

STATE OF NORTH DAKOTA

Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED

June 30, 2008



Prepared by the Office of Management and Budget

State of North Dakota
Office of Management and Budget
Fiscal Management Division
600 East Boulevard Avenue Dept. 110
Bismarck, ND 58505-0400
701-328-2680

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

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
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North Dakota Tourism/Heather LeMoine

Turtle River State Park is situated on the meandering Turtle River and located in a beautiful wooded valley. Constructed in the 1930s by the Civilian Conservation Corps, the park offers year-round recreational activities, including camping, picnicking, fishing and trails for hiking, mountain biking and cross country skiing.

Introductory Section



North Dakota Parks and Recreation

Lake Sakakawea State Park is located on the south shore of Lake Sakakawea and offers a wide range of water based recreational activities and facilities. Both the lake and park are named in honor of Sakakawea, the 16-year-old woman who accompanied the Lewis and Clark Expedition in 1805-1806 on their search for a water route to the Pacific Ocean.

OFFICE OF MANAGEMENT AND BUDGET

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

December 18, 2008

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, 2008. 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 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, 2008, 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, 2008, 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.

Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditor's Report and provides a narrative introduction, overview and analysis of the basic financial statements. This letter of transmittal is intended to complement MD&A and should be read in conjunction with it.

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

The North Dakota economy continues to outperform the nation and official forecasts. The 2007-09 legislative forecast, finalized at the conclusion of the legislative session in April 2007, predicted 2005-07 revenues of \$2.241 billion and 2007-09 revenues of \$2.257 billion. Actual 2005-07 revenues were \$2.317 billion, \$76.0 million more than anticipated. Through October 2008, actual revenues have exceeded the 2007-09 legislative forecast by \$296.3 million, or 20.2 percent. The November 2008 revised forecast for the 2007-09 biennium projects revenues of \$2.682 billion, \$424.6 million more than originally projected.

Several factors have driven this exceptional economic performance, which occurred during a period of national economic contraction. Although the North Dakota economy is increasingly diversified, the agricultural industry continues to play a key role in the state's economy. The USDA reports that North Dakota is the nation's leading producer of durum wheat, spring wheat, barley, oats, flaxseed, canola, sunflowers, and dry edible peas and beans. Agricultural commodity and cattle prices have fallen from recent record highs, but remain high by historic standards. Moody's Economy.com predicts that the overall value of farm products will continue to increase faster than the rate of inflation – around 6.0 percent per year through 2012, providing a positive outlook for the state's agricultural producers.

The energy industry plays an important role in the state's economy. Oil production continues to set new records each month and has increased personal income through high wage jobs and mineral owner lease bonuses and royalty payments. State and local tax revenues have been bolstered by increased oil and gas tax collections.

Manufacturing is also a prominent player in the state's economy. Machinery and transportation equipment accounted for over 7.0 percent of employment and over 50.0 percent of the state's exports, which totaled over \$2.0 billion in 2007.

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, information technology companies, energy producers, and retail companies.

In upcoming years, Moody's Economy.com, predicts continued growth for the state economy. From 2008 to 2012, the state's gross domestic product is expected to grow by over \$2.9 billion, or 12.6 percent; employment is expected to grow by 11,000 jobs, or 3.0 percent. During that time, the unemployment rate is expected to remain low at between 3.1 and 4.3 percent and personal income is expected to grow at an average annual rate of 5.6 percent per year.

LONG-TERM FINANCIAL PLANNING

The long-term financial plan of the state is to support economic growth in five industry sectors – value-added agriculture, advanced manufacturing, technology-based businesses, energy, and tourism. Economic growth has grown state revenues and allowed the state to fund priorities, such as education and human services, build significant financial reserves, and provide tax relief.

The state exercises responsible revenue forecasting practices. With the assistance of the Revenue Forecasting Advisory Committee, comprised of representatives of all major industries in the state as well as the legislative and executive branches of government, along with the expertise of a national economic forecasting consultant, a revenue forecast is developed. The forecast is based on state trends, national forecasting models, and input from state private industry experts.

With a biennial budget cycle, each revenue forecast and budget proposal provides a three-year plan for the revenues and expenditures of state government.

North Dakota's fiscally responsible budgeting and revenue forecasting, combined with economic growth, has allowed the accumulation of significant balances available as reserves to offset general fund revenues in the event of an economic downturn. The budget stabilization fund has grown to its current statutory maximum of \$200 million. Balances in the oil tax trust fund and foundation aid stabilization fund also continue to grow to record levels.

The state's capital budget, developed along with the executive budget, is a six-year plan for the facility needs of the state. 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, which are taken into account by the executive and legislative branches as new projects are considered.

RELEVANT FINANCIAL POLICIES

North Dakota's financial policies 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 2.5 percent or more, the state is able to access funds from the budget stabilization fund. The budget stabilization fund currently has a balance \$200 million. In addition, the Governor is able to reduce general fund expenditures to alleviate the effects of a revenue shortfall.

In the event of such a general fund expenditure reduction, the foundation aid stabilization fund was established to insulate the state education aid program. 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, the volatility of oil price and production levels make it difficult to rely on oil tax revenue to fund general government operations. Thus the permanent oil tax trust fund has been established to accumulate oil tax revenue for appropriation by the legislative assembly while limiting general fund reliance on oil tax revenues. All oil tax collections in excess of \$71 million are deposited into the permanent oil tax trust fund; the first \$71 million is deposited in the general fund.

MAJOR INITIATIVES

For fiscal years 2008 and 2009, which comprise the 2007-09 biennium, Governor Hoeven recommended, and the legislature supported, major initiatives centered around the Governor's six pillars of growth:

Education

In 2006, Governor Hoeven created the North Dakota Commission on Education Improvement for the purpose of recommending improvements to funding adequacy and equity among school districts. The Commission provided a unique approach to addressing equity concerns by combining legislative, executive and local school district experts to work together to solve equity concerns in lieu of a lawsuit between the state and local districts. The 2007 legislature adopted the work of the Commission by endorsing a landmark change in the state's K-12 funding system, as well providing an \$84 million general fund increase in funding for K-12 education.

For higher education, the 2007 legislature approved a bill to increase funding for the system by over 20 percent. Recent changes in the way the university system is funded has resulted in giving the institutions' flexibility with accountability to help contribute to the economic growth of North Dakota. Flexible spending means North Dakota universities can use tuition dollars and other revenue to produce excellence in education and help with job creation.

Agriculture

Agriculture is one of the foundations of the North Dakota economy, and remains the state's largest industry. The state has created a value-added board in the Commerce Department to promote opportunities in value-added processing; created investment tax credits to spark value-added ventures; eliminated the used farm equipment sales tax to reduce the burden on farmers; and increased general fund dollars for agricultural research.

However, production agriculture is no longer just about food -- new technology and soaring oil prices have helped to foster new relationships between agriculture and energy. New agriculture-related energy initiatives include a comprehensive \$42 million ag-based renewable energy plan, to support, biodiesel, ethanol, as well as geothermal, solar, and wind energy.

Technology

The state is working to build information technology infrastructure to help businesses and government become more profitable and efficient. Various initiatives have been implemented to support technology in education, including k-12 schools and the university system. Technology is a targeted industry for growth in the North Dakota economy and several companies, including Microsoft, PacketDigital, Alien Technologies and Eagle Creek Software have developed successful and growing business operations in the state.

The State of North Dakota is working to build an enterprise infrastructure that supports the business processes of state agencies and delivers cost effective technology services that will benefit the citizens of North Dakota. Recently funded state government technology initiatives include:

- Enhancing the Criminal Justice Information System's hub, which helps law enforcement agencies better protect the public by providing criminal information to our law enforcement officials via a secure information hub.
- Funding for the Medicaid Management Information System (MMIS).

- Funding for the GIS hub, which benefits education, economic development, agriculture, energy, and technology.
- Creation of a central database to manage animal tracking and disease containment.

Economic Development

North Dakota's aggressive economic development efforts have resulted in new jobs and expanding exports. Key new initiatives to continue the momentum in economic growth include:

- \$20 million for *Centers of Excellence* to transform and expand North Dakota's economy.
- A doubling of the budget for the North Dakota Trade Office to further expand overseas trade.
- One of the most aggressive research and development investment tax credit programs in the nation, offering up to 25 percent of expenditures.
- Increase of the seed capital investment tax credit limit to \$3.5 million per year and expansion of the agricultural business investment tax credit.
- An increase in funding of \$4 million in the North Dakota Development Fund to provide gap financing for business start-ups and expansions.

Energy Development

Since 2001 the state has seen a nearly \$2 billion investment in renewable energy production.

- **Ethanol:** With announced new projects, the state's ethanol production will grow from about 30 million gallons a year to more than 440 million gallons.
- **Biodiesel:** Biodiesel production will grow from 0 to an estimated 85 million gallons per year.
- **Coal:** Currently, the state produces more than 4,000 megawatts of electricity a year from coal. There are three to four potential new power plants in development, including a coal to liquids facility and a new coal gasification plant.
- **Wind:** Only a few years ago, the state had no commercial wind facilities. With new projects under construction or planned, 600 megawatts of wind power will be online in the near future.
- **Oil and gas:** With directional drilling technology and high oil prices making more oil exploration in North Dakota feasible, crude oil production continues to grow.

Quality of Life

North Dakotans enjoy a quality of life that is unsurpassed in the nation. From clean air and safe communities to exceptional schools and four-season recreational opportunities. Recent initiatives that help to maintain this quality of life by caring for the neediest citizens, providing public safety, and supporting the military include:

- A \$100 million general fund increase in the Department of Human Services budget to help those in need.
- A Medicaid buy-in program to help families cover the cost of care for children with severe disabilities.
- A state Prescription Drug Repository under the State Pharmacy Board to collect and distribute unused medications so that pharmacies and physicians can distribute them to those in need.
- Expanded eligibility for Healthy Steps Children's Health Insurance Program and medical assistance benefits to provide medical insurance coverage for more children.
- Mandated minimum sentences for violent sexual criminals, even first time offenders, background checks for personnel in sensitive positions; and enhanced funding for GPS monitoring of offenders.
- Expansion of the beds for civilly committed sex offenders at the State Hospital and increased funding for community-based sex offender treatment.
- Authorization and funding for the state's share of a new Veterans Retirement Home in Lisbon and an expanded Veterans Bonus Program.
- Additional funding for tuition assistance for National Guard members.

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, 2007. This was the 17th 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 2007-2009 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, 2007

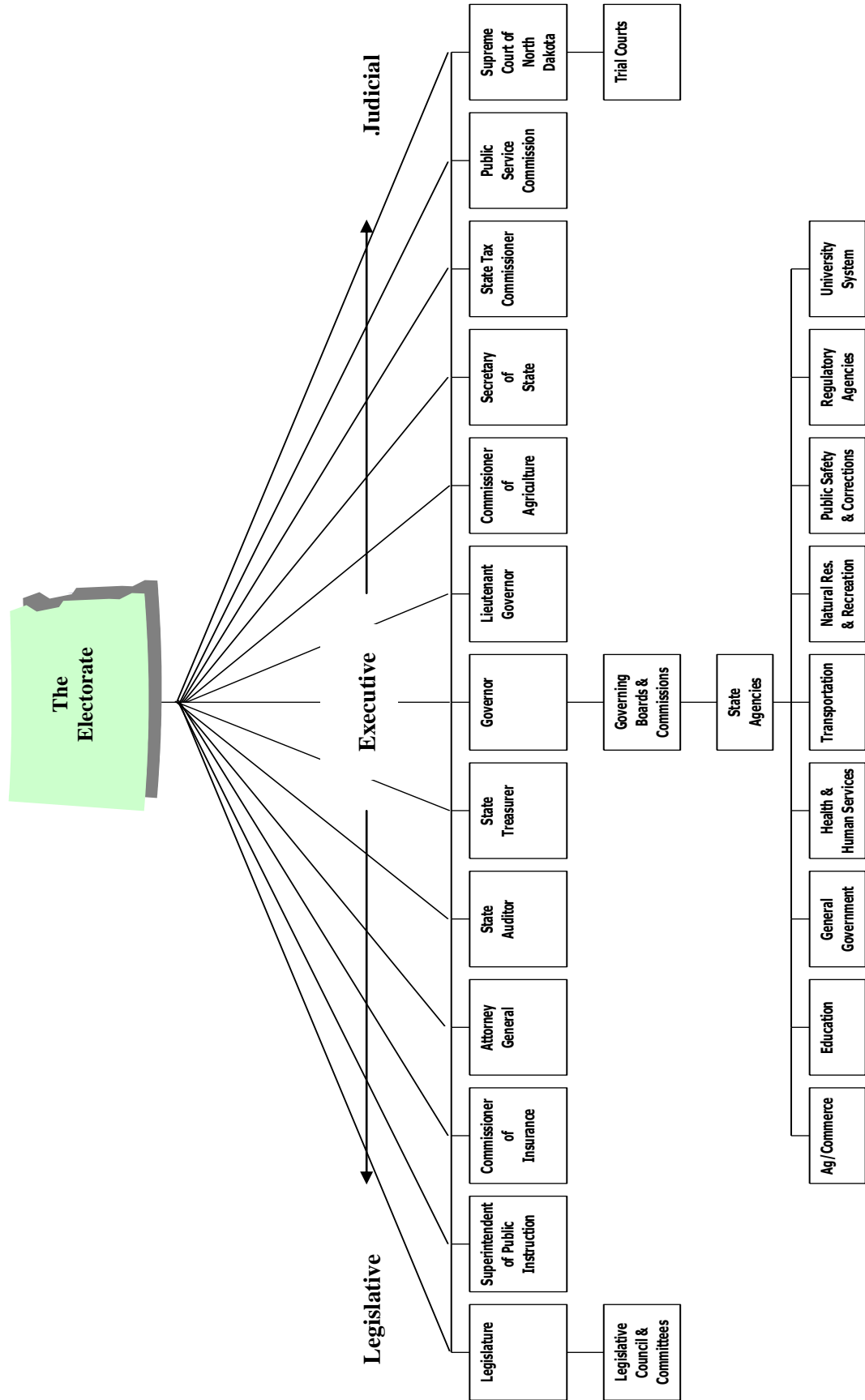
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

STATE OF NORTH DAKOTA ORGANIZATIONAL CHART



NORTH DAKOTA
PRINCIPAL STATE OFFICIALS
June 30, 2008

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
Adam Hamm, Commissioner of Insurance
Dr. Wayne Sanstead, Superintendent of Public Instruction
Cory Fong, Tax Commissioner
Kelly Schmidt, State Treasurer

LEGISLATIVE

Jeff Delzer, 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, 2008, 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	26%	4%
Business-Type Activities	80%	30%
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	82%	31%

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. The financial statements of the North Dakota University System's component units were not audited in accordance with *Government Auditing Standards*. 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.

The actuary for the North Dakota Teachers' Fund for Retirement has determined the Fund's unfunded actuarial accrued liability is approximately \$421 million at June 30, 2008. The funding for the actuarial accrued liabilities is predicated on employer and employee funding rates mandated by North Dakota statutes. The actuary has determined that the current statutory contribution rates will amortize the unfunded actuarial accrued liability over 57 years, based on the current actuarial assumptions, unless there are sufficient actuarial gains in the future to offset the recent investment losses.

The actuary for the North Dakota Public Employees Retirement System has determined that the Fund's unfunded actuarial accrued liability is approximately \$128 million at June 30, 2008. The funding for the actuarial accrued liabilities is predicated on employer and employee funding rates mandated by North Dakota statutes. The actuary has determined that the current statutory contribution rates are insufficient to meet the actuarially determined requirement, based upon the current assumptions, unless there are sufficient actuarial gains in the future to offset the recent investment losses.

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, 2008, 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 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 18, 2008 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 20 through 29 and 119 through 123, respectively, 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 18, 2008

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, 2008. 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 \$5.7 billion (reported as net assets), an increase of \$521 million from the previous year. The net assets of governmental activities increased by 15.7% while the net assets of the business-type activities showed a decrease of 1%.

Fund Level:

As of the close of fiscal year 2008 the State's governmental funds reported combined ending fund balances of \$2.8 billion, an increase of \$442 million. Of this amount, \$1.65 billion represents unreserved fund balance, with the remaining amount of \$1.15 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 \$785 million.

The enterprise funds reported net assets at year-end of \$1.7 billion, a decrease of \$18 million during the year.

Long-term Debt:

The State's total debt (bonds and notes payable) increased approximately 6% during the fiscal year to \$1.75 billion, an increase of \$102 million, which represents the net difference between new issuances and payments. During the year the State issued \$309 million in bonds and \$6.5 million in notes.

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

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, Housing Finance Agency 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 five (5) major enterprise funds: The Bank of North Dakota, Housing Finance, Mill and Elevator, University System, and Workforce Safety and Insurance. These five 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 four (4) 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 \$5.7 billion at the end of fiscal year 2008. Net assets increased 10% from the prior fiscal year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2008	2007	2008	2007	2008
Current and Other Assets	\$2,772,315	\$3,280,899	\$5,256,162	\$5,685,182	\$7,089,246	\$7,841,302
Capital Assets	1,386,909	1,479,571	748,019	792,216	2,134,928	2,271,787
Total Assets	<u>4,159,224</u>	<u>4,760,470</u>	<u>6,004,181</u>	<u>6,477,398</u>	<u>9,224,174</u>	<u>10,113,089</u>
Long-Term Liabilities						
Outstanding	353,289	349,055	2,238,795	2,365,176	2,592,084	2,714,231
Other Liabilities	375,039	432,439	2,013,791	2,379,563	1,449,600	1,687,223
Total Liabilities	<u>728,328</u>	<u>781,494</u>	<u>4,252,586</u>	<u>4,744,739</u>	<u>4,041,684</u>	<u>4,401,454</u>
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	1,151,716	1,400,535	527,403	546,699	1,679,120	1,947,234
Restricted	1,384,212	1,458,565	478,219	532,955	1,862,431	1,991,520
Unrestricted	894,967	1,119,876	745,973	653,005	1,640,940	1,772,881
Total Net Assets	<u>\$3,430,896</u>	<u>\$3,978,976</u>	<u>\$1,751,595</u>	<u>\$1,732,659</u>	<u>\$5,182,491</u>	<u>\$5,711,635</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 (35%) 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)

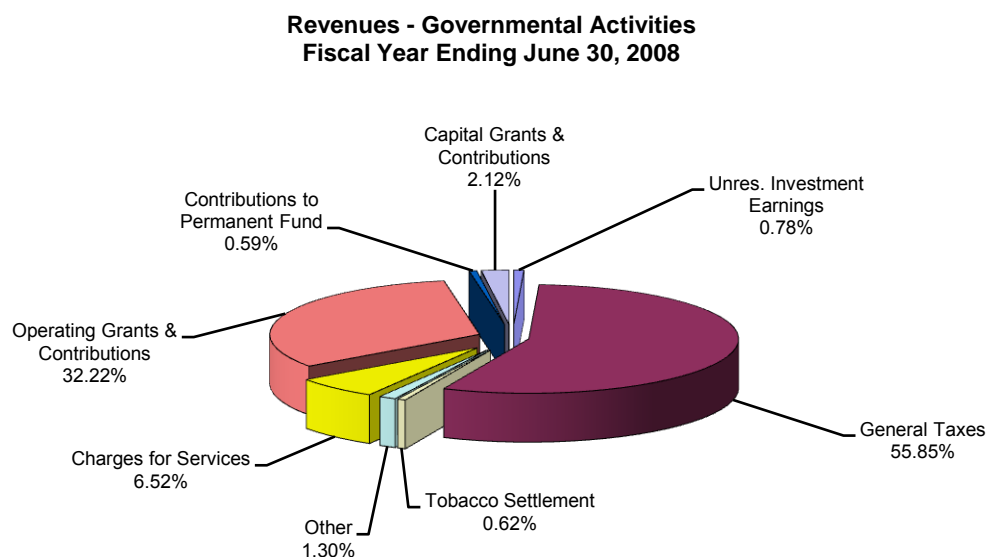
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2008	2007	2008	2007	2008
Revenues:						
Program Revenues:						
Charges for Services	\$ 194,870	\$ 210,843	\$ 900,946	1,073,777	\$ 1,095,816	\$ 1,284,620
Operating Grants & Contributions	1,148,062	1,041,411	368,698	258,218	1,516,760	1,299,629
Capital Grants & Contributions	71,115	68,472	7,314	9,245	78,429	77,717
General Revenues:						
Income Taxes	449,064	473,235	-	-	449,064	473,235
Sales Taxes	726,913	797,614	-	-	726,913	797,614
Other Taxes	284,898	534,732	-	-	284,898	534,732
Investment Earnings	25,823	25,150	-	-	25,823	25,150
Tobacco Settlement	16,098	20,062	-	-	16,098	20,062
Other	27,836	42,052	-	-	27,836	42,052
Total Revenues	<u>2,944,679</u>	<u>3,213,571</u>	<u>1,276,958</u>	<u>1,341,240</u>	<u>4,221,637</u>	<u>4,554,811</u>
Expenses						
General Government	275,242	313,330	-	-	275,242	313,330
Education	507,385	537,757	-	-	507,385	537,757
Health and Human Services	874,004	960,440	-	-	874,004	960,440
Regulatory	21,181	28,265	-	-	21,181	28,265
Public Safety and Corrections	135,582	135,068	-	-	135,582	135,068
Agriculture and Commerce	58,591	67,942	-	-	58,591	67,942
Natural Resources	57,850	64,090	-	-	57,850	64,090
Transportation	321,279	318,241	-	-	321,279	318,241
Interest on Long Term Debt	14,439	13,293	-	-	14,439	13,293
Bank of North Dakota	-	-	91,262	108,078	91,262	108,078
Housing Finance	-	-	51,178	58,816	51,178	58,816
Loan Programs	-	-	9,453	9,658	9,453	9,658
Mill and Elevator	-	-	126,969	242,924	126,969	242,924
State Lottery	-	-	16,068	16,205	16,068	16,205
Unemployment Compensation	-	-	47,525	46,912	47,525	46,912
University System	-	-	775,600	835,873	775,600	835,873
Workforce Safety and Insurance	-	-	231,787	246,582	231,787	246,582
Other	-	-	16,622	23,269	16,622	23,269
Total Expenses	<u>2,265,553</u>	<u>2,438,426</u>	<u>1,366,464</u>	<u>1,588,317</u>	<u>3,632,017</u>	<u>4,026,743</u>
Increase (decrease) in Net Assets Before Contributions and Transfers	679,126	775,145	(89,506)	(247,077)	589,620	528,068
Contributions to Permanent Fund Principal	15,995	19,181	-	-	15,995	19,181
Transfers	(167,117)	(254,648)	185,841	228,141	18,724	(26,507)
Increase in Net Assets	<u>528,004</u>	<u>539,678</u>	<u>96,335</u>	<u>(18,936)</u>	<u>624,339</u>	<u>520,742</u>
Net Assets - Beginning -As Restated	2,902,892	3,439,298	1,655,259	1,751,595	4,558,151	5,190,893
Net Assets- Ending	<u>\$3,430,896</u>	<u>\$3,978,976</u>	<u>\$ 1,751,595</u>	<u>\$1,732,659</u>	<u>\$ 5,182,491</u>	<u>\$5,711,635</u>

Governmental Activities

Governmental Activities increased the State's net assets by \$540 million, compared to a \$528 million increase in the prior fiscal year. The largest increases in the State's revenues for fiscal year 2008 were from the State's tax revenues. Oil tax revenues doubled from the prior fiscal year, from \$230 million in 2007 to \$469 million in 2008 due to high world oil prices that have led to increases in the state's oil production, especially the expansion of production within the Bakken Formation. Sales and use taxes increased 9.7% because of strong gains in the North Dakota economy including expansion of the retail tax base throughout the state, significant job growth and wage gains in existing jobs. Income taxes increased 5.9%. Corporate tax collections rose due to a very strong business sector, which is due in part to energy companies' profits.

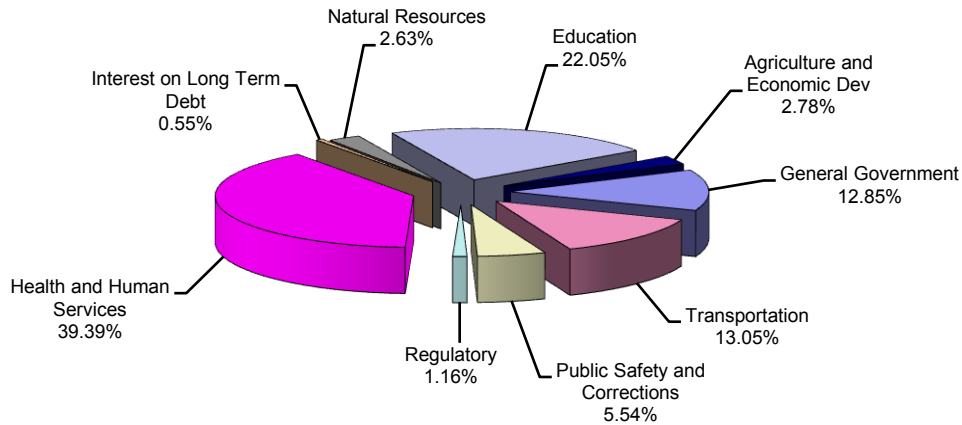
Expenses for total governmental activities increased by 7% from the prior fiscal year. Education expenses increased approximately \$30 million due to an historic increase in funding K-12 education adopted by the 2007 Legislature. The Legislature approved a \$90 million package for the 2007-09 biennium that significantly reformed the state's school funding formula in order to create more equitable state funding on a per student basis. In addition, expenditures for food stamps increased \$8 million due to an increased caseload and Medical Assistance increased about \$27 million due to legislative action including the addition of Medicaid services, eligible groups and increases in fees paid for services.

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, 2008



Business-type Activities

Net assets of the business-type activities decreased by \$19 million during the fiscal year.

Workforce Safety and Insurance's (WSI) net assets decreased \$81 million mainly due to the decrease in their income on investments of \$120 million.

The Mill and Elevator's net assets decreased slightly, \$.9 million, because of a reduction in gross margins as a percent of gross sales caused by competition and a reduction in demand.

Other business-type activities had increases in net assets, including the Bank of North Dakota, which had an increase of \$29 million; Housing Finance with a \$9 million increase; and the University System with a \$20 million increase.

The Bank of North Dakota net assets increased because of increased loan activity and decreased transfers to other state funds. The increase in Housing Finance is a result of program operations and financing activities. The University System's net assets increased due to increases in tuition, room and board rates.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

As the State completed the year, its governmental funds reported combined fund balances of \$2.8 billion, an increase of \$442 million from the prior fiscal year. Approximately \$1.65 billion 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 \$785 million and reserved fund balance was \$2.5 million. Total

fund balance rose during the fiscal year by \$149 million, due to increases in tax revenues. Sales and use taxes had the largest increase, \$49 million, followed by oil and gas taxes with a \$42 million increase and then individual income and corporate income taxes with a \$22 million increase. By the end of fiscal year 2008 General Fund revenues increased 11% from the prior year.

The School Permanent Trust Fund balance at June 30, 2008 improved by \$23 million because of increased oil tax revenue and mineral lease revenues

The Federal Fund balance at June 30, 2008 showed a minimal increase of \$3 million due to increased available 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, 2008, was the first year of the 2007-09 budget cycle.

At the beginning of the 2007-09 budget cycle, there was an increase in the original budget of \$22 million. The majority of this increase is due to the authorized carryover of general fund appropriation authority from the 2007-09 biennium, which is reported as an appropriation adjustment for the 2007-09 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 Department of Public Instruction, \$6 million, Adjutant General, \$2.3 million, Office of Management and Budget, \$2.1 million, Legislative Council and Assembly, \$.6 million, Department of Corrections, \$.5 million, Department of Commerce, \$.9 million, and the University System, \$1.8 million. A few other state agencies received minimal amounts of carryover dollars.

A few agencies also received general fund carryover dollars from the 2007-09 biennium for capital construction projects. These capital construction carryover dollars totaled \$2.1 million, of which \$1.8 million was for the Department of Human Services.

An additional general fund budget appropriation of \$5 million was given to the Department of Public Instruction in April of 2008 as the 2007 Legislature approved this additional amount contingent on the general fund anticipated fund balance exceeding \$30 million at that time.

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 2008, the State had invested \$2.3 billion, net of accumulated depreciation, in a broad range of capital assets. Depreciation charges for this fiscal year totaled \$111 million.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2008	2007	2008	2007	2008
Land and Land Improvements	\$ 51,419	\$ 55,374	\$ 20,171	\$ 19,436	\$ 71,590	\$ 74,810
Building & Building Improvements	222,477	229,159	420,462	474,247	642,939	703,406
Equipment	128,286	135,669	151,917	155,199	280,203	290,868
Infrastructure	601,574	601,393	85,124	85,434	686,698	686,817
Construction in Progress	383,153	457,976	70,345	57,910	453,498	515,886
Total	\$ 1,386,909	\$ 1,479,571	\$ 748,019	\$ 792,216	\$ 2,134,928	\$ 2,271,787

The total increase in the State's investments in capital assets for the current fiscal year was 6.4% in terms of net book value. However, actual expenditures to purchase or construct capital assets were approximately \$255 million for the year. A major portion 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 3H 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, 2008.

The State does have a number of revenue bonds outstanding at June 30, 2008. 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 \$244 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 3K to the financial statements.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2008	2007	2008	2007	2008
Revenue Bonds	\$ 277,932	\$ 265,665	\$ 1,073,545	\$ 1,197,845	\$ 1,351,477	\$ 1,463,510
Notes Payable	32,384	35,726	263,820	250,645	296,204	286,371
Total	\$ 310,316	\$ 301,391	\$ 1,337,365	\$ 1,448,490	\$ 1,647,681	\$ 1,749,881

The State's total debt increased approximately 6% during the current fiscal year.

ECONOMIC CONDITION AND OUTLOOK

North Dakota's economy has showed steady growth during the 2007-09 biennium, with broad revenue growth across many tax types.

Although the weakness in the national economy poses a concern for North Dakota, the state has thus far been well insulated from the economic decline facing most other states. The agricultural economy remains healthy – commodity prices have fallen from recent highs, but remain strong by historic standards. Crop prices are anticipated to show continued growth of around 8.0 percent per year and livestock prices of around 4.0 percent per year through the forecast horizon.

High oil prices have led to increased oil exploration activity and increased tax collections for oil extraction and production for both the state and political subdivisions. Oil activity has also had a positive impact on income and sales tax collections. Oil production and drilling activity are at record levels. Eighty-eight rigs were operating in the state in October 2008, compared to 53 rigs one year ago, and only 41 rigs two years ago. Each oil rig represents up to 40 direct jobs and 80 indirect jobs.

The state's unemployment rate continues at an exceptionally low rate. Unemployment declined from 3.2 percent in August 2008 to 2.8 percent in September, up only slightly from the September 2007 rate of 2.5 percent. Nationally, the non-seasonally adjusted unemployment rate rose to 6.0 percent in September 2008, a 33.3 percent increase from the September 2007 rate of 4.5 percent. While the U.S. job market has lost nearly 1.0 percent since this time last year, employment has increased 1.5 percent in North Dakota.

Moody's Economy.com predicts that growth in the North Dakota economy will slow from recent years, but "as the nation begins its recovery, ND will fall into a more sustainable pace of expansion...."

CONTACTING THE STATE'S OFFICE OF FINANCIAL MANAGEMENT

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



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Basic Financial Statements

STATE OF NORTH DAKOTA

Statement of Net Assets

June 30, 2008

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and Cash Equivalents	\$ 16,082,221	\$ 656,592,727	\$ 672,674,948	\$ 26,303,306
Investments	1,183,219,605	1,617,046,823	2,800,266,428	37,829,756
Accounts Receivable - Net	48,411,460	95,250,875	143,662,335	16,270,948
Taxes Receivable - Net	290,351,265	-	290,351,265	-
Interest Receivable - Net	8,867,645	45,671,676	54,539,321	113,543
Intergovernmental Receivable - Net	179,267,918	38,035,825	217,303,743	454,437
Internal Receivable	1,435,593,852	-	310,814,790	-
Due from Component Units	-	6,160,330	6,160,330	-
Due from Primary Government	-	-	-	64,147,645
Prepaid Items	6,710,289	2,276,338	8,986,627	-
Inventory	9,890,288	66,457,162	76,347,450	140,095
Loans and Notes Receivable - Net	98,426,055	2,018,600,753	2,117,026,808	8,678,017
Unamortized Bond Financing Costs	1,136,000	11,447,501	12,583,501	2,758,307
Pension Assets	2,373,325	-	2,373,325	-
Other Assets	46,546	9,806,721	9,853,267	27,843,931
Restricted Assets:				
Cash and Cash Equivalents	522,675	247,878,235	248,400,910	18,435,185
Investments	-	36,556,717	36,556,717	744,379,758
Interest Receivable - Net	-	4,542,000	4,542,000	4,186,000
Loans and Notes Receivable - Net	-	828,858,000	828,858,000	-
Capital Assets:				
Land and Construction in Progress	513,350,146	77,346,300	590,696,446	13,771,837
Infrastructure - Net	601,392,256	85,424,136	686,816,392	1,415,092
Buildings and Equipment - Net	364,828,261	629,445,814	994,274,075	106,257,039
Total Assets	4,760,469,807	6,477,397,933	10,113,088,678	1,072,984,896

* 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.

