640,174	223,518,538	410,728,462
Manufacturing	281,154,800	297,909,870	327,239,222	341,365,107
Transportation, Communications, And Public Utilities	466,712,422	481,029,003	514,217,026	515,035,737
Wholesale	1,301,964,858	1,376,982,026	1,279,105,219	1,327,812,333
Retail	3,185,813,785	3,336,527,107	3,378,172,312	3,519,004,905
Services	597,911,032	644,890,835	661,323,260	673,331,758
Miscellaneous	36,330,189	40,183,936	52,528,621	45,492,709
Total	<u>\$6,093,815,356</u>	<u>\$ 6,403,545,513</u>	<u>\$ 6,476,111,865</u>	<u>\$ 6,863,857,581</u>
Effective Tax Rate	4.94%	4.89%	4.94%	4.86%

Source: ND State Tax Department

Schedule 6 Sales Tax Revenue Payers by Industry Calendar Years 1996 and 2005 (Dollars are in Millions)

	Calendar Year 1996			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Retail Trade	12,954	46.4%	168.90	56.1%
Wholesale Trade	4,743	17.0%	54.78	18.2%
Services	6,788	24.4%	31.30	10.4%
Transportation, Communications, And Public Utilities	510	1.8%	20.17	6.7%
Manufacturing	957	3.4%	13.85	4.6%
Construction	1,298	4.7%	8.13	2.7%
Miscellaneous	465	1.7%	2.11	0.7%
Mining and Oil Extraction	155	0.6%	1.81	0.6%
Total	27,870	100.0%	301.05	100.0%

Source: ND State Tax Department

Calendar Year					
2000	2001	2002	2003	2004	2005
\$ 43,752,876	\$ 47,349,516	\$ 50,329,809	\$ 58,538,788	\$ 97,973,056	\$ 131,849,866
223,613,918	178,134,203	180,975,424	193,399,184	240,018,916	294,678,543
312,269,137	324,493,651	301,919,383	307,802,595	341,688,027	494,987,751
557,613,208	663,599,972	597,154,517	721,601,734	790,441,560	915,437,434
1,395,500,133	1,486,187,871	1,338,621,392	1,293,684,071	1,455,025,213	1,446,044,209
3,562,239,018	3,678,040,583	3,804,865,413	3,963,823,988	4,221,825,146	3,677,485,817
686,301,315	709,196,225	709,805,170	744,082,659	787,170,817	1,558,601,437
45,098,067	60,126,069	61,072,167	64,525,223	66,126,921	47,865,825
<u>\$ 6,826,387,672</u>	<u>\$ 7,147,128,090</u>	<u>\$ 7,044,743,275</u>	<u>\$ 7,347,458,242</u>	<u>\$ 8,000,269,656</u>	<u>\$8,566,950,882</u>
4.91%	4.84%	4.98%	4.95%	4.84%	4.92%

Calendar Year 2005			
Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
13,688	48.5%	217.80	51.7%
4,702	16.6%	77.50	18.4%
6,414	22.7%	43.80	10.4%
661	2.3%	41.28	9.8%
1,134	4.0%	18.53	4.4%
1,309	4.6%	15.16	3.6%
235	0.8%	2.11	0.5%
145	0.5%	5.05	1.2%
28,288	100.0%	421.23	100.0%

STATE OF NORTH DAKOTA

Schedule 7

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(dollars in thousands)

	Fiscal Year			
	1997	1998	1999	2000
Governmental Activities				
Revenue bonds	\$ 82,042	\$ 93,116	\$ 94,898	\$ 126,782
Capital leases	10,622	13,462	9,974	6,145
Notes Payable	3,842	2,991	3,576	827
Total Governmental Activities	<u>96,506</u>	<u>109,569</u>	<u>108,448</u>	<u>133,754</u>
Business-type Activities				
Revenue bonds	792,340	1,014,697	964,679	997,551
Capital leases	27,684	27,083	26,775	24,375
Notes payable	24,128	57,233	205,573	366,656
Total Business-Type Activities	<u>844,152</u>	<u>1,099,013</u>	<u>1,197,027</u>	<u>1,388,582</u>
Total Primary Government	<u>\$ 940,658</u>	<u>\$ 1,208,582</u>	<u>\$ 1,305,475</u>	<u>\$ 1,522,336</u>
Debt as a Percentage of Personal Income ¹	7.0%	8.2%	8.7%	9.5%
Amount of Debt per Capita ¹	\$ 1,468	\$ 1,895	\$ 2,060	\$ 2,371

¹ These ratios are calculated using personal income and population for the prior calendar year. See Schedule 10 for personal income and population data.