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Net Assets June 30, 2008

	Primary Government			
	Governmental	Business-Type		Component
	Activities	Activities	Total	Units
LIABILITIES				
Accounts Payable	156,720,392	36,096,432	192,816,824	9,207,156
Accrued Payroll	34,332,194	23,793,750	58,125,944	52,583
Securities Lending Collateral	94,981,170	137,700,572	232,681,742	-
Interest Payable	3,982,715	20,645,294	24,628,009	1,584,000
Intergovernmental Payable	56,292,512	2,476,719	58,769,231	-
Tax Refunds Payable	67,705,897	-	67,705,897	-
Internal Payable	-	1,124,779,062	-	-
Due to Component Units	-	4,081,226	4,081,226	-
Due to Primary Government	-	-	-	6,160,330
Contracts Payable	6,298,035	1,806,128	8,104,163	-
Federal Funds Purchased	-	333,431,000	333,431,000	-
Reverse Repurchase Agreements	-	100,630,000	100,630,000	-
Other Deposits	-	486,519,772	486,519,772	648,894
Amounts Held In Custody for Others	-	14,626,215	14,626,215	-
Deferred Revenue	12,125,863	83,247,677	95,373,540	2,423,702
Other Liabilities	-	9,728,975	9,728,975	41,537,705
Long-Term Liabilities				
Due within one year	27,114,163	456,598,954	483,713,117	16,136,689
Due in more than one year	321,940,634	1,908,577,238	2,230,517,872	222,297,901
Total Liabilities	781,493,575	4,744,739,014	4,401,453,527	300,048,960
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	1,400,535,033	546,699,435	1,947,234,468	108,059,171
Restricted for:				
General Government	2,086,031	-	2,086,031	-
Education	114,075,207	-	114,075,207	-
Health and Human Services	16,328,860	-	16,328,860	-
Regulatory Purposes	34,381,667	-	34,381,667	-
Public Safety & Corrections	3,488,349	-	3,488,349	-
Agriculture and Commerce	20,756,165	-	20,756,165	-
Cultural and Natural Resources	95,245,308	-	95,245,308	-
Transportation	159,192,895	-	159,192,895	-
Capital Projects	8,774,712	665,584	9,440,296	-
Debt Service	28,480,311	123,428,282	151,908,593	68,189,000
Loan Purposes	-	46,081,816	46,081,816	189,430,000
Pledged Assets	-	178,326,000	178,326,000	-
Unemployment Compensation	-	142,260,497	142,260,497	-
Permanent Fund and University System - Expendable	20,095,448	26,899,567	46,995,015	-
Permanent Fund and University System - Nonexpendable	955,660,558	14,287,950	969,948,508	-
Other	-	1,004,941	1,004,941	331,405,126
Unrestricted	1,119,875,688	653,004,847	1,772,880,535	75,852,639
Total Net Assets	\$ 3,978,976,232	\$ 1,732,658,919	\$ 5,711,635,151	\$ 772,935,936

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Activities

For the Fiscal Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 313,329,720	\$ 18,874,082	\$ 1,729,885	\$ -
Education	537,756,698	3,994,400	149,566,608	-
Health and Human Services	960,439,610	31,576,197	631,157,016	-
Regulatory	28,265,610	21,266,588	2,957,613	-
Public Safety and Corrections	135,067,907	9,451,217	48,707,093	-
Agriculture and Commerce	67,941,955	28,180,590	20,198,602	-
Natural Resources	64,090,113	26,030,413	20,556,696	6,829,721
Transportation	318,241,207	71,469,872	166,537,468	61,641,869
Interest on Long Term Debt	13,293,248	-	-	-
Total Governmental Activities	<u>2,438,426,068</u>	<u>210,843,359</u>	<u>1,041,410,981</u>	<u>68,471,590</u>
Business-Type Activities:				
Bank of North Dakota	108,077,704	158,993,000	3,076,000	-
Housing Finance	58,815,920	53,106,863	14,286,000	-
Loan Programs	9,657,603	10,522,025	2,170,617	-
Mill and Elevator	242,924,564	242,025,576	28,014	-
State Lottery	16,205,287	22,219,058	64,072	-
Unemployment Compensation	46,911,958	51,993,327	6,277,297	-
University System	835,873,088	369,469,634	212,325,736	9,244,575
Workforce Safety & Insurance	246,581,569	145,487,917	20,211,903	-
Other	23,268,976	19,959,736	(221,390)	-
Total Business-Type Activities	<u>1,588,316,669</u>	<u>1,073,777,136</u>	<u>258,218,249</u>	<u>9,244,575</u>
Total Primary Government	<u>\$ 4,026,742,737</u>	<u>\$ 1,284,620,495</u>	<u>\$ 1,299,629,230</u>	<u>\$ 77,716,165</u>
Component Units:	<u>\$ 91,103,210</u>	<u>\$ 45,299,457</u>	<u>\$ 70,463,903</u>	<u>\$ -</u>

General Revenues:

Taxes:
 Individual and Corporate Income Taxes
 Sales and Use Taxes
 Oil, Gas and Coal Taxes
 Business and Other Taxes
 Unrestricted Investment Earnings
 Tobacco Settlement
 Miscellaneous
 Payment from State of North Dakota
 Contributions to Perm 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	
\$ (292,725,753)		\$ (292,725,753)	
(384,195,690)		(384,195,690)	
(297,706,397)		(297,706,397)	
(4,041,409)		(4,041,409)	
(76,909,597)		(76,909,597)	
(19,562,763)		(19,562,763)	
(10,673,283)		(10,673,283)	
(18,591,998)		(18,591,998)	
(13,293,248)		(13,293,248)	
<u>(1,117,700,138)</u>		<u>(1,117,700,138)</u>	
	53,991,296	53,991,296	
	8,576,943	8,576,943	
	3,035,039	3,035,039	
	(870,974)	(870,974)	
	6,077,843	6,077,843	
	11,358,666	11,358,666	
	(244,833,143)	(244,833,143)	
	(80,881,749)	(80,881,749)	
	(3,530,630)	(3,530,630)	
<u>-</u>	<u>(247,076,709)</u>	<u>(247,076,709)</u>	
<u>(1,117,700,138)</u>	<u>(247,076,709)</u>	<u>(1,364,776,847)</u>	
			<u>\$ 24,660,150</u>
473,235,378	-	473,235,378	-
797,614,476	-	797,614,476	-
469,244,783	-	469,244,783	-
65,487,361	-	65,487,361	-
25,149,527	-	25,149,527	-
20,062,331	-	20,062,331	-
42,051,636	-	42,051,636	-
-	-	-	3,000,000
19,181,247	-	19,181,247	20,946,849
(254,648,266)	228,140,706	(26,507,560)	-
<u>1,657,378,473</u>	<u>228,140,706</u>	<u>1,885,519,179</u>	<u>23,946,849</u>
539,678,335	(18,936,003)	520,742,332	48,606,999
3,439,297,897	1,751,594,922	5,190,892,819	724,328,937
<u>\$ 3,978,976,232</u>	<u>\$ 1,732,658,919</u>	<u>\$ 5,711,635,151</u>	<u>\$ 772,935,936</u>

STATE OF NORTH DAKOTA

Balance Sheet Governmental Funds June 30, 2008

	General	Federal	School Permanent Trust Fund	Other Governmental Funds	Total
ASSETS					
Cash Deposits at the Bank of ND	\$ 519,389,183	\$ -	\$ 6,007,200	\$ 742,362,139	\$ 1,267,758,522
Cash and Cash Equivalents	8,367,683	12,166	-	7,694,578	16,074,427
Restricted Cash and Cash Equivalents	238,450	-	-	284,225	522,675
Investments at the Bank of ND	56,569,122	7,750,000	-	90,412,951	154,732,073
Investments	95,318,478	-	999,083,060	82,249,530	1,176,651,068
Accounts Receivable - Net	2,747,982	6,208,670	13,264,965	26,038,926	48,260,543
Taxes Receivable - Net	172,195,458	-	2,698,224	115,457,583	290,351,265
Interest Receivable - Net	321,999	19,223	7,309,875	1,163,452	8,814,549
Intergovernmental Receivable - Net	-	168,194,259	-	10,902,362	179,096,621
Due from Other Funds	125,278,986	15,075,009	6,952,884	15,486,168	162,793,047
Prepaid Items	724,515	1,066,869	-	2,612,841	4,404,225
Inventory	1,698,979	2,919,412	-	5,159,367	9,777,758
Loans and Notes Receivable - Net	83,325	15,299	30,570,615	67,756,816	98,426,055
Total Assets	\$ 982,934,160	\$ 201,260,907	\$ 1,065,886,823	\$ 1,167,580,938	\$ 3,417,662,828
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 32,828,409	\$ 94,792,643	\$ 5,196,810	\$ 22,142,258	\$ 154,960,120
Accrued Payroll	17,754,615	8,000,051	-	6,959,672	32,714,338
Securities Lending Collateral	-	-	84,873,209	9,870,737	94,743,946
Intergovernmental Payable	2,824,757	5,565,099	-	47,897,847	56,287,703
Tax Refunds Payable	67,469,295	-	-	236,602	67,705,897
Due to Other Funds	43,592,452	70,585,374	60,798	47,694,505	161,933,129
Contracts Payable	65,525	5,136,175	-	1,096,335	6,298,035
Deferred Revenue	30,459,743	17,279,411	-	34,700,129	82,439,283
Total Liabilities	194,994,796	201,358,753	90,130,817	170,598,085	657,082,451
Fund Balances:					
Reserved For:					
Inventory	1,698,979	2,919,412	-	5,159,367	9,777,758
Long - Term Receivables	56,119	11,844	-	61,386,542	61,454,505
Capital Projects	-	-	-	8,774,712	8,774,712
Debt Service	-	-	-	31,082,254	31,082,254
Prepaid Expenditures	724,515	1,066,869	-	2,612,841	4,404,225
Legal Requirements	-	-	-	13,706,884	13,706,884
Undistributed Revenue	-	-	20,095,448	-	20,095,448
Permanent Trust Fund	-	-	955,660,558	-	955,660,558
Unreserved, Reported in:					
General Fund	785,459,751	-	-	-	785,459,751
Special Revenue Funds	-	(4,095,971)	-	874,260,253	870,164,282
Total Fund Balances	787,939,364	(97,846)	975,756,006	996,982,853	2,760,580,377
Total Liabilities and Fund Balances	\$ 982,934,160	\$ 201,260,907	\$ 1,065,886,823	\$ 1,167,580,938	\$ 3,417,662,828

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, 2008

Total Fund Balances-Governmental Funds \$ 2,760,580,377

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 \$4,125,255,520 and the accumulated depreciation is \$2,720,434,737. 1,404,820,783

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. 70,313,959

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. 68,084,139

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. 1,136,000

The pension assets resulting from contributions in excess of annual required contribution are not financial resources and, therefore, are not reported in the funds. 2,373,325

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	(261,458,720)	
Notes Payable	(23,726,146)	
Accrued Interest on Long-Term Liabilities	(3,457,202)	
Compensated Absences	(32,488,650)	
Intergovernmental Payable	(385,302)	
Capital Leases	(4,627,058)	
Pension Obligation (Reported as Accounts Payable)	(101,630)	
Claims and Judgments	(2,087,643)	
Total Long-Term Liabilities		(328,332,351)

Net Assets of Governmental Activities \$ 3,978,976,232

STATE OF NORTH DAKOTA

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2008

	General	Federal	School Permanent Trust Fund	Other Governmental Funds	Total
REVENUES					
Individual and Corporate Income Taxes	\$ 452,565,449	\$ -	\$ -	\$ 16,611,691	\$ 469,177,140
Sales and Use Taxes	588,549,948	-	-	207,025,820	795,575,768
Oil, Gas, and Coal Taxes	82,363,873	-	20,214,624	366,652,876	469,231,373
Business and Other Taxes	45,189,569	-	-	18,385,955	63,575,524
Licenses, Permits and Fees	15,345,521	-	-	108,123,630	123,469,151
Intergovernmental	368,696	1,077,467,673	-	10,870,139	1,088,706,508
Sales and Services	2,809,050	-	-	46,649,986	49,459,036
Royalties and Rents	19,630,605	-	60,888,864	15,518,341	96,037,810
Fines and Forfeits	1,571,851	-	2,764,762	6,566,621	10,903,234
Interest and Investment Income	21,797,601	305,530	(37,172,376)	13,546,862	(1,522,383)
Tobacco Settlement	-	-	16,416,485	20,062,331	36,478,816
Commodity Assessments	-	-	-	18,152,847	18,152,847
Miscellaneous	1,791,609	449,183	-	7,938,143	10,178,935
Total Revenues	1,231,983,772	1,078,222,386	63,112,359	856,105,242	3,229,423,759
EXPENDITURES					
Current:					
General Government	84,855,934	1,995,337	-	6,593,102	93,444,373
Education	362,903,584	125,674,391	4,744,186	43,037,679	536,359,840
Health and Human Services	289,443,175	616,012,436	-	50,575,851	956,031,462
Regulatory	8,654,600	2,874,659	-	8,167,488	19,696,747
Public Safety and Corrections	90,261,595	32,621,151	-	4,464,435	127,347,181
Agriculture and Commerce	18,108,382	18,255,656	-	31,311,800	67,675,838
Natural Resources	16,700,918	11,728,659	-	29,698,610	58,128,187
Transportation	550,000	165,823,392	-	117,343,848	283,717,240
Intergovernmental - Revenue Sharing	-	-	-	224,406,911	224,406,911
Capital Outlay	10,009,068	92,176,658	-	37,029,334	139,215,060
Debt Service:					
Principal	3,193,199	48,414	-	12,974,114	16,215,727
Interest and Other Charges	1,476,264	1,767	-	11,786,946	13,264,977
Total Expenditures	886,156,719	1,067,212,520	4,744,186	577,390,118	2,535,503,543
Revenues over (under) Expenditures	345,827,053	11,009,866	58,368,173	278,715,124	693,920,216
OTHER FINANCING SOURCES (USES)					
Bonds and Notes Issued	-	-	-	1,426,000	1,426,000
Capital Lease Acquisitions	180,191	154,337	-	36,360	370,888
Sale of Capital Assets	-	-	-	1,052,750	1,052,750
Transfers In	129,290,011	11,280,471	-	161,651,224	302,221,706
Transfers Out	(325,821,306)	(19,060,870)	(35,600,000)	(176,387,794)	(556,869,970)
Total Other Financing Sources (Uses)	(196,351,104)	(7,626,062)	(35,600,000)	(12,221,460)	(251,798,626)
Net Change in Fund Balances	149,475,949	3,383,804	22,768,173	266,493,664	442,121,590
Fund Balances - Beginning of Year, as Adjusted	638,463,415	(3,481,650)	952,987,833	730,489,189	2,318,458,787
Fund Balances - End of Year	\$ 787,939,364	\$ (97,846)	\$ 975,756,006	\$ 996,982,853	\$ 2,760,580,377

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, 2008

Net Change in Fund Balances-Total Governmental Funds \$ 442,121,590

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	139,215,060	
Depreciation expense	(54,729,327)	
Excess of capital outlay over depreciation expense		84,485,733

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. (914,237)

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. 10,236

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. (370,888)

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. 4,166,576

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 (1,822,966)

Bonds proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. (1,426,000)

The pension assets resulting from contributions in excess of annual required contribution are not financial resources and, therefore, are not reported in the funds. 152,781

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	12,806,000	
Note payments	2,657,991	
Capital lease payments	1,148,556	
Total long-term debt repayment		16,612,547

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	364,464	
Net increase/decrease in compensated absences	(2,676,689)	
Net increase/decrease in net pension obligation (reported as accounts payable)	(101,630)	
Net increase/decrease in claims and judgments	(923,182)	
Total additional expenditures		(3,337,037)

Change in Net Assets of Governmental Activities \$ 539,678,335

STATE OF NORTH DAKOTA

Statement of Net Assets Proprietary Funds June 30, 2008

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Bank of North Dakota	Housing Finance	Mill and Elevator	University System	Workforce Safety and Insurance	Other Enterprise Funds	Internal Service Funds
ASSETS							
Current Assets:							
Cash Deposits at the Bank of ND	\$ 2,460,000	\$ 3,737	\$ 66,823,246	\$ 1,375,198	\$ 28,506,461	\$ 99,168,642	\$ 8,894,081
Cash and Cash Equivalents	7,000	-	3,914,327	-	130,014,400	133,935,727	7,794
Investments at the Bank of ND	-	-	98,908,920	43,908,930	7,085,600	149,903,450	-
Investments	-	-	1,550,395	1,343,643,719	26,082,688	1,371,276,802	6,568,536
Accounts Receivable - Net	558,000	46,488,383	15,173,528	16,140,611	16,816,572	95,177,094	150,917
Interest Receivable - Net	238,000	-	-	8,444,843	2,883,833	11,566,676	53,096
Intergovernmental Receivable - Net	204,000	-	34,699,027	-	3,132,798	38,035,825	171,297
Due from Other Funds	123,000	-	16,793,204	-	587,341	17,503,545	5,575,758
Due from Fiduciary Funds	-	-	-	-	73,781	73,781	-
Due from Component Units	-	-	2,492,330	-	-	2,492,330	-
Prepaid Items	24,000	1,030,365	-	99,164	1,122,809	2,276,338	2,306,064
Inventory	-	57,980,530	7,413,270	-	1,063,362	66,457,162	112,530
Loans and Notes Receivable - Net	-	-	7,979,026	-	6,693,846	14,672,872	-
Other Assets	424,000	-	2,066,131	-	-	2,490,131	-
Restricted Cash at the Bank of ND	10,155,000	-	-	-	37,341,401	47,496,401	8,294,424
Restricted Cash and Cash Equivalents	246,693,000	-	-	-	-	246,693,000	-
Restricted Investments at the Bank of ND	-	-	-	-	10,499,700	10,499,700	-
Restricted Interest Receivable - Net	3,229,000	-	-	-	1,313,000	4,542,000	-
Restricted Loans Receivable - Net	14,603,000	-	-	-	24,164,000	38,767,000	-
Total Current Assets	278,718,000	105,503,015	257,813,404	1,413,612,465	297,381,592	2,353,028,476	32,134,497
Noncurrent Assets:							
Restricted Cash at the Bank of ND	-	-	4,136,649	-	262,152	4,398,801	-
Restricted Cash and Cash Equivalents	-	-	1,185,235	-	-	1,185,235	-
Restricted Investments at the Bank of ND	-	-	5,577,665	-	-	5,577,665	-
Restricted Investments	13,262,000	-	23,079,483	-	215,234	36,556,717	-
Investments at the Bank of ND	-	-	12,385,000	-	-	12,385,000	-
Investments	5,304,000	-	8,583,021	-	-	13,887,021	-
Loans and Notes Receivable - Net	-	-	33,933,838	-	38,841,043	72,774,881	-
Restricted Loans Receivable - Net	754,465,000	-	-	-	35,626,000	790,091,000	-
Unamortized Bond Issuance Costs	6,786,000	-	4,102,605	-	558,896	11,447,501	46,546
Other Noncurrent Assets	2,877,000	247,955	16,420	-	2,410,215	5,551,590	-
Capital Assets:							
Land and Construction in Progress	-	2,637,026	58,890,332	4,366,138	1,351,804	67,245,300	-
Infrastructure - Net	-	728,877	83,839,083	-	856,176	85,424,136	-
Buildings and Equipment - Net	11,000	32,764,193	573,887,429	9,939,538	10,616,654	627,218,814	74,749,881
Total Noncurrent Assets	782,705,000	36,378,051	809,616,760	14,305,676	90,738,174	1,733,743,661	74,796,427
Bank Related Assets:							
Cash and Cash Equivalents	\$ 522,657,000					\$ 522,657,000	
Investments	231,883,000					231,883,000	
Interest Receivable - Net	34,105,000					34,105,000	
Due from Other Funds	41,801,000					41,801,000	
Due from Component Units	3,668,000					3,668,000	
Loans and Notes Receivable - Net	1,931,153,000					1,931,153,000	
Other Assets	1,765,000					1,765,000	
Capital Assets:							
Land and Construction in Progress	10,101,000					10,101,000	
Buildings and Equipment - Net	2,227,000					2,227,000	
Total Bank Related Assets	2,779,360,000					2,779,360,000	
Total Assets	2,779,360,000	1,061,423,000	141,881,066	1,067,430,164	1,427,918,141	388,119,766	6,866,132,137
							106,930,924

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Net Assets Proprietary Funds June 30, 2008

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Bank of North Dakota	Housing Finance	Mill and Elevator	University System	Workforce Safety and Insurance	Other Enterprise Funds	Internal Service Funds
LIABILITIES							
Current Liabilities:							
Accounts Payable		764,000	7,785,681	20,771,754	3,985,317	2,789,680	36,096,432
Accrued Payroll		-	228,254	23,318,789	-	246,707	23,793,750
Securities Lending Collateral		-	-	-	136,798,103	902,469	137,700,572
Interest Payable		19,318,000	-	31,769	-	337,174	19,686,943
Intergovernmental Payable		449,000	-	167,558	-	2,300,719	2,917,277
Due to Other Funds		3,597,000	78,898,713	3,998,502	68,946	12,746,001	99,309,162
Due to Component Units		-	-	413,226	-	-	413,226
Contracts Payable		-	-	1,806,128	-	-	1,806,128
Other Deposits		-	-	5,737,628	-	-	5,737,628
Amounts Held in Custody for Others		10,154,000	-	-	-	4,472,215	14,626,215
Claims/Judgments Payable		-	-	-	96,000,000	1,148,442	97,148,442
Dividends Payable		-	-	-	91,581,080	-	91,581,080
Compensated Absences Payable		112,000	34,478	1,227,479	697,000	32,236	2,103,193
Notes Payable		-	-	1,098,853	-	-	1,098,853
Capital Leases Payable		-	-	4,772,619	-	35,749	4,808,368
Bonds Payable		105,675,000	-	8,603,460	-	55,495,000	169,773,460
Deferred Revenue		-	-	11,618,411	68,073,674	3,555,592	83,247,677
Total Current Liabilities		140,069,000	86,947,126	83,566,176	397,204,120	84,061,984	791,848,406
Noncurrent Liabilities:							
Intergovernmental Payable		2,040,000	-	1,473,254	-	3,594,503	7,107,757
Claims/Judgments Payable		-	-	-	644,600,000	114,819	644,714,819
Compensated Absences Payable		76,000	655,084	22,439,489	122,483	252,179	23,545,235
Notes Payable		-	-	4,475,638	-	-	4,475,638
Capital Leases Payable		-	-	45,066,657	-	170,713	45,237,370
Bonds Payable		821,469,000	-	186,353,896	-	20,248,523	1,028,071,419
Other Noncurrent Liabilities		-	-	1,371,034	-	4,903,941	6,274,975
Total Noncurrent Liabilities		823,585,000	655,084	261,179,968	644,722,483	29,284,678	1,759,427,213
Bank Related Liabilities:							
Interest Payable	825,000						825,000
Due to Other Funds	31,712,000						31,712,000
Due to Component Units	3,668,000						3,668,000
Federal Funds Purchased	333,431,000						333,431,000
Reverse Repurchase Agreements	100,630,000						100,630,000
Deposits Held for Other Funds	1,424,994,443						1,424,994,443
Other Deposits	443,104,557						443,104,557
Other Liabilities	3,454,000						3,454,000
Long Term Liabilities:							
Due within one year	89,645,000						89,645,000
Due in more than one year	155,425,000						155,425,000
Total Bank Related Liabilities	2,586,889,000						2,586,889,000
Total Liabilities	2,586,889,000	963,654,000	87,602,210	344,746,144	1,041,926,603	113,346,662	5,138,164,619
NET ASSETS							
Invested in Capital Assets, Net of Related Debt	12,328,000	11,000	36,124,111	473,571,577	14,305,676	10,359,071	546,699,435
Restricted for:							
Capital Projects	-	-	-	665,584	-	-	665,584
Debt Service	-	82,081,000	-	12,444,896	-	28,902,386	123,428,282
Loan Purposes	-	-	-	45,422,791	-	659,025	46,081,816
Pledged Assets	178,326,000	-	-	-	-	-	178,326,000
Unemployment Compensation	-	-	-	-	-	142,260,497	142,260,497
University System-Nonexpendable	-	-	-	14,287,950	-	-	14,287,950
University System-Expendable	-	-	-	26,899,567	-	-	26,899,567
Other	-	-	-	67,955	-	936,986	1,004,941
Unrestricted	1,817,000	15,677,000	18,154,745	149,323,700	371,685,862	91,655,139	648,313,446
Total Net Assets	\$ 192,471,000	\$ 97,769,000	\$ 54,278,856	\$ 722,684,020	\$ 385,991,538	\$ 274,773,104	\$ 1,727,967,518

Reconciliation of the Proprietary Funds Statement of Net Assets to the Statement of Net Assets June 30, 2008

Total Net Assets - Enterprise Funds	1,727,967,518.00
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	4,691,401.00
Net Assets of Business-Type Activities	<u>1,732,658,919.00</u>

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds For the Fiscal Year Ended June 30, 2008

	Business-Type Activities - Enterprise Funds							Governmental Activities
	Bank of North Dakota	Housing Finance	Mill and Elevator	University System	Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES								
Sales and Services	\$ 6,765,000	\$ 1,529,000	\$ 241,877,638	\$ 54,428,916	\$ 143,858,063	\$ 97,922,006	\$ 546,380,623	\$ 69,257,962
Auxiliary Sales Pledges for Bonds	-	-	-	83,098,683	-	-	83,098,683	-
Tuition and Fees	-	-	-	226,176,724	-	-	226,176,724	-
Grants and Contributions	-	-	-	175,205,497	-	-	175,205,497	-
Royalties and Rents	-	-	-	-	691,087	53,223	744,310	-
Fines and Forfeits	-	-	-	-	938,767	-	938,767	-
Interest and Investment Income	155,304,000	51,577,863	-	-	-	6,658,092	213,539,955	-
Miscellaneous	-	-	-	1,303,751	-	60,825	1,364,576	64,782
Total Operating Revenues	162,069,000	53,106,863	241,877,638	540,213,571	145,487,917	104,694,146	1,247,449,135	69,322,744
OPERATING EXPENSES								
Cost of Sales and Services	-	-	235,386,689	33,149,232	-	2,385,312	270,921,233	1,051,200
Salaries and Benefits	9,035,000	2,223,000	1,822,654	502,277,704	13,779,767	4,046,517	533,184,642	19,152,146
Operating	11,058,000	5,097,000	837,855	218,248,282	9,121,044	27,323,745	271,685,926	37,150,825
Claims	-	-	-	-	114,139,321	57,191,815	171,331,136	4,193,065
Dividends Expense	-	-	-	-	97,517,672	-	97,517,672	-
Scholarships and Fellowships	-	-	-	26,392,643	-	-	26,392,643	-
Interest	87,090,000	39,334,000	-	-	-	3,827,505	130,251,505	-
Depreciation	820,000	1,000	2,608,789	41,552,087	359,148	998,020	46,339,044	9,954,942
Miscellaneous	-	-	-	-	-	3,799	3,799	-
Total Operating Expenses	108,003,000	46,655,000	240,655,987	821,619,948	234,916,952	95,776,713	1,547,627,600	71,502,178
Operating Income (Loss)	54,066,000	6,451,863	1,221,651	(281,406,377)	(89,429,035)	8,917,433	(300,178,465)	(2,179,434)
NONOPERATING REVENUES (EXPENSES)								
Grants and Contracts	-	-	-	7,935,059	-	406,284	8,341,343	-
Gifts	-	-	-	22,760,372	-	-	22,760,372	-
Interest and Investment Income	-	14,286,000	28,014	6,424,808	20,211,903	7,884,312	48,835,037	(125,901)
Interest Expense	-	(12,156,000)	(2,170,613)	(12,946,879)	(11,626,682)	(244,060)	(39,144,234)	(209,550)
Gain (Loss) on Sale of Capital Assets	-	-	4,400	999,747	-	(948)	1,003,199	(148,896)
Other	-	-	94,941	2,774,491	-	(12,089)	2,857,343	16,525
Total Nonoperating Revenues (Expenses)	-	2,130,000	(2,043,258)	27,947,598	8,585,221	8,033,499	44,653,060	(467,822)
Income (Loss) Before Contributions and Transfers	54,066,000	8,581,863	(821,607)	(253,458,779)	(80,843,814)	16,950,932	(255,525,405)	(2,647,256)
Capital Grants and Contributions	-	-	-	9,244,575	-	-	9,244,575	28,500
Transfers In	-	430,137	-	272,171,276	-	493,562	273,094,975	-
Transfer Out	(25,137,000)	(31,000)	(36,254)	(7,725,000)	-	(12,025,015)	(44,954,269)	-
Changes in Net Assets	28,929,000	8,981,000	(857,861)	20,232,072	(80,843,814)	5,419,479	(18,140,124)	(2,618,756)
Total Net Assets - Beginning of Year	163,542,000	88,788,000	55,136,717	702,451,948	466,835,352	269,353,625	1,746,107,642	75,394,295
Total Net Assets - End of Year	\$ 192,471,000	\$ 97,769,000	\$ 54,278,856	\$ 722,684,020	\$ 385,991,538	\$ 274,773,104	\$ 1,727,967,518	\$ 72,775,539

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, 2008

Net Change in Net Assets-Total Enterprise Funds \$ (18,140,124)

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 (795,879)

Change in Net Assets of Business-Type Activities \$ (18,936,003)

The Accompanying Notes are an Integral Part of the Financial Statements



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STATE OF NORTH DAKOTA

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2008

	Business-Type Activities - Enterprise Funds		
	Bank of North Dakota	Housing Finance	Mill and Elevator
Cash Flows from Operating Activities:			
Receipts from Customers and Users	\$ 7,153,000	\$ 85,290,000	\$ 257,643,470
Receipts from Tuition and Fees	-	-	-
Interest Income on Loans	-	-	-
Receipts from Loan Principal Repayments	-	-	-
Receipts from Federal and Local Agencies	-	-	-
Receipts from Other Funds	-	-	-
Receipts from Grants and Contracts	-	-	-
Receipts from Others	-	-	-
Payments for Loan Funds	-	-	-
Payments to Other Funds	-	-	-
Payments for Scholarships and Fellowships	-	-	-
Payments to Suppliers	(7,771,000)	(155,009,000)	(304,551,791)
Payments to Employees	(9,089,000)	(2,219,000)	(8,180,164)
Claim Payments	-	-	-
Payments to Others	-	210,000	-
Net Cash Provided by (Used for) Operating Activities	(9,707,000)	(71,728,000)	(55,088,485)
Cash Flows from Noncapital Financing Activities:			
Proceeds from Bonds	-	139,511,000	-
Proceeds from Sale of Notes and Other Borrowings	275,528,000	-	98,282,463
Principal Payments - Bonds	-	(8,969,000)	-
Principal Payments - Notes and Other Borrowings	(287,667,000)	-	(36,383,751)
Interest Payments - Bonds	-	(37,373,000)	-
Interest Payments - Notes and Other Borrowings	(15,043,000)	-	(2,170,613)
Payment of Bond Issue Costs	-	(1,616,000)	-
Transfers In	-	-	-
Transfers Out	(30,046,000)	(31,000)	(36,254)
Net Increase in Non-Interest Bearing Deposits	86,956,000	-	-
Net Decrease in Interest Bearing Deposits	167,675,000	-	-
Payments of Interest on Deposits	(55,762,000)	-	-
Interest Paid on Federal Funds and Reverse Repurchase Agreements	(15,181,000)	-	-
Net Decrease in Federal Funds and Reverse Repurchase Agreements	184,916,000	-	-
Principal Payments on Due To Other Funds	-	-	-
Grants and Gifts Received for Other than Capital Purposes	-	-	-
State Appropriations	-	-	-
Agency Fund Cash Increase	-	-	-
Grants Given for Other than Capital Purposes	-	-	-
Other	-	-	(1,412,723)
Net Cash Provided by (Used for) Noncapital Financing Activities	311,376,000	91,522,000	58,279,122
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(6,790,000)	(11,000)	(3,219,314)
Proceeds from Sale of Capital Assets	-	-	4,400
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	-	-	-
Capital Appropriations	-	-	-
Payment on Capital Leases	-	-	-
Interest Payments - Capital Leases	-	-	-
Capital Grants and Gifts Received	-	-	-
Insurance Proceeds	-	-	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	(6,790,000)	(11,000)	(3,214,914)
Cash Flows from Investing Activities:			
Proceeds from Sale and Maturities of Investment Securities	72,909,000	184,000	-
Purchase of Investment Securities	(85,972,000)	-	-
Interest and Dividends on Investments	24,009,000	1,978,000	28,014
Proceeds from Sale of Other Real Estate	633,000	-	-
Net Decrease in Loans	(250,120,000)	-	-
Receipt of Loan Principal Repayments	-	-	-
Loan Income Received	124,222,000	-	-
Net Cash Provided by (Used for) Investing Activities	(114,319,000)	2,162,000	28,014

The Accompanying Notes are an Integral Part of the Financial Statements

Business-Type Activities - Enterprise Funds				Governmental Activities
University System	Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
\$ 142,204,661	\$ 80,713,020	\$ 274,018,882	\$ 847,023,033	\$ 70,146,320
224,029,922	-	-	224,029,922	-
-	-	473,243	473,243	-
5,409,136	-	14,484,558	19,893,694	-
-	-	1,574	1,574	-
-	-	(24,368)	(24,368)	(326,555)
176,655,065	-	-	176,655,065	-
(3,169,420)	5,016,841	79,556	1,926,977	-
(7,909,788)	-	(13,800,441)	(21,710,229)	-
-	-	6,845	6,845	47,033
(26,413,480)	-	-	(26,413,480)	-
(246,804,231)	(965,642)	(203,222,602)	(918,324,266)	(39,331,484)
(498,755,012)	(10,327,904)	(4,077,562)	(532,648,642)	(18,749,181)
-	(101,450,304)	(39,816,465)	(141,266,769)	(654,866)
-	(19,775,265)	(39,673)	(19,604,938)	(2,557,810)
(234,753,147)	(46,789,254)	28,083,547	(389,982,339)	8,573,457
-	-	-	139,511,000	-
-	-	-	373,810,463	-
-	-	(8,900,000)	(17,869,000)	-
-	-	-	(324,050,751)	-
-	-	(3,790,000)	(41,163,000)	-
-	-	(79,505)	(17,293,118)	(4,313)
-	-	-	(1,616,000)	-
-	-	493,562	493,562	-
(5,630,157)	-	(9,497,015)	(45,240,426)	-
-	-	-	86,956,000	-
-	-	-	167,675,000	5,500,000
-	-	-	(55,762,000)	-
-	-	-	(15,181,000)	-
-	-	-	184,916,000	-
(35,372)	-	(394,661)	(430,033)	-
24,210,836	-	406,284	24,617,120	-
257,015,755	-	-	257,015,755	-
157,071	-	-	157,071	-
(687,322)	-	-	(687,322)	-
7,820,494	-	-	6,407,771	418
282,851,305	-	(21,761,335)	722,267,092	5,496,105
(69,853,113)	(3,503,702)	(978,279)	(84,355,408)	(22,192,358)
1,149,401	-	-	1,153,801	3,122,809
12,000,000	-	200,000	12,200,000	6,000,000
-	-	(200,000)	(200,000)	-
(10,771,860)	-	(26,203)	(10,798,063)	(590,150)
-	-	(42,103)	(42,103)	-
(12,588,823)	-	(9,656)	(12,598,479)	(192,202)
11,955,429	-	-	11,955,429	-
-	-	(54,720)	(54,720)	(67,477)
-	-	-	-	(13,033)
5,263,182	-	-	5,263,182	-
682,435	-	-	682,435	-
(62,163,349)	(3,503,702)	(1,110,961)	(76,793,926)	(13,932,411)
64,490,108	52,000,000	90,366,261	279,949,369	743,822
(52,648,612)	(2,008,978)	(62,022,047)	(202,651,637)	-
8,352,593	-	9,882,423	44,250,030	571,785
-	-	-	633,000	-
-	-	-	(250,120,000)	-
-	-	2,229,533	2,229,533	-
-	-	597,699	124,819,699	-
20,194,089	49,991,022	41,053,869	(890,006)	1,315,607

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2008

	Business-Type Activities - Enterprise Funds		
	Bank of North Dakota	Housing Finance	Mill and Elevator
Net Change in Cash:			
Net Increase (Decrease) in Cash and Cash Equivalents	180,560,000	21,945,000	3,737
Cash and Cash Equivalents at June 30, 2008	342,097,000	237,370,000	-
Cash and Cash Equivalents at June 30, 2008	<u>\$ 522,657,000</u>	<u>\$ 259,315,000</u>	<u>\$ 3,737</u>
Reconciliation:			
Current:			
Cash Deposits at the Bank of North Dakota	\$ -	\$ 2,460,000	\$ 3,737
Cash and Cash Equivalents	522,657,000	7,000	-
Restricted Cash Deposits at the Bank of North Dakota	-	-	-
Restricted Cash and Cash Equivalents	-	-	-
Noncurrent:			
Restricted Cash Deposits At The Bank of North Dakota	-	10,155,000	-
Restricted Cash and Cash Equivalents	-	246,693,000	-
Cash and Cash Equivalents	<u>\$ 522,657,000</u>	<u>\$ 259,315,000</u>	<u>\$ 3,737</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:			
Operating Income (Loss)	\$ 54,066,000	\$ 6,882,000	\$ 1,221,651
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	820,000	1,000	2,608,789
Amortization\Accretion	-	(2,352,000)	-
Reclassification of Interest Revenue\Expense	(65,138,000)	(1,276,000)	-
Gain on Sale of Student Loans	(20,000)	-	-
Gain on Sale of Real Estate	(17,000)	-	-
Net Increase in Fair Value of Investments	(3,076,000)	-	-
Interest Received on Program Loans	-	40,586,000	-
Disbursements for Loans and Loan Purchases	-	(146,320,000)	-
Receipt of Loan Principal Repayments	-	27,988,000	-
Provision for Losses	3,100,000	-	-
Premiums Collected	-	-	-
Premiums Paid	-	-	-
Other	-	893,000	-
Change in Assets and Liabilities:			
Increase in Accounts Receivable	-	21,000	(20,245,176)
Increase in Interest Receivable	-	-	-
(Increase) Decrease in Due From	462,000	(12,000)	-
Decrease in Due From Fiduciary Funds	-	-	-
(Increase) Decrease in Intergovernmental Receivable	-	(37,000)	-
Decrease in Notes Receivable	-	-	-
(Increase) Decrease in Prepaid Items	-	11,000	(475,343)
(Increase) Decrease in Inventories	-	-	(42,463,460)
(Increase) Decrease in Other Assets	(39,000)	-	(36,292)
Increase (Decrease) in Accounts Payable	-	70,000	4,441,870
Increase In Interest Payable	-	-	-
Increase (Decrease) in Claims\Judgments Payable	-	-	-
Decrease in Intergovernmental Payable	-	(49,000)	-
Increase (Decrease) in Accrued Payroll	-	-	(319,822)
Increase in Compensated Absences Payable	-	18,000	2,488
Increase (Decrease) in Amounts Held for Others	-	1,849,000	-
Decrease in Other Deposits	-	-	-
Increase (Decrease) in Due To Other Funds	3,000	3,000	-
Increase in Deferred Revenue	-	-	-
Increase in Other Liabilities	132,000	(4,000)	176,810
Increase in Dividends Payable	-	-	-
Total Adjustments	<u>(63,773,000)</u>	<u>(78,610,000)</u>	<u>(56,310,136)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (9,707,000)</u>	<u>\$ (71,728,000)</u>	<u>\$ (55,088,485)</u>
Noncash Transactions:			
Net Increase (Decrease) in Fair Value of Investments	\$ 3,076,000	\$ 155,000	\$ -
Real estate and Property Owned Acquired in Exchange for Loans	330,000	-	-
Change in Securities Lending Collateral	-	-	-
Interest on Investments	-	-	-
Amortization of Bond Discount	-	-	-
Amortization of Bond Issuance Costs	-	-	-
Assets Acquired Through Capital Lease	-	-	-
Assets Acquired Through Special Assessments	-	-	-
Expenses Paid by Capital Lease	-	-	-
Gifts of Capital Assets	-	-	-
Interest Revenue on Prize Reserves	-	-	-
Total Noncash Transactions	<u>\$ 3,406,000</u>	<u>\$ 155,000</u>	<u>\$ -</u>

The Accompanying Notes are an Integral Part of the Financial Statements

Business-Type Activities - Enterprise Funds				Governmental Activities
University System	Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
6,128,898	(301,934)	46,265,120	254,600,821	1,452,758
69,930,567	1,677,132	149,859,294	800,933,993	15,743,542
<u>\$ 76,059,465</u>	<u>\$ 1,375,198</u>	<u>\$ 196,124,414</u>	<u>\$ 1,055,534,814</u>	<u>\$ 17,196,300</u>
\$ 67,755,722	\$ 1,375,198	\$ 28,506,461	\$ 100,101,118	\$ 8,894,081
4,814,236	-	130,014,400	657,492,636	7,794
-	-	37,341,401	37,341,401	-
-	-	-	-	-
4,136,649	-	-	14,291,649	8,294,424
7,765,219	-	262,152	254,720,371	-
<u>\$ 84,471,826</u>	<u>\$ 1,375,198</u>	<u>\$ 196,124,414</u>	<u>\$ 1,063,947,175</u>	<u>\$ 17,196,299</u>
\$ (281,406,377)	\$ (89,429,035)	\$ 8,917,433	\$ (299,748,328)	\$ (2,179,433)
41,552,087	359,148	998,020	46,339,044	9,948,293
-	-	216,000	(2,136,000)	6,649
-	-	(2,545,090)	(68,959,090)	-
-	-	-	(20,000)	-
-	-	-	(17,000)	-
-	-	-	(3,076,000)	-
-	-	4,790,000	45,376,000	-
-	-	(329,000)	(146,649,000)	-
-	-	13,002,000	40,990,000	-
-	-	571,000	3,671,000	-
-	-	162,535,552	162,535,552	-
-	-	(162,535,552)	(162,535,552)	-
-	-	71,000	964,000	-
(1,892,743)	26,951,418	1,565,278	6,399,777	528,395
-	-	(16,401)	(16,401)	-
-	-	(24,361)	425,639	77,264
-	-	(38,406)	(38,406)	-
810,229	-	(611,644)	161,585	(104,955)
711,618	-	(300,607)	411,011	-
-	(65,945)	12,500	(517,788)	(263,518)
(548,227)	-	(116,327)	(43,128,014)	(4,293)
(3,744,582)	-	(51,934)	(3,871,808)	-
4,214,227	1,784,839	948,478	11,459,414	(881,305)
-	-	-	-	(859)
-	9,700,000	358,690	10,058,690	988,813
-	-	154,604	105,604	4,359
2,097,360	-	11,074	1,788,612	240,711
1,425,331	(11,967)	(42,119)	1,391,733	162,254
-	-	257,908	2,106,908	-
80,459	-	-	80,459	-
-	(100,772)	(250,683)	(345,455)	58,460
1,947,471	5,050,231	527,689	7,525,391	(7,378)
-	-	8,445	313,255	-
-	(1,027,170)	-	(1,027,170)	-
<u>46,653,230</u>	<u>42,639,782</u>	<u>19,166,114</u>	<u>(90,234,010)</u>	<u>10,752,890</u>
\$ (234,753,147)	\$ (46,789,253)	\$ 28,083,547	\$ (389,982,338)	\$ 8,573,457
\$ (2,337,940)	\$ (41,098,153)	\$ (2,145,105)	\$ (42,350,198)	\$ (490,022)
-	-	-	330,000	-
-	(115,781,879)	(3,161,343)	(118,943,222)	(806,245)
-	48,035,545	-	48,035,545	-
-	-	8,754	8,754	-
-	-	3,335	3,335	-
15,593,844	-	-	15,593,844	653,732
806,161	-	-	806,161	-
5,044,609	-	-	5,044,609	-
2,515,585	-	-	2,515,585	-
-	-	575	575	-
<u>\$ 21,622,259</u>	<u>\$ (108,844,487)</u>	<u>\$ (5,293,784)</u>	<u>\$ (88,955,012)</u>	<u>\$ (642,535)</u>

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Fiduciary Net Assets Fiduciary Funds June 30, 2008

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Agency Funds
ASSETS				
Cash Deposits at the Bank of ND	\$ 13,265,789	\$ 309,122	\$ 8,828,238	\$ 15,731,830
Cash and Cash Equivalents	-	-	2,794,130	3,514,447
Receivables:				
Contributions Receivable	12,894,510	-	-	-
Accounts Receivable - Net	-	-	21,887	6,916,912
Taxes Receivable - Net	-	-	-	14,352,572
Interest Receivable - Net	12,418,585	130,253	646,874	823
Due from Other Funds	33,537	-	24	-
Due from Fiduciary Funds	146,213	-	-	-
Total Receivables	25,492,845	130,253	668,785	21,270,307
Investments, at Fair Value:				
Investments at the Bank of ND	10,000	-	20,675	13,743,561
Equity Pool	2,031,618,846	56,007,782	-	-
Fixed Income	2,162,101	1,595,296	-	-
Fixed Income Pool	1,173,195,813	52,447,202	2,146,501	2,342,913
Cash and Cash Pool	14,325,282	397,970	-	-
Real Estate Pool	340,482,466	7,607,553	-	-
Alternative Investments	200,551,504	2,722,998	-	-
Annuities	383,615	-	-	-
Mutual Funds	38,312,642	-	328,732,629	-
Total Investments	3,801,042,269	120,778,801	330,899,805	16,086,474
Invested Securities Lending Collateral	53,286,775	2,324,742	-	-
Capital Assets (Net of Depreciation)	2,942,329	-	-	-
Other Assets	-	-	-	12,868
Total Assets	3,896,030,007	123,542,918	343,190,958	\$ 56,615,926
LIABILITIES				
Accounts Payable	6,545,304	164,200	801,349	\$ -
Accrued Payroll	106,076	-	-	-
Securities Lending Collateral	53,286,775	2,324,742	-	-
Intergovernmental Payable	-	-	-	30,474,309
Tax Refunds Payable	-	-	-	2,707
Due to Other Funds	112,346	-	-	-
Due to Fiduciary Funds	144,445	-	-	-
Amounts Held in Custody for Others	-	-	-	26,138,910
Deferred Revenue	53,217	-	-	-
Compensated Absences Payable	121,778	-	-	-
Total Liabilities	60,369,941	2,488,942	801,349	\$ 56,615,926
NET ASSETS				
Net Assets Held in Trust for:				
Pension Benefits	3,834,744,696	-	-	-
Other Employee Benefits	915,370	-	-	-
External Investment Pool Participants	-	121,053,976	-	-
Other Purposes	-	-	342,389,609	-
Total Net Assets Held in Trust	\$ 3,835,660,066	\$ 121,053,976	\$ 342,389,609	

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Changes in Fiduciary Net Assets Fiduciary Funds For the Fiscal Year Ended June 30, 2008

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds
ADDITIONS			
Contributions:			
Employer	\$ 66,736,498	\$ -	\$ -
Employee	72,752,036	-	-
From Participants	-	-	37,291,003
Transfers from Other Funds	943,382	-	-
Transfers from Other Plans	3,389,699	-	-
Donations	-	-	680,026
Total Contributions	<u>143,821,615</u>	<u>-</u>	<u>37,971,029</u>
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	(327,481,222)	(8,306,777)	11,549,718
Interest and Dividends	<u>98,888,544</u>	<u>2,959,073</u>	<u>11,295,180</u>
Less Investment Expense	<u>23,612,335</u>	<u>683,932</u>	<u>-</u>
Net Investment Income	<u>(252,205,013)</u>	<u>(6,031,636)</u>	<u>22,844,898</u>
Securities Lending Activity:			
Securities Lending Income	6,689,017	213,842	-
Less Securities Lending Expense	<u>5,940,538</u>	<u>189,330</u>	<u>-</u>
Net Securities Lending Income	<u>748,479</u>	<u>24,512</u>	<u>-</u>
Repurchase Service Credit	7,318,594	-	-
Miscellaneous Income	<u>590,685</u>	<u>-</u>	<u>103,900</u>
Total Additions	<u>(99,725,640)</u>	<u>(6,007,124)</u>	<u>60,919,827</u>
DEDUCTIONS			
Benefits Paid to Participants	197,163,309	-	-
Refunds	10,421,951	-	-
Prefunded Credit Applied	4,704,087	-	-
Transfer to Other Plans	943,382	-	-
Payments in Accordance with Trust Agreements	-	-	52,978,419
Administrative Expenses	<u>3,544,434</u>	<u>-</u>	<u>2,611,831</u>
Total Deductions	<u>216,777,163</u>	<u>-</u>	<u>55,590,250</u>
Purchase of Units at Net Asset Value of \$1.00 Per Unit	<u>-</u>	<u>36,457,740</u>	<u>-</u>
Change in Net Assets Held in Trust for:			
Pension Benefits	(315,972,418)	-	-
Other Employee Benefits	(530,385)	-	-
External Investment Pool Participants	-	30,450,616	-
Other Purposes	<u>-</u>	<u>-</u>	<u>5,329,577</u>
Total Change in Net Assets	<u>(316,502,803)</u>	<u>30,450,616</u>	<u>5,329,577</u>
Net Assets - Beginning of Year	<u>4,152,162,869</u>	<u>90,603,360</u>	<u>337,060,032</u>
Net Assets - End of Year	<u>\$ 3,835,660,066</u>	<u>\$ 121,053,976</u>	<u>\$ 342,389,609</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, 2008

	BSC Foundation	DSU Foundation	CHAND	MISU Development Foundation	Public Finance Authority	ND Development Fund
ASSETS						
Current Assets:						
Cash and Cash Equivalents	\$ 99,888	\$ 675,628	\$ 2,532,072	\$ 139,031	\$ 32,000	\$ 3,957,363
Investments	-	-	-	-	-	9,879,726
Accounts Receivable - Net	1,829,145	1,164,159	-	51,274	-	-
Interest Receivable - Net	-	-	-	-	-	113,543
Intergovernmental Receivable - Net	98,871	-	-	-	-	-
Due from Primary Government	35,156	3,209	-	-	-	-
Inventory	-	-	-	-	-	-
Loans and Notes Receivable - Net	-	-	-	-	-	3,410,795
Other Assets	110,123	99,631	-	2,033	-	-
Restricted Cash and Cash Equivalents	-	-	-	-	1,117,000	-
Restricted Investments	-	-	-	-	25,376,000	-
Restricted Interest Receivable - Net	-	-	-	-	4,186,000	-
Total Current Assets	2,173,183	1,942,627	2,532,072	192,338	30,711,000	17,361,427
Noncurrent Assets:						
Restricted Cash and Cash Equivalents	2,665,217	102,667	-	-	-	-
Restricted Investments	12,854,030	8,265,344	-	11,328,822	379,127,000	-
Investments	281,729	780,000	-	989,757	-	1,367,222
Due from Primary Government	6,335,000	-	-	-	3,668,000	-
Loans and Notes Receivable - Net	-	-	-	-	-	5,267,222
Unamortized Bond Issuance Costs	-	-	-	-	885,000	-
Other Noncurrent Assets	1,038,830	2,878,911	-	334,632	-	-
Capital Assets:						
Land and Construction in Progress	11,550,879	80,000	-	-	-	-
Infrastructure - Net	389,734	62,900	-	-	-	-
Buildings and Equipment - Net	71,535	808,702	-	-	-	766
Total Noncurrent Assets	35,186,954	12,978,524	-	12,653,211	383,680,000	6,635,210
Total Assets	37,360,137	14,921,151	2,532,072	12,845,549	414,391,000	23,996,637
LIABILITIES						
Current Liabilities:						
Accounts Payable	1,189,663	814,852	2,099,505	14,111	28,000	13,653
Accrued Payroll	-	5,089	-	-	-	-
Interest Payable	-	-	-	-	1,584,000	-
Intergovernmental Payable	-	-	-	-	222,000	-
Due to Primary Government	342,824	16,002	-	-	-	-
Other Deposits	-	-	-	-	-	-
Notes Payable	-	16,183	-	-	-	-
Capital Leases Payable	-	-	-	-	-	-
Bonds Payable	823,054	-	-	-	10,825,000	-
Deferred Revenue	-	-	185,908	-	-	-
Total Current Liabilities	2,355,541	852,126	2,285,413	14,111	12,659,000	13,653
Noncurrent Liabilities:						
Intergovernmental Payable	-	-	-	-	215,000	-
Due to Primary Government	-	-	-	-	3,668,000	-
Notes Payable	-	593,916	-	-	-	-
Capital Leases Payable	-	-	-	-	-	-
Bonds Payable	8,098,817	-	-	-	137,511,000	-
Other Noncurrent Liabilities	2,706,619	690,923	-	141,488	-	-
Total Noncurrent Liabilities	10,805,436	1,284,839	-	141,488	141,394,000	-
Total Liabilities	13,160,977	2,136,965	2,285,413	155,599	154,053,000	13,653
Net Assets						
Invested in Capital Assets, Net of Related Debt	8,090,277	341,502	-	989,757	-	766
Restricted for:						
Debt Service	-	-	-	-	68,189,000	-
Loan Purposes	-	-	-	-	189,430,000	-
Other	13,649,472	12,625,932	-	10,261,401	-	-
Unrestricted	2,459,411	(183,248)	246,659	1,438,792	2,719,000	23,982,218
Total Net Assets	\$ 24,199,160	\$ 12,784,186	\$ 246,659	\$ 12,689,950	\$ 260,338,000	\$ 23,982,984

NDSU Development Foundation	NDSU Research and Technology Park	RE Arena Inc. UND Arena Services, Inc. & Affiliates	UND Aerospace Foundation	UND Alumni Association and UND Foundation	Non-Major	Total
\$ 2,711,925	\$ 928,444	\$ 3,729,427	\$ 779,842	\$ 4,819,671	\$ 5,898,015	\$ 26,303,306
-	-	-	-	-	-	9,879,726
2,234,444	5,131	1,009,797	1,043,861	8,586,281	346,856	16,270,948
-	-	-	-	-	-	113,543
-	-	355,566	-	-	-	454,437
25,850,652	997,563	267,417	107,016	335,000	10,000	27,606,013
-	-	-	140,095	-	-	140,095
-	-	-	-	-	-	3,410,795
598,531	97,004	136,108	458,198	389,063	204,756	2,095,447
-	-	-	-	-	-	1,117,000
-	-	-	-	-	-	25,376,000
-	-	-	-	-	-	4,186,000
31,395,552	2,028,142	5,498,315	2,529,012	14,130,015	6,459,627	116,953,310
12,627,934	540,699	-	-	-	1,381,668	17,318,185
106,124,463	-	-	-	170,762,818	30,541,281	719,003,758
6,953,624	11,320,000	-	515,773	5,741,925	-	27,950,030
-	13,958,648	-	1,824,984	10,755,000	-	36,541,632
-	-	-	-	-	-	5,267,222
-	1,873,307	-	-	-	-	2,758,307
1,448,966	55,724	-	-	19,858,234	133,187	25,748,484
868,809	-	-	1,065,949	-	206,200	13,771,837
-	938,348	-	24,110	-	-	1,415,092
3,145,564	3,568,191	87,432,247	8,209,081	2,675,607	345,346	106,257,039
131,169,360	32,254,917	87,432,247	11,639,897	209,793,584	32,607,682	956,031,586
162,564,912	34,283,059	92,930,562	14,168,909	223,923,599	39,067,309	1,072,984,896
2,536,616	339,141	676,951	498,484	921,975	74,205	9,207,156
-	47,494	-	-	-	-	52,583
-	-	-	-	-	-	1,584,000
-	26,321	-	-	-	-	248,321
22,998	-	342,066	328,144	-	1,440,296	2,492,330
648,544	-	-	-	-	350	648,894
182,793	762,967	-	862,149	200,000	83,287	2,107,379
-	46,557	-	39,000	-	-	85,557
613,657	815,000	191,912	-	426,809	-	13,695,432
-	-	1,719,255	518,539	-	-	2,423,702
4,004,608	2,037,480	2,930,184	2,246,316	1,548,784	1,598,138	32,545,354
-	504,241	-	-	-	-	719,241
-	-	-	-	-	-	3,668,000
1,989,012	359,373	-	3,116,479	300,000	111,815	6,470,595
-	41,563	-	1,824,985	-	-	1,866,548
24,345,535	24,480,000	6,039,274	-	12,766,891	-	213,241,517
7,381,134	1,003,700	-	-	29,554,771	59,070	41,537,705
33,715,681	26,388,877	6,039,274	4,941,464	42,621,662	170,885	267,503,606
37,720,289	28,426,357	8,969,458	7,187,780	44,170,446	1,769,023	300,048,960
6,169,478	2,765,916	81,201,061	5,320,511	2,675,607	504,296	108,059,171
-	-	-	-	-	-	68,189,000
-	-	-	-	-	-	189,430,000
108,175,463	671,300	1,578,578	-	153,599,129	30,843,851	331,405,126
10,499,682	2,419,486	1,181,465	1,660,618	23,478,417	5,950,139	75,852,639
\$ 124,844,623	\$ 5,856,702	\$ 83,961,104	\$ 6,981,129	\$ 179,753,153	\$ 37,298,286	\$ 772,935,936

STATE OF NORTH DAKOTA

Combining Statement of Activities Component Units - Proprietary Funds For the Fiscal Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
BSC Foundation	\$ 1,838,496	\$ 694,182	\$ 437,280	\$ (707,034)
DSU Foundation	2,186,325	329,306	4,445,901	2,588,882
CHAND	9,820,453	7,293,885	1,068,648	(1,457,920)
MISU Development Foundation	669,459	15,000	158,620	(495,839)
Public Finance Authority	9,031,000	1,118,000	42,806,000	34,893,000
ND Development Fund	1,316,593	1,011,854	502,177	197,438
NDSU Development Foundation	13,331,135	965,196	8,367,085	(3,998,854)
NDSU Research and Technology Park	3,196,219	2,697,729	413,967	(84,523)
RE Arena, Inc., UND Arena Services & Affiliates	11,556,485	7,911,867	-	(3,644,618)
UND Aerospace Foundation	10,523,256	12,105,183	311,591	1,893,518
UND Alumni Association & UND Foundation	16,640,573	4,477,163	10,554,525	(1,608,885)
Nonmajor Component Units	10,993,216	6,680,092	1,398,109	(2,915,015)
Total Component Units	<u>\$ 91,103,210</u>	<u>\$ 45,299,457</u>	<u>\$ 70,463,903</u>	<u>\$ 24,660,150</u>

General Revenues					
Payments from	Additions to	Change	Net Assets	Net Assets	
State of	Permanent	in	Beginning	End	
North Dakota	Endowments	Net Assets	of Year	of Year	
\$ -	\$ 792,905	\$ 85,871	\$ 24,113,289	\$ 24,199,160	
-	300,530	2,889,412	9,894,774	12,784,186	
-	-	(1,457,920)	1,704,579	246,659	
-	488,795	(7,044)	12,696,994	12,689,950	
-	-	34,893,000	225,445,000	260,338,000	
3,000,000	-	3,197,438	20,785,546	23,982,984	
-	5,069,493	1,070,639	123,773,984	124,844,623	
-	-	(84,523)	5,941,225	5,856,702	
-	-	(3,644,618)	87,605,722	83,961,104	
-	-	1,893,518	5,087,611	6,981,129	
-	12,847,645	11,238,760	168,514,393	179,753,153	
-	1,447,481	(1,467,534)	38,765,820	37,298,286	
<u>\$ 3,000,000</u>	<u>\$ 20,946,849</u>	<u>\$ 48,606,999</u>	<u>\$ 724,328,937</u>	<u>\$ 772,935,936</u>	

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STATE OF NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2008

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, 2008, and their report 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, 2007, and their report 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, 2007, and their report 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, 2008, and their report 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, 2008, and their report 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, 2008, and their report 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, 2008, and their report 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, 2008, and their report 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, 2008, and their report 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 60-member board of trustees comprised of leading citizens, both alumni and friends of the university, as well as four ex-officio members: the president of NDSU, the president and vice president of the Alumni Association, and the executive director of the Development Foundation and Alumni Association. The Foundation was audited by other independent auditors for the fiscal year ended June 30, 2008, and their report 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)

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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, 2008, and their report 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. 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, 2008, and their combined report 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, 2008, and their report 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, 2008, and their combined report 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, 2008, and their report 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, 2008, and their report 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:

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.

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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 (agency funds are excluded as they have no measurement focus) 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 Mill and Elevator Fund engages in the business of manufacturing and marketing farm products.

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; and risk management 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.

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

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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 2008, the first year of the biennium, there were general, federal and supplemental appropriations totaling \$104,565,774.

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, 2008.

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 reported at fair value. Quoted market prices, when available, have been used to value investments. The market value for securities that have no quoted market price represent estimated fair value. Many factors are considered in arriving at that value. International securities are valued based upon quoted foreign market prices and translated into U.S. dollars at the exchange rate in effect at June 30. In general, corporate debt securities have been valued at quoted market prices or, if not available, values are based on yields currently available on comparable securities of issuers with similar credit ratings. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments. The fair value of real estate investment securities, including timberland, is based on appraisals plus fiscal year-to-date capital transactions. Publicly traded alternative investments are valued based on quoted market prices. When not readily available, alternative investment securities are valued using current estimates of fair value from the investment manager. Such valuations consider variables such as financial performance of the issuer, comparison of comparable companies' earnings multiples, cash flow analysis, recent sales prices of investments, withdrawal restrictions, and other pertinent information. Because of the inherent uncertainty of the valuation for these other alternative investments, the estimated fair value may differ from the values that would have been used had a ready market existed. 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 \$1,367,222 at June 30, 2008. 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.

The State lends its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The State has contracted with a third party securities lending agent (Agent) to lend the State's securities portfolios. The Agent lends securities of the type on loan at June 30, 2008, for collateral in the form of cash or other securities at 102% of the loaned securities market value plus accrued interest for domestic securities and 105% of the loaned securities market value plus accrued interest for international securities. The collateral for the loans is maintained at 100% per the contractual requirements. As of June 30, 2008, 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.

The Average Duration of the collateral investments as of June 30, 2008, was 6 days. The Average Weighted Maturity of collateral investments as of June 30, 2008, was 174 days. (Land Department was 65 days.) The interest rate sensitivity (duration) of the securities on loan matched the duration of the collateral investments, however the Land Department has an interest sensitivity of 36 days.

The Agent provides indemnification if the borrowers fail to return the underlying securities (and if collateral is inadequate to replace the securities lent) or fails to pay income distributions on them. All open securities loans can be terminated on demand by either the State or the borrower. All term securities loans can be terminated with five days notice by either the State or the borrower. Cash collateral is invested in accordance with investment guidelines approved by the State. The State cannot pledge or sell collateral securities received unless the borrower defaults.

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

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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.

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, including those infrastructure assets acquired prior to June 30, 1980. 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 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:

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.

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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	School Permanent Trust Fund	Other Governmental Funds
June 30, 2007, fund balance/net assets, as previously reported	\$ 3,430,896	\$ 950,372	\$ 724,118
Prior period adjustment:			
Correction of errors	8,402	2,616	6,371
June 30, 2007, fund balance/net assets, as restated	<u>\$ 3,439,298</u>	<u>\$ 952,988</u>	<u>\$ 730,489</u>

CORRECTION OF ERRORS

The beginning net assets of the Government-wide Governmental Activities \$8,401,817; School Permanent Trust Fund \$2,616,172; Other Governmental Funds Transportation \$5,896,466; Land Department Coal and Mineral \$474,272 and Other Special \$822 were all restated. The errors consist of overstatement of capital assets in the Government-wide Governmental Activities and not recording revenue in the proper periods for the School Permanent Trust Fund and Other Governmental Funds.

NOTE 3 - DETAILED NOTES ON ACCOUNT BALANCES

A. *DEPOSITS*

CUSTODIAL CREDIT RISK

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

State law generally requires that all State funds be deposited in the Bank of North Dakota. NDCC 21-04-01 provides that public funds belonging to or in the custody 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, 2008, the bank balance of the primary government's deposits was \$354,003,318. Of the bank amount, \$321,692,779 was uncollateralized and uninsured.

There were significant concentrations of uninsured and uncollateralized deposits in the Bank of North Dakota and University System at June 30, 2008. Their uninsured and uncollateralized deposits totaled \$310.3 million and \$6.9 million, and their bank deposits totaled \$310.6 million and \$14.1 million, respectively.

At June 30, 2008, the bank balance of the major component units' deposits was \$50,397,181. Of the bank amount, \$16,053,366 was uncollateralized and uninsured.

The internal receivable amount in the governmental activities column in the Statement of Net Assets is Cash and Investments at the Bank of North Dakota for governmental activities. The internal payable amount in the business-type activities column includes \$1,057,887,197 of deposits the Bank has for governmental activities. Because the Bank has a

different fiscal year end, these internal balances do not equal.

B. *INVESTMENTS*

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

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

1. State Investment Board (SIB) – NDCC 21-10 designates the SIB with investment responsibilities for the Public Employees' Retirement System, Bonding Fund, Teachers' Fund for Retirement, Fire and Tornado Fund, 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 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

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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, 2008, 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	\$ 47,299	\$ 6,259	\$ 918	\$ 1,403	\$ 38,719
Commercial Mortgage-Backed	34,970	1,425	12,399	-	21,146
Corporate Bonds	922,552	13,876	449,977	251,079	207,620
Corporate Convertible Bonds	92,718	607	74,092	-	18,019
Government Agencies	255,137	108,730	115,682	15,868	14,857
Government Bonds	211,707	38,171	83,780	56,823	32,933
Government Mortgage-Backed	264,153	2	176,360	1,561	86,230
Index-Linked Government Bonds	331,350	83,441	158,140	40,889	48,880
Municipal/Provincial Bonds	29,441	17,176	2,019	5,313	4,933
Non-Government-Backed CMOs	77,864	13,400	164	600	63,700
Short Term Bills and Notes	23,152	23,152	-	-	-
Short Term Investment Funds	12,743	12,743	-	-	-
Pooled Investments	511,303	85,367	63,063	362,664	209
Total Debt Securities	<u>\$ 2,814,389</u>	<u>\$ 404,349</u>	<u>\$ 1,136,594</u>	<u>\$ 736,200</u>	<u>\$ 537,246</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 and Agencies	\$ 541	\$ 90	\$ 220	\$ 231	\$ -
Money Market Funds	2,356	2,356	-	-	-
Corporate Bonds	3,858	728	1,931	832	367
State and Municipal Bonds	401	-	26	48	327
Mutual Bond Funds	37,213	1,046	18,516	1,723	15,928
Commercial Paper	637	637	-	-	-
FNMA	344	150	120	73	1
FHLMC	1,156	32	247	645	232
Total Debt Securities	<u>\$ 46,506</u>	<u>\$ 5,039</u>	<u>\$ 21,060</u>	<u>\$ 3,552</u>	<u>\$ 16,855</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, 2008, the following tables present the debt securities of the primary government and major

Primary Government (includes Pension and Investment Trust Funds) S&P Credit Rating*

	Total Market Value	AAA	AA	A	BBB
Asset Backed Securities	\$ 47,299	\$ 13,690	\$ 2,038	\$ 558	\$ 4,840
Commercial Mortgage Backed	96,128	30,450	560	223	-
Corporate Bonds	879,843	18,700	42,219	154,938	320,986
Corporate Convertible Bonds	72,845	1,432	-	12,283	20,977
Government Agencies	147,631	142,825	-	1,302	3,298
Government Bonds	172,281	130,147	-	26,553	9,388
Government Mortgage Backed	114,228	114,228	-	-	-
Index-Linked Government Bonds	206,594	123,153	83,441	-	-
Municipal/Provincial Bonds	13,974	4,747	4,012	-	3,521
Non-Government Backed CMOs	77,864	54,610	12,121	7,354	570
Short Term Bills and Notes	199	199	-	-	-
Pooled Investments	656,676	250,755	111,367	77,711	58,860
Total Credit Risk Debt Securities	2,485,562	\$ 884,936	\$ 255,758	\$ 280,922	\$ 422,440
US Gov't & Agencies	328,827				
Total Debt Securities	\$ 2,814,389				

*Majority of debt securities rated by S&P, however some were determined by Moody's, Fitch or manager determined.

Notes To The Financial Statements

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

BB	B	CCC	D	Not Rated
\$ 21,303	\$ 2,011	\$ 62	\$ 42	\$ 2,755
37,300	23,177	2,106	-	2,312
125,919	86,328	25,071	240	105,442
12,357	3,696	3,776	-	18,324
206	-	-	-	-
3,096	-	-	-	3,097
-	-	-	-	-
-	-	-	-	-
1,694	-	-	-	-
641	139	-	-	2,429
-	-	-	-	-
12,166	170	-	-	145,647
<u>\$ 214,682</u>	<u>\$ 115,521</u>	<u>\$ 31,015</u>	<u>\$ 282</u>	<u>\$ 280,006</u>

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Component Units

S & P Credit Rating*	Total Market Value	Money Market Funds	Corporate Bonds	State and Municipal Bonds	Mutual Bond Funds	Commercial Paper	FNMA	FHLMC
AAA	\$ 3,764	\$ 2,356	\$ 523	\$ 49	\$ -	\$ -	\$ 115	\$ 721
AA	1,817	-	94	-	1,723	-	-	-
AA-	45	-	45	-	-	-	-	-
AA3	52	-	52	-	-	-	-	-
A+	30	-	25	-	5	-	-	-
A	579	-	375	-	204	-	-	-
A-	410	-	410	-	-	-	-	-
A1	117	-	117	-	-	-	-	-
A2	157	-	122	35	-	-	-	-
A3	64	-	64	-	-	-	-	-
Aa1	126	-	25	101	-	-	-	-
Aa2	217	-	192	25	-	-	-	-
Aa3	207	-	172	35	-	-	-	-
Aaa	377	-	86	60	-	-	79	152
BBB	232	-	35	-	197	-	-	-
BBB-	150	-	150	-	-	-	-	-
BB	205	-	-	-	205	-	-	-
B	109	-	109	-	-	-	-	-
B1	45	-	45	-	-	-	-	-
Ba1	48	-	-	48	-	-	-	-
Baa	239	-	-	-	239	-	-	-
Baa2	19	-	19	-	-	-	-	-
NR	36,956	-	1,198	49	34,639	637	150	283
Total Credit Risk								
Debt Securities	45,965	\$ 2,356	\$ 3,858	\$ 402	\$ 37,212	\$ 637	\$ 344	\$ 1,156
US Treasuries	541							
Total Debt Securities	\$ 46,506							

*Majority of debt securities rated by S&P, however some were determined by Moody's, Fitch or manager determined.

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, 2008 (expressed in thousands):

	Amount	Percent
Federal Agency		
Federal Home Loan Bank	\$ 64,574	27.4%
Fannie Mae	14,972	6.4%
Mortgage-backed		
Fannie Mae	26,603	11.3%
Freddie Mac	57,706	24.5%
State and Municipal		
North Dakota Student Loan Trust	11,800	5.0%
Federal Home Loan Bank Stock	13,705	5.8%

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, 2008, 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	\$ (6,327)	\$ 10,431	\$ 21,694	\$ 25,798
Brazilian real	3	7,162	4,420	11,585
British pound sterling	(35,289)	5,865	82,396	52,972
Canadian dollar	(19,451)	4,218	22,028	6,795
Danish krone	(1,221)	(55)	4,873	3,597
Euro	(58,596)	2,513	151,557	95,474
Hong Kong dollar	(1,326)	-	7,645	6,319
Hungarian forint	(180)	222	-	42
Iceland krona	-	3,411	-	3,411
Indonesian rupiah	21	4,094	30	4,145
Japanese yen	(50,151)	-	115,345	65,194
Malaysian ringgit	-	7,221	-	7,221
Mexican peso	(162)	8,576	61	8,475
New Zealand dollar	(134)	4,074	108	4,048
Norwegian krone	(1,319)	1,187	8,051	7,919
Polish zloty	(395)	5,897	83	5,585
Singapore dollar	(1,077)	9,960	4,516	13,399
South African rand	(35)	3,598	175	3,738
South Korean won	-	936	308	1,244
Swedish krona	(3,266)	4,768	8,955	10,457
Swiss franc	(20,006)	-	40,022	20,016
Turkish lira	1,565	-	-	1,565
International commingled funds (various currencies)	-	94,880	360,310	455,190
Total international investment securities	\$ (197,346)	\$ 178,958	\$ 832,577	\$ 814,189

Alternative Investments - In relation to investment asset allocation, the State considers alternative investments to be any investments that do not fit into any of the other specific asset classes available for investment. Examples of investments the State has included in the alternative investments asset class are private equity, venture capital and distressed debt. All of the investments in this asset class are in the form of limited partnerships with specific time horizons and capital commitments.

Private Equity - Private Equity investments are typically private interests in corporations across different areas of the capital structure and in different stages of the corporations' development via limited partnership vehicles. Private Equity investments are illiquid and long term in nature (10-12 years), typically held until maturity. Private Equity portfolios generally have a "J-Curve Effect" whereby there are low to negative returns in the initial years due to the payment of investment whereby there are low to negative returns in the initial years due to the payment of investment management fees and initial funding of investments made by the General

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Partner during a period when investments are typically carried at cost and returns have not been realized. To diversify the program, Private Equity investments are made across business cycles, vintage years, and different strategies.

Venture Capital - These include investments in companies in a range of stages of development from start-up/seed stage, early stage, and later/expansion stage. Investments are typically made in years one through six and returns typically occur in years four through ten.

Distressed Debt - These include investments in the debt instruments of companies which may be publicly traded or privately held that are financially distressed and are either in bankruptcy or likely candidates for bankruptcy. Typical holdings are senior and subordinated debt instruments, mortgages and bank loans.

The AICPA expands the definition of Alternative Investments for the purpose of performing audits. The expanded definition includes investments for which a readily determinable fair value does not exist (that is, investments not listed on national exchanges or over-the-counter markets, or for which quoted market prices are not available from sources such as financial publications, the exchanges, or Nasdaq). These types of investments can be held within any of the asset classes used by the State based on underlying portfolio holdings and analysis of risk and return relationships. These investments can be structured in different ways, including limited partnerships, limited liability companies, common trusts and mutual funds. Some are closed-ended with a specific life and capital commitment while others are open-ended with opportunity for ad hoc contributions or withdrawals and termination upon proper notice.

Commingled/Mutual Funds - These types of funds are generally open-ended funds and may be utilized in equities or fixed income asset classes. They are funds made up of underlying securities that have readily available market values (publically traded stocks or bonds). The State owns units of these funds rather than the individual securities. Contributions or withdrawals from these fund can be done as needed.

Private Equity – See definition above. The State has determined that private equity investments add diversification opportunities within asset classes that traditionally hold public equity investments. Therefore, there are private equity investments within equity asset classes as well as the alternative investments asset class.

Distressed Equity - See definition above. The State has determined that certain distressed debt investments add diversification and return opportunities within traditional fixed income asset classes. Therefore, there are distressed debt investments within fixed income asset classes as well as the alternative investments asset class.

Mezzanine Debt - This strategy is a hybrid of debt and equity financing. It is basically debt capital that gives the lender the rights to convert to an ownership or equity interest in the company if the loan is not paid back in time and in full. It is generally subordinated to senior debt. The State utilizes this strategy, through a limited partnership structure, in its high yield bond allocation.

Equity Long/Short - This strategy is a combination of long and short positions, primarily in publicly traded equities. The State utilizes this strategy in its US equity allocations.

Portable Alpha Strategies - This strategy separates alpha from beta in a portfolio by investing in securities that differ from the market index from which their beta is derived. Alpha is the return achieved over and above the return that results from the correlation between the portfolio and the market (beta). This strategy involves investing in areas that have little to no correlation with the beta of the portfolio. The State utilizes this strategy in its US equity and fixed income allocations.

Real Estate and Real “Tangible” Assets - These investments are intended to provide allocations to tangible assets that are expected to be inflation protected and provide performance above the inflation rate as indicated by the CPI. Investments in Real Estate and Real Estate Assets include:

Real Estate – includes investments in private vehicles through limited partnerships or commingled vehicles that have an ownership interest in direct real estate properties. The investment strategies may include “value added” strategies, which derive their return from both income and appreciation, “opportunistic”, which derive their return primarily through appreciation, and “alternative” which invest in less traditional types of property. Both domestic and international real estate funds are utilized. The State has a dedicated asset class for these types of investments.

Timberland – includes investments in limited liability companies that have an ownership interest in properties where the value of the property is derived mainly from income-producing timber but also from the “higher and better use” value of the underlying land. The State has analyzed this type of investment and determined that its risk and return profile is very similar to bonds. Therefore, they have chosen to include timberland in fixed income asset allocations to provide additional diversification and return options.

Infrastructure – includes investments in limited partnerships that have an ownership interest in transportation assets such as toll roads, tunnels and bridges; and regulated assets such as electricity transmission, gas and oil distribution and wastewater collection. Other possible investments would include communication assets and social infrastructure. Similar to timberland, the State has included these types of investments in fixed income asset allocations.

C. SECURITIES LENDING

The following represents the balances relating to the securities lending transactions at June 30, 2008 (expressed in thousands).

Primary Government (Includes Pension and Investment Trust Funds)

Securities Lent	Underlying Securities	Non-Cash Collateral Value	Cash Collateral Investment Value
Lent for cash collateral:			
US agency securities	\$ 11,717	\$ -	\$ 12,001
US government securities	181,253	-	181,602
US corporate fixed income securities	47,804	-	49,087
US equities	34,617	-	35,873
Global equities	11,679	-	12,237
Lent for non-cash collateral:			
US agency securities	-	-	-
US government securities	334	2,468	-
US corporate fixed income securities	57	59	-
US equities	-	-	-
Global equities	-	-	-
Total	<u>\$ 287,461</u>	<u>\$ 2,527</u>	<u>\$ 290,800</u>

D. ENDOWMENT FUNDS

The endowment funds reported herein are donor-restricted funds in the custody of the University System. Investment income on the amount endowed is restricted for scholarships and other purposes. NDCC Section 15-67-04 applies to the investment of endowments governed by a gift instrument. 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. NDCC Section 15-67-06 applies to standard of conduct in the administration of powers to make and retain investments. It states "In making investment decisions, members of the governing board shall consider long-term and short-term needs of the institution in carrying out its purposes, its present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions." Given the flexibility in NDCC 15-67-06, campuses have differing policies with respect to spending investment income and net appreciation on endowment funds. UND's policy allows up to 4.5% of the average of the last five years of assets in the Alerus endowment pool to be expended. NDSU allows expenditure of 80 percent of appreciation. MISU allows for 4.5 percent of earnings to be used for scholarships and .5 percent for administrative expenses. MASU, VCSU and WSC give departments authority to spend all investment income earned on the endowment funds. Net appreciation on investments are available for expenditure and consists of the following at June 30, 2008:

Mayville State University	\$ 783	<u>Reflected in net assets as:</u>
Minot State University	71,528	Unrestricted net assets
North Dakota State University	92,424	Expendable scholarships & fellowships
University of North Dakota	310,000	Restricted scholarships & fellowships
Williston State College	913	Non-expendable scholarships & fellowships
Total NDUS	<u>\$ 475,648</u>	Cash in bank

Endowment funds reported herein do not include the Federal Land Grant Fund held by the State Land Department. The annual proceeds from assets held by the State Land Commissioner are deposited into each college/university's operating fund at the State Treasury and are used for current operating purposes. Bismarck State College, Lake Region State College and Williston State College do not participate in the proceeds allocated by the State Land Department. Total assets held by the State Land Department and proceeds for the fiscal year ended June 30, 2008 are \$42,160,190 and \$1,430,000, respectively.

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E. 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, 2008, the State had reverse repurchase agreements of \$100,630,000 included in securities lending collateral on the statement of net assets. The highest month end balance for the previous year was \$143,830,000, with an average daily balance of \$48,714,000. The weighted average interest rate as of year end was 3.00 percent. The weighted average interest rate paid during the year was 4.65 percent. The fair value of these securities at June 30, 2008, was \$100,630,000.

F. RECEIVABLES

Receivables at June 30, 2008, consist of the following (expressed in thousands):

	General	Federal	School Permanent Trust Fund	Other Governmental Funds	Bank of North Dakota	Housing Finance	Mill & Elevator	University System
Receivables:								
Accounts	\$ 6,696	\$ 6,209	\$ 13,265	\$ 38,490	\$ -	\$ 558	\$ 47,855	\$ 19,108
Less Allowance	(3,948)	-	-	(12,451)	-	-	(1,367)	(3,934)
Taxes	193,452	-	2,698	116,834	-	-	-	-
Less Allowance	(21,257)	-	-	(1,376)	-	-	-	-
Interest	322	19	7,310	2,194	34,105	3,467	-	-
Less Allowance	-	-	-	(1,031)	-	-	-	-
Current Loans and Notes	83	15	30,571	71,698	258,248	14,603	-	10,681
Less Allowance	-	-	-	(3,941)	-	-	-	(2,702)
Noncurrent Loans and Notes	-	-	-	-	1,705,768	754,465	-	37,309
Less Allowance	-	-	-	-	(32,863)	-	-	(3,376)
Net Receivables	\$ 175,348	\$ 6,243	\$ 53,844	\$ 210,417	\$ 1,965,258	\$ 773,093	\$ 46,488	\$ 57,086

	Workforce Safety & Insurance	Other Enterprise Funds	Internal Service Funds	Fiduciary Funds	Major Component Units	Total
Receivables:						
Accounts	\$ 20,640	\$ 21,379	\$ 151	\$ 6,939	\$ 15,924	\$ 197,214
Less Allowance	(4,500)	(4,562)	-	-	-	(30,762)
Taxes	-	-	-	16,401	-	329,385
Less Allowance	-	-	-	(2,049)	-	(24,682)
Interest	8,445	4,197	53	13,197	4,300	77,609
Less Allowance	-	-	-	-	-	(1,031)
Current Loans and Notes	-	30,858	-	-	3,411	420,168
Less Allowance	-	-	-	-	-	(6,643)
Noncurrent Loans and Notes	-	75,517	-	-	11,416	2,584,475
Less Allowance	-	(1,050)	-	-	(6,149)	(43,438)
Net Receivables	\$ 24,585	\$ 126,339	\$ 204	\$ 34,488	\$ 28,902	\$ 3,502,295

G. INTERFUND ACCOUNTS AND TRANSFERS

DUE FROM OTHER FUNDS/DUE TO OTHER FUNDS

Interfund balances at June 30, 2008, consist of the following (expressed in thousands):

Due To General Fund From:	
Federal Fund	\$ 62,244
Nonmajor Governmental Funds	47,710
Bank of North Dakota	6,708
Nonmajor Enterprise Funds	8,400
All Others	217
Total Due To General Fund	<u>\$ 125,279</u>

Due To Federal Fund From:	
General Fund	\$ 387
Nonmajor Governmental Funds	13,821
All Others	867
Total Due To Federal Fund	<u>\$ 15,075</u>

Due To Internal Service Funds From:	
General Fund	\$ 2,207
Federal Fund	1,005
Nonmajor Governmental Funds	997
University System	928
All Others	439
Total Due To Internal Service Funds	<u>\$ 5,576</u>

Due To School Permanent Trust Fund From:	
Nonmajor Enterprise Funds	\$ 5,304
All Others	1,649
Total Due To School Permanent Trust Fund	<u>\$ 6,953</u>

Included in the Nonmajor Enterprise Funds is an advance from the Developmentally Disabled Fund for \$1,188,888. This is not expected to be repaid within one year.