Details regarding the state's debt can be found in Note 3-I of the financial statements.

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 135,167	\$ 140,161	\$ 146,795	\$ 146,384	\$ 204,240	\$ 287,016
3,275	1,403	2,240	1,132	5,941	6,361
2,987	507	5,671	5,455	5,613	32,314
141,429	142,071	154,706	152,971	215,794	325,691
1,117,828	965,243	886,185	835,535	887,350	1,038,233
24,291	30,341	31,798	34,130	38,746	45,088
264,744	403,860	427,683	535,253	445,080	283,509
1,406,863	1,399,444	1,345,666	1,404,918	1,371,176	1,366,830
\$ 1,548,292	\$ 1,541,515	\$ 1,500,372	\$ 1,557,889	\$ 1,586,970	\$ 1,692,521
9.6%	9.4%	9.0%	8.5%	8.5%	8.5%
\$ 2,411	\$ 2,423	\$ 2,368	\$ 2,461	\$ 2,494	\$ 2,658

STATE OF NORTH DAKOTA

Schedule 8 Pledged-Revenue Coverage Last Ten Fiscal Years

Fiscal Year	Gross Revenues	Less: Operating Expenses (1)	Net Available Revenues	Debt Service Requirements			Fiscal Year	
				Principal	Interest	Coverage		
BUILDING AUTHORITY BONDS								
1997	\$ 7,318,000	\$ -	\$ 7,318,000	\$ 3,826,000	\$ 4,670,000	0.86	1997	
1998	8,750,000	-	\$ 8,750,000	4,535,000	4,694,000	0.95	1998	
1999	7,189,000	-	\$ 7,189,000	4,399,000	4,670,000	0.79	1999	
2000	8,204,000	-	\$ 8,204,000	3,906,000	4,501,000	0.98	2000	
2001	7,136,000	-	\$ 7,136,000	3,733,000	4,575,000	0.86	2001	
2002	7,197,000	-	\$ 7,197,000	4,471,000	4,539,000	0.80	2002	
2003	8,603,000	-	\$ 8,603,000	4,655,000	5,725,000	0.83	2003	
2004	9,247,000	-	\$ 9,247,000	5,540,000	4,381,000	0.93	2004	
2005	9,468,000	-	\$ 9,468,000	5,618,000	3,985,000	0.99	2005	
2006	10,650,000	-	\$ 10,650,000	6,711,000	5,270,000	0.89	2006	

Pledged revenues include interest and lease payments.

LIGNITE RESEARCH BONDS

1997	\$	1,096,630	\$	-	\$ 1,096,630	\$ 620,000	\$ 476,630	1.00	1997
1998		1,045,246		-	\$ 1,045,246	645,000	397,521	1.00	1998
1999		1,051,713		-	\$ 1,051,713	680,000	371,590	1.00	1999
2000		1,060,332		-	\$ 1,060,332	720,000	340,430	1.00	2000
2001		1,066,890		-	\$ 1,066,890	760,000	306,750	1.00	2001
2002		1,070,330		-	\$ 1,070,330	800,000	301,690	0.97	2002
2003		1,076,320		-	\$ 1,076,320	845,000	200,170	1.03	2003
2004		1,057,418		-	\$ 1,057,418	895,000	162,585	1.00	2004
2005		1,089,157		-	\$ 1,089,157	950,000	138,998	1.00	2005
2006		1,079,038		-	\$ 1,079,038	1,910,000	53,503	0.55	2006

Pledged revenues include interest and royalties.

WATER COMMISSION BONDS (1)

1998	\$	621,443	\$	-	\$ 621,443	\$ -	\$ 253,820	2.45	1996
1999		637,709		-	\$ 637,709	40,000	437,715	1.33	1997
2000		939,944		-	\$ 939,944	105,000	578,971	1.37	1998
2001		1,187,776		-	\$ 1,187,776	167,010	2,165,826	0.51	1999
2002		3,731,579		-	\$ 3,731,579	1,103,010	2,486,787	1.04	2000
2003		4,530,982		-	\$ 4,530,982	1,353,210	2,478,097	1.18	2001
2004		3,919,690		-	\$ 3,919,690	1,311,210	2,418,640	1.05	2002
2005		4,894,238		-	\$ 4,894,238	2,472,910	3,482,849	0.82	2003
2006		5,608,843		-	\$ 5,608,843	1,420,600	3,881,643	1.06	2004

Pledged revenues include user fees, interest, and Tobacco Settlement funds.

INFORMATION TECHNOLOGY BONDS (1)

2004	\$	30,579,344	\$	29,457,699	\$ 1,121,645	\$ -	\$ 163,723	6.85	
2005		31,228,224		28,388,559	\$ 2,839,665	-	248,790	11.41	2002
2006		34,555,908		34,557,209	\$ (1,301)	549,000	307,789	0.00	2003

Pledged revenues include user fees.

DEPARTMENT OF TRANSPORTATION BONDS (1)

2006	\$	1,717,002		-	\$ 1,717,002	\$ -	\$ 2,144,269	0.80	
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Pledged revenues include interest and federal and highway fund appropriations.

(1)
(2)
(3)

NOTE:

Gross Revenues	Less:	Net	Debt Service Requirements		Coverage
	Operating Expenses	Available Revenues	Principal	Interest	
STUDENT LOAN TRUST					
\$ 18,312,200	\$ 5,069,338	\$ 13,242,862	\$ 39,583,541	\$ 10,844,752	0.26
17,923,460	4,097,138	\$ 13,826,322	68,048,100	8,989,815	0.18
16,380,006	4,636,162	\$ 11,743,844	57,909,900	7,433,534	0.18
15,835,171	6,374,651	\$ 9,460,520	1,496,326	4,933,589	1.47
17,732,535	5,936,696	\$ 11,795,839	1,749,449	7,594,712	1.26
12,646,000	3,808,000	\$ 8,838,000	27,082,000	5,430,000	0.27
10,663,000	4,583,000	\$ 6,080,000	63,855,000	2,629,000	0.09
12,460,000	6,406,000	\$ 6,054,000	1,000,000	1,750,000	2.20
13,455,000	5,309,000	\$ 8,146,000	-	2,998,000	2.72
13,641,000	4,759,000	\$ 8,882,000	-	5,010,000	1.77

Pledged revenues include federal revenues, and loan and investment interest.

HOUSING FINANCE AGENCY

\$ 46,084,000	\$ 14,182,000	\$ 31,902,000	\$ 113,421,000	\$ 27,565,000	0.23
53,699,000	16,232,000	\$ 37,467,000	122,684,000	31,520,000	0.24
56,512,000	13,577,000	\$ 42,935,000	149,683,000	38,980,000	0.23
60,068,000	14,636,000	\$ 45,432,000	176,339,000	38,963,000	0.21
69,613,000	17,526,000	\$ 52,087,000	173,550,000	43,121,000	0.24
66,734,000	13,000,000	\$ 53,734,000	207,465,000	46,450,000	0.21
63,697,000	16,376,000	\$ 47,321,000	140,411,000	39,337,000	0.26
52,016,000	16,512,000	\$ 35,504,000	177,594,000	33,115,000	0.17
51,152,000	18,048,000	\$ 33,104,000	120,539,000	27,859,000	0.22
51,472,000	20,736,000	\$ 30,736,000	98,501,000	25,839,000	0.25

Pledged revenues include income and proceeds from mortgage loan activity.

STATE FAIR ASSOCIATION (2)

\$ 3,171,361	\$ 2,729,123	\$ 442,238	\$ 195,000	\$ 174,772	1.20
3,408,989	2,758,476	\$ 650,513	195,000	167,460	1.79
3,749,664	2,752,836	\$ 996,828	195,000	159,660	2.81
3,609,161	2,908,303	\$ 700,858	195,000	151,372	2.02
3,475,814	3,020,232	\$ 455,582	195,000	142,598	1.35
3,221,683	3,030,092	\$ 191,591	195,000	127,796	0.59
3,448,061	3,150,042	\$ 298,019	-	93,010	3.20
3,511,582	3,362,756	\$ 148,826	210,000	74,843	0.52
3,735,261	3,585,269	\$ 149,992	205,000	77,149	0.53
4,415,435	3,847,415	\$ 568,020	205,000	71,766	2.05

Pledged revenues include state appropriations and State Fair net revenue.