Due To Nonmajor Governmental Funds From:

General Fund	\$ 846
Federal Fund	4,668
Nonmajor Governmental Funds	2,939
Internal Service Funds	5,719
All Others	1,314

Total Due To Nonmajor Governmental Funds \$ 15,486

Due To Bank of North Dakota From:

Housing Finance	\$ 14,231
Mill and Elevator	24,746
University System	1,567
Nonmajor Enterprise Funds	786
All Others	471

Total Due To Bank of North Dakota \$ 41,801

Included in the Mill and Elevator amount is a note payable for \$6,972,980. This is not expected to be repaid within one year.

Due To University System From:

General Fund	\$ 14,445
Federal Fund	1,850
All Others	498

Total Due To University System \$ 16,793

Due To All Other Funds From:

All Other	<u>\$ 964</u>
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Included in this category are all other enterprise funds 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, 2008.

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

Due From's	\$ 227,927
Differences:	
General Fund/Bank of ND	18,984
Bank of ND/Housing Finance	(10,691)
Mill & Elevator/Bank of ND	54,201
University System/Bank of ND	(456)
Student Loan Trust/Bank of ND	(109)
School Permanent Trust Fund/	
Developmentally Disabled Loan Fund	(56)
Bank of ND/Guaranteed Student Loan	548
Governmental Agencies/Bank of ND	7,955
Enterprise Funds/Bank of ND	738
Total Differences	71,114
Due To's	<u>\$ 299,041</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, 2008, follows (expressed in thousands):

	Transfers In						Total
	General	Federal	Non-major Governmental	Housing Finance	University System	Non-major Enterprise	
Transfers Out							
General	\$ -	\$ -	\$ 71,717	\$ -	\$ 254,104	\$ -	\$ 325,821
Federal	2	-	18,629	430	-	-	19,061
School Permanent Trust Fund	-	-	34,170	-	1,430	-	35,600
Non-major Governmental	120,888	10,742	28,547	-	15,717	494	176,388
Bank of North Dakota	25,045	-	92	-	-	-	25,137
Housing Finance	-	-	31	-	-	-	31
University System	-	-	7,725	-	-	-	7,725
Non-major Enterprise	8,400	-	2,705	-	920	-	12,025
Mill & Elevator	-	-	36	-	-	-	36
Total	\$ 154,335	\$ 10,742	\$ 163,652	\$ 430	\$ 272,171	\$ 494	\$ 601,824

(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, 2008, legislatively-mandated transfers were made to the general fund of \$115 million and \$5.3 million from the Permanent Oil Tax and the State Lottery respectively.

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

Transfers In	\$ 601,824
Differences:	
General Fund/Bank of ND	(25,045)
Federal Fund/Bank of ND	538
Beginning Farmer/PACE	(2,000)
Total Differences	(26,507)
Transfers Out	\$ 575,317

The above timing differences of \$26,507,000 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.

H. CAPITAL ASSETS

PRIMARY GOVERNMENT:

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

Description	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 51,419	\$ 3,964	\$ (9)	\$ 55,374
Construction in Progress	383,153	99,236	(24,413)	457,976
Total Capital Assets Not Being Depreciated	434,572	103,200	(24,422)	513,350
Capital Assets Being Depreciated:				
Buildings and Improvements	391,478	14,650	(316)	405,812
Equipment	249,136	30,681	(16,960)	262,857
Infrastructure	3,037,037	36,444	-	3,073,481
Total Capital Assets Being Depreciated	3,677,651	81,775	(17,276)	3,742,150
Less Accumulated Depreciation for:				
Buildings and Improvements	(169,001)	(8,644)	992	(176,653)
Equipment	(120,620)	(19,417)	12,849	(127,188)
Infrastructure	(2,435,463)	(36,625)	-	(2,472,088)
Total Accumulated Depreciation	(2,725,084)	(64,686)	13,841	(2,775,929)
Total Capital Assets Being Depreciated, Net	952,567	17,089	(3,435)	966,221
Governmental Activities Capital Assets, Net	\$ 1,387,139	\$ 120,289	\$ (27,857)	\$ 1,479,571

Infrastructure assets of the State Water Commission, with a carrying value of \$30,516,290 are considered temporarily impaired at June 30, 2008.

Description	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Business-Type Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 19,410	\$ 26	\$ -	\$ 19,436
Construction in Progress	70,345	38,190	(50,625)	57,910
Total Capital Assets Not Being Depreciated	89,755	38,216	(50,625)	77,346
Capital Assets Being Depreciated:				
Buildings and Improvements	780,252	73,353	(1,006)	852,599
Equipment	382,962	28,875	(9,322)	402,515
Infrastructure	146,641	4,238	(239)	150,640
Total Capital Assets Being Depreciated	1,309,855	106,466	(10,567)	1,405,754
Less Accumulated Depreciation for:				
Buildings and Improvements	(359,790)	(19,278)	716	(378,352)
Equipment	(231,045)	(23,372)	7,101	(247,316)
Infrastructure	(61,517)	(3,699)	-	(65,216)
Total Accumulated Depreciation	(652,352)	(46,349)	7,817	(690,884)
Total Capital Assets Being Depreciated, Net	657,503	60,117	(2,750)	714,870
Business-Type Activities Capital Assets, Net	\$ 747,258	\$ 98,333	\$ (53,375)	\$ 792,216

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<u>Description</u>	<u>Balance July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2008</u>
Major Component Units:				
Capital Assets Not Being Depreciated				
Land	\$ 3,249	\$ 23	\$ (57)	\$ 3,215
Construction in Progress	8,442	1,909	-	10,351
Total Capital Assets Not Being Depreciated	11,691	1,932	(57)	13,566
Capital Assets Being Depreciated:				
Buildings and Improvements	119,638	985	-	120,623
Equipment	16,842	4,034	(2,002)	18,874
Infrastructure	1,545	93	-	1,638
Total Capital Assets Being Depreciated	138,025	5,112	(2,002)	141,135
Less Accumulated Depreciation for:				
Buildings and Improvements	(20,756)	(6,584)	-	(27,340)
Equipment	(6,322)	(1,361)	1,437	(6,246)
Infrastructure	(183)	(40)	-	(223)
Total Accumulated Depreciation	(27,261)	(7,985)	1,437	(33,809)
Total Capital Assets Being Depreciated, Net	110,764	(2,873)	(565)	107,326
Major Component Unit Capital Assets, Net	\$ 122,455	\$ (941)	\$ (622)	\$ 120,892

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	\$ 6,155
Education	279
Health and Human Services	4,860
Regulatory	194
Public Safety & Corrections	7,275
Agriculture and Commerce	119
Natural Resources	5,649
Transportation	40,155
Total Governmental Activities Depreciation Expense	\$ 64,686

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, 2008</u>	<u>Balance Authorized</u>
Office of Management and Budget	\$ 4,889	\$ 637	\$ 4,252
Attorney General	5,294	3,219	2,075
Legislative Assembly	5,692	3,395	2,297
Veterans Home	23,227	519	22,708
Department of Human Services	5,345	1,656	3,689
Adjutant General	52,544	19,222	33,322
Historical Society	7,000	6,846	154
Game and Fish	957	59	898
Job Service North Dakota	7,300	791	6,509
Department of Transportation	531,993	421,632	110,361
Total Governmental Activities	\$ 644,241	\$ 457,976	\$ 186,265

Notes To The Financial Statements

<u>Business-Type Activities</u>	<u>Amount Authorized</u>	<u>Amount Expended Through June 30, 2008</u>	<u>Balance Authorized</u>
Bank of North Dakota	\$ 10,093	\$ 8,258	\$ 1,835
Mill and Elevator	4,496	2,416	2,080
Workforce Safety and Insurance	3,464	3,464	-
PERS Group Insurance	2,759	961	1,798
University System	94,035	42,811	51,224
Total Business-Type Activities	<u>\$ 114,847</u>	<u>\$ 57,910</u>	<u>\$ 56,937</u>

<u>Major Component Units</u>	<u>Amount Authorized</u>	<u>Amount Expended Through June 30, 2008</u>	<u>Balance Authorized</u>
BSC Foundation	<u>\$ 17,409</u>	<u>\$ 10,351</u>	<u>\$ 7,058</u>

I. 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, 2008, amounted to \$12,274,400 for governmental activities and \$7,767,682 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, 2008, 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>
2009	\$ 7,831	\$ 5,783
2010	1,999	3,869
2011	880	2,909
2012	645	2,234
2013	433	1,494
2014-2018	267	3,204
2019-2023	152	593
2024-2028	-	263
2029-2033	-	164
Total Minimum Lease Payments	<u>\$ 12,207</u>	<u>\$ 20,513</u>

J. 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, 2008 (expressed in thousands):

STATE OF NORTH DAKOTA

Year Ending June 30	Governmental Activities	Business- type Activities	Major Component Units
2009	\$ 1,531	\$ 7,566	\$ 180
2010	1,490	7,183	170
2011	1,158	6,565	126
2012	946	5,141	126
2013	772	4,777	126
2014-2018	-	19,027	632
2019-2023	-	10,317	632
2024-2028	-	6,676	632
2029-2033	-	3,259	632
2034-2038	-	1,821	63
2039-2043	-	1,093	-
Total Minimum Lease Payments	5,897	73,425	3,319
Less: Amount Representing Interest	(661)	(23,379)	(1,367)
Present Value of Future Minimum Lease Payments	\$ 5,236	\$ 50,046	\$ 1,952

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, 2008, is as follows (expressed in thousands):

	Governmental Activities	Business- Type Activities	Major Component Units
Infrastructure	\$ -	\$ 1,160	\$ -
Buildings	-	37,731	-
Equipment	10,307	26,614	1,978
Less: Accumulated Depreciation	(3,932)	(17,408)	(266)
Total	\$ 6,375	\$ 48,097	\$ 1,712

K. 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, 2008, 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 and B Bonds have interest payable semiannually on June 1 and December 1 of each year. The bonds of each series are subject to optional and/or extraordinary optional redemption prior to maturity upon the occurrence of certain events. The bonds are

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

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

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.

Interest is payable semiannually on January 1 and July 1 of each year for the Series 2000 A Term Bonds and Series 2007 B, and February 1 and August 1 for the Series 2000 A, 2005 A, 2005 B and 2007 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 2000 Series A Bonds are variable rate bonds initially issued as auction rate certificates. Interest is payable semiannually on June 1 and December 1 of each year. The maximum rate of interest is 12% per annum. The proceeds of the Series 2000 Bonds were used to provide funds for the acquisition of student loans from the Bank of North Dakota. Details of the terms and provisions of the auction rate bonds are outlined in Schedule A of the Second Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds Second General Bond Resolution. The 2000 Series B Bonds are fixed rate bonds. Under certain conditions, the Industrial Commission may call for early redemption of the 2000 Series A and B Bonds at a redemption price equal to 100% of the principal amount plus accrued interest to date of redemption.

Interest is payable semiannually on June 1 and December 1 of each year. The 2004 Series A Bonds are variable rate bonds. The rate of interest is determined based on the one-month LIBOR plus .7%. The maximum rate of interest is 12% per annum. Details of the terms and provisions of the variable rate bonds are outlined in Section 2.4 of the Second Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds First General Bond Resolution. The Series 2004 Bonds are subject to redemption prior to maturity at the option of the Commission from any source of funds, in whole or in part, on any date at a redemption price equal to 100% of the principal amount plus accrued interest to date of redemption.

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

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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 6/30/08
Primary Government			
<u>Governmental:</u>			
Building Authority	2009-2025	2.00-5.35	\$ 102,499
Water Commission	2009-2048	2.50-5.50	109,081
Department of Transportation	2009-2020	3.00-5.00	49,879
Information Technology Department	2009-2014	3.50-5.25	4,206
<u>Proprietary:</u>			
State Fair	2009-2012	3.50-4.60	1,144
Student Loan Trust	2009-2036	2.89-6.40	74,600
Housing Finance:			
Homeownership	2009-2039	1.45-6.15	927,144
University System:			
VCSU—Valley City	2009-2033	4.30-7.25	3,290
Williston State College	2009-2019	0-4.75	596
Lake Region State College	2009-2017	4.00-5.125	810
UND—Grand Forks	2009-2036	0-5.00	74,203
NDSU—Fargo	2009-2037	0-5.60	90,490
NDSCS—Wahpeton	2009-2016	0-5.50	1,336
MiSU—Minot	2009-2030	0-5.25	6,796
MiSU—Bottineau	2009-2012	6.25-6.95	104
MaSU—Mayville	2009-2018	4.80-5.38	2,480
DSU—Dickinson	2009-2020	4.00-5.00	680
BSC—Bismarck	2009-2030	3.4-6.1	4,150
NDUS – Univ. Sys. State Office	2009-2014	0-4.28	10,022
Total Revenue Bonds Payable— Primary Government			<u>\$ 1,463,510</u>

Major Component Units

<u>Proprietary:</u>			
Public Finance Authority	2009-2031	2.00-10.00	\$ 148,336
NDSU Research and Technology Park, Inc.	2009-2032	3.00-5.40	25,295
NDSU Development Foundation	2009-2028	2.40-5.19	24,960
Arena Holdings Charitable LLC	2009-2030	4.60	6,231
UND Foundation	2009-2027	2.50-5.13	13,194
BSC Foundation	2009-2032	4.50-5.25	8,922
Total Revenue Bonds Payable— Major Component Units			<u>\$ 226,938</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>
2009	\$ 16,754	\$ 11,406
2010	17,612	10,658
2011	17,483	9,902
2012	16,675	9,206
2013	17,467	8,495
2014-2018	86,141	31,682
2019-2023	58,868	13,851
2024-2028	24,474	3,260
2029-2033	4,004	832
2034-2038	665	359
2039-2043	814	221
2044-2048	645	57
Bond Premium	5,199	(5,199)
Deferred Amount On Refunding	(1,136)	1,136
Total	<u>\$ 265,665</u>	<u>\$ 95,866</u>

Business-type Activities

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 169,773	\$ 50,186
2010	87,874	45,236
2011	32,309	43,421
2012	32,954	42,047
2013	31,218	40,621
2014-2018	130,953	184,154
2019-2023	131,016	153,728
2024-2028	174,855	117,455
2029-2033	196,970	70,570
2034-2038	179,935	24,427
2039-2043	23,150	570
Bond Premium	6,838	(6,838)
Total	<u>\$ 1,197,845</u>	<u>\$ 765,577</u>

Major Component Units

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 13,695	\$ 10,011
2010	14,046	9,402
2011	13,862	8,809
2012	13,934	8,221
2013	13,740	7,660
2014-2018	69,576	29,302
2019-2023	47,122	14,853
2024-2028	33,586	6,076
2029-2033	6,884	876
2034-2038	322	72
Bond Premium	171	(171)
Total	<u>\$ 226,938</u>	<u>\$ 95,111</u>

2. NOTES PAYABLE

The following is a schedule of notes payable outstanding at June 30, 2008 (expressed in thousands):

<u>Fund Type/Fund</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Balance 6/30/08</u>
Primary Government			
<u>Governmental:</u>			
Department of Corrections	2009-2015	4.59	\$ 568
Department of Human Services	2009-2015	4.24	3,930
Department of Transportation	2009-2022	4.18	2,414
Office of Management and Budget	2009-2022	4.18	4,337
Tax Department	2009-2013	3.166	12,208
School for the Deaf	2009-2021	4.8408	269
Information Technology Department	2009-2013	3.47-3.75	12,000
<u>Proprietary:</u>			
Bank of North Dakota	2009-2022	2.98-7.35	245,070
University System	2009-2015	4.09-5.52	5,574
Major Component Units			
UND Aerospace Foundation	2009-2016	4.758-5.998	3,978
NDSU Development Foundation	2009-2013	2.77-6.86	2,172
NDSU Research & Tech Park	2009-2017	0.0-7.50	1,123
UND Foundation	2009-2012	Variable	500
DSU Foundation	2009-2013	5.625-6.785	610

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

The Public Finance Authority has a note payable of \$3,668,000 due to the Bank of North Dakota which is reported in the state's financial statements as a due to primary government.

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

Primary Government:

Governmental Activities

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 3,203	\$ 1,308
2010	4,497	1,180
2011	11,300	972
2012	5,647	576
2013	4,858	385
2014-2018	3,503	912
2019-2023	2,718	249
Total	<u>\$ 35,726</u>	<u>\$ 5,582</u>

Business-type Activities

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 90,744	\$ 10,163
2010	6,300	8,906
2011	1,167	8,705
2012	34,125	7,898
2013	871	6,679
2014-2018	57,837	24,498
2019-2023	59,600	6,619
Total	<u>\$ 250,644</u>	<u>\$ 73,468</u>

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Major Component Units

Fiscal Year	Principal	Interest
2009	\$ 2,024	\$ 430
2010	2,020	343
2011	805	255
2012	597	212
2013	1,036	159
2014–2018	1,901	306
Total	<u>\$ 8,383</u>	<u>\$ 1,705</u>

Changes in General Long-Term Liabilities

Changes in Long-Term Liabilities for the year ended June 30, 2008, are summarized as follows (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Notes Payable	\$ 32,384	\$ 6,000	\$ (2,658)	\$ 35,726	\$ 3,203
Bonds Payable	277,932	1,426	(13,693)	265,665	16,888
Capital Leases Payable	5,418	1,031	(1,213)	5,236	1,271
Intergovernmental Payable	262	123	-	385	-
Compensated Absences	31,200	25,485	(22,646)	34,039	2,115
Claims/Judgments Payable	6,094	6,370	(4,460)	8,004	3,637
Total Long-Term Liabilities	<u>\$ 353,290</u>	<u>\$ 40,435</u>	<u>\$ (44,670)</u>	<u>\$ 349,055</u>	<u>\$ 27,114</u>
Business-Type Activities:					
Notes Payable	\$ 263,820	\$ 528	\$ (13,703)	\$ 250,645	\$ 90,744
Bonds Payable	1,073,545	307,201	(182,901)	1,197,845	169,774
Capital Leases Payable	46,132	10,826	(6,912)	50,046	4,808
Intergovernmental Payable	6,628	16,181	(15,262)	7,547	441
Compensated Absences	24,257	2,924	(1,533)	25,648	2,103
Dividends Payable	92,608	97,518	(98,545)	91,581	91,581
Claims/Judgments Payable	731,805	141,297	(131,238)	741,864	97,148
Total Long-Term Liabilities	<u>\$ 2,238,795</u>	<u>\$ 576,475</u>	<u>\$ (450,094)</u>	<u>\$ 2,365,176</u>	<u>\$ 456,599</u>
Major Component Units:					
Notes Payable	\$ 8,585	\$ 1,100	\$ (1,302)	\$ 8,383	\$ 2,024
Bonds Payable	224,932	20,720	(18,714)	226,938	13,695
Capital Leases Payable	2,036	-	(84)	1,952	86
Intergovernmental Payable	1,012	95	(140)	967	248
Total Long-Term Liabilities	<u>\$ 236,565</u>	<u>\$ 21,915</u>	<u>\$ (20,240)</u>	<u>\$ 238,240</u>	<u>\$ 16,053</u>

Bonds payable reductions include amortization of premium and deferred bond refunding costs.

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, \$1,549,905 of internal service fund compensated absences and

\$5,916,582 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 (21%), and other various funds. Other

governmental activities claims and judgments have all been liquidated by the Petroleum Release Compensation Fund.

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, 2008, there were bonds of \$8,855,000.

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, 2008, \$980,000 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, 2008, \$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, 2008, \$3,565,000 of bonds outstanding is considered defeased.

University System

Mayville State University

On July 1, 1998, Mayville State University issued \$695,000 of Student Center Refunding Revenue Bonds (Series 1998) with an average interest rate of 4.40%. These bonds were used to advance refund \$640,000 of outstanding 1989 Student Center Revenue Bonds (with an average interest rate of 7.40%). The principal amount outstanding as of June 30, 2008, of the original bonds refunded by the advance refunding of 1998 totaled \$75,000.

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) to advance refund \$20.4 million of outstanding 1988 Series A and B Housing and Auxiliary Facilities Refunding Revenue Bonds and to provide \$450,000 for parking lot construction at the Rural Technology Center. The principal amount outstanding as of June 30, 2008, of the original bonds refunded by the advanced refunding of 1998 totaled \$10,330,000.

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, 2008, of the original bonds refunded by the advance refunding of 1975 totaled \$190,000.

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, 2008 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

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December 30, 1985, totaling \$7,675,000. The principal amount outstanding as of June 30, 2008, of the original bonds refunded by the advance refunding total \$575,000.

On January 25, 2007, the NDSU Research & Technology Park, Inc., issued \$22,835,000 of Lease Revenue Refunding Bonds, Series 2007A and 2007B with an average true interest rate of 4.30 percent. The bonds were used to advance refund a portion (\$21,580,000) of outstanding Series 2000 Lease Revenue Bonds and Series 2002 Lease Revenue Bonds (with an average interest rate of 5.5 and 4.9 percent, respectively). The NDSU Research & Technology Park advance refunded the funds to reduce its total debt service payments over the next 24 years by approximately \$1,075,086 and to obtain an economic gain (difference of the present values of the debt service payments on the old and new debt) of approximately \$635,567. The principal amount outstanding as of June 30, 2008 or the original amount of the portion of the Series 2000 and 2002 bonds refunded, totaled \$21,580,000.

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). These bonds were used to (1) refund, defease and discharge outstanding North Dakota State School of Science Married Student Housing Revenue Bonds 1970 and Dormitory Revenue Bonds of 1972; (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, 2008, of the original bonds refunded is \$665,000.

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, 2007, \$4,070,000 of bonds outstanding is considered defeased and the liability has been removed from the balance sheet.

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, 2007, \$11,005,000 of bonds outstanding is considered

defeased, and the liability has been removed from the balance sheet.

L. 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 \$3,254,302 at June 30, 2008. 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 \$1,119,875,688 of restricted net assets, of which \$440,704,273 is restricted by enabling legislation.

NOTE 5 – DEFICIT FUND EQUITY

FEDERAL FUND

At June 30, 2008, the Federal Fund had a deficit of \$97,846. 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, 2003, 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, 2008, the number of participating local political subdivisions in PERS was:

Cities and Park Districts	77
Counties	48
School Districts	108
Other	63
Total Participating Local Political Subdivisions	<u>296</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 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

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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 6.50% for the National Guard, 8.31% for Law Enforcement with previous service, and 6.43% for Law Enforcement without previous service. The required contributions are determined using an entry age normal actuarial funding method.

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

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

The North Dakota Retirement Board was created by the State Legislature and is the governing authority of PERS. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code.

NORTH DAKOTA HIGHWAY PATROLMEN'S RETIREMENT SYSTEM (NDHPRS)

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

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

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

Pension benefits are set by statute. The System has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees are entitled to unreduced pension benefits after a minimum of 10 years of service upon attainment of age 55 or when the sum of age and years of credited service equals or exceeds 80. The annual pension benefit is equal to a percentage of average monthly salary using the highest 36 consecutive months out of the last 120 months of service (effective August 1, 2005, the highest 36 months out of the last 120 months). The percentage is equal to the sum of the first 25 years of service multiplied by 3.60% and 1.75% multiplied by years of service in excess of 25, if any. The plan permits early retirement at ages 50-54, with ten or more years of service.

The System is funded by employee contributions of 10.30% (of which the State is paying 4%) of total compensation and an employer contribution of 16.70%. The required contributions are determined using an entry age normal cost method. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDHPRS. Benefit and contribution provisions are administered in accordance with chapter 39-03 of the North Dakota Century Code.

REFUNDS OF MEMBER CONTRIBUTIONS

Upon termination, if an employee is not vested (is not 65 or does not have three years of service for the Main System and National Guard/Law Enforcement, or five years of service for the Supreme and district court judges, credited for PERS, or is not 60 or does not have ten years of service credited for NDHPRS), they will receive the accumulated employee contributions plus interest. If an employee has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If an employee of the PERS terminated and withdrew their accumulated employee contribution and is subsequently re-employed, they have the option of repurchasing their prior service.

RETIREMENT PLAN FOR THE EMPLOYEES OF JOB SERVICE NORTH DAKOTA (JSND)

The retirement plan for employees of Job Service North Dakota is a single-employer defined benefit public employee retirement plan administered by PERS. The plan is established under NDCC 52-11-01 with benefit provisions established through the plan document, as amended. This plan document, as amended, is

authorized by the Plan Administrator, who is the Executive Director of the agency.

On August 1, 2003, the administrative authority and the net assets of the Retirement Plan for Employees of Job Service North Dakota were transferred from the agency to the Public Employees Retirement System Board. This action was based on the passage of House Bill 1064 by the Fifty-eighth Legislative Assembly of North Dakota. The Retirement Plan for Employees of Job Service has an Actuarial Valuation Report produced annually. Requests to obtain or review this report should be addressed to the Executive Director, NDPERS, 400 East Broadway, Suite 505, Bismarck, North Dakota 58501.

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

The plan provides retirement, disability and death benefits. If the death of a participant occurs prior to their annuity starting date, the surviving spouse who has been married at least two years prior to the participant's death or, if married less than two years is a parent of a child of this marriage, then the spouse shall receive monthly benefits. The amount is the greater of the benefit had the participant retired on the day before they died and elected the Contingent Annuity 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, 2008, the number of participating employer units in TFFR was:

<u>Type</u>	<u>Number</u>
Special Education Units	19
Vocational Education Units	3
Public School Districts	188
County Superintendents	12
Other	13
Total	235

Effective July 1, 2008, for purposes of determining pension benefits, members are classified as those employed before July 1, 2008, who have not taken a refund (Tier 1), and those employed after July 1, 2008 (Tier 2).

Tier 1 - 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 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 Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 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

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also qualify for benefits calculated under other formulas. All members may be eligible for legislative increases in monthly benefits.

Tier 2 - A member is entitled to receive full benefits when five or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and has reached age 65, or the sum of age and years of service credit equals or exceeds 90. 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 90. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the five highest annual salaries earned divided by 60 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. All members 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% (8.25% effective July 1, 2008) of the teacher's salary.

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

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

	PERS	NDHPRS	JSND	TFFR
Retirees and Beneficiaries				
Currently Receiving Benefits:	6,836	105	216	6,317
Special Prior Service Retirees:	28	-	-	-
Terminated Employees:				
Vested	3,154	4	4	1,459
Nonvested	1,995	2	-	229
Total Terminated Employees	5,149	6	4	1,688
Active Employees:				
Vested	13,996	64	38	8,262
Nonvested	5,300	66	-	1,299
Total Active Employees	19,296	130	38	9,561
Date of Annual Valuation	July 1, 2008	July 1, 2008	July 1, 2008	July 1, 2008

The above table includes retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits, but not yet receiving them.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

BASIS OF ACCOUNTING

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

METHOD USED TO DETERMINE EMPLOYER CONTRIBUTIONS

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

METHOD USED TO VALUE INVESTMENTS

Investments are recorded at fair value determined by reference to published market data for publicly traded

securities and through the use of independent valuation services and appraisals for other investments. The net increase in fair value of investments consists of the realized gains or losses and the unrealized increase or decrease in fair value of investments during the year. Realized gains and losses on sales of investments are computed based on the difference between the sales price and the original cost of the investment. Unrealized increases or decreases are computed based on changes in the fair value of investments between years. Security transactions are accounted for on a trade date basis. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date.

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

C. FUNDING STATUS AND PROGRESS

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

	PERS NDHPRS	JSND	TFFR
Valuation Date	July 1, 2008	July 1, 2008	July 1, 2008
Actuarial Cost Method	Entry Age Normal	Frozen Initial Liability**	Entry Age Normal
Amortization Method	Level Percent	N/A	Level Percentage
	Open		of Payroll
Remaining Amortization Period	20 years	N/A	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%	7.5%	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, 2008, 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 8.25% statutory employer contribution rate. Payroll is assumed to increase at 2.00% per annum.

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Schedule Of Funding Progress (Dollars In Millions)

Actuarial Valuation Date	Actuarial Value Of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (Funded Excess)	Funded Ratio	Annual Covered Payroll	UAAL (Funded Excess) As A Percentage Of Annual Covered Payroll
PERS						
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	86.8%	547.0	30.3%
July 1, 2007	1,503.1	1,610.2	107.1	93.4%	582.3	18.4%
July 1, 2008	1,609.8	1,737.6	127.8	92.6%	640.7	19.9%
NDHPRS						
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%
July 1, 2007	48.2	51.5	3.3	93.5%	6.1	54.1%
July 1, 2008	50.8	54.6	3.8	93.0%	6.5	58.5%
JSND						
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%
July 1, 2007	75.7	70.7	(5.0)	107.1	1.8	0.0%
July 1, 2008	77.0	70.8	(6.2)	108.8	1.8	0.0%
TFFR						
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%
July 1, 2007	1,750.1	2,209.3	459.2	79.2%	401.3	114.4%
July 1, 2008	1,909.5	2,330.6	421.1	81.9%	417.7	100.8%

*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.

Notes To The Financial Statements

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			
2006	\$	31,906,102	69.0%
2007		38,184,510	61.0%
2008		35,875,117	70.0%
TFFR			
2006	\$	48,747,189	63.9%
2007		50,532,462	63.1%
2008		44,114,585	76.4%

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, 2008:

	NDHPRS	JSND
Annual required contributions	\$ 905,591	\$ -
Interest on net pension obligations	(45,257)	(124,112)
Adjustment to annual required contributions	39,481	130,341
Annual pension costs	899,815	6,229
Contributions made	1,058,825	-
Increase in net pension obligations	(159,010)	6,229
Net pension obligations, beginning of year	(565,712)	(1,654,832)
(Assets in excess of) net pension obligations, end of year	<u>\$ (724,722)</u>	<u>\$ (1,648,603)</u>

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

	Annual Pension Costs (APC)	Percentage of APC Contributed	Net Pension Obligations
NDHPRS			
2006	\$ 904,817	97%	\$ (674,484)
2007	1,076,146	89%	(565,712)
2008	905,591	117%	(724,722)
JSND			
2006	\$ 3,742	0%	\$ (1,661,084)
2007	6,252	0%	(1,654,832)
2008	6,229	0%	(1,648,603)

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E. DEFINED CONTRIBUTION PLAN

The North Dakota Defined Contribution Retirement Plan was established on January 1, 2000, and is administered in accordance with chapter 54-52.6 of the North Dakota Century Code. The Defined Contribution Plan covers state employees who are in positions not classified by the central personnel division of the State. Employees of the judicial branch or the Board of Higher Education and state institutions under the jurisdiction of the Board of Higher Education are not eligible to participate in the Defined Contribution Plan. The Defined Contribution Plan had 297 participants as of June 30, 2008.

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 \$565,281 and \$548,827 respectively, for the fiscal year ended June 30, 2008.

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 12	0.00%	8.33%*	8.33%*
	or			
	less than 3	0.00%	0.00%	0.00%
	3 to less than 6	0.00%	4.00%	4.00%
	6 yrs and over	0.00%	8.00%	8.00%

*A final contribution is made in the year the president terminates employment equal to the difference between total contributions made and the president's final annual salary in year of termination of employment.

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 \$22,774,016 to TIAA-CREF during the fiscal year ending June 30, 2008.

NOTE 7 - POST-RETIREMENT BENEFITS

The Retiree Health Insurance Credit Fund, a cost-sharing multiple-employer plan, 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), and the Highway Patrolmen's Retirement System 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 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 54-52-02.13 of the North Dakota Century Code and continuing thereafter for a period of eight years. The employer contribution for employees of the State Board of Career and Technical Education is 2.85 percent of covered compensation beginning in the month following the transfer under NDCC 54-52-02.14 and continuing thereafter for a period of eight years. 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, or the Defined Contribution Retirement Plan, 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. 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, 2008. 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 3.50 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
Net effect of change in actuarial assumption	-	\$ -
Changes in plan experience during the year	(0.07)%	(462,613)
	(0.07)%	\$ (462,613)

Employer contributions totaling \$6,174,940 were made for the year ended June 30, 2008. The actuarially required employer contribution of \$5,708,457 for the year ended June 30, 2008, is 0.89 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, 2008, the cost of benefits incurred for the fund was \$4,704,087.

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:

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Schedule Of Funding Progress (Dollars In Millions)

Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liabilities AAL-Entry Age	Unfunded Value of Assets (UAA)	Ratio of Assets to AAL	Covered Payroll	UAA As A Percentage Of Covered Payroll
June 30, 2006	\$ 34.0	\$ 82.6	\$ 48.6	41.2%	\$ 568.0	8.6%
June 30, 2007	38.9	85.3	46.5	45.6%	602.9	7.7%
June 30, 2008	42.5	87.6	45.1	48.5%	660.9	6.8%

Employee membership is as follows:

Retirees receiving benefit	3,935
Active participants	19,659
Total Membership	<u>23,594</u>

A member must be receiving a retirement from NDPERS to be eligible for the retiree health care coverage. In addition, a member receiving a retirement allowance from NDTFFR or TIAA-CREF is also eligible for the retiree health care coverage.

The fair value of the net assets available for benefits at June 30, 2008, is \$40,423,019.

Another component of the Retiree Health Insurance Credit Fund provides health care coverage to eligible retirees who are not eligible for Medicare. The premiums for this coverage are set under NDCC 54-52.1-02 as a percent of the active member single and family plan rates and are paid by the retiree. The premiums for this coverage are not age-rated. Currently, the premiums for their group do not cover the costs of the coverage; therefore, the costs of this group are being subsidized through the active group rates. This subsidy is not funded in advance and there is no guarantee that the subsidy for the 2007-09 biennium will continue in the future.

The premiums for this plan are reported as employee contributions on the statement of changes in Plan Assets as they are fully paid by the retirees. The full amount of the premiums collected are expended each year and are reported as health premiums paid on the statement of changes in Plan Assets.

Significant actuarial assumption for the implicit subsidy unfunded plan include; using the 1983 Group Annuity Maturity Table, applied on a gender-specific basis; approximate monthly implicit subsidy for a single plan of \$47 and \$64 for a family plan; health care cost trends of 11% for select and 6% for ultimate with select trends reduced 0.5% each year until reaching the ultimate trend; and retirement and termination probabilities have been developed from the assumptions for the NDPERS pension plans. The funded status of the plan as of the most recent actuarial valuation dates is as follows:

(Dollars in Millions)

Actuarial Valuation Date June 30	Actuarial Value Of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
2007	\$ -	\$ 30.7	\$ 30.7	0.0%

JOB SERVICE NORTH DAKOTA

Job Service North Dakota engaged an actuary to determine the Agency's liability for post-employment benefits other than pensions as of June 30, 2008. The actuary determined the obligation the agency has to record as of June 30, 2008 is the difference between the Annual Required Contribution (ARC), defined as the normal cost plus an amortization for prior years unfunded liability, and the amount paid during the year.

Former employees receiving retirement benefits under the Retirement Plan for Employees of Job Service North Dakota are eligible to participate in the Retiree Health Benefits Fund, a cost-sharing multiple-employer plan, as

administered by the Public Employees Retirement Board. The retired employee is provided a credit toward their monthly health insurance premium under the state health plan based upon their years of credited service. In accordance with NDCC 54-52.1-03.2, Job Service North Dakota reimburses the Retiree Health Benefits Fund monthly for credit received by members of the retirement plan established by Job Service North Dakota. This benefit is equal to \$4.50 for each of the employee's, or decreased employee's years of credited service not to exceed the premium in effect for selected coverage.

Job Service North Dakota employees who had a Met Life Insurance policy in effect on December 1, 1999,

Notes To The Financial Statements

when the Met Life Insurance benefit plan was discontinued for new employees, receive the following benefits: Job Service North Dakota pays 33% of the monthly Basic Met Life Insurance premium of current employees with a Met Life Insurance policy and upon retirement the employees Basic Met Life Insurance premiums are covered 100% by Job Service North Dakota. The Basic Life Insurance Benefits are equal to the employees annual salary up to a maximum of

\$45,000 and are decreased at a rate of 2% per month at age 65 until the benefit is 25% of the original amount.

Membership of the Other Post Retirement Benefit plans consisted of the following at July 1, 2008, the date of the latest actuarial valuation:

	Retiree Health Benefits Fund	Met Life Insurance Benefit
Retirees and beneficiaries currently receiving benefits	212	174
Terminated employees entitled to benefits but not yet receiving them	4	-
Current vested employees	38	67
Total	<u>254</u>	<u>241</u>

The funding policy of the plans thru June 30, 2008 is pay-as-you go plan, contributing annually the amount necessary to pay benefits of retirees. Below is listed the actuarial methods and assumptions which were used in the actuary report and study conducted by the Gabriel Roeder Smith & Company.

Valuation Date	July 1, 2008
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar
Remaining Amortization Period	30 years
Asset Valuation Method	Funding Value of Assets

Actuarial Assumptions:	
Investment Rate of Return	4.5%
Includes Inflation at	5%

Annual OPEB Cost and Net OPEB Obligation – The Agency's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The following table shows the components of the Agency's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Agency's net OPEB obligation:

	Retiree Health Benefits Fund	Insurance Benefit	Total
Annual required contributions	\$ 282,723	\$ 93,786	\$ 376,509
Interest on OPEB obligation	-	-	-
Adjustment to annual required contributions	-	-	-
Annual OPEB costs	282,723	93,786	376,509
Contributions made	<u>222,801</u>	<u>52,078</u>	<u>274,879</u>
Increase in net OPEB obligation	59,922	41,708	101,630
Net OPEB obligations, beginning of year	-	-	-
Net OPEB obligations, end of year	<u>\$ 59,992</u>	<u>\$ 41,708</u>	<u>\$ 101,630</u>

The following schedule presents the annual OPEB cost contributed, the net pension obligations, and the percentage contributed:

	Annual Retiree Health Benefits OPEB Costs	Annual Met Life Insurance OPEB Costs	Annual Retiree Health Benefit Cost Contributed	Annual Met Life Insurance Cost Contributed	OPEB Obligation	Annual OPEB Cost Contributed
June 30						
2008	\$ 282,723	\$ 93,786	\$ 222,801	\$ 52,078	\$ 101,630	73.0%

STATE OF NORTH DAKOTA

Funded Status and Funding Progress – As of June 30, 2008 the most recent actuarial valuation date, the plans were unfunded. The actuarial liability for benefits was \$5,746,170, and the actuarial value of assets was \$0.00 resulting in an unfunded actuarial accrued liability (UAAL) of \$5,746,170. The covered payroll (annual payroll of active employees covered by the plans) was \$3,411,634 and the ratio of the UAAL to the covered payroll was 169.73 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer as made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present a single years information, as the standard was implemented in fiscal year 2008, when it becomes available, multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits will be displayed.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefit of costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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	\$ 20,712
Other Jurisdictions	3,115
Total Value	<u>\$ 23,847</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. In accordance with the contract for the 2005-2007 biennium, the system deposited a total of \$14,227,761 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, if any. The system has entered into a similar contract with BCBS for the 2007-2009 biennium. The accumulated surplus and other invested funds in the amount of \$2,055,417 are shown as cash on the State's financial statements. These funds are being held by BCBS.