UNIVERSITY SYSTEM (3)

\$ 398,935,980	\$ 552,709,442	\$ (153,773,462)	\$ 15,509,175	\$ 3,249,608	(8.20)
430,941,780	579,083,257	\$ (148,141,477)	22,090,280	4,838,767	(5.50)
484,761,680	619,035,327	\$ (134,273,647)	12,689,507	5,508,951	(7.38)
490,990,656	655,641,086	\$ (164,650,430)	12,506,875	7,344,029	(8.29)
539,484,282	35,138,137	\$ 504,346,145	15,717,500	9,532,867	19.97

Pledged revenues include student fees, auxiliary revenues, and debt service grants.

First year reported is first year Agency held bonds.

Information presented for the Fiscal Year Ended September 30.

Information not available prior to Implementation of GASB 34 for FY2002.

Gross revenues include nonoperating interest income. Operating expenses do not include bond interest or depreciation expenses.

Schedule 9
Legal Debt Limit
Fiscal Year Ending June 30, 2006

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.

The State of North Dakota has had no General Obligation Bonded Debt since Fiscal Year 1998. No Schedule of Ratios of General Bonded Debt is being presented.

Schedule 10
Demographic and Economic Indicators
Last Ten Calendar Years

<u>Year</u>	<u>Population</u>	<u>Total Personal Income (000's)</u>	<u>Per Capita Personal Income</u>	<u>ND Unemployment Rate</u>	<u>Annual Average UI Covered Employment</u>
1996	642,858	\$ 13,702,018	\$ 21,314	3.2%	289,755
1997	640,945	13,439,930	20,969	2.9%	296,519
1998	637,808	14,810,400	23,221	3.0%	301,488
1999	633,666	14,933,720	23,567	3.2%	306,207
2000	642,200	16,096,687	25,065	2.9%	309,223
2001	636,239	16,465,318	25,879	2.8%	311,632
2002	633,571	16,743,211	26,427	3.5%	311,808
2003	633,051	18,249,858	28,828	3.6%	314,273
2004	636,308	18,767,503	29,494	3.5%	321,108
2005	636,677	19,988,315	31,395	3.4%	328,121

Source: ND Job Service

Schedule 11 Principal Employers

North Dakota Century Code 52-01-02 and 52-01-03 prohibits Job Service North Dakota from disclosing information provided to them by employers, including the employer name and number of employees, unless authorized by the employer. Sufficient permission has not been received to allow for presentation of this schedule.

The following schedule is being presented as an alternative to the principal employer schedule:

Schedule 12 Employment by Industry Current Year and Nine Years Ago

<u>Industry</u>	2005			1996		
	Number of	Percent of		Number of	Percent of	
	Employees	Rank	Total Noagricultural Wage and Salary Employment	Employees	Rank	Total Noagricultural Wage and Salary Employment
Government	75,100	1	21.77%	70,750	1	22.92%
Educational and Health Services	48,800	2	14.15%	43,150	2	13.98%
Retail Trade	42,150	3	12.22%	39,900	3	12.93%
Leisure and Hospitality	31,250	4	9.06%	29,400	4	9.53%
Professional and Business Services	26,400	5	7.65%	18,750	6	6.07%
Manufacturing	25,850	6	7.49%	20,550	5	6.66%
Financial Activities*	18,850	7	5.47%	14,800	10	4.80%
Wholesale Trade*	18,850	7	5.47%	17,850	7	5.78%
Construction	17,350	8	5.03%	14,850	9	4.81%
Other Services	15,050	9	4.36%	14,900	8	4.83%
Transportation, Ware- housing and Utilities	13,450	10	3.90%	13,000	11	4.21%
Information	7,700	11	2.23%	7,050	12	2.28%
Natural Resources & Mining	4,100	12	1.19%	3,700	13	1.20%
Total	<u>344,900</u>		<u>100%</u>	<u>308,650</u>		<u>100%</u>

*Equal rank in 2005

Source: Job Service North Dakota: Nonagriculture wage and salary employees by industry.