NOTE 10 - SEGMENT INFORMATION

North Dakota Housing Finance Agency maintains two separate funds which account for general agency operations and provide loans to finance construction of rental residential housing and single-family ownership. The two funds are accounted for in a single fund, but investors in 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, 2008, was as follows (expressed in thousands):

	Home-Ownership Bond Funds
Condensed Statement of Net Assets	
Current assets – other	\$ 266,714
Noncurrent assets – other	768,312
Total Assets	1,035,026
Current liabilities – other	129,436
Noncurrent liabilities – other	823,509
Total Liabilities	952,945
Net assets – restricted	82,081
Total Net Assets	\$ 82,081
Condensed Statement of Revenues, Expenses and Change in Fund Net Assets	
Operating revenues	\$ 51,342
Operating expenses	45,505
Operating income	5,837
Change in net assets	
Total net assets, beginning of year	76,036
Equity transfer in	208
Total net assets, end of year	\$ 82,081
Condensed Statement of Cash Flows	
Net cash used for operating activities	\$ (71,756)
Net cash from noncapital financing activities	90,738
Net cash from investing activities	(19)
Net change in cash and cash equivalents	18,963
Cash and cash equivalents, beginning of year	227,731
Cash and cash equivalents, end of year	246,694

**NOTE 11 - MAJOR COMPONENT UNIT
TRANSACTIONS**

**BISMARCK STATE COLLEGE AND BISMARCK STATE
COLLEGE FOUNDATION**

On January 25, 2007, BSC and BSC Foundation entered into a 15-year lease agreement to facilitate the construction of a Mechanical Maintenance building. Under the agreement, BSC is responsible for 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 facility as set forth in the lease. The amount of the rent is tied to the debt service retirement. Upon payment of all the bonds, BSC will have the option to purchase the premises for \$100.

On October 19, 2007, BSC and BSC Foundation entered into a 25-year lease agreement to facilitate the construction of the National Energy Center of Excellence building. Under the agreement, BSC is responsible for payment of all rent, maintenance, and repair of the facility, maintenance of all insurance required under the lease, and restrictions of use of the facility as set forth in

the lease. The amount of the rent is tied to the \$5.0 million debt service retirement. Upon payment of all the bonds, BSC will have the option to purchase the premises for \$100.

**DICKINSON STATE UNIVERSITY AND DICKINSON
STATE UNIVERSITY FOUNDATION**

DSU provides personnel and other services to the foundation at no charge, as 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, 2008, DSU has valued these services at approximately \$123,000.

**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

STATE OF NORTH DAKOTA

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 facility 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 2008 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, a reclassification entry was made to ending balances in the component unit consolidation financial statements to show the appropriate due from primary institution.

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 \$1,525,963 through July 2013, plus utilities and insurance. Total payments under these agreements in fiscal year 2008 were approximately \$2.2 million. These agreements are subject to funding and legislative appropriations. 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 \$314,624 in fiscal year 2008 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 \$3,745,000 as of June 30, 2008. 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, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution.

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 \$57,500 in fiscal year 2008 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 \$3,077,736 as of June 30, 2008. 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, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution..

NDSU DOWNTOWN CAMPUS

The former Northern School Supply building was donated to the NDSU Development Foundation by 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 to lease the property for \$49,583 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.

AIRCRAFT

Effective June 28, 2007, NDSU and the NDSU Development Foundation entered into a \$2,348,000, ten-year, lease agreement for the purchase of an aircraft. Under the agreement, NDSU will pay rent to the NDSU Development Foundation for use of the aircraft. The amount of the rent is equal to the amount of the principal and interest payments on the loan, for the life of the loan. The University is responsible for all costs incurred in operation and maintenance of the aircraft. Upon completion of the loan payments, ownership of the aircraft will be transferred to NDSU. 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 leased aircraft, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution.

BARRY HALL BUSINESS BUILDING AND KLAH HALL ARCHITECTURE BUILDING

Effective November 28, 2007, NDSU and the NDSU Development Foundation entered into a lease agreements for two buildings in downtown Fargo, formerly known as the "Pioneer Mutual Building" and "Lincoln Mutual Building". The Foundation financed the construction of the Barry Hall business building and Klah Hall architecture building projects through the sale of 20-year University Facilities Revenue Bonds issue by the City of Fargo, North Dakota. The City has loaned the bond proceeds to the Foundation for payments equal to the sum of the semi-annual interest payments and installments of varying principal amounts on the variable rate bonds and the semi-annual principal and interest payment on the fixed-rate bonds. The principal payments on the variable rate bonds will be funded from payments on donor pledges restricted for the project. Under the terms of the loan, the Foundation is responsible for the real estate taxes, insurance, repairs and maintenance, and other costs incident to ownership of the property. The property is included with property in the financial statements and the bonds have been recorded as a direct obligation of the Foundation. Ownership of the property will transfer to NDSU when the bonds are repaid in full. The bonds are guaranteed by the Foundation. This property is leased to NDSU for rental equal to the sum of the semi-annual interest only

payments on the variable term bonds plus the semi-annual principal and interest payments on the fixed-rate bonds for the term of the bonds, plus all the costs incurred by the Foundation incident to ownership of the property. NDSU has an option to acquire the property upon full payment of the bonds.

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 2008 were \$726,925. 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 \$4.5 million in fiscal year 2008. 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, 2008, the Foundation has recorded accounts payable to UND of \$328,144 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 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 2008 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, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution.

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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 \$1.86 million to RE Arena, Inc. in fiscal year 2008 for event ticket revenue. Also per this agreement, RE Arena, Inc. agrees to pay a stated amount of athletic marketing revenue and net income to UND. Accordingly, RE Arena, Inc. paid UND \$395,391 in marketing revenue in fiscal year 2008. 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 \$350,000 under this agreement in fiscal year 2008.

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, 2008, RE Arena, Inc. has a payable to UND of \$342,066 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 4.15 percent at June 30, 2008. The foundation may pay down principal in increments of \$100,000 on interest payment dates without penalty. Principal balance outstanding at June 30, 2008, is \$3,605,000. 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, 2008.

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 \$7,410,000 at June 30, 2008. 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 remaining term of two years. At June 30, 2008, due to timing of receipts and payments, the UND Foundation recorded a payable of \$342,066 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	\$ 403,065
Financial standby letters of credit	238,763
	<u>\$ 641,828</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.

COMMUNITY WATER FACILITY LOAN FUND

In the normal course of business, the Loan Fund makes various commitments that are not reflected in the financial statements. These commitments include commitments to extend credit of \$600,000 at December 31, 2007.

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 \$531,000 at June 30, 2008. 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 \$6,589,000 at June 30, 2008.

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 \$49,191,000 at December 31, 2007.

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.

As of June 30, 2008, the Agency is exposed to credit risk on the swaps that have a positive fair value, which total \$75,000. Of the swaps with negative fair value, the Agency is not exposed to credit risk. However, the swap exposes the Agency to basis risk should the relationship between LIBOR and TBMA converge, changing the synthetic rate on the bonds. The swap counterparty has guaranteed all payments and is rated AA+/AA-/AA by Moody's Investor Services, Standard & Poor's, and Fitch, respectively. To mitigate potential credit risk, the counterparty has entered into a Credit Support Agreement with Citigroup Global Marketing as a credit enhancement.

Due to the difference among the variable rate indices, the swaps had a net negative fair value of \$4,430,000 as of June 30, 2008. The coupons on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. All valuations are as of the valuation date indicated. Mid-Market or indicative unwind valuations may be derived from broker quotations or from proprietary models that take into consideration estimates about relevant present and future market conditions as well as the size and liquidity of the position and any related actual or potential hedging transactions. Valuations based on other models or different assumptions may yield different results.

STATE OF NORTH DAKOTA

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, 2008. 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	\$ 16,210,000	\$ 2,650,000	\$ 12,955,000	\$ 4,325,000
5.	Variable-rate Bonds	\$ 16,210,000	\$ 2,650,000	\$ 12,955,000	\$ 4,325,000
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	1.67000%	1.67000%	1.67000%	1.67000%
10.	Fair Value	\$ (164,000)	\$ (27,000)	\$ 61,000	\$ 14,000
11.	Percentage of LIBOR	3.65484%	3.75592%	3.76500%	3.76500%
12.	Synthetic Rate	2.48516%	0.85408%	1.94000%	0.36800%
13.	Actual Synthetic Rate	4.56389%	3.04209%	3.90665%	2.35643%

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	\$ 4,655,000	\$14,205,000	\$ 7,615,000	\$12,990,000
5.	Variable-rate Bonds	\$ 4,655,000	\$14,205,000	\$ 7,615,000	\$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	1.67000%	1.67000%	1.67000%	1.67000%
10.	Fair Value	\$ (55,000)	\$ (482,000)	\$ (4,000)	\$ (191,000)
11.	Percentage of LIBOR	3.76980%	3.76980%	3.69160%	3.69160%
12.	Synthetic Rate	1.05520%	2.43020%	0.59840%	1.95840%
13.	Actual Synthetic Rate	3.08017%	4.44625%	2.60458%	3.95900%

Notes To The Financial Statements

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	\$24,940,000	\$23,100,000	\$12,000,000	\$30,210,000
5.	Variable-rate Bonds	\$24,940,000	\$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	1.67000%	1.67000%	1.67000%	1.67000%
10.	Fair Value	\$ (836,000)	\$ (536,000)	\$ (112,000)	\$ (1,918,000)
11.	Percentage of LIBOR	3.69160%	3.66628%	3.66160%	3.66160%
12.	Synthetic Rate	2.07340%	1.87372%	1.89740%	1.96340%
13.	Actual Synthetic Rate	4.07497%	3.84860%	3.86760%	3.92942%

1.	Bond Series	2008 A	2008 B
2.	Issuance Date	2/26/2008	2/26/2008
3.	Maturity Date	1/1/2017	7/1/2038
4.	Notional Amount	\$13,700,000	\$15,850,000
5.	Variable-rate Bonds	\$13,700,000	\$15,850,000
6.	Fixed Rate	3.198%	4.725%
7.	LIBOR Percentage	63.00%	100.00%
8.	Additional Percentage	0.32%	0.00%
9.	Bonds Variable-rate	1.67000%	2.60000%
10.	Fair Value	\$ (71,000)	\$ (109,000)
11.	Percentage of LIBOR	3.67160%	5.32000%
12.	Synthetic Rate	1.19640%	2.00500%
13.	Actual Synthetic Rate	3.10917%	4.87395%

Using rates as of June 30, 2008, 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, 2008. 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		
2009	\$ 7,270	\$ 3,318	\$ 264	\$ 10,852
2010	7,595	3,181	312	11,088
2011	7,495	3,043	360	10,898
2012	6,480	2,918	401	9,799
2013	3,765	2,830	418	7,013
2014-2018	61,785	11,884	1,989	75,658
2019-2023	20,425	7,691	1,819	29,935
2024-2028	25,770	5,717	1,458	32,945
2029-2033	37,665	2,984	709	41,358
2034-2038	16,625	322	25	16,972
2039-2043	530	-	-	530
	<u>\$ 195,405</u>	<u>\$ 43,888</u>	<u>\$ 7,755</u>	<u>\$ 247,048</u>

STATE OF NORTH DAKOTA

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.

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 2007, a total of \$114,139,321 in claims was recognized. Incurred but not reported claims of \$740,600,000 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, 2007, and June 30, 2008:

Notes To The Financial Statements

Fiscal Year	Beginning Balance	Current Year Claims and Changes In Estimates	Claims Payments	Ending Balance
2007	\$ 2,227,846	\$ 458,023	\$ 768,518	\$ 1,917,351
2008	1,917,351	797,395	647,716	2,067,030

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, eleven claims exceeded coverage by \$1,334,840.

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, 2008:

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2007	\$ 2,313,027	\$ 3,008,493	\$ 2,309,828	\$ 3,011,692
2008	3,011,692	3,395,670	2,557,810	3,849,552

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 1,085 policies to participating entities for a total building and content coverage of \$8.7 billion. The Bonding Fund is used to provide fidelity bonding of public employees and officials. The Fund has issued 2,527 policies to participating entities. The total coverage for the Bonding Fund is \$452.9 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, 2008, coverage extended to the following employers:

STATE OF NORTH DAKOTA

<u>Annual Premium</u>	
\$125 - \$5,000	15,590
\$5,001 - \$50,000	3,764
\$50,001 - \$100,000	291
Over \$100,000	241
Total Employers	<u>19,886</u>

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.

For the year ended June 30, 2008, 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):

	<u>Low</u>	<u>Expected Value</u>	<u>High</u>
Full Value Basis (undiscounted)	\$ 1,100,00	\$ 1,228,600	\$ 1,410,000
Present Value Basis (discounted at 5% rate)	*	\$ 740,600	\$ 850,000

*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 \$740.6 million at June 30, 2008.

The June 30, 2007, liability of \$730.9 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, 2008.

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):

	<u>Fire And Tornado</u>		<u>Bonding</u>		<u>Workforce Safety & Ins</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Unpaid claims and claims adjustment expenses at the beginning of the year	\$ 404	\$ 1,191	\$ 501	\$ 646	\$ 730,900	\$ 686,800
Incurred claims and claims adjustment expenses:						
Provision for current fiscal year	10,548	1,537	(268)	173	129,722	120,109
Change in provision for prior fiscal year	-	-	-	-	1,295	33,842
Payments and claims and adjustment expenses attributable to:						
Current fiscal year insured events	(9,434)	(1,133)	417	328	(26,584)	(20,982)
Prior fiscal years' insured events	(404)	(1,191)	(501)	(646)	(76,933)	(65,769)
Total Payments	(9,838)	(2,324)	(84)	(318)	(103,517)	(86,751)
Change in provision for discount	-	-	-	-	(17,800)	(23,100)
Total unpaid claims and claims adjustment expenses at the end of the year	<u>\$ 1,114</u>	<u>\$ 404</u>	<u>\$ 149</u>	<u>\$ 501</u>	<u>\$ 740,600</u>	<u>\$ 730,900</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 or 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, 2008, realized gains and losses available for distribution in the current year totaled \$13,867,520 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

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 \$8,000,000 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, 2007, the Bank of North Dakota has provided guarantees totaling \$1,970,000.

Chapter 6-09.15 provides that the Bank of North Dakota provide a Beginning Entrepreneur Loan Guarantee Program. The program includes an agreement with a lender in the event that of default by a beginning entrepreneur under a note and mortgage or other loan or financing agreement, the Bank shall pay the lender the amount agreed upon up to 85 percent of the amount of principal due the lender on a loan at the time the claim is approved. The total outstanding loan that the Bank may guarantee cannot exceed \$8,000,000. With an 85% guarantee maximum, the Bank may provide guarantee not exceeding \$6,800,000. A lender may apply to the Bank for a loan guarantee for a loan of up to \$100,000. The term of the guarantee may not exceed five years. As of December 31, 2007, the Bank has guarantee outstanding totaling \$3,758,000.

Chapter 6-09-41 provides that the Bank of North Dakota establish and administer a livestock loan guarantee program that is designed to expand the livestock feeding industry in the State of North Dakota. This program is effective through June 30, 2009. The Bank may guarantee loans made by the bank, credit union, a savings and loan association, or any other lending institution in this state to the owner of a commercial livestock feeding operation or to the owner of a new or expanding dairy operation. In the event of a default, the Bank shall pay to the lender the amount agreed upon, provided that the amount may not exceed 85% of the principal due the lender at the time the claim is approved. As of December 31, 2007, the Bank has guarantees outstanding totaling \$1,416,000.

STATE OF NORTH DAKOTA

PUBLIC EMPLOYEE RETIREMENT SYSTEM

The system has entered into agreements with Sagitec Solutions, LLC and L.R. Wechsler, Ltd for the development of its new integrated benefits administration system. The contract with Sagitec is \$7.7 million and the contract with L.R. Wechsler is \$1 million, and the total appropriation for this project is approximately \$9.6 million, which is anticipated to be fully completed by September 2010. As of June 30, 2008, the system has paid \$3.2 million towards these contracts. The remaining \$5.5 million will be paid as the project is completed.

RETIREMENT AND INVESTMENT OFFICE (RIO)

The State Investment Board has at June 30, 2008, committed to fund certain alternative private equity partnerships for an amount of \$971.2 million. Funding of \$636.8 million has been provided leaving an unfunded commitment of \$334.4 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 \$5,482,791 during 2007 for services rendered under the contract.

INDUSTRIAL COMMISSION

Under the Lignite Vision 21 Program, the Commission has entered into an amended contract for the amount of \$10,000,000 with American Lignite Energy. The purpose of the amended contract is for conducting the FEED process for a coal-to-liquids plant in McLean County. The balance outstanding at June 30, 2008, is \$8,649,998. In addition, the Commission has entered into a contract with Great River Energy for the construction of a power plant at Spiritwood, ND. The balance outstanding at June 30, 2008, is \$500,000.

The Commission also has various significant commitments at June 30, 2008, for the purchase of various types of research, services and other goods totaling \$7,347,895.

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, 2008. One contract equals 5,000 bushels.

Futures Positions:

Month	Contracts		Avg. Price	Fair Value
	Long	Short		
September	59	82	\$ 9.308	\$ 9.505
December	311	-	10.410	9.650
March	14	-	10.496	9.830
May	7	-	8.750	9.880
September	7	-	8.800	9.650
December	7	-	8.800	9.700

As of June 30, 2008, the Mill had commitments to purchase 2,649,558 bushels of spring wheat and 43,988 bushels of durum. In addition, at June 30, 2008 and 2007, construction commitments totaled \$2,080,618 and \$364,952, respectively; amounts authorized totaled \$4,496,092 and \$575,00, respectively; and amounts expended totaled \$2,415,474 and \$210,048, respectively.

BUILDING AUTHORITY

The Authority has committed funds to complete various construction and modernization programs at June 30, 2008, totaling \$6,487,000.

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.

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, 2007, \$3,839,000 of credit was available through these letters of credit and no funds have been advanced.

JOB SERVICE NORTH DAKOTA

As of June 30, 2008, Job Service has commitments to pay \$520,970 for purchase orders and contracts awarded for goods, services, software licenses, software support, and software server hosting to be provided in future periods.

DEPARTMENT OF HUMAN SERVICES

As of June 30, 2008, the Department of Human Services had significant commitments for the purchase of various types of services totaling \$79,076,556.

STATE JUDICIARY

As of June 30, 2008, State Judiciary had significant commitments of \$863,104. The majority consists of contracts to provide various types of judicial services.

COMMISSION ON LEGAL COUNSEL FOR INDIGENTS

As of June 30, 2008, the Commission had significant commitments of \$2,451,024. The majority of the amount consists of indigent defense contracts with law firms around the state to provide legal services for eligible indigent persons at all stages of proceedings as specified in the contract.

PUBLIC SERVICE COMMISSION

As of June 30, 2008, the Public Service Commission had significant commitments of \$2,096,721. This amount consists primarily of contractor charges associated with the Abandoned Mine Lands.

AERONAUTICS COMMISSION

As of June 30, 2008, the Aeronautics Commission had significant commitments of \$2,272,000. This amount consists of grants to political subdivisions for maintenance and improvements of their airports.

DAIRY PRODUCTS PROMOTION COMMISSION

As of June 30, 2008, the Dairy Products Commission had significant commitments of \$222,500. This amount consists of a contract with Midwest Dairy Association to implement and administer programs intended to contribute to the betterment of North Dakota dairy farmers and the State's dairy industry. The contract also provides the Commission with administrative, financial, and reporting services.

NORTH DAKOTA SOYBEAN COUNCIL

As of June 30, 2008, the North Dakota Soybean Council had significant commitments of \$1,331,864. This amount

mainly consists of grants for the research and development of soybeans.

STATE WATER COMMISSION

As of June 30, 2008, the State Water Commission had long-term commitments of \$58,980,996 for various water projects.

NORTH DAKOTA DEPARTMENT OF TRANSPORTATION

At June 30, 2008, the North Dakota Department of Transportation (Special Revenue Fund) had non-construction contract commitments of approximately \$13.2 million of which \$12 million represents federal programs which are cost reimbursable.

Construction commitments at June 30, 2008, totaled approximately \$222.8 million, of which \$179.5 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	\$ 5,544	\$ 4,688	\$ 856
DSU	267	-	267
LRSU	76	50	26
MASU	6,461	-	6,461
MiSU	843	512	331
MiSU-B	255	16	239
NDSCS	1,859	1,549	310
NDSU	45,648	30,563	15,085
UND	19,710	18,508	1,202
VCSU	2,200	1,181	1,019
WSC	822	43	779

NORTH DAKOTA DEVELOPMENT FUND

The board of directors has approved equity investments, loans, grants, and guaranty of collections at June 30, 2008, for which funds have not been disbursed or written agreements entered into in the amount of \$5,697,000.

OTHER CONSTRUCTION COMMITMENTS

Management and Budget	\$ 566
Legislative Assembly	2,297
Human Services	3,689
Attorney General	1,917
Adjutant General	33,322
Historical Society	95
Transportation	110,339
Game and Fish	898
Veterans Home	1,906

STATE OF NORTH DAKOTA

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 \$299,155. 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, 2008, in which the settlement had not been paid as of June 30, 2008.

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, 2006, was completed and issued in March of 2007. As a result of this audit, approximately \$660,000 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 2007-2008 single audit will be issued sometime in March 2009. It is anticipated there will be potential questioned costs against the State as a result of their audit. The State does not believe the results of the audit will have a material impact.

NOTE 20 - SUBSEQUENT EVENTS

Subsequent to year-end, the credit and liquidity crisis in the United State and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result, the State's investments have likely incurred a significant decline in fair value since June 30, 2008

STUDENT LOAN TRUST

Subsequent to June 30, 2008, the Trust sold \$16,715,000 of student loans to the Bank of North Dakota, and called \$55,000,000 of 2000A Series Bonds, \$1,000,000 of the 2004 Sub Series and \$2,100,000 of the 1996 Series D Bonds.

HOUSING FINANCE

Subsequent to June 30, 2008, the agency issued the 2008 Series D Housing Finance Program Bonds. The 2008 Series D bond issuance was \$130,000,000.

PUBLIC FINANCE AUTHORITY

Subsequent to year end, the Industrial Commission approved the issuance of \$2,000,000 Industrial Development Program Bonds, Series 2008A. These bonds are for the express purpose of providing funds to North Dakota Natural Beef, LLC under a loan agreement. The interest rate on the bonds vary from 6.60% to 6.75%, with maturity ranging from June 1, 2009 to June 1, 2033.

MILL AND ELEVATOR

The Mill has suffered significant operating losses in the first quarter of fiscal year 2009. Operating losses of approximately \$12 million in the first quarter are the result of lower commodity prices and losses on futures contracts.

MAYVILLE STATE UNIVERSITY

The State Board of Higher Education approved a request by the University to proceed with an energy performance contract with Energy Services Group for up to \$6,461,334 for installations of a coal/wood burning boilers and other deferred maintenance repairs. Subsequent to June 30, 2008, Honeywell Global Finance LLC, established an escrow account in the amount of \$6,086,553 for the project.

NOTE 21 – NEW PRONOUNCEMENTS

The State implemented the following new pronouncement for fiscal year 2008:

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. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues," was issued in September 2006. This statement establishes criteria that governments will use to ascertain whether certain transactions should be regarded as sales or collateralized borrowings. The statement also includes disclosure requirements for future revenues that are pledged or sold. The provisions of this statement are effective for periods beginning after December 15, 2006.

GASB Statement No. 50, "Pension Disclosures-an amendment of GASB Statements No. 25 and 27," was issued in May 2007. This statement modifies the financial reporting requirements for pensions and enhances information disclosed in the notes to the financial statements or presented as required supplementary information.

The State will implement the following new pronouncements for fiscal years ending after 2008:

GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations," was issued in November 2006. This statement provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts. The provisions of this statement are effective for periods beginning after December 15, 2007.

GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," was issued in June 2007. This statement establishes criteria that governments will use to establish accounting and financial reporting requirements for intangible assets. The provisions of this statement are effective for periods beginning after June 15, 2009.

GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments," was issued in November 2007. This statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. The statement will require endowments to report their land and other real estate investments at fair value. The provisions of this statement are effective for periods beginning after June 15, 2008.

GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments" was issued in June 2008. This statement requires that the fair value of financial arrangements called "derivatives" or "derivative instruments" be reported in the financial statements of

state and local governments. Additional information about derivatives is disclosed in the notes to the financial statements, including identification of the risks to which hedging derivative instruments themselves expose the State. The provisions of this statement are effective for periods beginning after June 15, 2009.

Required Supplementary Information - Budgetary Schedule

STATE OF NORTH DAKOTA

Required Supplemental Information Budgetary Comparison Schedule General Fund For the Fiscal Year Ended June 30, 2008

	Approved Budget 2007-2009 Biennium	Appropriation Adjustments 2007-2009 Biennium	Adjusted Budget 2007-2009 Biennium	Actual Biennium To Date Thru 6-30-08	Difference Uncollected/ Unspent Thru 6-30-08
Budgetary Fund Balance, July 1	\$ 218,350,170	\$ -	\$ 218,350,170	\$ 412,793,057	\$ 194,442,887
Resources (Inflows):					
Sales and Use Tax	916,540,678	-	916,540,678	487,878,783	(428,661,895)
Income Tax	646,385,848	-	646,385,848	447,509,026	(198,876,822)
Business Privilege Tax	9,400,000	-	9,400,000	6,871,658	(2,528,342)
Oil And Gas Production Tax	39,839,000	-	39,839,000	103,535,633	63,696,633
Oil Extraction Tax	31,161,000	-	31,161,000	68,362,166	37,201,166
Insurance Premium Tax	55,470,000	-	55,470,000	33,590,545	(21,879,455)
Cigarette, Cigar and Tobacco Tax	47,366,000	-	47,366,000	22,613,687	(24,752,313)
Wholesale Liquor Tax	12,679,000	-	12,679,000	6,915,874	(5,763,126)
Coal Conversion Tax	47,447,000	-	47,447,000	23,843,410	(23,603,590)
Gaming Tax	20,753,844	-	20,753,844	9,901,306	(10,852,538)
Lottery	11,155,000	-	11,155,000	5,300,000	(5,855,000)
Department Fees and Collections	56,729,639	-	56,729,639	29,569,233	(27,160,406)
Mineral Leasing Fees	13,000,000	-	13,000,000	10,512,674	(2,487,326)
Motor Vehicle Excise Tax	113,558,900	-	113,558,900	66,901,056	(46,657,844)
Interest on Public Funds	36,420,000	-	36,420,000	23,878,862	(12,541,138)
Gas Tax Administration	1,274,056	-	1,274,056	637,028	(637,028)
Transfers In	198,100,000	-	198,100,000	115,042,241	(83,057,759)
Total Revenue Inflows	2,257,279,965	-	2,257,279,965	1,462,863,182	(794,416,783)
Amounts Available for Appropriation	2,475,630,135	-	2,475,630,135	1,875,656,239	599,973,896
Charges to Appropriations (Outflows):					
General Government:					
Governor's Office	3,102,822	-	3,102,822	1,297,517	1,805,305
Secretary of State	5,364,692	43,984	5,408,676	2,854,918	2,553,758
Office of Management and Budget	73,348,944	(2,925,252)	70,423,692	54,147,678	16,276,015
Information Technology	11,659,411	-	11,659,411	6,121,103	5,538,308
State Auditor	5,656,016	58,661	5,714,677	2,815,431	2,899,246
State Treasurer	3,093,470	616	3,094,086	1,263,123	1,830,963
Attorney General	24,432,081	226,215	24,658,296	11,887,460	12,770,836
Tax Department	32,538,153	178,657	32,716,810	14,016,503	18,700,307
Legislative Assembly	14,177,129	149,076	14,326,205	3,959,478	10,366,727
Legislative Council	8,748,442	524,988	9,273,430	3,993,278	5,280,151
Supreme Court	66,935,878	-	66,935,878	29,335,590	37,600,288
Legal Counsel for Indigents	9,509,991	7,531	9,517,522	4,116,004	5,401,518
Public Employees Retirement System	-	-	-	-	-
Education:					
Public Instruction	710,423,275	11,215,021	721,638,296	349,137,333	372,500,963
Education Practices & Standards Board	-	-	-	-	-
State Library	3,977,513	100,674	4,078,187	1,913,829	2,164,358
School for the Deaf	5,390,438	154,717	5,545,155	2,619,625	2,925,530
School for the Blind	2,917,936	9,532	2,927,468	1,455,132	1,472,336
Vocational Education	21,804,036	19,404	21,823,440	10,041,011	11,782,429
Health & Human Services:					
Dept. of Health	21,517,033	132,460	21,649,493	9,664,605	11,984,888
Veteran's Home	4,125,266	147,489	4,272,755	2,707,123	1,565,632
Indian Affairs Commission	566,258	336	566,594	248,967	317,627
Veteran's Affairs	866,772	11,506	878,278	397,816	480,462
Dept. of Human Services-Management	24,989,974	126,238	25,116,212	11,215,069	13,901,143
Dept. of Human Services-Program and Policy	438,602,853	3,685,715	442,288,568	212,328,941	229,959,627
Dept. of Human Services-Centers	128,369,961	(38,208)	128,331,753	62,338,083	65,993,670
Protection and Advocacy	913,287	15,854	929,141	441,934	487,207
Job Service	1,746,960	-	1,746,960	391,148	1,355,812
Regulatory:					
Insurance Commission	-	-	-	-	-
Industrial Commission	11,756,004	42,632	11,798,636	7,424,994	4,373,642
Labor Commission	1,149,250	11,032	1,160,282	547,247	613,035
Public Service Commission	4,873,459	17,428	4,890,887	2,147,252	2,743,635
Securities Commissioner	1,623,355	5,040	1,628,395	710,253	918,142
Public Safety and Corrections:					
Highway Patrol	27,895,323	96,599	27,991,922	14,589,568	13,402,354
Division of Emergency Management	-	-	-	-	-
Corrections & Rehab	130,606,873	1,977,244	132,584,117	61,711,773	70,872,344
Adjutant General	21,802,813	2,375,247	24,178,060	9,856,044	14,322,016
Agriculture & Commerce:					
Department of Commerce	26,581,965	907,525	27,489,490	15,915,745	11,573,745
Department of Agriculture	5,789,660	27,007	5,816,667	2,742,366	3,074,301
State Fair	1,167,150	-	1,167,150	547,566	619,584
Racing Commission	120,592	82	120,674	51,201	69,473
Natural Resources:					
Historical Society	10,232,603	470,906	10,703,509	5,058,140	5,645,369
Council on the Arts	1,165,799	3,248	1,169,047	532,316	636,731
Parks and Recreation	14,461,291	354,164	14,815,455	8,036,568	6,778,887
Water Commission	13,877,247	93,402	13,970,649	5,457,751	8,512,898
Transportation:					
Aeronautics Commission	550,000	-	550,000	550,000	-
Transfers Out	558,541,981	1,853,311	560,395,292	258,395,254	302,000,038
Total Charges to Appropriations	2,456,973,956	22,080,083	2,479,054,039	1,194,982,737	1,284,071,301
Ending Budgetary Fund Balance	\$ 18,656,179	\$ (22,080,083)	\$ (3,423,904)	\$ 680,673,502	\$ 684,097,406

STATE OF NORTH DAKOTA

Required Supplemental Information
Budgetary Comparison Schedule
Budget to GAAP Reconciliation
General Fund
For the Fiscal Year Ended June 30, 2008

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	1,462,863,182
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	(99,609,310)
Repayment received on loans receivable are revenue for Budget not GAAP	(2,160,280)
Proceeds are recorded for new capital leases on GAAP, but not for Budget	180,191
Total revenues and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u><u>\$ 1,361,273,783</u></u>

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	1,194,982,737
Differences-Budget to GAAP:	
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	(9,732,809)
New capital leases are recorded as expenditures for GAAP, but not for Budget	180,191
Certain due to other funds are recorded under GAAP, but not for Budget	26,547,906
Total expenditures and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u><u>\$ 1,211,978,025</u></u>

STATE OF NORTH DAKOTA

Required Supplemental Information Budgetary Comparison Schedule Other Funds For the Fiscal Year Ended June 30, 2008

	Approved Budget 2007-2009 Biennium	Appropriation Adjustments 2007-2009 Biennium	Adjusted Budget 2007-2009 Biennium	Actual Biennium To Date Thru 6-30-08	Difference Uncollected/ Unspent Thru 6-30-08
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):					
Other Budgeted Income	4,144,125,084	169,053,537	4,313,178,621	1,649,204,175	(2,663,974,446)
Total Revenue Inflows	4,144,125,084	169,053,537	4,313,178,621	1,649,204,175	(2,663,974,446)
Amounts Available for Appropriation	4,144,125,084	169,053,537	4,313,178,621	1,649,204,175	2,663,974,446
Charges to Appropriations (Outflows):					
General Government:					
Governor's Office	100,000	-	100,000	-	100,000
Secretary of State	8,873,865	615	8,874,480	643,155	8,231,325
Office of Management & Budget	40,229,115	(8,447,478)	31,781,637	4,482,933	27,298,704
Information Technology	113,006,770	1,726,755	114,733,525	49,461,979	65,271,546
State Auditor	2,585,774	24,428	2,610,202	967,849	1,642,353
Attorney General	20,901,921	3,371,571	24,273,492	7,654,561	16,618,931
Tax Department	2,800,000	-	2,800,000	1,033,762	1,766,238
Legislative Assembly	70,000	-	70,000	28,956	41,044
Supreme Court	2,199,640	20,750	2,220,390	922,222	1,298,168
Legal Counsel for Indigents	1,700,705	-	1,700,705	272,807	1,427,898
Public Employees Retirement System	15,243,302	29,988	15,273,290	5,630,480	9,642,810
Education:	-	-	-	-	-
Public Instruction	325,668,238	636,035	326,304,273	155,715,814	170,588,459
State Library	1,881,253	17,072	1,898,325	840,376	1,057,949
School for the Deaf	1,039,018	62,483	1,101,501	338,441	763,060
School for the Blind	843,857	4,104	847,961	248,668	599,293
Vocational Education	11,035,632	-	11,035,632	4,819,284	6,216,348
Health & Human Services:	-	-	-	-	-
Dept. of Health	150,595,277	497,568	151,092,845	57,226,041	93,866,804
Veteran's Home	29,914,552	2,152,500	32,067,052	4,611,682	27,455,370
Indian Affairs	5,000	-	5,000	-	5,000
Dept. of Human Services-Management	73,705,257	121,122	73,826,379	20,977,290	52,849,089
Dept. of Human Services-Program and Policy	1,100,985,144	23,391,935	1,124,377,079	513,426,138	610,950,941
Dept. of Human Services-Centers	115,394,229	(36,959)	115,357,270	51,065,357	64,291,913
Protection and Advocacy	3,140,229	61,105	3,201,334	318,651	2,882,683
Job Service	61,664,171	578,955	62,243,126	23,664,583	38,578,543
Regulatory:	-	-	-	-	-
Insurance Department	14,455,124	26,983	14,482,107	5,984,072	8,498,035
Industrial Commission	69,392,346	5,429	69,397,775	19,519,179	49,878,596
Labor Commission	401,341	-	401,341	189,604	211,737
Public Service Commission	8,003,309	9,508	8,012,817	2,348,459	5,664,358
Securities Commission	217,199	-	217,199	89,262	127,937
Public Safety and Corrections:	-	-	-	-	-
Highway Patrol	11,212,205	50,429	11,262,634	3,510,508	7,752,126
Division of Emergency Management	-	-	-	-	-
Corrections & Rehab	24,050,952	381,746	24,432,698	10,245,238	14,187,460
Adjutant General	121,675,673	12,155,971	133,831,644	41,588,618	92,243,026
Agriculture & Commerce:	-	-	-	-	-
Department of Commerce	55,758,516	650,683	56,409,199	19,233,716	37,175,483
Department of Agriculture	11,388,326	281,190	11,669,516	4,286,236	7,383,280
Racing Commission	286,698	394	287,092	150,271	136,821
Natural Resources:	-	-	-	-	-
Historical Society	5,318,766	2,773,489	8,092,255	3,390,768	4,701,487
Council on the Arts	1,288,318	72,000	1,360,318	586,928	773,390
Game and Fish	57,841,039	1,081,706	58,922,745	24,338,697	34,584,048
Parks and Recreation	13,548,117	207,276	13,755,393	3,570,149	10,185,244
Water Commission	162,122,016	7,902	162,129,918	39,293,732	122,836,186
Transportation:	-	-	-	-	-
Aeronautics Commission	6,522,036	2,826,201	9,348,237	3,078,642	6,269,595
Department of Transportation	903,157,500	56,702,299	959,859,799	430,252,312	529,607,487
Total Charges to Appropriations	3,550,222,430	101,445,755	3,651,668,185	1,516,007,420	2,135,660,765
Ending Budgetary Fund Balance	\$ 593,902,654	\$ 67,607,782	\$ 661,510,436	\$ 133,196,755	\$ (528,313,681)

STATE OF NORTH DAKOTA

Required Supplemental Information
Budgetary Comparison Schedule
Budget to GAAP Reconciliation
Federal Fund
For the Fiscal Year ended June 30, 2008

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	1,649,204,175
Perspective difference: Non-Federal fund revenues	(578,968,149)
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	18,835,471
Certain Due From other funds are recorded under GAAP, but not for Budget	436,180
Repayment received on loans receivable are revenue for Budget not GAAP	(4,820)
Total revenues and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u><u>\$ 1,089,502,857</u></u>

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	1,516,007,420
Perspective difference: Non-Federal fund expenditures and prior FY federal expenditures	(445,771,394)
Differences-Budget to GAAP:	
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	28,803,835
New Loans issued are expenditures for Budget but not for GAAP	241,069
GAAP, but not Budget expenditures are reduced by year end inventory balances	(9,378,971)
Intrafund activity eliminated for GAAP	(18,171,718)
Non-appropriated transfers are expenditures for GAAP, but not for Budget	14,543,149
Total expenditures and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u><u>\$ 1,086,273,390</u></u>

STATE OF NORTH DAKOTA

Note To Required Supplemental Information - Budgetary Reporting For the Fiscal Year Ended June 30, 2008

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 2007-2009 Biennium Budget and Actual Detail (Budgetary Basis) For the Fiscal Year Ended June 30, 2008." This budget information is available through the Office of Management and Budget, 600 East Boulevard Ave Dept. 110, Bismarck, ND 58505. For the 2007-2009 biennium there were general and federal fund supplemental appropriations of \$104,565,774.

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, 2008, 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.



North Dakota Parks and Recreation

Fort Abraham Lincoln State Park is rich in both military and early Native American history. Reconstructed earthlodges depict the lifestyle of the Mandan Indians, who occupied this site from about 1575-1781.