Schedule 13
Education Enrollment
Last Ten Academic Years

Public School Enrollment

	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
Kindergarten	8,177	7,917	7,559	7,144	7,057	7,012	6,890	6,641	6,578	6,648
Grades 1-3	25,204	24,546	23,930	22,999	22,108	21,473	21,229	21,115	20,736	20,358
Grades 4-6	26,037	25,411	24,989	24,289	23,652	23,241	22,645	22,109	21,390	21,060
Grades 7-8	18,740	18,318	17,652	17,099	16,880	16,514	16,287	16,148	15,864	15,333
Grades 9-12	37,945	37,737	37,575	36,563	35,517	34,773	34,086	33,311	32,552	32,201
Total Enrollment	116,103	113,929	111,705	108,094	105,214	103,013	101,137	99,324	97,120	95,600
Special Education Students	12,858	13,138	13,572	13,650	13,630	13,901	13,868	14,681	N/A	13,744

Source: Department of Public Instruction

University System Full-Time Equivalent Student Enrollment

	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
Bismarck State College	2,001	2,082	2,181	2,126	2,320	2,384	2,575	2,625	2,440	2,651
Dickinson State University	1,470	1,484	1,535	1,592	1,637	1,818	1,867	1,907	1,904	2,060
Lake Region State College	439	492	474	491	624	652	693	692	692	750
Mayville State University	635	643	651	644	620	616	657	713	677	653
Minot State University	2,727	2,597	2,588	2,491	2,739	2,789	2,840	2,844	2,884	2,928
MiSU - Bottineau	389	410	467	394	389	447	443	419	362	399
ND State College Of Science	2,271	2,219	2,139	2,276	2,106	2,112	2,177	2,129	2,084	2,172
North Dakota State University	8,079	8,142	8,253	8,469	9,056	9,368	9,701	10,073	10,132	10,890
University of North Dakota	8,725	8,684	8,911	9,302	9,906	10,458	11,073	11,185	10,918	11,382
Valley City State University	879	903	896	910	841	864	824	896	843	844
Williston State College	663	592	615	550	579	611	659	665	658	648
Total	28,278	28,248	28,710	29,245	30,817	32,119	33,509	34,148	33,594	35,377

Note: Full-Time Equivalent Enrollment is based upon student credit hours.

Source: North Dakota University System

Schedule 14

State Employees by State Agency

Last Ten Fiscal Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
EXECUTIVE BRANCH										
Adjutant General	111	117	121	122	127	128	125	133	132	158
Aeronautics Commission	5	5	5	5	5	5	5	5	5	5
Bank of North Dakota	174	169	174	173	173	172	170	171	169	167
Barley Council	2	3	3	2	2	3	4	4	2	2
Beef Commission	2	2	2	2	2	2	2	2	2	2
Career and Technical Education	29	30	27	27	28	28	25	26	26	25
Corn Council	0	0	1	1	1	1	1	1	2	1
Council on the Arts	4	5	4	4	6	5	5	5	4	5
Department of Agriculture	45	46	45	49	54	56	57	56	54	58
Department of Commerce	34	36	36	29	33	55	55	54	54	56
Department of Corrections and Rehabilitation	446	470	483	513	531	553	581	590	602	627
Department of Emergency Services	19	21	19	21	20	20	20	22	19	53
Department of Financial Institutions	20	21	19	22	20	21	21	21	23	24
Department of Human Services	2144	2162	2160	2153	2156	2145	2095	1951	1946	1938
Department of Public Instruction	131	133	129	129	130	85	90	90	88	89
Department of Transportation	1008	1007	1020	1014	1010	1027	1017	1015	1014	1021
Game and Fish Department	125	126	129	128	129	137	140	138	139	139
Highway Patrol	195	188	188	190	191	190	187	192	171	176
Historical Society	53	50	50	51	53	54	55	56	56	56
Indian Affairs Commission	2	3	2	3	4	4	4	3	3	3
Industrial Commission	51	58	57	57	58	59	58	55	48	48
Information Technology Department	147	151	156	166	168	243	243	245	244	240
Job Service North Dakota	383	389	377	387	379	371	357	357	333	286
Milk Marketing Board	5	5	5	5	5	5	4	4	4	4
ND Department of Health	300	291	299	298	294	303	316	318	295	292
ND Horse Racing Commission	0	0	0	0	0	0	0	0	0	2
ND Housing Finance Agency	30	29	30	32	33	36	38	38	40	37
ND Mill and Elevator Association	120	120	121	117	114	116	117	118	117	121
ND Vision Services/School for the Blind	26	24	25	28	26	26	28	30	26	26
North Dakota University System	NA	NA	6523	6393	6378	6858	7093	7351	7543	7336
Office of Administrative Hearings	5	6	6	5	6	5	5	5	6	7
Office of Management and Budget	134	141	146	147	148	128	129	129	129	120
Office of the Attorney General	140	142	139	143	138	145	143	139	164	174

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
EXECUTIVE BRANCH, Continued										
Office of the Governor	16	16	17	16	17	18	18	17	18	16
Office of the Insurance Commissioner	47	45	41	43	42	40	38	43	40	40
Office of the Labor Commissioner	7	8	6	9	9	10	10	10	10	10
Office of the State Auditor	52	47	50	53	53	52	52	51	50	53
Office of the State Tax Commissioner	145	138	138	136	134	132	133	129	125	123
Office of the State Treasurer	7	6	7	7	7	6	6	6	6	5
Oilseed Council	1	1	1	1	1	1	1	1	1	1
Parks and Recreation Department	38	39	39	39	38	43	44	44	44	42
Protection and Advocacy	22	22	21	22	21	22	25	26	24	24
Public Employees Retirement System	21	23	23	26	26	27	25	28	27	28
Public Service Commission	41	42	42	41	40	41	41	41	41	39
Retirement and Investment Office	18	17	17	16	17	17	17	18	17	16
School for the Deaf	59	58	59	63	61	60	60	55	50	49
Secretary of State	23	25	24	26	24	26	26	26	26	26
Securities Department	6	6	8	8	8	8	8	8	8	8
Seed Department	33	30	27	23	25	25	24	25	23	22
Soybean Council	1	2	3	3	3	3	3	3	3	3
State Fair Association	5	5	5	12	13	12	12	16	15	15
State Land Department	19	18	17	18	16	18	18	19	17	17
State Library	28	27	28	28	27	27	27	27	29	28
State Radio	30	31	31	31	30	31	29	28	28	0
Veteran's Affairs Department	6	6	6	6	6	6	6	6	6	6
Veterans Home	77	79	84	83	84	86	84	84	82	86
Water Commission	76	79	77	79	79	81	82	80	77	77
Wheat Commission	7	6	7	7	7	6	6	6	6	5
Workforce Safety and Insurance	149	163	162	173	187	229	226	223	219	216
LEGISLATIVE BRANCH										
Legislative Council	31	32	32	32	30	31	31	30	31	31
JUDICIAL BRANCH										
Judiciary Branch	230	237	233	235	327	335	329	323	323	339
Total State Employees	7085	7158	13706	13652	13754	14379	14571	14697	14806	14623

NA - Not Available

NOTE: Fulltime employee are reported as of fiscal year end. ND University System employees based on annual budgets.
 Certain agencies have been reorganized, eliminated or created over the fiscal years resulting fluctuations
 Agencies are being displayed based on the organizational structure of the State.

Sources: Office of Management and Budget, ND University System, Bank of North Dakota, Mill and Elevator, Housing Finance Agency