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)

296 – Workforce Enhancement Fund

Provides grants to institutions of higher education assigned responsibility for workforce training in the state. (NDCC 54-60)

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)

243 – Renewable Energy Development Fund

Established to provide financial assistance to foster the development of renewable energy. (NDCC 54-63)

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)

286 - Pipeline Authority Administrative Fund

Funds are to be used for the administrative costs of the Pipeline Authority. (NDCC 54-17.7)

297 – Biomass Incentive and Research Fund

Funds to be used for various biomass projects. (NDCC 54-17)

314 - Lignite Research Fund

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

317 - Oil and Gas Reservoir Data Fund

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

319 – Geologic Data Preservation Fund

Funds are used to defray the expenses of preserving geologic data and disseminating the data. (NDCC 54-17.4)

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)

428 – Geophysical, Geothermal, Subsurface Minerals and Coal Exploration Fund

Used to satisfy unfulfilled reclamation obligations incurred from mineral and coal exploration. (NDCC 38-21-01)

445 - Abandoned Mine Reclamation Setaside Fund

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

448 - Abandoned Oil and Gas Reclamation Fund

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

488 - Habitat and Depredation Fund

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

EDUCATION

206 (959) - Land Maintenance Fund

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

235 - Displaced Homemakers Fund

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

271 - Vision Aids and Appliances Fund

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

274 - Independent Study Operating Fund

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

353 - School for the Deaf Fund

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

354 - School for the Blind Fund

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

390 - Library Commission Fund

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

391 - Public Instruction Fund

Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 15.1-02)

393 - 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)

STATE OF NORTH DAKOTA

355 - Provider Assessment Fund

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

360 - Human Services Department Fund

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

364 - Indian Affairs Printing Revolving Fund

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

370 - Health and Consolidated Laboratories Fund

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

371 - Wastewater Operators Certificate Fund

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

419 - Children's Trust Fund

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

462 - Domestic Violence Prevention Fund

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

931 - Human Services Donor Implied Trust Fund

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

938 - State Hospital - Special Revenue Fund

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

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)

Nonmajor Governmental Funds

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)

249 - Firefighters Death Benefit Fund

Under certain circumstances, provides for payment to the estate of a firefighter. (NDCC 18-05.1-01)

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)

STATE OF NORTH DAKOTA

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)

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)

310 - ND Sobriety Program Fund

Authorizes a pilot project using grants, gifts, and donations to cover the expenses necessary for the administration and operation of a sobriety program. (2007 Senate Bill 2003)

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)

320 – Community Service Supervision

Accounts for a court imposed community service fee to be used to provide community service supervision grants. (NDCC 29-26-22)

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)

356 – HP Asset Forfeiture Fund

Funds are from seized and forfeited assets and can be used for expenses relating to those assets, matching funds, certain equipment, and certain overtime compensation relating to criminal investigations. (NDCC 39-03)

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)

367 – Multijurisdictional Drug Task Force Fund

Established to defray the expenses and operating costs incurred by a multijurisdictional drug task force. (NDCC 54-12)

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)

STATE OF NORTH DAKOTA

242 - Financial Institution Regulatory Fund

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

244 - Investor Education and Technology Fund

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

247 - Oil and Gas Research Fund

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

248 - Public Service Commission Valuation Fund

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

262 - Securities Protection Fund

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

280 - Performance Assurance Fund

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

301 - Siting Process Recovery Fund

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

305 - Industrial Commission Fund

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

395 - Credit Sale Contract Indemnity Fund

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

TRANSPORTATION

200,201,277 - Highway Fund

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

202 - Abandoned Vehicle Fund

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

205 - Motorcycle Safety Fund

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

217 - Dealer Enforcement 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)

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)

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)

STATE OF NORTH DAKOTA

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2008

	Special Revenue Funds					
	Agriculture	Commodity Promotion	Commerce	Cultural and Natural Resources	Education	Health and Human Services
ASSETS						
Cash Deposits at the Bank of ND	\$ 10,038,349	\$ 6,091,305	\$ 10,340,002	\$ 39,785,818	\$ 58,201,303	\$ 65,861,218
Cash and Cash Equivalents	46,226	353,981	32,500	310	316,895	963,230
Restricted Cash and Cash Equivalents	-	-	-	-	-	-
Investments at the Bank of ND	2,034,305	-	1,450,000	2,996,845	-	234,000
Investments	124,000	4,390,000	-	267,049	-	240,000
Accounts Receivable - Net	84,304	2,550,413	126,803	8,247,674	1,700,235	7,966,667
Taxes Receivable - Net	25,464	-	72,506	47,954	2,703,663	20,326
Interest Receivable - Net	998	8,039	170,147	28,900	-	199,577
Intergovernmental Receivable - Net	-	-	-	-	-	1,516,245
Due from Other Funds	93,999	-	57,393	432,294	-	3,940,189
Prepaid Items	-	-	-	264,592	-	-
Inventory	-	-	39,779	-	195,591	-
Loans and Notes Receivable - Net	-	-	8,173,456	2,469,164	-	9,308,842
Total Assets	\$ 12,447,645	\$ 13,393,738	\$ 20,462,586	\$ 54,540,600	\$ 63,117,687	\$ 90,250,294
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts Payable	\$ 266,250	\$ 987,424	\$ 48,893	\$ 2,167,554	\$ 73,367	\$ 1,303,373
Accrued Payroll	192,339	102,190	37,146	52,224	252,250	483,859
Securities Lending Collateral	-	-	-	6,303	-	-
Intergovernmental Payable	1,956	-	-	-	-	4,691
Tax Refunds Payable	-	-	-	-	-	-
Due to Other Funds	16,205	24,928	6,516	202,061	6,631,609	32,237,638
Contracts Payable	-	-	-	5,000	-	-
Deferred Revenue	33,019	-	4,849	-	936,749	-
Total Liabilities	509,769	1,114,542	97,404	2,433,142	7,893,975	34,029,561
Fund Balances:						
Reserved For:						
Inventory	-	-	39,779	-	195,591	-
Long - Term Receivables	-	-	6,783,891	2,469,164	-	8,891,578
Capital Projects	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Prepaid Expenditures	-	-	-	264,592	-	-
Legal Requirements	-	-	-	-	-	-
Unreserved:						
Designated for:						
Fund Activities	-	-	-	-	-	-
Patients Welfare	-	-	-	-	-	147,532
Other	-	-	-	-	-	-
Unreserved, Reported in:						
Special Revenue Funds	11,937,876	12,279,196	13,541,512	49,373,702	55,028,121	47,181,623
Total Fund Balances	11,937,876	12,279,196	20,365,182	52,107,458	55,223,712	56,220,733
Total Liabilities and Fund Balances	\$ 12,447,645	\$ 13,393,738	\$ 20,462,586	\$ 54,540,600	\$ 63,117,687	\$ 90,250,294

Special Revenue Funds							
Judicial and Legal	Land Department Coal and Mineral	Local Government	Oil Tax Resources	Other Special	PACE Fund	Permanent Oil Tax Trust	
\$ 9,919,222	\$ 579,575	\$ 32,655,984	\$ 7,076,209	\$ 4,568,977	\$ 24,104,094	\$ 222,103,348	
167,028	-	2,292,164	-	33,522	-	-	
-	-	-	-	-	-	-	
18,029	-	-	46,500,000	1,523,129	-	-	
-	58,216,112	-	-	1,515,767	-	-	
512,620	893,040	377,265	150,159	199,744	-	-	
-	267,834	52,960,667	5,407,326	987,843	-	45,297,689	
-	214,747	-	-	201,782	-	-	
13,215	-	-	-	225,937	-	-	
993,274	1,355,111	-	34,538	228,411	-	-	
66,509	-	-	-	-	2,100,489	-	
-	-	-	-	362,382	-	-	
-	37,015,639	-	3,985,694	-	-	-	
<u>\$ 11,689,897</u>	<u>\$ 98,542,058</u>	<u>\$ 88,286,080</u>	<u>\$ 63,153,926</u>	<u>\$ 9,847,494</u>	<u>\$ 26,204,583</u>	<u>\$ 267,401,037</u>	
\$ 600,937	\$ 8,041	\$ -	\$ -	\$ 345,167	\$ -	\$ -	
134,423	-	-	-	122,148	-	-	
-	9,529,633	-	-	-	-	-	
25,977	-	47,763,062	-	-	-	-	
-	-	1,110	-	-	-	-	
36,184	373,235	-	-	37,918	-	236,717	
-	-	-	-	137,372	-	-	
304,104	-	32,852,110	-	155,087	-	-	
<u>1,101,625</u>	<u>9,910,909</u>	<u>80,616,282</u>	<u>-</u>	<u>797,692</u>	<u>-</u>	<u>236,717</u>	
-	-	-	-	362,382	-	-	
-	34,117,200	-	3,640,099	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
66,509	-	-	-	-	2,100,489	-	
-	-	-	-	-	13,706,884	-	
18,151	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	10,397,210	-	
10,503,612	54,513,949	7,669,798	59,513,827	8,687,420	-	267,164,320	
<u>10,588,272</u>	<u>88,631,149</u>	<u>7,669,798</u>	<u>63,153,926</u>	<u>9,049,802</u>	<u>26,204,583</u>	<u>267,164,320</u>	
<u>\$ 11,689,897</u>	<u>\$ 98,542,058</u>	<u>\$ 88,286,080</u>	<u>\$ 63,153,926</u>	<u>\$ 9,847,494</u>	<u>\$ 26,204,583</u>	<u>\$ 267,401,037</u>	

Special Revenue Funds						
Public Safety and Corrections	Recreation	Regulatory	Transportation	Veterans	Total	
\$ 48,321,740	\$ 16,511,851	\$ 14,113,548	\$ 150,296,402	\$ 1,700,983	\$ 722,269,928	
11,258	182,726	21,498	126,592	451,104	4,999,034	
-	-	-	284,225	-	284,225	
-	16,966,768	-	-	-	71,723,076	
-	-	12,898,445	-	4,598,157	82,249,530	
1,059,309	8,803	598,850	951,314	611,726	26,038,926	
-	-	-	7,666,311	-	115,457,583	
-	-	76,107	70,235	4,584	975,116	
91,302	-	-	8,917,675	137,988	10,902,362	
173,421	177,407	38,867	7,890,355	10,909	15,426,168	
-	-	-	181,251	-	2,612,841	
-	107,325	133,496	4,254,882	65,912	5,159,367	
-	-	-	6,572,145	231,876	67,756,816	
\$ 49,657,030	\$ 33,954,880	\$ 27,880,811	\$ 187,211,387	\$ 7,813,239	\$ 1,125,854,972	
\$ 76,710	\$ 719,833	\$ 409,727	\$ 14,300,311	\$ 834,671	\$ 22,142,258	
98,835	905,754	344,116	4,146,079	88,309	6,959,672	
-	-	334,801	-	-	9,870,737	
19,662	-	-	82,499	-	47,897,847	
-	-	-	235,492	-	236,602	
111,441	268,969	3,955,615	1,664,537	21,932	45,825,505	
-	-	-	953,963	-	1,096,335	
13,792	-	105,797	291,038	3,584	34,700,129	
320,440	1,894,556	5,150,056	21,673,919	948,496	168,729,085	
-	107,325	133,496	4,254,882	65,912	5,159,367	
-	-	-	5,437,857	46,753	61,386,542	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	181,251	-	2,612,841	
-	-	-	-	-	13,706,884	
-	-	-	-	-	18,151	
-	-	-	-	54,533	202,065	
-	-	-	-	-	10,397,210	
49,336,590	31,952,999	22,597,259	155,663,478	6,697,545	863,642,827	
49,336,590	32,060,324	22,730,755	165,537,468	6,864,743	957,125,887	
\$ 49,657,030	\$ 33,954,880	\$ 27,880,811	\$ 187,211,387	\$ 7,813,239	\$ 1,125,854,972	

Debt Service Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
Building Authority	Department of Transportation	Water Commission	Total	Building Authority	Water Commission	Total	
\$ 175,000	\$ 6,169,107	\$ 3,105,104	\$ 9,449,211	\$ 10,643,000	\$ -	\$ 10,643,000	\$ 742,362,139
-	-	2,694,832	2,694,832	-	712	712	7,694,578
-	-	-	-	-	-	-	284,225
12,863,000	-	5,826,875	18,689,875	-	-	-	90,412,951
-	-	-	-	-	-	-	82,249,530
-	-	-	-	-	-	-	26,038,926
-	-	-	-	-	-	-	115,457,583
-	-	188,336	188,336	-	-	-	1,163,452
-	-	-	-	-	-	-	10,902,362
60,000	-	-	60,000	-	-	-	15,486,168
-	-	-	-	-	-	-	2,612,841
-	-	-	-	-	-	-	5,159,367
-	-	-	-	-	-	-	67,756,816
<u>\$ 13,098,000</u>	<u>\$ 6,169,107</u>	<u>\$ 11,815,147</u>	<u>\$ 31,082,254</u>	<u>\$ 10,643,000</u>	<u>\$ 712</u>	<u>\$ 10,643,712</u>	<u>\$ 1,167,580,938</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,142,258
-	-	-	-	-	-	-	6,959,672
-	-	-	-	-	-	-	9,870,737
-	-	-	-	-	-	-	47,897,847
-	-	-	-	-	-	-	236,602
-	-	-	-	1,869,000	-	1,869,000	47,694,505
-	-	-	-	-	-	-	1,096,335
-	-	-	-	-	-	-	34,700,129
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,869,000</u>	<u>-</u>	<u>1,869,000</u>	<u>170,598,085</u>
-	-	-	-	-	-	-	5,159,367
-	-	-	-	-	-	-	61,386,542
-	-	-	-	8,774,000	712	8,774,712	8,774,712
13,098,000	6,169,107	11,815,147	31,082,254	-	-	-	31,082,254
-	-	-	-	-	-	-	2,612,841
-	-	-	-	-	-	-	13,706,884
-	-	-	-	-	-	-	18,151
-	-	-	-	-	-	-	202,065
-	-	-	-	-	-	-	10,397,210
-	-	-	-	-	-	-	863,642,827
<u>13,098,000</u>	<u>6,169,107</u>	<u>11,815,147</u>	<u>31,082,254</u>	<u>8,774,000</u>	<u>712</u>	<u>8,774,712</u>	<u>996,982,853</u>
<u>\$ 13,098,000</u>	<u>\$ 6,169,107</u>	<u>\$ 11,815,147</u>	<u>\$ 31,082,254</u>	<u>\$ 10,643,000</u>	<u>\$ 712</u>	<u>\$ 10,643,712</u>	<u>\$ 1,167,580,938</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, 2008

	Special Revenue Funds					Health and Human Services
	Agriculture	Commodity Promotion	Commerce	Cultural and Natural Resources	Education	
REVENUES						
Individual and Corporate Income Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,741
Sales and Use Taxes	2,059,334	-	1,180	-	-	-
Oil, Gas, and Coal Taxes	-	-	-	1,441,061	20,215,034	-
Business and Other Taxes	202,169	-	296,632	-	679	3,852,348
Licenses, Permits and Fees	4,335,478	17,999	98,008	2,094,730	8,250	2,316,162
Intergovernmental	50,000	-	59,041	3,831,644	191	2,657,949
Sales and Services	2,537,074	14,838	155,951	188,598	5,498,670	22,505,386
Royalties and Rents	-	-	-	-	267,324	229,042
Fines and Forfeits	-	953	-	61,227	2,881,351	-
Interest and Investment Income	109,402	235,351	456,667	1,858,399	-	262,939
Tobacco Settlement	-	-	-	16,414,634	-	3,647,697
Commodity Assessments	95,283	18,057,564	-	-	-	-
Miscellaneous	202,526	127,847	430,139	956,367	89,845	4,564,127
Total Revenues	9,591,266	18,454,552	1,497,618	26,846,660	28,961,344	40,052,391
EXPENDITURES						
Current:						
General Government	-	-	-	-	-	-
Education	-	-	-	-	42,886,357	-
Health and Human Services	157,945	-	-	-	-	45,691,381
Regulatory	-	-	-	304,499	-	-
Public Safety and Corrections	-	-	-	-	-	-
Agriculture and Commerce	7,411,234	13,099,567	2,692,486	4,057,849	-	-
Natural Resources	-	-	-	17,025,947	-	-
Transportation	-	-	-	-	-	-
Intergovernmental - Revenue Sharing	-	-	-	-	-	-
Capital Outlay	19,179	-	-	11,456,908	-	80,341
Debt Service:						
Principal	2,066	4,484	-	-	-	7,061
Interest and Other Charges	-	-	-	-	-	994
Total Expenditures	7,590,424	13,104,051	2,692,486	32,845,203	42,886,357	45,779,777
Revenues over (under) Expenditures	2,000,842	5,350,501	(1,194,868)	(5,998,543)	(13,925,013)	(5,727,386)
OTHER FINANCING SOURCES (USES)						
Bonds and Notes Issued	-	-	-	-	-	-
Capital Lease Acquisitions	8,811	-	-	-	-	27,549
Sale of Capital Assets	-	-	-	-	-	-
Transfers In	429,281	-	2,088,290	26,103,902	33,655,000	14,796,917
Transfers Out	(257,835)	(1,070,040)	(39,092)	(6,397,784)	(5,048)	(531,135)
Total Other Financing Sources (Uses)	180,257	(1,070,040)	2,049,198	19,706,118	33,649,952	14,293,331
Net Change in Fund Balances	2,181,099	4,280,461	854,330	13,707,575	19,724,939	8,565,945
Fund Balances - Beginning of Year, as Adjusted	9,756,777	7,998,735	19,510,852	38,399,883	35,498,773	47,654,788
Fund Balances - End of Year	\$ 11,937,876	\$ 12,279,196	\$ 20,365,182	\$ 52,107,458	\$ 55,223,712	\$ 56,220,733

Special Revenue Funds						
Judicial and Legal	Land Department Coal and Mineral	Local Government	Oil Tax Resources	Other Special	PACE Fund	Permanent Oil Tax Trust
\$ -	\$ -	\$ 14,151,393	\$ -	\$ 2,443,557	\$ -	\$ -
-	-	104,866,560	-	-	-	-
-	3,282,610	58,017,387	40,430,068	-	-	243,266,716
-	-	13,979,564	-	50,000	-	-
362,319	-	20,720,068	-	57,685	-	-
-	-	126,895	671,292	600	-	-
1,683,513	-	-	-	2,494,360	-	-
-	13,843,709	968	7,674	818,453	-	-
3,534,357	-	74	-	829	-	-
669	2,735,681	-	1,455,758	903,416	372,848	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
50,288	-	-	15,264	485,299	-	-
5,631,146	19,862,000	211,862,909	42,580,056	7,254,199	372,848	243,266,716
1,379,650	374,104	-	-	4,723,370	-	8,175
-	-	-	-	151,322	-	-
-	-	-	-	548,208	-	-
283,956	-	-	-	-	-	-
1,622,634	-	-	-	400	-	-
-	-	-	-	47,704	4,002,960	-
-	-	-	-	554,130	-	-
-	-	-	-	203,638	-	-
-	-	224,406,911	-	-	-	-
1,263,337	404,719	-	-	565,159	-	-
1,600	-	-	-	-	-	-
-	-	-	-	-	-	-
4,551,177	778,823	224,406,911	-	6,793,931	4,002,960	8,175
1,079,969	19,083,177	(12,544,002)	42,580,056	460,268	(3,630,112)	243,258,541
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,373,067	-	-	-	405,839	13,600,000	-
-	(4,518,283)	-	(17,850,000)	(260,286)	(30,000)	(119,364,883)
1,373,067	(4,518,283)	-	(17,850,000)	145,553	13,570,000	(119,364,883)
2,453,036	14,564,894	(12,544,002)	24,730,056	605,821	9,939,888	123,893,658
8,135,236	74,066,255	20,213,800	38,423,870	8,443,981	16,264,695	143,270,662
\$ 10,588,272	\$ 88,631,149	\$ 7,669,798	\$ 63,153,926	\$ 9,049,802	\$ 26,204,583	\$ 267,164,320

Special Revenue Funds					
Public Safety and Corrections	Recreation	Regulatory	Transportation	Veterans	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,611,691
2,043,459	2,573	-	98,052,714	-	207,025,820
-	-	-	-	-	366,652,876
-	-	4,563	-	-	18,385,955
2,374,594	15,131,186	6,984,724	53,595,882	26,545	108,123,630
818,902	34,611	9,579	905,522	1,703,913	10,870,139
198,861	1,994,150	4,000,771	538,097	2,844,833	44,655,102
210,481	36,022	-	104,104	564	15,518,341
28,617	55,427	3,786	-	-	6,566,621
764,629	7,785	(73,733)	2,480,470	(147,706)	11,422,575
-	-	-	-	-	20,062,331
-	-	-	-	-	18,152,847
217,540	243,494	9,406	415,364	115,637	7,923,143
6,657,083	17,505,248	10,939,096	156,092,153	4,543,786	851,971,071
28,656	-	28,956	-	50,191	6,593,102
-	-	-	-	-	43,037,679
-	-	-	11,211	4,167,106	50,575,851
-	-	7,579,033	-	-	8,167,488
2,709,480	-	73,000	-	58,921	4,464,435
-	-	-	-	-	31,311,800
-	12,118,533	-	-	-	29,698,610
-	-	-	117,140,210	-	117,343,848
-	-	-	-	-	224,406,911
995,396	1,372,474	1,630	18,798,029	646,162	35,603,334
-	-	-	152,903	-	168,114
-	-	-	135,281	-	136,275
3,733,532	13,491,007	7,682,619	136,237,634	4,922,380	551,507,447
2,923,551	4,014,241	3,256,477	19,854,519	(378,594)	300,463,624
-	-	-	-	-	-
-	-	-	-	-	36,360
-	-	-	1,045,750	7,000	1,052,750
42,662,300	158,631	3,403,226	1,777,485	130,350	140,584,288
(375)	(1,700,000)	(4,095,651)	(1,323,330)	(132,197)	(157,575,939)
42,661,925	(1,541,369)	(692,425)	1,499,905	5,153	(15,902,541)
45,585,476	2,472,872	2,564,052	21,354,424	(373,441)	284,561,083
3,751,114	29,587,452	20,166,703	144,183,044	7,238,184	672,564,804
\$ 49,336,590	\$ 32,060,324	\$ 22,730,755	\$ 165,537,468	\$ 6,864,743	\$ 957,125,887

Debt Service Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
Building Authority	Department of Transportation	Water Commission	Total	Building Authority	Water Commission	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,611,691
-	-	-	-	-	-	-	207,025,820
-	-	-	-	-	-	-	366,652,876
-	-	-	-	-	-	-	18,385,955
-	-	-	-	-	-	-	108,123,630
-	-	-	-	-	-	-	10,870,139
-	-	1,994,884	1,994,884	-	-	-	46,649,986
-	-	-	-	-	-	-	15,518,341
-	-	-	-	-	-	-	6,566,621
623,000	425,257	524,980	1,573,237	551,000	50	551,050	13,546,862
-	-	-	-	-	-	-	20,062,331
-	-	-	-	-	-	-	18,152,847
15,000	-	-	15,000	-	-	-	7,938,143
638,000	425,257	2,519,864	3,583,121	551,000	50	551,050	856,105,242
-	-	-	-	-	-	-	6,593,102
-	-	-	-	-	-	-	43,037,679
-	-	-	-	-	-	-	50,575,851
-	-	-	-	-	-	-	8,167,488
-	-	-	-	-	-	-	4,464,435
-	-	-	-	-	-	-	31,311,800
-	-	-	-	-	-	-	29,698,610
-	-	-	-	-	-	-	117,343,848
-	-	-	-	-	-	-	224,406,911
-	-	-	-	-	1,426,000	1,426,000	37,029,334
8,161,000	3,160,000	1,485,000	12,806,000	-	-	-	12,974,114
4,770,000	2,162,804	4,717,867	11,650,671	-	-	-	11,786,946
12,931,000	5,322,804	6,202,867	24,456,671	-	1,426,000	1,426,000	577,390,118
(12,293,000)	(4,897,547)	(3,683,003)	(20,873,550)	551,000	(1,425,950)	(874,950)	278,715,124
-	-	-	-	-	1,426,000	1,426,000	1,426,000
-	-	-	-	-	-	-	36,360
-	-	-	-	-	-	-	1,052,750
10,665,000	5,297,920	5,104,016	21,066,936	-	-	-	161,651,224
-	(11,992,855)	-	(11,992,855)	(6,819,000)	-	(6,819,000)	(176,387,794)
10,665,000	(6,694,935)	5,104,016	9,074,081	(6,819,000)	1,426,000	(5,393,000)	(12,221,460)
(1,628,000)	(11,592,482)	1,421,013	(11,799,469)	(6,268,000)	50	(6,267,950)	266,493,664
14,726,000	17,761,589	10,394,134	42,881,723	15,042,000	662	15,042,662	730,489,189
\$ 13,098,000	\$ 6,169,107	\$ 11,815,147	\$ 31,082,254	\$ 8,774,000	\$ 712	\$ 8,774,712	\$ 996,982,853



North Dakota Parks and Recreation

Cross Ranch State Park is located along seven miles of the last free-flowing, undeveloped stretches of the Missouri River. The park is purposely left primitive to preserve the land's natural beauty.

STATE OF NORTH DAKOTA

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)

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, 2008

	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	\$ 5,016,164	\$ 317,248	\$ 4,608,212	\$ 84,082	\$ 2,669,742	\$ 1,320,964
Cash and Cash Equivalents	-	-	-	-	-	-
Investments at the Bank of ND	-	-	-	-	-	7,085,600
Investments	-	2,334,774	-	-	23,747,914	-
Accounts Receivable - Net	-	70,330	-	-	7,335	-
Interest Receivable - Net	306,386	28,561	141,479	9,065	116,214	-
Intergovernmental Receivable - Net	-	-	-	-	-	2,741,366
Due from Other Funds	-	-	-	-	-	403,707
Due from Fiduciary Funds	-	-	-	-	-	-
Prepaid Items	904,154	-	-	-	132,500	-
Inventory	-	-	-	-	-	-
Loans and Notes Receivable - Net	1,680,564	-	564,652	395,630	-	-
Restricted Cash at the Bank of ND	-	-	-	-	-	3,524,401
Restricted Investments at the Bank of ND	-	-	-	-	-	2,211,700
Restricted Interest Receivable - Net	-	-	-	-	-	-
Restricted Loans Receivable - Net	-	-	-	-	-	-
Total Current Assets	7,907,268	2,750,913	5,314,343	488,777	26,673,705	17,287,738
Noncurrent Assets:						
Restricted Cash at the Bank of ND	-	-	-	-	-	-
Restricted Investments	-	-	-	-	-	-
Loans and Notes Receivable - Net	6,357,409	-	15,070,943	1,105,691	-	-
Restricted Loans Receivable - Net	-	-	-	-	-	-
Unamortized Bond Issuance Costs	-	-	-	-	-	-
Other Noncurrent Assets	1,473,229	-	-	-	-	-
Capital Assets:						
Land and Construction in Progress	-	-	-	-	-	-
Infrastructure - Net	-	-	-	-	-	-
Buildings and Equipment - Net	-	-	-	-	-	-
Total Noncurrent Assets	7,830,638	-	15,070,943	1,105,691	-	-
Total Assets	15,737,906	2,750,913	20,385,286	1,594,468	26,673,705	17,287,738
LIABILITIES						
Current Liabilities:						
Accounts Payable	-	95	-	-	89,130	721,300
Accrued Payroll	-	1,021	-	-	34,460	-
Securities Lending Collateral	-	81,315	-	-	821,154	-
Interest Payable	-	3,933	-	-	39,534	-
Intergovernmental Payable	-	-	-	-	-	977,452
Due to Other Funds	11,060	-	20,240	1,594,468	16,895	1,150,703
Amounts Held in Custody for Others	-	-	-	-	-	-
Claims/Judgments Payable	-	149,177	-	-	999,265	-
Compensated Absences Payable	-	3,470	-	-	1,982	-
Capital Leases Payable	-	-	-	-	-	-
Bonds Payable	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	597,000
Total Current Liabilities	11,060	239,011	20,240	1,594,468	2,002,420	3,446,455
Noncurrent Liabilities:						
Intergovernmental Payable	-	-	-	-	-	3,394,503
Claims/Judgments Payable	-	-	-	-	114,819	-
Compensated Absences Payable	-	-	-	-	37,658	-
Capital Leases Payable	-	-	-	-	-	-
Bonds Payable	-	-	-	-	-	-
Other Noncurrent Liabilities	-	-	-	-	-	4,903,941
Total Noncurrent Liabilities	-	-	-	-	152,477	8,298,444
Total Liabilities	11,060	239,011	20,240	1,594,468	2,154,897	11,744,899
Net Assets						
Invested in Capital Assets, Net of Related Debt	-	-	-	-	-	-
Restricted for:						
Debt Service	-	-	-	-	-	-
Loan Purposes	-	-	-	-	-	659,025
Unemployment Compensation	-	-	-	-	-	-
Other	-	-	-	-	-	-
Unrestricted	15,726,846	2,511,902	20,365,046	-	24,518,808	4,883,814
Total Net Assets	\$ 15,726,846	\$ 2,511,902	\$ 20,365,046	\$ -	\$ 24,518,808	\$ 5,542,839

PERS Uniform Group Insurance	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 5,713,233	\$ 365,886	\$ 1,983,852	\$ 5,747,794	\$ 679,000	\$ 284	\$ 28,506,461
2,055,417	700	-	-	-	127,958,283	130,014,400
-	-	-	-	-	-	7,085,600
-	-	-	-	-	-	26,082,688
11,141	387,876	76,018	1,022,618	-	15,241,254	16,816,572
-	-	-	-	742,000	1,540,128	2,883,833
-	-	-	-	117,000	274,432	3,132,798
-	46,634	-	-	137,000	-	587,341
73,781	-	-	-	-	-	73,781
-	2,132	26,559	5,464	52,000	-	1,122,809
-	1,063,362	-	-	-	-	1,063,362
-	-	-	-	4,053,000	-	6,693,846
-	-	-	-	33,817,000	-	37,341,401
-	-	-	-	8,288,000	-	10,499,700
-	-	-	-	1,313,000	-	1,313,000
-	-	-	-	24,164,000	-	24,164,000
7,853,572	1,866,590	2,086,429	6,775,876	73,362,000	145,014,381	297,381,592
-	-	262,152	-	-	-	262,152
-	-	215,234	-	-	-	215,234
-	-	-	-	16,307,000	-	38,841,043
-	-	-	-	35,626,000	-	35,626,000
-	-	13,896	-	545,000	-	558,896
-	-	-	936,986	-	-	2,410,215
960,988	-	390,816	-	-	-	1,351,804
-	-	856,176	-	-	-	856,176
-	846,054	9,743,726	26,874	-	-	10,616,654
960,988	846,054	11,482,000	963,860	52,478,000	-	90,738,174
8,814,560	2,712,644	13,568,429	7,739,736	125,840,000	145,014,381	388,119,766
273,533	136,006	32,881	620,398	27,000	889,337	2,789,680
47,345	119,502	-	44,379	-	-	246,707
-	-	-	-	-	-	902,469
-	252	17,455	-	276,000	-	337,174
-	-	-	-	-	1,323,267	2,300,719
13,155	165,301	-	5,375,899	3,857,000	541,280	12,746,001
4,472,215	-	-	-	-	-	4,472,215
-	-	-	-	-	-	1,148,442
2,496	4,288	20,000	-	-	-	32,236
-	35,749	-	-	-	-	35,749
-	-	195,000	-	55,300,000	-	55,495,000
2,634,689	-	-	323,903	-	-	3,555,592
7,443,433	461,098	265,336	6,364,579	59,460,000	2,753,884	84,061,984
-	-	-	-	200,000	-	3,594,503
-	-	-	-	-	-	114,819
43,384	115,767	21,836	33,534	-	-	252,179
-	170,713	-	-	-	-	170,713
-	-	948,523	-	19,300,000	-	20,248,523
-	-	-	-	-	-	4,903,941
43,384	286,480	970,359	33,534	19,500,000	-	29,284,678
7,486,817	747,578	1,235,695	6,398,113	78,960,000	2,753,884	113,346,662
-	485,002	9,847,195	26,874	-	-	10,359,071
-	-	477,386	-	28,425,000	-	28,902,386
-	-	-	-	-	-	659,025
-	-	-	-	-	142,260,497	142,260,497
-	-	-	936,986	-	-	936,986
1,327,743	1,480,064	2,008,153	377,763	18,455,000	-	91,655,139
\$ 1,327,743	\$ 1,965,066	\$ 12,332,734	\$ 1,341,623	\$ 46,880,000	\$ 142,260,497	\$ 274,773,104

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, 2008

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Developmentally Disabled Facility Loan	Fire and Tornado	Guaranteed Student Loan
OPERATING REVENUES						
Sales and Services	\$ -	\$ 68,756	\$ -	\$ -	\$ 10,483,992	\$ 3,856,475
Royalties and Rents	-	-	-	-	-	-
Interest and Investment Income	490,497	-	487,393	90,202	-	-
Miscellaneous	-	-	-	-	-	7,458
Total Operating Revenues	490,497	68,756	487,393	90,202	10,483,992	3,863,933
OPERATING EXPENSES						
Cost of Sales and Services	-	-	-	-	-	-
Salaries and Benefits	-	12,816	-	-	419,270	-
Operating	964,882	6,783	88,329	12,311	2,300,334	3,393,777
Claims	-	(268,171)	-	-	10,548,028	-
Interest	-	-	-	79,505	-	-
Depreciation	-	-	-	-	-	-
Miscellaneous	3,799	-	-	-	-	-
Total Operating Expenses	968,681	(248,572)	88,329	91,816	13,267,632	3,393,777
Operating Income (Loss)	(478,184)	317,328	399,064	(1,614)	(2,783,640)	470,156
NONOPERATING REVENUES (EXPENSES)						
Grants and Contracts	-	-	-	-	-	-
Interest and Investment Income	148,834	(91,075)	74,303	1,614	(785,729)	343,866
Interest Expense	-	(17,157)	-	-	(168,059)	-
Gain (Loss) on Sale of Capital Assets	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	148,834	(108,232)	74,303	1,614	(953,788)	343,866
Income (Loss) Before Contributions and Transfers	(329,350)	209,096	473,367	-	(3,737,428)	814,022
Transfers In	-	-	-	-	34,000	-
Transfer Out	(2,000,000)	-	-	-	-	(396,515)
Change in Net Assets	(2,329,350)	209,096	473,367	-	(3,703,428)	417,507
Total Net Assets - Beginning of Year	18,056,196	2,302,806	19,891,679	-	28,222,236	5,125,332
Total Net Assets - End of Year	\$ 15,726,846	\$ 2,511,902	\$ 20,365,046	\$ -	\$ 24,518,808	\$ 5,542,839

PERS Uniform Group Insurance	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 923,188	\$ 4,389,150	\$ 3,988,060	\$ 22,219,058	\$ -	\$ 51,993,327	\$ 97,922,006
-	53,223	-	-	-	-	53,223
-	-	-	-	5,590,000	-	6,658,092
-	53,367	-	-	-	-	60,825
923,188	4,495,740	3,988,060	22,219,058	5,590,000	51,993,327	104,694,146
-	2,385,312	-	-	-	-	2,385,312
488,293	1,453,098	1,092,852	580,188	-	-	4,046,517
248,880	225,020	3,101,653	15,614,776	1,367,000	-	27,323,745
-	-	-	-	-	46,911,958	57,191,815
-	-	-	-	3,748,000	-	3,827,505
-	76,846	910,851	10,323	-	-	998,020
-	-	-	-	-	-	3,799
737,173	4,140,276	5,105,356	16,205,287	5,115,000	46,911,958	95,776,713
186,015	355,464	(1,117,296)	6,013,771	475,000	5,081,369	8,917,433
-	-	406,284	-	-	-	406,284
213,400	-	35,730	64,072	1,602,000	6,277,297	7,884,312
-	(20,841)	(38,003)	-	-	-	(244,060)
-	(948)	-	-	-	-	(948)
-	-	(12,089)	-	-	-	(12,089)
213,400	(21,789)	391,922	64,072	1,602,000	6,277,297	8,033,499
399,415	333,675	(725,374)	6,077,843	2,077,000	11,358,666	16,950,932
-	-	459,562	-	-	-	493,562
-	-	-	(5,922,500)	(3,706,000)	-	(12,025,015)
399,415	333,675	(265,812)	155,343	(1,629,000)	11,358,666	5,419,479
928,328	1,631,391	12,598,546	1,186,280	48,509,000	130,901,831	269,353,625
\$ 1,327,743	\$ 1,965,066	\$ 12,332,734	\$ 1,341,623	\$ 46,880,000	\$ 142,260,497	\$ 274,773,104

STATE OF NORTH DAKOTA

Combining Statement of Cash Flows Nonmajor Enterprise Funds (Continued) For the Fiscal Year Ended June 30, 2008

	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	\$ 853	\$ 66,904	\$ -	\$ -	\$ 10,495,721	\$ 4,082,779
Interest Income on Loans	473,243	-	-	-	-	-
Receipts from Loan Principal Repayments	2,123,938	-	-	-	-	12,360,620
Receipts from Federal and Local Agencies	-	-	-	-	1,574	-
Receipts from Other Funds	-	-	-	-	-	-
Receipts from Others	-	-	-	-	-	-
Payments to Other Funds	-	-	-	-	-	-
Payments for Loan Funds	(2,424,545)	-	-	-	-	(11,375,896)
Payments to Suppliers	(960,443)	(90,581)	(90,392)	(12,769)	(2,234,987)	(3,086,779)
Payments to Employees	-	(12,212)	-	-	(411,823)	-
Claim Payments	-	-	-	-	(9,837,517)	-
Payments to Others	(3,799)	-	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	(790,753)	(35,889)	(90,392)	(12,769)	(1,987,032)	1,980,724
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	-	-	-	(79,505)	-	-
Transfers In	-	-	-	-	34,000	-
Transfers Out	(2,000,000)	-	-	-	-	(396,515)
Principal Payments on Due To Other Funds	-	-	-	(394,661)	-	-
Grants Received	-	-	-	-	-	-
Other	-	-	-	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(2,000,000)	-	-	(474,166)	34,000	(396,515)
Cash Flows from Capital and Related Financing Activities:						
Acquisition and Construction of Capital Assets	-	-	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-	-	-
Proceeds from Sale of Notes and Other Borrowings	-	-	-	-	-	-
Principal Payments - Bonds	-	-	-	-	-	-
Principal Payments - Notes and Other Borrowings	-	-	-	-	-	-
Interest Payments - Bonds	-	-	-	-	-	-
Interest Payments - Notes and Other Borrowings	-	-	-	-	-	-
Payment on Capital Leases	-	-	-	-	-	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	-	-	-	-	-	-
Cash Flows from Investing Activities:						
Proceeds from Sale and Maturities of Investment Securities	-	-	-	-	-	8,612,377
Purchase of Investment Securities	-	(26,546)	-	-	794,101	(9,574,322)
Interest and Dividends on Investments	148,834	99,777	74,302	1,614	1,010,457	376,240
Receipt of Loan Principal Repayments	-	-	1,834,706	394,827	-	-
Loan Income Received	-	-	508,806	88,893	-	-
Net Cash Provided by (Used for) Investing Activities	148,834	73,231	2,417,814	485,334	1,804,558	(585,705)
Net Change in Cash:						
Net Increase (Decrease) in Cash and Cash Equivalents	(2,641,919)	37,342	2,327,422	(1,601)	(148,474)	998,504
Cash and Cash Equivalents at June 30, 2007	7,658,083	279,906	2,280,790	85,683	2,818,216	3,846,861
Cash and Cash Equivalents at June 30, 2008	\$ 5,016,164	\$ 317,248	\$ 4,608,212	\$ 84,082	\$ 2,669,742	\$ 4,845,365
Reconciliation:						
Current:						
Cash Deposits at the Bank of North Dakota	\$ 5,016,164	\$ 317,248	\$ 4,608,212	\$ 84,082	\$ 2,669,742	\$ 1,320,964
Cash and Cash Equivalents	-	-	-	-	-	-
Restricted Cash Deposits at the Bank of North Dakota	-	-	-	-	-	3,524,401
Noncurrent:						
Restricted Cash and Cash Equivalents	-	-	-	-	-	-
Cash and Cash Equivalents	\$ 5,016,164	\$ 317,248	\$ 4,608,212	\$ 84,082	\$ 2,669,742	\$ 4,845,365