Schedule 15
Operating Indicators by Function
Last Ten Fiscal Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government										
Office of the Tax Commissioner										
Number of returns filed electronically ¹	NA	NA	13,822	28,589	50,685	78,932	103,910	129,509	147,683	163,920
Education										
Department of Public Instruction										
Public School Enrollment ²	117,816	116,103	113,929	111,705	108,094	105,214	103,013	101,137	99,324	97,120
North Dakota University System										
Full Time Equivalent Student Enrollment ²	28,278	28,248	28,710	29,245	30,817	32,119	33,509	34,148	33,594	35,377
Health and Human Services										
North Dakota Department of Health										
Number of Autopsies Performed in ND ³	169	185	197	196	172	225	226	195	221	NA
Air Quality - Percent of Facilities in Compliance ³	99.2	98.9	99.5	99.2	98.9	99.7	98.7	100	99.8	NA
Water Quality - Percent of Facilities in Compliance ³	92.8	94.3	95.4	93.8	94.3	95.7	96.8	91.8	92.3	NA
Department of Human Services										
Number of TANF Caseloads	NA	NA	6,926	5,581	5,612	NA	5,988	5,887	5,524	NA
Number of Medicaid Recipients	NA	62,509	61,989	61,781	62,492	NA	76,377	77,378	77,018	NA
Regulatory										
Office of the Insurance Commissioner-BH/EH										
Licensed Insurance Agents ³	12,910	14,250	15,101	17,680	20,905	23,372	25,856	31,645	33,323	39,230
Public Service Commission										
Weighing and Measuring Devices Inspected	NA	NA	14,564	12,407	15,321	13,853	14,971	14,605	13,944	12,414
Gas Pipeline Safety Inspections	NA	NA	NA	NA	NA	18	70	67	45	53
Public Safety and Corrections--EH										
Department of Corrections and Rehabilitation										
Average Daily Adult Prison Population ³	819	902	931	1016	1099	1160	1198	1299	1228	NA
Office of the Attorney General-Bureau of Investigations										
Criminal Cases Opened ³	165	208	218	222	296	302	302	286	319	NA
Drug Cases Opened ³	318	264	282	313	363	573	549	623	553	NA
Office of the Attorney General-Crime Laboratory										
Toxicology Alcohol Blood and Breath Analyses ³	4,612	5,021	5,068	4,434	4,552	4,847	5,646	6,411	6,378	NA
Methamphetamine/Amphetamine Samples Processed ³	450	413	494	1,218	1,505	2,419	1,990	2,813	2,779	NA
Office of the Adjutant General										
Assigned National Guard ⁴	NA	NA	4,381	4,363	4,366	4,269	4,241	4,106	4,043	4,243
Agriculture and Commerce										
Department of Agriculture										
Pounds of Pesticide Waste Collected	94,390	174,275	131,676	158,938	166,949	147,857	190,759	155,158	129,994	172,791
Department of Commerce										
Net Job Growth from Nonfarm Employment ³	5,400	5,400	4,400	3,900	1,950	150	2,800	5,250	7,100	NA
New Private Sector Businesses ³	141	105	162	204	46	57	526	459	599	NA
Natural Resources										
Game and Fish Department										
Registered Boats ³	42,953	47,458	41,591	46,819	51,483	45,076	49,249	52,961	44,499	NA
Hunting and Fishing Licenses Issued	251,057	273,125	289,998	294,967	312,853	322,728	321,304	323,479	314,465	NA
Department of Parks and Recreation										
Park Visitations ³	1,115,955	1,111,409	1,135,156	1,091,257	1,052,399	1,051,752	1,045,390	972,151	923,181	NA
Camping Nights ³	7,497	8,599	10,149	10,122	11,273	13,049	13,406	14,172	14,892	16,042
Snowmobile Registrations	3,978	17,343	4,308	17,563	4,134	17,459	2,649	15,961	2,223	14,198
Transportation										
Department of Transportation										
Registered Vehicles ³	NA	NA	NA	NA	790,933	809,459	815,042	836,927	843,054	NA
Licensed Drivers	450,472	452,163	455,027	457,890	456,055	455,921	457,743	459,566	466,701	468,711
Unemployment Compensation- Job Service North Dakota										
Number of Covered Workers ³	296,519	301,488	306,207	309,223	311,632	311,808	314,273	321,108	328,121	NA
Workforce Safety and Insurance										
Number of Claims Filed	20,448	20,683	20,034	20,045	20,320	19,950	18,753	19,184	19,887	21,588
Number of Covered Workers	280,969	287,801	292,868	296,663	299,714	301,913	301,777	304,287	311,200	318,240

NA-Not Available

¹ Calendar Year Received

² Academic Year enrollment

³ Statistics on a calendar year basis

⁴ National Guard member count is at September 30 of each year

Sources: The State agencies listed above provided the statistics for their agency