PERS Uniform Group Insurance	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 164,239,313	\$ 4,592,182	\$ 3,987,989	\$ 16,279,977	\$ 17,792,000	\$ 52,481,164	\$ 274,018,882
-	-	-	-	-	-	473,243
-	-	-	-	-	-	14,484,558
-	-	-	-	-	-	1,574
-	(24,368)	-	-	-	-	(24,368)
-	-	-	-	-	79,556	79,556
-	6,845	-	-	-	-	6,845
-	-	-	-	-	-	(13,800,441)
(162,780,057)	(2,833,241)	(3,091,660)	(10,070,683)	(2,233,000)	(5,900,493)	(193,385,085)
(473,384)	(1,461,129)	(1,088,951)	(630,063)	-	-	(4,077,562)
-	-	-	-	-	(39,816,465)	(49,653,982)
-	-	-	(35,874)	-	-	(39,673)
985,872	280,289	(192,622)	5,543,357	15,559,000	6,843,762	28,083,547
-	-	-	-	-	-	-
-	-	-	-	(8,900,000)	-	(8,900,000)
-	-	-	-	-	-	-
-	-	-	-	(3,790,000)	-	(3,790,000)
-	-	-	-	-	-	(79,505)
-	-	459,562	-	-	-	493,562
-	-	-	(6,922,500)	(178,000)	-	(9,497,015)
-	-	-	-	-	-	(394,661)
-	-	406,284	-	-	-	406,284
-	-	-	-	-	-	-
-	-	865,846	(6,922,500)	(12,868,000)	-	(21,761,335)
(709,891)	(184,391)	(83,997)	-	-	-	(978,279)
-	-	-	-	-	-	-
-	200,000	-	-	-	-	200,000
-	-	(200,000)	-	-	-	(200,000)
-	(26,203)	-	-	-	-	(26,203)
-	-	(42,103)	-	-	-	(42,103)
-	(9,656)	-	-	-	-	(9,656)
-	(54,720)	-	-	-	-	(54,720)
(709,891)	(74,970)	(326,100)	-	-	-	(1,110,961)
-	-	252,884	-	81,501,000	-	90,366,261
-	-	(252,280)	-	(52,963,000)	-	(62,022,047)
213,400	-	34,522	70,017	1,751,000	6,102,260	9,882,423
-	-	-	-	-	-	2,229,533
-	-	-	-	-	-	597,699
213,400	-	35,126	70,017	30,289,000	6,102,260	41,053,869
489,381	205,319	382,250	(1,309,126)	32,980,000	12,946,022	46,265,120
7,279,269	161,267	1,863,754	7,056,920	1,516,000	115,012,545	149,859,294
\$ 7,768,650	\$ 366,586	\$ 2,246,004	\$ 5,747,794	\$ 34,496,000	\$ 127,958,567	\$ 196,124,414
\$ 5,713,233	\$ 365,886	\$ 1,983,852	\$ 5,747,794	\$ 679,000	\$ 284	\$ 28,506,461
2,055,417	700	-	-	-	127,958,283	130,014,400
-	-	-	-	33,817,000	-	37,341,401
-	-	262,152	-	-	-	262,152
\$ 7,768,650	\$ 366,586	\$ 2,246,004	\$ 5,747,794	\$ 34,496,000	\$ 127,958,567	\$ 196,124,414

STATE OF NORTH DAKOTA

Combining Statement of Cash Flows Nonmajor Enterprise Funds (Continued) For the Fiscal Year Ended June 30, 2008

	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)	\$ (478,184)	\$ 317,328	\$ 399,064	\$ (1,614)	\$ (2,783,640)	\$ 470,156
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation	-	-	-	-	-	-
Amortization\Accretion	-	-	-	-	-	-
Reclassification of Interest Revenue\Expense	-	-	(487,393)	(10,697)	-	-
Interest Received on Program Loans	-	-	-	-	-	-
Disbursements for Loans and Loan Purchases	-	-	-	-	-	-
Receipt of Loan Principal Repayments	-	-	-	-	-	-
Provision for Losses	-	-	-	-	-	584,000
Premiums Collected	-	-	-	-	-	-
Premiums Paid	-	-	-	-	-	-
Other	-	-	-	-	-	71,000
Change in Assets and Liabilities:						
(Increase) Decrease in Accounts Receivable	-	(1,852)	-	-	11,729	102,594
Increase in Interest Receivable	(16,401)	-	-	-	-	-
(Increase) Decrease in Due From	-	-	-	-	-	-
Decrease in Due From Fiduciary Funds	-	-	-	-	-	-
(Increase) Decrease in Intergovernmental Receivable	-	-	-	-	-	(593,875)
Decrease in Notes Receivable	(300,607)	-	-	-	-	-
(Increase) Decrease in Prepaid Items	4,012	-	-	-	(13,170)	-
Increase in inventories	-	-	-	-	-	-
Increase in Other Assets	-	-	-	-	-	-
Increase (Decrease) in Accounts Payable	-	(148)	-	-	78,517	994,439
Decrease in Claims\Judgments Payable	-	(351,821)	-	-	710,511	-
Increase (Decrease) in Intergovernmental Payable	-	-	-	-	-	469,063
Increase (Decrease) in Accrued Payroll	-	43	-	-	1,873	-
Increase (Decrease) in Compensated Absences Payable	-	561	-	-	5,574	-
Decrease in Amounts Held for Others	-	-	-	-	-	-
Increase (Decrease) in Due To	427	-	(2,063)	(458)	1,574	(472,485)
Increase in Deferred Revenue	-	-	-	-	-	347,387
Increase (Decrease) in Other Liabilities	-	-	-	-	-	8,445
Total Adjustments	(312,569)	(353,217)	(489,456)	(11,155)	796,608	1,510,568
Net Cash Provided by (Used for) Operating Activities	\$ (790,753)	\$ (35,889)	\$ (90,392)	\$ (12,769)	\$ (1,987,032)	\$ 1,980,724
Noncash Transactions:						
Net Increase (Decrease) in Fair Value of investments	\$ -	\$ (205,638)	-	\$ -	\$ (1,939,467)	\$ -
Change in Securities Lending Collateral	-	(270,338)	-	-	(2,891,005)	-
Amortization of Bond Discount	-	-	-	-	-	-
Amortization of Bond Issuance Costs	-	-	-	-	-	-
Interest Revenue on Prize Reserves	-	-	-	-	-	-
Total Noncash Transactions	\$ -	\$ (475,976)	\$ -	\$ -	\$ (4,830,472)	\$ -

PERS Uniform Group Insurance	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 186,015	\$ 355,464	\$ (1,117,296)	\$ 6,013,771	\$ 475,000	\$ 5,081,369	\$ 8,917,433
-	76,846	910,851	10,323	-	-	998,020
-	-	-	-	216,000	-	216,000
-	-	-	-	(2,047,000)	-	(2,545,090)
-	-	-	-	4,790,000	-	4,790,000
-	-	-	-	(329,000)	-	(329,000)
-	-	-	-	13,002,000	-	13,002,000
-	-	-	-	(13,000)	-	571,000
162,535,552	-	-	-	-	-	162,535,552
(162,535,552)	-	-	-	-	-	(162,535,552)
-	-	-	-	-	-	71,000
566,678	96,442	(71)	(643,759)	-	1,433,517	1,565,278
-	-	-	-	-	-	(16,401)
-	(24,368)	-	7	-	-	(24,361)
(38,406)	-	-	-	-	-	(38,406)
7,213	-	-	-	-	(24,982)	(611,644)
-	-	-	-	-	-	(300,607)
-	9,848	14,075	(2,265)	-	-	12,500
-	(116,327)	-	-	-	-	(116,327)
-	-	-	(51,934)	-	-	(51,934)
(1,776)	(116,430)	(4,082)	16,402	-	(18,444)	948,478
-	-	-	-	-	-	358,690
6,151	-	-	-	(510,000)	189,390	154,604
10,819	(2,797)	-	1,136	-	-	11,074
4,090	(5,234)	3,901	(51,011)	-	-	(42,119)
257,908	-	-	-	-	-	257,908
-	6,845	-	57,565	(25,000)	182,912	(250,683)
(12,820)	-	-	193,122	-	-	527,689
-	-	-	-	-	-	8,445
799,857	(75,175)	924,674	(470,414)	15,084,000	1,762,393	19,166,114
\$ 985,872	\$ 280,289	\$ (192,622)	\$ 5,543,357	\$ 15,559,000	\$ 6,843,762	\$ 28,083,547
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,145,105)
-	-	-	-	-	-	(3,161,343)
-	-	8,754	-	-	-	8,754
-	-	3,335	-	-	-	3,335
-	-	-	575	-	-	575
\$ -	\$ -	\$ 12,089	\$ 575	\$ -	\$ -	\$ (5,293,784)

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)

STATE OF NORTH DAKOTA

Combining Statement of Net Assets Internal Service Funds June 30, 2008

	Central Services	Fleet Services	Information Technology Department	Risk Management	Total
ASSETS					
Current Assets:					
Cash Deposits at the Bank of ND	\$ 420,932	\$ 3,543,654	\$ 3,182,256	\$ 1,747,239	\$ 8,894,081
Cash and Cash Equivalents	7,794	-	-	-	7,794
Investments	-	-	-	6,568,536	6,568,536
Accounts Receivable - Net	19,470	25,106	106,341	-	150,917
Interest Receivable - Net	-	-	-	53,096	53,096
Intergovernmental Receivable - Net	19,071	-	152,226	-	171,297
Due from Other Funds	223,329	1,705,053	3,639,730	7,646	5,575,758
Prepaid Items	3,361	-	2,252,705	49,998	2,306,064
Inventory	112,530	-	-	-	112,530
Restricted Cash at the Bank of ND	-	-	8,294,424	-	8,294,424
Total Current Assets	806,487	5,273,813	17,627,682	8,426,515	32,134,497
Noncurrent Assets:					
Unamortized Bond Issuance Costs	-	-	46,546	-	46,546
Capital Assets:					
Buildings and Equipment - Net	636,814	61,764,381	12,248,796	99,890	74,749,881
Total Noncurrent Assets	636,814	61,764,381	12,295,342	99,890	74,796,427
Total Assets	1,443,301	67,038,194	29,923,024	8,526,405	106,930,924
LIABILITIES					
Current Liabilities:					
Accounts Payable	35,214	949,123	665,988	8,317	1,658,642
Accrued Payroll	64,674	92,488	1,433,655	27,039	1,617,856
Securities Lending Collateral	-	-	-	237,224	237,224
Interest Payable	-	-	520,793	4,720	525,513
Intergovernmental Payable	-	-	4,809	-	4,809
Due to Other Funds	10,406	5,769,591	28,441	21,086	5,829,524
Claims/Judgments Payable	-	-	-	2,248,325	2,248,325
Compensated Absences Payable	3,532	46,010	76,548	-	126,090
Capital Leases Payable	149,026	-	-	1,251	150,277
Bonds Payable	-	-	629,458	-	629,458
Deferred Revenue	-	-	-	539	539
Total Current Liabilities	262,852	6,857,212	3,359,692	2,548,501	13,028,257
Noncurrent Liabilities:					
Claims/Judgments Payable	-	-	-	3,668,257	3,668,257
Compensated Absences Payable	67,114	-	1,330,576	26,125	1,423,815
Notes Payable	-	-	12,000,000	-	12,000,000
Capital Leases Payable	453,707	-	-	4,704	458,411
Bonds Payable	-	-	3,576,645	-	3,576,645
Total Noncurrent Liabilities	520,821	-	16,907,221	3,699,086	21,127,128
Total Liabilities	783,673	6,857,212	20,266,913	6,247,587	34,155,385
NET ASSETS					
Invested in Capital Assets, Net of					
Related Debt	636,814	61,764,381	6,248,796	94,017	68,744,008
Unrestricted	22,814	(1,583,399)	3,407,315	2,184,801	4,031,531
Total Net Assets	\$ 659,628	\$ 60,180,982	\$ 9,656,111	\$ 2,278,818	\$ 72,775,539

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, 2008

	Central Services	Fleet Services	Information Technology Department	Risk Management	Total
OPERATING REVENUES					
Sales and Services	\$ 2,429,340	\$ 22,498,762	\$ 40,592,466	\$ 3,737,394	\$ 69,257,962
Miscellaneous	-	64,782	-	-	64,782
Total Operating Revenues	2,429,340	22,563,544	40,592,466	3,737,394	69,322,744
OPERATING EXPENSES					
Cost of Sales and Services	1,051,200	-	-	-	1,051,200
Salaries and Benefits	798,203	1,530,470	16,499,257	324,216	19,152,146
Operating	442,107	13,824,496	22,229,584	654,638	37,150,825
Claims	-	-	-	4,193,065	4,193,065
Depreciation	59,432	6,913,154	2,956,238	26,118	9,954,942
Total Operating Expenses	2,350,942	22,268,120	41,685,079	5,198,037	71,502,178
Operating Income (Loss)	78,398	295,424	(1,092,613)	(1,460,643)	(2,179,434)
NONOPERATING REVENUES (EXPENSES)					
Interest and Investment Income	-	-	114,424	(240,325)	(125,901)
Interest Expense	(16,828)	-	(192,203)	(519)	(209,550)
Loss on Sale of Capital Assets	-	(68,523)	(33,112)	(47,261)	(148,896)
Other	418	-	16,107	-	16,525
Total Nonoperating Revenues (Expenses)	(16,410)	(68,523)	(94,784)	(288,105)	(467,822)
Income (Loss) Before Contributions and	61,988	226,901	(1,187,397)	(1,748,748)	(2,647,256)
Capital Grants and Contributions	-	28,500	-	-	28,500
Changes in Net Assets	61,988	255,401	(1,187,397)	(1,748,748)	(2,618,756)
Total Net Assets - Beginning of Year	597,640	59,925,581	10,843,508	4,027,566	75,394,295
Total Net Assets - End of Year	\$ 659,628	\$ 60,180,982	\$ 9,656,111	\$ 2,278,818	\$ 72,775,539

STATE OF NORTH DAKOTA

Combining Statement of Cash Flows Internal Service Funds For the Fiscal Year Ended June 30, 2008

	Central Services	Fleet Services	Information Technology	Risk Management	Total
Cash Flows from Operating Activities:					
Receipts from Customers and Users	\$ 2,397,421	\$ 22,575,685	\$ 41,435,570	\$ 3,737,644	\$ 70,146,320
Receipts from Other Funds	-	(326,555)	-	-	(326,555)
Payments to Other Funds	-	47,033	-	-	47,033
Payments to Suppliers	(1,511,140)	(14,620,599)	(22,966,798)	(232,947)	(39,331,484)
Payments to Employees	(771,569)	(1,504,685)	(16,154,795)	(318,132)	(18,749,181)
Claim Payments	-	-	-	(654,866)	(654,866)
Payments to Others	-	-	-	(2,557,810)	(2,557,810)
Net Cash Provided by (Used for) Operating Activities	114,712	6,170,879	2,313,977	(26,111)	8,573,457
Cash Flows from Noncapital Financing Activities:					
Interest Payments - Notes and Other Borrowings	(4,313)	-	-	-	(4,313)
Proceeds from Advances from Other Funds	-	5,500,000	-	-	5,500,000
Other	418	-	-	-	418
Net Cash Used for Noncapital Financing Activities	(3,895)	5,500,000	-	-	5,496,105
Cash Flows from Capital and Related Financing Activities:					
Acquisition and Construction of Capital Assets	(5,296)	(16,594,665)	(5,592,397)	-	(22,192,358)
Proceeds from Sale of Capital Assets	-	3,112,809	10,000	-	3,122,809
Proceeds from Sale of Notes and Other Borrowings	-	-	6,000,000	-	6,000,000
Principal Payments - Notes and Other Borrowings	-	-	(590,150)	-	(590,150)
Interest Payments - Notes and Other Borrowings	-	-	(192,202)	-	(192,202)
Payment on Capital Leases	(66,226)	-	-	(1,251)	(67,477)
Interest Payments - Capital Leases	(12,514)	-	-	(519)	(13,033)
Net Cash Used for Capital and Related Financing Activities	(84,036)	(13,481,856)	(364,749)	(1,770)	(13,932,411)
Cash Flows from Investing Activities:					
Proceeds from Sale and Maturities of Investment Securities	-	-	-	743,822	743,822
Interest and Dividends on Investments	-	-	331,766	240,019	571,785
Net Cash Provided by Investing Activities	-	-	331,766	983,841	1,315,607
Net Change in Cash:					
Net Increase (Decrease) in Cash and Cash Equivalents	26,781	(1,810,977)	2,280,994	955,960	1,452,758
Cash and Cash Equivalents at June 30, 2007	401,946	5,354,631	9,195,686	791,279	15,743,542
Cash and Cash Equivalents at June 30, 2008	\$ 428,727	\$ 3,543,654	\$ 11,476,680	\$ 1,747,239	\$ 17,196,300
Reconciliation:					
Cash Deposits at the Bank of North Dakota	\$ 420,932	\$ 3,543,654	\$ 3,182,256	\$ 1,747,239	\$ 8,894,081
Cash and Cash Equivalents	7,794	-	-	-	7,794
Restricted Cash Deposits at the Bank of North Dakota	-	-	8,294,424	-	8,294,424
Cash and Cash Equivalents	\$ 428,726	\$ 3,543,654	\$ 11,476,680	\$ 1,747,239	\$ 17,196,299
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:					
Operating Income (Loss)	\$ 78,398	\$ 295,424	\$ (1,092,612)	\$ (1,460,643)	\$ (2,179,433)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	59,432	6,913,154	2,949,589	26,118	9,948,293
Amortization\Accretion	-	-	6,649	-	6,649
Change in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(4,716)	22,986	510,125	-	528,395
Increase in Due From	(23,011)	(337,400)	433,742	3,933	77,264
(Increase) Decrease in Intergovernmental Receivable	(4,193)	-	(100,762)	-	(104,955)
(Increase) Decrease in Prepaid Items	-	-	(672,661)	409,143	(263,518)
Decrease in Inventories	(4,293)	-	-	-	(4,293)
Increase (Decrease) in Accounts Payable	(18,285)	(796,104)	(72,727)	5,811	(881,305)
Increase in Interest Payable	(859)	-	-	-	(859)
Increase in Claims/Judgments Payable	-	-	-	988,813	988,813
Decrease in Intergovernmental Payable	-	-	4,359	-	4,359
Increase in Accrued Payroll	2,955	22,668	212,821	2,267	240,711
Increase (Decrease) in Compensated Absences Payable	23,679	3,118	131,640	3,817	162,254
Decrease in Due To	5,605	47,033	3,814	2,008	58,460
Increase in Deferred Revenue	-	-	-	(7,378)	(7,378)
Total Adjustments	36,314	5,875,455	3,406,589	1,434,532	10,752,890
Net Cash Provided by (Used For) Operating Activities	\$ 114,712	\$ 6,170,879	\$ 2,313,977	\$ (26,111)	\$ 8,573,457
Noncash Transactions:					
Net Increase (decrease) in Fair Value of investments	\$ -	\$ -	\$ -	\$ (490,022)	\$ (490,022)
Acquisition of Equipment Under Capital Lease	653,732	-	-	-	653,732
Change in Securities Lending Collateral	-	-	-	(806,245)	(806,245)
Total Noncash Transactions	\$ 653,732	\$ -	\$ -	\$ (1,296,267)	\$ (642,535)

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 AND CULTURAL DONATIONS

928 - Indian Cultural Education Trust Fund

Trust accounts for donations provided for the purpose of generating income to benefit Indian Culture. (NDCC 15-68)

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, 2008

	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	\$ 101,545	\$ -	\$ -	\$ 6,999	\$ 226,075	\$ 85,627
Cash and Cash Equivalents	-	-	-	-	-	-
Receivables:						
Contributions Receivable	-	91,602	144,837	9,887	477,870	464,449
Accounts Receivable - Net	-	-	-	-	-	-
Interest Receivable - Net	-	-	117,295	230,971	-	379,616
Due from Other Funds	-	-	-	-	-	-
Due from Fiduciary Funds	42,079	-	-	-	24,850	-
Total Receivables	42,079	91,602	262,132	240,858	502,720	844,065
Investments, at Fair Value:						
Investments at the Bank of ND	-	-	-	10,000	-	-
Equity Pool	-	-	28,562,001	33,461,205	-	25,968,232
Fixed Income	-	2,162,101	-	-	-	-
Fixed Income Pool	-	-	19,694,051	56,211,468	-	13,658,848
Cash and Cash Pool	-	-	299,616	105,055	-	-
Real Estate Pool	-	-	3,727,960	-	-	-
Alternative Investments	-	-	3,034,192	-	-	-
Annuities	383,615	-	-	-	-	-
Mutual Funds	23,443,420	14,869,222	-	-	-	-
Total Investments	23,827,035	17,031,323	55,317,820	89,787,728	-	39,627,080
Invested Securities Lending Collateral	-	-	891,477	2,781,230	-	-
Capital Assets (Net of Depreciation)	640,659	9,028	10,206	8,025	320,329	122,377
Total Assets	24,611,318	17,131,953	56,481,635	92,824,840	1,049,124	40,679,149
LIABILITIES						
Accounts Payable	182,326	-	-	100,335	93,110	26,387
Accrued Payroll	27,595	-	-	-	17,384	-
Securities Lending Collateral	-	-	891,477	2,781,230	-	-
Due to Other Funds	4,519	1,988	-	4,181	2,150	69,600
Due to Fiduciary Funds	-	-	2,382	9,737	-	132,326
Deferred Revenue	53,217	-	-	-	-	-
Compensated Absences Payable	33,341	-	-	-	21,110	-
Total Liabilities	300,998	1,988	893,859	2,895,483	133,754	228,313
NET ASSETS						
Net Assets Held in Trust for:						
Pension Benefits	24,310,320	17,129,965	55,587,776	89,929,357	-	40,450,836
Other Employee Benefits	-	-	-	-	915,370	-
External Investment Pool Participants	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-
Total Net Assets	\$ 24,310,320	\$ 17,129,965	\$ 55,587,776	\$ 89,929,357	\$ 915,370	\$ 40,450,836

Pension and Other Employee Benefit Trust Funds			Investment Trust Funds			
Public Employees Retirement	Teachers Retirement	Total	City of Bismarck	ND Association of Counties	City of Fargo	Total
\$ 1,689,307	\$ 11,156,236	\$ 13,265,789	\$ 41,024	\$ 100,044	\$ 168,054	\$ 309,122
-	-	-	-	-	-	-
3,634,509	8,071,356	12,894,510	-	-	-	-
-	-	-	-	-	-	-
3,718,907	7,971,796	12,418,585	127,871	1,389	993	130,253
33,499	38	33,537	-	-	-	-
79,284	-	146,213	-	-	-	-
7,466,199	16,043,190	25,492,845	127,871	1,389	993	130,253
-	-	10,000	-	-	-	-
905,572,393	1,038,055,015	2,031,618,846	31,540,522	939,445	23,527,815	56,007,782
-	-	2,162,101	-	-	1,595,296	1,595,296
624,409,699	459,221,747	1,173,195,813	32,908,047	887,546	18,651,609	52,447,202
9,499,488	4,421,123	14,325,282	275,337	-	122,633	397,970
118,196,834	218,557,672	340,482,466	7,607,553	-	-	7,607,553
96,200,559	101,316,753	200,551,504	1,038,344	-	1,684,654	2,722,998
-	-	383,615	-	-	-	-
-	-	38,312,642	-	-	-	-
1,753,878,973	1,821,572,310	3,801,042,269	73,369,803	1,826,991	45,582,007	120,778,801
28,264,719	21,349,349	53,286,775	1,325,004	52,581	947,157	2,324,742
1,275,716	555,989	2,942,329	-	-	-	-
1,792,574,914	1,870,677,074	3,896,030,007	74,863,702	1,981,005	46,698,211	123,542,918
2,935,133	3,208,013	6,545,304	100,333	3,403	60,464	164,200
61,097	-	106,076	-	-	-	-
28,264,719	21,349,349	53,286,775	1,325,004	52,581	947,157	2,324,742
23,607	6,301	112,346	-	-	-	-
-	-	144,445	-	-	-	-
-	-	53,217	-	-	-	-
67,327	-	121,778	-	-	-	-
31,351,883	24,563,663	60,369,941	1,425,337	55,984	1,007,621	2,488,942
1,761,223,031	1,846,113,411	3,834,744,696	-	-	-	-
-	-	915,370	-	-	-	-
-	-	-	73,438,365	1,925,021	45,690,590	121,053,976
-	-	-	-	-	-	-
\$ 1,761,223,031	\$ 1,846,113,411	\$ 3,835,660,066	\$ 73,438,365	\$ 1,925,021	\$ 45,690,590	\$ 121,053,976

Private-Purpose Trust Funds			
Student and Cultural Donations	Mandan Remediation Trust	College SAVE	Total
\$ 111,092	\$ 8,717,146	\$ -	\$ 8,828,238
10,332	1,359,152	1,424,646	2,794,130
-	-	-	-
-	-	21,887	21,887
355	7,517	639,002	646,874
24	-	-	24
-	-	-	-
379	7,517	660,889	668,785
20,675	-	-	20,675
-	-	-	-
-	-	-	-
646,501	1,500,000	-	2,146,501
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	328,732,629	328,732,629
667,176	1,500,000	328,732,629	330,899,805
-	-	-	-
-	-	-	-
788,979	11,583,815	330,818,164	343,190,958
440	137,529	663,380	801,349
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
440	137,529	663,380	801,349
-	-	-	-
-	-	-	-
-	-	-	-
788,539	11,446,286	330,154,784	342,389,609
\$ 788,539	\$ 11,446,286	\$ 330,154,784	\$ 342,389,609



North Dakota Parks and Recreation

Beaver Lake State Park gently rolling prairie provides scenic views for leisurely walks and in the summer attracts visitors for boating, canoeing, water skiing and fishing.

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, 2008

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	\$ -	\$ 565,281	\$ 1,058,825	\$ -	\$ -	\$ 6,174,940
Employee	3,213,972	548,827	649,861	123,718	5,394,790	5,686,576
From Participants	-	-	-	-	-	-
Transfers from Other Funds	866,895	76,487	-	-	-	-
Transfers from Other Plans	170,387	10,313	-	-	-	-
Donations	-	-	-	-	-	-
Total Contributions	4,251,254	1,200,908	1,708,686	123,718	5,394,790	11,861,516
Investment Income:						
Net Increase (Decrease) in Fair Value of Investments	(3,254,582)	(1,843,057)	(4,112,373)	(2,847,451)	-	(7,701,312)
Interest and Dividends	1,643,428	954,691	1,354,600	2,134,172	23,454	1,343,002
Less Investment Expense	58,575	13,213	354,276	622,355	-	110,942
Net Investment Income	(1,669,729)	(901,579)	(3,112,049)	(1,335,634)	23,454	(6,469,252)
Securities Lending Activity:						
Securities Lending Income	-	-	107,519	284,811	-	-
Less Securities Lending Expense	-	-	96,349	258,635	-	-
Net Securities Lending Income	-	-	11,170	26,176	-	-
Repurchase Service Credit	-	-	-	-	-	227,655
Miscellaneous Income	-	11,940	21	-	557,903	-
Total Additions	2,581,525	311,269	(1,392,172)	(1,185,740)	5,976,147	5,619,919
DEDUCTIONS						
Benefits Paid to Participants	1,733,280	1,100,358	3,077,105	3,574,077	5,386,675	5,681,609
Refunds	-	-	134,475	-	-	2,673
Prefunded Credit Applied	-	-	-	-	-	4,704,087
Transfer to Other Plans	-	-	-	-	866,895	-
Payments in Accordance with Trust Agreements	-	-	-	-	-	-
Administrative Expenses	395,982	7,283	18,364	22,212	252,962	89,877
Total Deductions	2,129,262	1,107,641	3,229,944	3,596,289	6,506,532	10,478,246
Purchase of Units at Net Asset Value of \$1.00 Per Unit	-	-	-	-	-	-
Change in Net Assets Held in Trust for:						
Pension Benefits	452,263	(796,372)	(4,622,116)	(4,782,029)	-	(4,858,327)
Other Employee Benefits	-	-	-	-	(530,385)	-
External Investment Pool Participants	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-
Net Assets - Beginning of Year	23,858,057	17,926,337	60,209,892	94,711,386	1,445,755	45,309,163
Net Assets - End of Year	\$ 24,310,320	\$ 17,129,965	\$ 55,587,776	\$ 89,929,357	\$ 915,370	\$ 40,450,836

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
\$ 25,253,902	\$ 33,683,550	\$ 66,736,498	\$ -	\$ -	\$ -	\$ -
23,896,615	33,237,677	72,752,036	-	-	-	-
-	-	-	-	-	-	-
-	-	943,382	-	-	-	-
3,208,999	-	3,389,699	-	-	-	-
-	-	-	-	-	-	-
52,359,516	66,921,227	143,821,615	-	-	-	-
(129,191,077)	(178,531,370)	(327,481,222)	(4,568,597)	(202,915)	(3,535,265)	(8,306,777)
42,545,611	48,889,586	98,888,544	2,041,039	67,882	850,152	2,959,073
11,093,487	11,359,487	23,612,335	482,088	9,009	192,835	683,932
(97,738,953)	(141,001,271)	(252,205,013)	(3,009,646)	(144,042)	(2,877,948)	(6,031,636)
3,377,738	2,918,949	6,689,017	153,278	6,105	54,459	213,842
3,026,817	2,558,737	5,940,538	137,657	5,450	46,223	189,330
350,921	360,212	748,479	15,621	655	8,236	24,512
3,454,411	3,636,528	7,318,594	-	-	-	-
5,187	15,634	590,685	-	-	-	-
(41,568,918)	(70,067,670)	(99,725,640)	(2,994,025)	(143,387)	(2,869,712)	(6,007,124)
70,153,871	106,456,334	197,163,309	-	-	-	-
4,784,327	5,500,476	10,421,951	-	-	-	-
-	-	4,704,087	-	-	-	-
76,487	-	943,382	-	-	-	-
-	-	-	-	-	-	-
1,118,233	1,639,521	3,544,434	-	-	-	-
76,132,918	113,596,331	216,777,163	-	-	-	-
-	-	-	-	-	36,457,740	36,457,740
(117,701,836)	(183,664,001)	(315,972,418)	-	-	-	-
-	-	(530,385)	-	-	-	-
-	-	-	(2,994,025)	(143,387)	33,588,028	30,450,616
-	-	-	-	-	-	-
1,878,924,867	2,029,777,412	4,152,162,869	76,432,390	2,068,408	12,102,562	90,603,360
\$ 1,761,223,031	\$ 1,846,113,411	\$ 3,835,660,066	\$ 73,438,365	\$ 1,925,021	\$ 45,690,590	\$ 121,053,976

Private-Purpose Trust Funds			
Student and Cultural Donations	Mandan Remediation Trust	College SAVE	Total
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	37,291,003	37,291,003
-	-	-	-
-	-	-	-
680,026	-	-	680,026
680,026	-	37,291,003	37,971,029
-	-	11,549,718	11,549,718
(59,241)	449,202	10,905,219	11,295,180
-	-	-	-
(59,241)	449,202	22,454,937	22,844,898
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
3,900	100,000	-	103,900
624,685	549,202	59,745,940	60,919,827
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
3,978	5,924,651	47,049,790	52,978,419
2,277	53,745	2,555,809	2,611,831
6,255	5,978,396	49,605,599	55,590,250
-	-	-	-
-	-	-	-
-	-	-	-
618,430	(5,429,194)	10,140,341	5,329,577
170,109	16,875,480	320,014,443	337,060,032
\$ 788,539	\$ 11,446,286	\$ 330,154,784	\$ 342,389,609

STATE OF NORTH DAKOTA

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2008

	Bonding	Payroll	Child Support	Student and Other	Tax Collection	Total
ASSETS						
Cash Deposits at the Bank of ND	\$ 1,727,260	\$ 183,689	\$ 3,743,033	\$ 915,267	\$ 9,162,581	\$ 15,731,830
Cash and Cash Equivalents	2,379,782	-	616,433	517,384	848	3,514,447
Investments at the Bank of ND	13,693,561	-	-	50,000	-	13,743,561
Investments	2,326,894	-	-	16,019	-	2,342,913
Accounts Receivable - Net	-	6,916,912	-	-	-	6,916,912
Taxes Receivable - Net	10,500	-	-	-	14,342,072	14,352,572
Interest Receivable - Net	-	-	-	823	-	823
Other Assets	-	-	-	12,868	-	12,868
Total Assets	\$ 20,137,997	\$ 7,100,601	\$ 4,359,466	\$ 1,512,361	\$ 23,505,501	\$ 56,615,926
LIABILITIES						
Intergovernmental Payable	\$ -	\$ 6,969,015	\$ -	\$ -	\$ 23,505,294	\$ 30,474,309
Tax Refunds Payable	2,500	-	-	-	207	2,707
Amounts Held in Custody for Others	20,135,497	131,586	4,359,466	1,512,361	-	26,138,910
Total Liabilities	\$ 20,137,997	\$ 7,100,601	\$ 4,359,466	\$ 1,512,361	\$ 23,505,501	\$ 56,615,926

STATE OF NORTH DAKOTA

Combining Statement of Changes in Assets and Liabilities Agency Funds For the Fiscal Year Ended June 30, 2008

	June 30 2007	Additions	Deductions	June 30 2008
Bonding				
ASSETS				
Cash Deposits at the Bank of ND	\$ 1,449,732	\$ 313,481	\$ 35,953	\$ 1,727,260
Cash and Cash Equivalents	2,049,678	7,039,633	6,709,529	2,379,782
Investments at the Bank of ND	13,096,488	787,073	190,000	13,693,561
Investments	2,336,894	-	10,000	2,326,894
Taxes Receivable - Net	-	10,500	-	10,500
Total Assets	<u>\$ 18,932,792</u>	<u>\$ 8,150,687</u>	<u>\$ 6,945,482</u>	<u>\$ 20,137,997</u>
LIABILITIES				
Tax Refunds Payable	\$ -	\$ 2,500	\$ -	\$ 2,500
Amounts Held in Custody for Others	18,932,792	8,150,687	6,947,982	20,135,497
Total Liabilities	<u>\$ 18,932,792</u>	<u>\$ 8,153,187</u>	<u>\$ 6,947,982</u>	<u>\$ 20,137,997</u>
Payroll				
ASSETS				
Cash Deposits at the Bank of ND	\$ 130,458	\$ 86,234,922	\$ 86,181,690	\$ 183,690
Accounts Receivable - Net	6,343,040	6,916,912	6,343,040	6,916,912
Total Assets	<u>\$ 6,473,498</u>	<u>\$ 93,151,834</u>	<u>\$ 92,524,730</u>	<u>\$ 7,100,602</u>
LIABILITIES				
Intergovernmental Payable	\$ 6,364,142	\$ 6,969,016	\$ 6,364,142	\$ 6,969,016
Amounts Held in Custody for Others	109,356	84,658,751	84,636,521	131,586
Total Liabilities	<u>\$ 6,473,498</u>	<u>\$ 91,627,767</u>	<u>\$ 91,000,663</u>	<u>\$ 7,100,602</u>
Child Support				
ASSETS				
Cash Deposits at the Bank of ND	\$ 3,073,943	\$ 106,232,094	\$ 105,563,004	\$ 3,743,033
Cash and Cash Equivalents	240,675	375,758	-	616,433
Total Assets	<u>\$ 3,314,618</u>	<u>\$ 106,607,852</u>	<u>\$ 105,563,004</u>	<u>\$ 4,359,466</u>
LIABILITIES				
Amounts Held in Custody for Others	\$ 3,314,618	\$ 107,584,822	\$ 106,539,974	\$ 4,359,466
Total Liabilities	<u>\$ 3,314,618</u>	<u>\$ 107,584,822</u>	<u>\$ 106,539,974</u>	<u>\$ 4,359,466</u>

	June 30 2007	Additions	Deductions	June 30 2008
Student and Other				
ASSETS				
Cash Deposits at the Bank of ND	\$ 831,003	\$ 1,658,376	\$ 1,574,112	\$ 915,267
Cash and Cash Equivalents	497,904	2,728,923	2,709,443	517,384
Investments at the Bank of ND	50,000	-	-	50,000
Investments	16,019	-	-	16,019
Accounts Receivable - Net	77	-	77	-
Interest Receivable - Net	930	823	930	823
Other Assets	618	688,770	676,520	12,868
Total Assets	<u>\$ 1,396,551</u>	<u>\$ 5,076,892</u>	<u>\$ 4,961,082</u>	<u>\$ 1,512,361</u>
LIABILITIES				
Amounts Held in Custody for Others	\$ 1,396,551	\$ 5,077,008	\$ 4,961,198	\$ 1,512,361
Total Liabilities	<u>\$ 1,396,551</u>	<u>\$ 5,077,008</u>	<u>\$ 4,961,198</u>	<u>\$ 1,512,361</u>
Tax Collection				
ASSETS				
Cash Deposits at the Bank of ND	\$ 9,414,357	\$ 115,465,448	\$ 115,717,225	\$ 9,162,580
Cash and Cash Equivalents	49,678	836	49,666	848
Taxes Receivable - Net	11,785,805	17,367,311	14,811,044	14,342,072
Total Assets	<u>\$ 21,249,840</u>	<u>\$ 132,833,595</u>	<u>\$ 130,577,935</u>	<u>\$ 23,505,500</u>
LIABILITIES				
Tax Refunds Payable	\$ 1,191	\$ 207	\$ 1,191	\$ 207
Intergovernmental Payable	21,248,649	118,022,551	115,765,907	23,505,293
Total Liabilities	<u>\$ 21,249,840</u>	<u>\$ 118,022,758</u>	<u>\$ 115,767,098</u>	<u>\$ 23,505,500</u>
Total -All Agency Funds				
ASSETS				
Cash Deposits at the Bank of ND	\$ 14,899,493	\$ 309,904,321	\$ 309,071,984	\$ 15,731,830
Cash and Cash Equivalents	2,837,935	10,145,150	9,468,638	3,514,447
Investments at the Bank of ND	13,146,488	787,073	190,000	13,743,561
Investments	2,352,913	-	10,000	2,342,913
Accounts Receivable - Net	6,343,117	6,916,912	6,343,117	6,916,912
Taxes Receivable - Net	11,785,805	17,377,811	14,811,044	14,352,572
Interest Receivable - Net	930	823	930	823
Other Assets	618	688,770	676,520	12,868
Total Assets	<u>\$ 51,367,299</u>	<u>\$ 345,820,860</u>	<u>\$ 340,572,233</u>	<u>\$ 56,615,926</u>
LIABILITIES				
Intergovernmental Payable	\$ 27,612,791	\$ 124,991,567	\$ 122,130,049	\$ 30,474,309
Tax Refunds Payable	1,191	2,707	1,191	2,707
Amounts Held in Custody for Others	23,753,317	205,471,268	203,085,675	26,138,910
Total Liabilities	<u>\$ 51,367,299</u>	<u>\$ 330,465,542</u>	<u>\$ 325,216,915</u>	<u>\$ 56,615,926</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, 2008

	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	\$ -	\$ -	\$ 46,999	\$ 2,419,674	\$ 245,735	\$ 1,196,546	\$ 1,989,061	\$ 5,898,015
Accounts Receivable - Net	15,805	38,263	-	-	-	120,983	171,805	346,856
Due from Primary Government	-	-	-	-	-	-	10,000	10,000
Other Assets	-	144,834	-	-	7,579	6,107	46,236	204,756
Total Current Assets	15,805	183,097	46,999	2,419,674	253,314	1,323,636	2,217,102	6,459,627
Noncurrent Assets:								
Restricted Cash and Cash Equivalents	-	131,983	-	-	1,249,685	-	-	1,381,668
Restricted Investments	3,861,366	2,713,442	1,708,866	6,640,943	3,315,638	4,404,196	7,896,830	30,541,281
Other Noncurrent Assets	-	-	-	-	-	133,187	-	133,187
Capital Assets:								
Land and Construction in Progress	-	-	-	198,310	-	-	7,890	206,200
Buildings and Equipment - Net	-	90,921	-	802	9,234	1,049	243,340	345,346
Total Noncurrent Assets	3,861,366	2,936,346	1,708,866	6,840,055	4,574,557	4,538,432	8,148,060	32,607,682
Total Assets	3,877,171	3,119,443	1,755,865	9,259,729	4,827,871	5,862,068	10,365,162	39,067,309
LIABILITIES								
Current Liabilities:								
Accounts Payable	-	14,626	-	10,326	334	9,829	39,090	74,205
Due to Primary Government	-	10,864	-	-	1,105,973	25,459	298,000	1,440,296
Other Deposits	-	-	-	350	-	-	-	350
Notes Payable	-	28,037	-	35,250	20,000	-	-	83,287
Total Current Liabilities	-	53,527	-	45,926	1,126,307	35,288	337,090	1,598,138
Noncurrent Liabilities:								
Notes Payable	-	59,815	-	12,000	40,000	-	-	111,815
Other Noncurrent Liabilities	-	-	-	-	-	45,879	13,191	59,070
Total Noncurrent Liabilities	-	59,815	-	12,000	40,000	45,879	13,191	170,885
Total Liabilities	-	113,342	-	57,926	1,166,307	81,167	350,281	1,769,023
NET ASSETS								
Invested in Capital Assets, Net of Related Debt	-	90,921	-	151,862	9,234	1,049	251,230	504,296
Restricted for:								
Other	3,479,604	3,279,285	1,702,549	8,530,740	-	5,776,728	8,074,945	30,843,851
Unrestricted	397,567	(364,105)	53,316	519,201	3,652,330	3,124	1,688,706	5,950,139
Total Net Assets	\$ 3,877,171	\$ 3,006,101	\$ 1,755,865	\$ 9,201,803	\$ 3,661,564	\$ 5,780,901	\$ 10,014,881	\$ 37,298,286

STATE OF NORTH DAKOTA

Combining Statement of Activities Nonmajor Component Units - Proprietary Funds For the Fiscal Year Ended June 30, 2008

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	\$ 346,634	\$ 91,353	\$ 175,210	\$ (80,071)	\$ 86,598	\$ 6,527	\$ 3,870,644	\$ 3,877,171
MaSU Alumni Foundation	1,024,881	772,967	(89,391)	(341,305)	196,226	(145,079)	3,151,180	3,006,101
MISU-B Development Foundation	285,218	65,180	221,360	1,322	32,468	33,790	1,722,075	1,755,865
NDSCS Development Foundation	1,281,243	150,461	785,584	(345,198)	-	(345,198)	9,547,001	9,201,803
NDSU Research Foundation	2,835,527	1,487,811	(291,311)	(1,639,027)	-	(1,639,027)	5,300,591	3,661,564
VCSU Foundation	993,159	32,390	185,525	(775,244)	1,010,189	234,945	5,545,956	5,780,901
WSC Foundation	4,226,554	4,079,930	411,132	264,508	122,000	386,508	9,628,373	10,014,881
Total Nonmajor Component Units	<u>\$ 10,993,216</u>	<u>\$ 6,680,092</u>	<u>\$ 1,398,109</u>	<u>\$ (2,915,015)</u>	<u>\$ 1,447,481</u>	<u>\$ (1,467,534)</u>	<u>\$ 38,765,820</u>	<u>\$ 37,298,286</u>

Statistical Information



North Dakota Tourism/Dawn Charging

Lewis and Clark State Park is situated on one of the upper bays of Lake Sakakawea. The rugged buttes of the North Dakota Badlands display a towering backdrop to one of the state's best recreation areas.