Schedule 16
Capital Assets by Function
Last Ten Fiscal Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<u>General Government</u>										
Office of Management and Budget										
Capital Complex Buildings	7	7	7	7	7	7	7	7	7	7
<u>Education</u>										
Department of Land										
Common Schools Trust										
Land Acreage	635,520	635,522	635,522	635,682	635,695	635,703	635,534	635,529	635,574	632,408
ND University System										
Buildings	494	494	494	501	501	512	512	527	527	516
Buildings Square Footage	12,892,630	12,912,934	12,912,934	13,014,194	13,014,194	13,056,392	13,056,392	13,440,708	13,491,510	13,491,510
<u>Health and Human Services</u>										
Dept. of Human Services										
Buildings	74	74	74	74	77	77	78	80	80	84
<u>Public Safety and Corrections</u>										
Department of Corrections and Rehabilitation										
Buildings	NA	NA	NA	NA	NA	64	70	70	71	71
Office of the Adjutant General										
Headquarters, Camp and Armory Buildings	496	516	518	524	524	528	530	539	551	567
<u>Natural Resources</u>										
Game and Fish Department										
Wildlife Management Areas	NA	NA	NA	NA	NA	NA	183	183	185	186
Boats, ATVs, Snowmobiles, Tractors, Other	NA	NA	NA	NA	NA	NA	NA	344	364	393
Dept. of Parks and Recreation										
Park/Recreational Sites	16	16	16	16	16	16	16	15	15	15
Park Maintenance Vehicles/Equipment	NA	NA	NA	NA	NA	NA	NA	196	207	222
<u>Transportation</u>										
Department of Transportation										
Lane Miles Maintained	8400	8394	8394	8394	8402	8410	8412	8414	8450	8450
Fleet Vehicles	NA	NA	NA	2933	2879	2943	2988	3097	3137	3220
Heavy Equipment	605	599	595	598	593	589	577	565	552	527
Buildings	77	77	77	77	77	77	77	77	77	77

NA-Not Available

Sources: The State agencies listed above provided the data for their agency

Schedule 17
Agricultural Production

Value of Export Shares of Agricultural Commodities - 2004-2005 (1)

	2004 <u>Dollars</u> (Mil.)	2004 <u>% of U.S.</u>	2005 <u>Dollars</u> (Mil.)	2005 <u>% of U.S.</u>
Wheat and Products	749.8	11.3	646.8	11.0
Soybeans and Products	325.7	3.6	307.4	3.5
Feeds Grains and Products	141.7	1.7	130.8	1.9
Vegetables and Preparations	128.9	2.5	154.1	2.7
Sunflower Seed and Oil	96.9	57.0	62.3	43.6
Feeds and Fodder	79.5	3.9	68.6	3.1
Seeds	41.9	4.2	55.0	6.0
Dairy Products	4.1	0.3	5.1	0.3
Live Animals and Meats Excluding Poultry	4.0	0.1	5.4	0.1
Poultry and Products	1.4	0.1	1.5	0.0
Fats, Oils and Greases	0.1	0.0	0.2	0.0
Hides and Skins	-	0.0	0.6	0.0
Other (2)	318.0	1.6	529.5	7.6
Total (3)	<u>\$ 1,891.9</u>	3.0	<u>\$ 1,967.6</u>	3.2

Sources: Foreign Agricultural Trade of U.S. - E.R.S.
 North Dakota Agricultural Statistics 2006

- (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) Sugar and tropical products, minor oilseeds, essential oils, beverages other than juice, nursery and greenhouse, wine, and misc. vegetable products.
- (3) Totals may not add due to rounding.

2005 Crop Rank Among States

North Dakota <u>Ranks</u>	<u>Crop Description</u>	North Dakota <u>Produces</u>
1st	Canola	92%
	Flaxseed	92%
	Dry Edible Peas	70%
	Durum Wheat	68%
	Pinto Beans	50%
	Oil Sunflowers	45%
	Spring Wheat	44%
	All Sunflowers	44%
	Non-oil Sunflowers	39%
	Lentils	38%
	Navy Beans	34%
	All Dry Edible Beans	32%
	Barley	27%
	Honey	19%
	Oats	12%
2nd	All Wheat	14%
3rd	Sugarbeets	17%

Source: North Dakota Agricultural Statistics 2006