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STATE OF NORTH DAKOTA

Schedule 1 -- Net Assets by Component Last Seven Fiscal Years

(accrual basis of accounting)

	2002	2003
Governmental Activities		
Invested in Capital Assets, Net of Related Debt	\$ 1,066,084,756	\$ 1,049,297,664
Restricted	833,944,103	856,159,519
Unrestricted	318,778,093	291,089,526
Total Governmental Activities Net Assets	\$ 2,218,806,952	\$ 2,196,546,709
Business-Type Activities		
Invested in Capital Assets, Net of Related Debt	\$ 459,592,422	\$ 462,653,314
Restricted	310,456,870	336,630,733
Unrestricted	688,828,021	670,890,468
Total Business-Type Activities Net Assets	\$ 1,458,877,313	\$ 1,470,174,515
Primary Government		
Invested in Capital Assets, Net of Related Debt	\$ 1,525,677,178	\$ 1,511,950,978
Restricted	1,144,400,973	1,192,790,252
Unrestricted	1,007,606,114	961,979,994
Total Primary Government Net Assets	\$ 3,677,684,265	\$ 3,666,721,224

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.

2004	2005	2006	2007	2008
\$ 1,027,252,008	\$ 1,094,550,779	\$ 1,077,843,107	\$ 1,151,716,486	\$ 1,400,535,033
927,324,320	1,046,115,113	1,281,416,598	1,384,212,299	1,458,565,511
353,193,506	437,010,686	538,891,416	894,967,295	1,119,875,688
\$ 2,307,769,834	\$ 2,577,676,578	\$ 2,898,151,121	\$ 3,430,896,080	\$ 3,978,976,232
\$ 499,222,000	\$ 505,915,735	\$ 516,243,464	\$ 527,402,572	\$ 546,699,435
366,936,437	393,237,729	391,312,218	478,219,512	532,954,637
711,777,176	737,348,941	820,268,283	745,972,838	653,004,847
\$ 1,577,935,613	\$ 1,636,502,405	\$ 1,727,823,965	\$ 1,751,594,922	\$ 1,732,658,919
\$ 1,526,474,008	\$ 1,600,466,514	\$ 1,594,086,571	\$ 1,679,119,058	\$ 1,947,234,468
1,294,260,757	1,439,352,842	1,672,728,816	1,862,431,811	1,991,520,148
1,064,970,682	1,174,359,627	1,359,159,699	1,640,940,133	1,772,880,535
\$ 3,885,705,447	\$ 4,214,178,983	\$ 4,625,975,086	\$ 5,182,491,002	\$ 5,711,635,151

STATE OF NORTH DAKOTA

Schedule 2 -- Changes in Net Assets

Last Seven Fiscal Years

(accrual basis of accounting)

	2002	2003	2004
Expenses			
Governmental Activities:			
General Governmental	\$ 212,412,396	\$ 226,150,473	\$ 233,633,735
Education	421,031,864	453,869,441	469,333,531
Health and Human Services	730,285,413	776,275,467	803,600,511
Regulatory	17,757,644	18,141,782	17,756,651
Public Safety and Corrections	129,220,216	99,876,170	107,036,068
Agriculture and Commerce	51,344,782	53,050,858	57,532,612
Natural Resources	44,326,140	58,940,584	63,117,591
Transportation	320,773,349	352,535,072	360,231,121
Interest on Long Term Debt	8,335,096	7,602,467	7,372,042
Total Governmental Activities Expenses	1,935,486,900	2,046,442,314	2,119,613,862
Business-Type Activities:			
Bank of North Dakota	90,103,458	67,919,991	58,865,964
Housing Finance	59,502,532	55,744,846	49,646,082
Loan Programs	13,768,752	12,708,660	13,846,154
Mill and Elevator	79,009,119	90,834,520	92,261,275
State Lottery	-	-	5,943,739
Unemployment Compensation	50,485,399	56,753,361	49,327,620
University System	587,778,460	614,871,996	656,811,533
Workers Compensation	78,051,165	171,406,004	125,727,859
Other	15,667,981	10,959,458	9,511,724
Total Business-Type Activities Expenses	974,366,866	1,081,198,836	1,061,941,950
Total Primary Government Expenses	\$ 2,909,853,766	\$ 3,127,641,150	\$ 3,181,555,812
Program Revenues			
Governmental Activities:			
Charges for Services:			
General Governmental	\$ 20,113,433	\$ 19,420,980	\$ 21,798,406
Education	2,890,417	2,727,406	3,443,449
Health and Human Services	19,868,736	11,491,268	19,339,252
Regulatory	14,309,927	14,567,967	19,476,543
Public Safety and Corrections	2,626,650	2,834,399	5,460,128
Agriculture and Commerce	17,223,430	20,349,207	20,260,986
Natural Resources	14,728,718	19,966,065	20,873,885
Transportation	60,347,992	60,534,100	64,565,890
Operating Grants and Contributions	838,814,709	917,576,293	1,050,657,720
Capital Grants and Contributions	103,012,904	102,682,160	73,412,734
Total Governmental Activities Program Revenues	1,093,936,916	1,172,149,845	1,299,288,993
Business-Type Activities:			
Charges for Services:			
Bank of North Dakota	123,315,000	100,995,000	88,549,000
Housing Finance	51,350,000	46,837,000	39,327,000
Loan Programs	10,724,770	14,054,083	16,980,295
Mill and Elevator	80,960,600	92,785,165	97,914,279
State Lottery	-	-	6,039,180
Unemployment Compensation	48,361,519	60,058,581	64,644,433
University System	229,915,020	237,138,708	270,650,811
Workers Compensation	94,167,427	90,747,299	99,083,053
Other	10,702,036	12,215,700	12,432,831
Operating Grants and Contributions	180,077,823	285,158,222	309,148,951
Capital Grants and Contributions	6,483,747	7,929,417	9,405,153
Total Business-Type Activities Program Revenues	836,057,942	947,919,175	1,014,174,986
Total Primary Government Program Revenues	\$ 1,929,994,858	\$ 2,120,069,020	\$ 2,313,463,979
Net (Expense)/Revenue			
Governmental Activities	\$ (841,549,984)	\$ (874,292,469)	\$ (820,324,869)
Business-Type Activities	(138,308,924)	(133,279,661)	(47,766,964)
Total Primary Government Net Expense	\$ (979,858,908)	\$ (1,007,572,130)	\$ (868,091,833)
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
Sales and Use Taxes	567,901,369	550,220,785	599,064,637
Oil, Gas and Coal Taxes	90,976,331	107,448,761	112,454,541
Business and Other Taxes	59,284,332	62,991,361	61,395,792
Unrestricted Investment Earnings	5,213,490	2,539,604	1,103,625
Tobacco Settlement	14,729,391	14,770,608	12,640,791
Miscellaneous	6,858,007	9,646,690	10,528,733
Contributions to Permanent Fund Principal	13,665,257	13,126,756	11,262,038
Transfers	(170,233,044)	(159,389,462)	(152,421,836)
Total Governmental Activities	821,683,410	849,423,447	922,280,901
Business-Type Activities:			
Transfers	188,309,895	155,306,013	155,342,786
Total Primary Government	1,009,993,305	1,004,729,460	1,077,623,687
Change in Net Assets			
Governmental Activities	(19,866,574)	(24,869,022)	101,956,032
Business-Type Activities	50,000,971	22,026,352	107,575,822
Total Primary Government	\$ 30,134,397	\$ (2,842,670)	\$ 209,531,854

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.

2005	2006	2007	2008
\$ 243,437,116	\$ 264,911,163	\$ 275,242,149	\$ 313,329,720
486,221,447	496,821,495	507,384,841	537,756,698
826,832,059	854,450,025	874,003,750	960,439,610
17,966,367	19,676,826	21,180,817	28,265,610
132,996,669	145,479,620	135,581,887	135,067,907
55,795,473	54,457,817	58,591,473	67,941,955
53,440,349	62,430,892	57,850,544	64,090,113
300,321,693	372,245,432	321,278,940	318,241,207
8,103,849	12,880,933	14,438,858	13,293,248
2,125,115,022	2,283,354,203	2,265,553,259	2,438,426,068
57,501,500	\$ 71,263,587	\$ 91,261,449	\$ 108,077,704
45,922,148	46,579,809	51,178,023	58,815,920
13,889,079	17,235,546	9,453,454	9,657,603
95,222,870	101,198,217	126,968,527	242,924,564
18,917,023	15,622,027	16,068,060	16,205,287
43,393,675	43,314,505	47,524,928	46,911,958
696,918,168	743,271,216	775,600,118	835,873,088
183,465,747	116,020,938	231,787,346	246,581,569
6,436,187	14,922,322	16,621,718	23,268,976
1,161,666,397	1,169,428,167	1,366,463,623	1,588,316,669
\$ 3,286,781,419	\$ 3,452,782,370	\$ 3,632,016,882	\$ 4,026,742,737
\$ 24,128,539	\$ 23,186,427	\$ 22,288,219	\$ 18,874,082
4,082,785	3,675,283	3,616,003	3,994,400
18,744,551	29,134,050	24,970,751	31,576,197
16,700,094	17,072,857	20,267,416	21,266,588
6,931,898	7,189,302	7,307,975	9,451,217
16,234,145	22,935,699	19,593,774	28,180,590
23,899,425	20,685,820	22,678,382	26,030,413
61,057,805	77,967,969	74,146,958	71,469,872
1,084,731,432	1,144,749,200	1,148,061,678	1,041,410,981
81,850,194	56,556,872	71,115,382	68,471,590
1,338,360,868	1,403,153,479	1,414,046,538	1,320,725,930
90,838,000	107,518,000	135,843,000	158,993,000
36,643,000	39,209,000	45,137,000	53,106,863
17,051,963	17,406,328	12,535,071	10,522,025
101,050,302	107,379,916	132,056,652	242,025,576
19,283,424	22,413,359	22,772,976	22,219,058
60,969,669	60,709,015	56,855,823	51,993,327
296,896,978	331,584,391	351,789,074	369,469,634
106,195,254	94,383,040	130,586,004	145,487,917
12,242,970	13,467,869	13,370,412	19,959,736
304,001,326	283,315,181	368,697,788	258,218,249
5,997,781	577,251	7,314,326	9,244,575
1,051,170,667	1,077,963,350	1,276,958,126	1,341,239,960
\$ 2,389,531,535	\$ 2,481,116,829	\$ 2,691,004,664	\$ 2,661,965,890
\$ (786,754,154)	\$ (880,200,724)	\$ (851,506,721)	\$ (1,117,700,138)
(110,495,730)	(91,464,817)	(89,505,497)	(247,076,709)
\$ (897,249,884)	\$ (971,665,541)	\$ (941,012,218)	\$ (1,364,776,847)
\$ 320,048,741	\$ 432,071,872	\$ 449,064,105	\$ 473,235,378
630,178,563	678,820,618	726,913,003	797,614,476
162,919,498	210,169,616	230,118,178	469,244,783
57,831,733	66,601,785	54,780,147	65,487,361
4,105,864	12,408,573	25,822,610	25,149,527
12,829,714	11,712,175	16,097,938	20,062,331
22,337,630	23,696,003	27,836,295	42,051,636
13,635,693	11,156,063	15,995,440	19,181,247
(170,925,314)	(215,088,572)	(167,116,902)	(254,648,266)
1,052,962,122	1,231,548,133	1,379,510,814	1,657,378,473
167,349,759	188,108,694	185,840,985	228,140,706
1,220,311,881	1,419,656,827	1,565,351,799	1,885,519,179
266,207,968	351,347,409	528,004,093	539,678,335
56,854,029	96,643,877	96,335,488	(18,936,003)
\$ 323,061,997	\$ 447,991,286	\$ 624,339,581	\$ 520,742,332

STATE OF NORTH DAKOTA

Schedule 3 -- Fund Balances, Governmental Funds

Last Seven Fiscal Years

(modified accrual basis of accounting)

	2002	2003
General Fund		
Reserved	\$ 770,922	\$ 1,202,632
Unreserved	114,717,188	125,713,572
Total General Fund	115,488,110	126,916,204
All Other Governmental Funds		
Reserved	675,669,784	699,229,225
Unreserved, Reported in:		
Special Revenue Funds	392,936,521	365,135,360
Total All Other Governmental Funds	1,068,606,305	1,064,364,585
Total Fund Balances, Governmental Funds	\$ 1,184,094,415	\$ 1,191,280,789

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.

2004		2005		2006		2007		2008	
\$	1,108,857	\$	1,532,133	\$	2,050,599	\$	1,690,187	\$	2,479,613
	195,646,056		280,287,601		412,886,296		636,773,228		785,459,751
	196,754,913		281,819,734		414,936,895		638,463,415		787,939,364
	772,703,412		846,154,741		999,818,758		1,094,599,293		1,102,476,731
	344,890,456		440,941,175		475,496,357		576,408,347		870,164,282
	1,117,593,868		1,287,095,916		1,475,315,115		1,671,007,640		1,972,641,013
\$	1,314,348,781	\$	1,568,915,650	\$	1,890,252,010	\$	2,309,471,055	\$	2,760,580,377

STATE OF NORTH DAKOTA

Schedule 4 -- Changes in Fund Balances, Governmental Funds

Last Seven Fiscal Years

(modified accrual basis of accounting)

	2002	2003	2004
Revenues			
Individual and Corporate Income Taxes	\$ 234,812,455	\$ 248,810,178	\$ 265,907,357
Sales and Use Taxes	567,465,059	550,220,785	599,407,365
Oil, Gas, and Coal Taxes	90,976,331	107,448,761	112,454,541
Business and Other Taxes	59,284,332	62,959,218	61,395,792
Licenses, Permits and Fees	90,297,704	89,763,132	100,502,495
Intergovernmental	918,931,998	969,097,381	1,011,333,930
Sales and Services	39,297,051	38,360,653	44,429,465
Royalties and Rents	17,917,887	21,203,780	25,480,076
Fines and Forfeits	10,892,091	10,745,861	15,355,746
Interest and Investment Income	4,289,399	32,457,723	84,295,367
Tobacco Settlement	26,780,711	26,855,651	22,983,256
Commodity Assessments	9,443,805	10,221,202	11,897,001
Miscellaneous	3,091,525	4,190,226	5,411,013
Total Revenues	2,073,480,348	2,172,334,551	2,360,853,404
Expenditures			
Current:			
General Government	70,248,362	76,538,930	74,212,740
Education	413,416,472	446,273,895	461,791,383
Health and Human Services	728,510,901	771,907,427	795,012,587
Regulatory	14,662,032	16,180,944	14,948,304
Public Safety and Corrections	135,591,016	95,264,315	102,275,243
Agriculture and Commerce	51,263,030	52,921,944	57,476,139
Natural Resources	46,958,824	52,405,276	57,536,974
Transportation	324,821,384	233,089,215	240,043,640
Intergovernmental - Revenue Sharing	142,778,046	148,181,078	157,200,675
Capital Outlay	9,147,424	115,190,590	125,531,217
Debt Service:			
Principal	6,374,010	7,738,353	8,381,770
Interest and Other Charges	7,327,477	8,403,267	6,962,225
Total Expenditures	1,951,098,978	2,024,095,234	2,101,372,897
Revenue over (under) Expenditures	122,381,370	148,239,317	259,480,507
Other Financing Sources (Uses)			
Bonds and Notes Issued	11,368,445	16,121,023	5,871,011
Refunding Bonds Issued	-	43,374,000	187,283
Payment to Refund Bond Escrow Agent	-	(16,224,000)	-
Payment on Refunded Bonds	-	(28,100,000)	-
Capital Lease Acquisitions	160,415	1,775,805	-
Sale of Capital Assets	439,396	234,029	581,050
Other	3,813	(14,621)	(7,862)
Transfers In	132,083,095	177,213,969	207,479,994
Transfers Out	(302,916,415)	(336,603,431)	(360,337,994)
Total Other Financing Sources (Uses)	(158,861,251)	(142,223,226)	(146,226,518)
Net Changes in Fund Balances	\$ (36,479,881)	\$ 6,016,091	\$ 113,253,989
Debt Service as a Percentage of Noncapital Expenditures	<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.

2005		2006		2007		2008	
\$	319,862,263	\$	409,691,305	\$	443,215,760	\$	469,177,140
	630,178,563		674,235,802		725,523,596		795,575,768
	162,919,498		210,157,778		230,124,520		469,231,373
	57,286,643		57,386,606		54,742,121		63,575,524
	99,655,471		122,528,304		116,236,397		123,469,151
	1,060,896,574		1,079,689,531		1,061,075,404		1,088,706,508
	39,036,704		45,603,895		41,134,852		49,459,036
	54,937,603		64,279,399		64,580,931		96,037,810
	14,460,365		12,396,632		14,834,336		10,903,234
	69,224,302		82,674,439		147,584,215		(1,522,383)
	23,326,753		21,348,506		29,215,336		36,478,816
	10,820,676		12,673,677		13,801,240		18,152,847
	5,728,587		6,115,395		10,327,474		10,178,935
	2,548,334,002		2,798,781,269		2,952,396,182		3,229,423,759
	84,287,121		92,726,091		94,139,748		93,444,373
	478,725,082		489,130,108		506,528,869		536,359,840
	822,941,681		843,779,436		873,992,858		956,031,462
	15,364,493		16,039,593		16,987,513		19,696,747
	128,185,075		139,043,860		129,458,229		127,347,181
	55,747,507		54,658,099		58,249,503		67,675,838
	49,843,758		55,557,993		52,990,134		58,128,187
	234,262,747		342,590,896		290,317,792		283,717,240
	157,867,895		171,942,576		181,498,302		224,406,911
	156,323,725		121,433,926		143,672,671		139,215,060
	9,586,080		11,235,110		10,215,343		16,215,727
	7,836,683		11,799,333		13,341,252		13,264,977
	2,200,971,847		2,349,937,021		2,371,392,214		2,535,503,543
	347,362,155		448,844,248		581,003,968		693,920,216
	69,013,223		115,130,668		1,828,225		1,426,000
	21,630,000		10,516,000		23,775,068		-
	(22,281,509)		(10,388,000)		(24,588,018)		-
	-		-		-		-
	5,211,960		1,946,086		202,754		370,888
	1,313,753		1,248,797		230,528		1,052,750
	-		-		-		-
	303,157,108		195,454,840		241,687,946		302,221,706
	(474,082,423)		(410,543,412)		(408,804,848)		(556,869,970)
	(96,037,888)		(96,635,021)		(165,668,345)		(251,798,626)
\$	251,324,267	\$	352,209,227	\$	415,335,623	\$	442,121,590

<1%

<1%

<1%

<1%

STATE OF NORTH DAKOTA

Schedule 5 Taxable Sales by Industry Last Ten Calendar Years

	Calendar Year			
	1998	1999	2000	2001
Mining and Oil Extraction	\$ 40,007,667	\$ 31,086,570	\$ 43,752,876	\$ 47,349,516
Construction	223,518,538	410,728,462	223,613,918	178,134,203
Manufacturing	327,239,222	341,365,107	312,269,137	324,493,651
Transportation, Communications, And Public Utilities	514,217,026	515,035,737	557,613,208	663,599,972
Wholesale	1,279,105,219	1,327,812,333	1,395,500,133	1,486,187,871
Retail	3,378,172,312	3,519,004,905	3,562,239,018	3,678,040,583
Services	661,323,260	673,331,758	686,301,315	709,196,225
Accommodation and Food Service (1)	-	-	-	-
Miscellaneous (1)	52,528,621	45,492,709	45,098,067	60,126,069
Total	<u>\$6,476,111,865</u>	<u>\$ 6,863,857,581</u>	<u>\$ 6,826,387,672</u>	<u>\$ 7,147,128,090</u>
Effective Tax Rate	4.94%	4.86%	4.91%	4.84%

(1) Information was from SIC prior to 2007, when a switch was made to NAICS. There is no miscellaneous category under NAICS but there is an Accommodation and Food Service category, which was pulled from the SIC Services and Retail category.

Source: ND State Tax Department

Schedule 6 Sales Tax Revenue Payers by Industry Calendar Years 1998 and 2007 (Dollars are in Millions)

	Calendar Year 1998			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Retail Trade	12,762	45.4%	179.04	55.1%
Wholesale Trade	4,880	17.4%	55.00	16.9%
Services	6,838	24.3%	33.07	10.2%
Transportation, Communications, And Public Utilities	534	1.9%	25.71	7.9%
Manufacturing	1,073	3.8%	16.36	5.0%
Construction	1,401	5.0%	11.18	3.4%
Miscellaneous	479	1.7%	2.63	0.8%
Mining and Oil Extraction	152	0.5%	2.00	0.6%
Total	28,119	100.0%	324.99	100.0%

Source: ND State Tax Department

Calendar Year					
2002	2003	2004	2005	2006	2007
\$ 50,329,809	\$ 58,538,788	\$ 97,973,056	\$ 131,849,866	\$ 191,615,942	\$ 374,201,247
180,975,424	193,399,184	240,018,916	294,678,543	352,454,828	401,485,208
301,919,383	307,802,595	341,688,027	494,987,751	543,692,333	589,463,741
597,154,517	721,601,734	790,441,560	915,437,434	954,523,004	442,079,107
1,338,621,392	1,293,684,071	1,455,025,213	1,446,044,209	1,612,369,604	1,844,174,252
3,804,865,413	3,963,823,988	4,221,825,146	3,677,485,817	3,892,914,208	4,128,221,158
709,805,170	744,082,659	787,170,817	1,558,601,437	1,688,764,982	1,413,161,243
-	-	-	-	-	1,058,245,321
61,072,167	64,525,223	66,126,921	47,865,825	47,955,072	-
<u>\$ 7,044,743,275</u>	<u>\$ 7,347,458,242</u>	<u>\$ 8,000,269,656</u>	<u>\$ 8,566,950,882</u>	<u>\$ 9,284,289,973</u>	<u>\$ 10,251,031,277</u>
4.98%	4.95%	4.84%	4.92%	4.95%	4.95%

Calendar Year 2007			
Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
7,983	30.4%	210.54	40.4%
3,941	15.0%	77.46	14.9%
7,300	27.8%	72.07	13.8%
473	1.8%	22.10	4.2%
2,215	8.4%	29.47	5.7%
1,598	6.1%	20.07	3.9%
2,519	9.6%	70.90	13.6%
189	0.7%	18.71	3.6%
26,218	100.0%	521.33	100.0%

STATE OF NORTH DAKOTA

Schedule 7

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(dollars in thousands)

	1999	2000	2001	2002
Governmental Activities				
Revenue bonds	\$ 94,898	\$ 126,782	\$ 135,167	\$ 140,161
Capital leases	9,974	6,145	3,275	1,403
Notes Payable	3,576	827	2,987	507
Total Governmental Activities	<u>108,448</u>	<u>133,754</u>	<u>141,429</u>	<u>142,071</u>
Business-type Activities				
Revenue bonds	964,679	997,551	1,117,828	965,243
Capital leases	26,775	24,375	24,291	30,341
Notes payable	205,573	366,656	264,744	403,860
Total Business-Type Activities	<u>1,197,027</u>	<u>1,388,582</u>	<u>1,406,863</u>	<u>1,399,444</u>
Total Primary Government	<u>\$ 1,305,475</u>	<u>\$ 1,522,336</u>	<u>\$ 1,548,292</u>	<u>\$ 1,541,515</u>
Debt as a Percentage of Personal Income ¹	8.8%	10.2%	9.6%	9.4%
Amount of Debt per Capita ¹	\$ 2,047	\$ 2,402	\$ 2,411	\$ 2,422

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-K of the financial statements.

Fiscal Year					
2003	2004	2005	2006	2007	2008
\$ 146,795	\$ 146,384	\$ 204,240	\$ 287,016	\$ 277,932	\$ 265,665
2,240	1,132	5,941	6,361	5,418	5,236
5,671	5,455	5,613	32,314	32,384	35,726
<u>154,706</u>	<u>152,971</u>	<u>215,794</u>	<u>325,691</u>	<u>315,734</u>	<u>306,627</u>
886,185	835,535	887,350	1,038,233	1,073,545	1,197,845
31,798	34,130	38,746	45,088	46,131	50,046
427,683	535,253	445,080	283,509	263,820	250,645
<u>1,345,666</u>	<u>1,404,918</u>	<u>1,371,176</u>	<u>1,366,830</u>	<u>1,383,496</u>	<u>1,498,536</u>
<u>\$ 1,500,372</u>	<u>\$ 1,557,889</u>	<u>\$ 1,586,970</u>	<u>\$ 1,692,521</u>	<u>\$ 1,699,230</u>	<u>\$ 1,805,163</u>
9.0%	8.6%	8.5%	8.4%	8.1%	8.1%
\$ 2,367	\$ 2,461	\$ 2,492	\$ 2,661	\$ 2,666	\$ 2,822

STATE OF NORTH DAKOTA

Schedule 8 Pledged-Revenue Coverage Last Ten Fiscal Years

Fiscal Year	Gross Revenues	Less:	Net	Debt Service Requirements		
		Operating Expenses (1)	Available Revenues	Principal	Interest	Coverage
BUILDING AUTHORITY BONDS						
1999	7,189,000	-	7,189,000	4,399,000	4,670,000	0.79
2000	8,204,000	-	8,204,000	3,906,000	4,501,000	0.98
2001	7,136,000	-	7,136,000	3,733,000	4,575,000	0.86
2002	7,197,000	-	7,197,000	4,471,000	4,539,000	0.80
2003	8,603,000	-	8,603,000	4,655,000	5,725,000	0.83
2004	9,247,000	-	9,247,000	5,540,000	4,381,000	0.93
2005	9,468,000	-	9,468,000	5,618,000	3,985,000	0.99
2006	10,650,000	-	10,650,000	6,711,000	5,270,000	0.89
2007	10,479,000	-	10,479,000	6,649,000	5,541,000	0.86
2008	11,303,000	-	11,303,000	8,161,000	4,770,000	0.87

Pledged revenues include interest and lease payments.

LIGNITE RESEARCH BONDS (4)						
1999	1,051,713	-	1,051,713	680,000	371,590	1.00
2000	1,060,332	-	1,060,332	720,000	340,430	1.00
2001	1,066,890	-	1,066,890	760,000	306,750	1.00
2002	1,070,330	-	1,070,330	800,000	301,690	0.97
2003	1,076,320	-	1,076,320	845,000	200,170	1.03
2004	1,057,418	-	1,057,418	895,000	162,585	1.00
2005	1,089,157	-	1,089,157	950,000	138,998	1.00
2006	1,079,038	-	1,079,038	1,910,000	53,503	0.55
2007	-	-	-	-	-	-

Pledged revenues include interest and royalties.

WATER COMMISSION BONDS						
1999	637,709	-	637,709	40,000	437,715	1.33
2000	939,944	-	939,944	105,000	578,971	1.37
2001	1,187,776	-	1,187,776	167,010	2,165,826	0.51
2002	3,731,579	-	3,731,579	1,103,010	2,486,787	1.04
2003	4,530,982	-	4,530,982	1,353,210	2,478,097	1.18
2004	3,919,690	-	3,919,690	1,311,210	2,418,640	1.05
2005	4,894,238	-	4,894,238	2,472,910	3,482,849	0.82
2006	5,608,843	-	5,608,843	1,420,600	3,881,643	1.06
2007	7,192,923	-	7,192,923	1,813,098	4,999,564	1.06
2008	7,623,880	-	7,623,880	1,485,000	4,717,867	1.23

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
2006	34,555,908	34,557,209	(1,301)	549,000	307,789	0.00
2007	38,270,735	32,009,593	6,261,142	568,400	213,506	8.01
2008	40,706,890	38,728,841	1,978,049	590,150	192,203	2.53

Pledged revenues include user fees.

DEPARTMENT OF TRANSPORTATION BONDS (1)						
2006	\$ 1,717,002	\$ -	\$ 1,717,002	\$ -	\$ 2,144,269	0.80
2007	1,416,161	-	1,416,161	161,125	2,001,689	0.65
2008	425,257	-	425,257	3,160,000	2,162,804	0.08

Pledged revenues include interest and federal and highway fund appropriations.

Fiscal Year	Gross Revenues	Less:	Net	Debt Service Requirements		
		Operating Expenses	Available Revenues	Principal	Interest	Coverage
STUDENT LOAN TRUST						
1999	16,380,006	4,636,162	11,743,844	57,909,900	7,433,534	0.18
2000	15,835,171	6,374,651	9,460,520	1,496,326	4,933,589	1.47
2001	17,732,535	5,936,696	11,795,839	1,749,449	7,594,712	1.26
2002	12,646,000	3,808,000	8,838,000	27,082,000	5,430,000	0.27
2003	10,663,000	4,583,000	6,080,000	63,855,000	2,629,000	0.09
2004	12,460,000	6,406,000	6,054,000	1,000,000	1,750,000	2.20
2005	13,455,000	5,309,000	8,146,000	-	2,998,000	2.72
2006	13,641,000	4,759,000	8,882,000	-	5,010,000	1.77
2007	9,194,000	2,296,000	6,898,000	-	3,917,000	1.76
2008	7,192,000	1,367,000	5,825,000	-	3,790,000	1.54

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

HOUSING FINANCE AGENCY

1999	56,512,000	13,577,000	42,935,000	149,683,000	38,980,000	0.23
2000	60,068,000	14,636,000	45,432,000	176,339,000	38,963,000	0.21
2001	69,613,000	17,526,000	52,087,000	173,550,000	43,121,000	0.24
2002	66,734,000	13,000,000	53,734,000	207,465,000	46,450,000	0.21
2003	63,697,000	16,376,000	47,321,000	140,411,000	39,337,000	0.26
2004	52,016,000	16,512,000	35,504,000	177,594,000	33,115,000	0.17
2005	51,152,000	18,048,000	33,104,000	120,539,000	27,859,000	0.22
2006	51,472,000	20,736,000	30,736,000	98,501,000	25,839,000	0.25
2007	58,632,000	26,868,000	31,764,000	133,527,000	31,809,000	0.19
2008	67,393,000	34,498,000	32,895,000	8,969,000	37,373,000	0.71

Pledged revenues include income and proceeds from mortgage loan activity.

STATE FAIR ASSOCIATION (2)

1997	\$ 3,408,989	2,758,476	\$ 650,513	195,000	167,460	1.79
1998	3,749,664	2,752,836	996,828	195,000	159,660	2.81
1999	3,609,161	2,908,303	700,858	195,000	151,372	2.02
2000	3,475,814	3,020,232	455,582	195,000	142,598	1.35
2001	3,221,683	3,030,092	191,591	195,000	127,796	0.59
2002	3,448,061	3,150,042	298,019	-	93,010	3.20
2003	3,511,582	3,362,756	148,826	210,000	74,843	0.52
2004	3,735,261	3,585,269	149,992	205,000	77,149	0.53
2005	4,415,435	3,847,415	568,020	205,000	71,766	2.05
2006	4,712,097	4,089,305	622,792	205,000	64,231	2.31

Pledged revenues include state appropriations and State Fair net revenue.

UNIVERSITY SYSTEM (3)

2002	\$ 398,935,980	\$ 552,709,442	\$ (153,773,462)	\$ 15,509,175	\$ 3,249,608	(8.20)
2003	430,941,780	579,083,257	(148,141,477)	22,090,280	4,838,767	(5.50)
2004	484,761,680	619,035,327	(134,273,647)	12,689,507	5,508,951	(7.38)
2005	490,990,656	655,641,086	(164,650,430)	12,506,875	7,344,029	(8.29)
2006	539,484,282	650,271,318	(110,787,036)	15,717,500	9,532,867	(4.39)
2007	557,498,821	665,012,168	(107,513,347)	29,385,066	12,325,577	(2.58)
2008	577,333,810	720,525,986	(143,192,176)	10,771,860	12,946,879	(6.04)

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

- (1) First year reported is first year Agency held bonds.
- (2) Information presented for the Fiscal Year Ended September 30.
- (3) Information not available prior to Implementation of GASB 34 for FY2002.
- (4) The bonds were redeemed during 2007 and the fund no longer exists.

NOTE: 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, 2008**

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>
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	25,103	2.9%	309,223
2001	636,385	16,465,318	25,873	2.8%	311,632
2002	633,861	16,743,211	26,415	3.5%	311,808
2003	633,159	18,179,042	28,712	3.6%	314,273
2004	636,814	18,645,054	29,279	3.5%	321,108
2005	635,938	20,267,761	31,871	3.4%	328,121
2006	637,460	20,885,393	32,763	3.2%	335,718
2007	639,715	22,291,291	34,846	3.2%	341,705

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

Industry	2007			1998		
	Number of Employees	Rank	Percent of Total Nonagricultural Wage and Salary Employment	Number of Employees	Rank	Percent of Total Nonagricultural Wage and Salary Employment
Government	75,600	1	21.12%	71,100	1	22.26%
Educational and Health Services	50,800	2	14.19%	44,550	2	13.95%
Retail Trade	43,100	3	12.04%	41,000	3	12.84%
Leisure and Hospitality	32,800	4	9.16%	29,000	4	9.08%
Professional and Business Services	29,500	5	8.24%	22,200	6	6.95%
Manufacturing	26,000	6	7.26%	22,550	5	7.06%
Financial Activities	19,800	7	5.53%	15,650	8	4.90%
Wholesale Trade	19,400	8	5.42%	18,400	7	5.76%
Construction	19,100	9	5.34%	15,600	9	4.88%
Other Services	15,200	10	4.25%	15,100	10	4.73%
Transportation, Warehousing and Utilities	14,000	11	3.91%	12,950	11	4.05%
Information	7,600	12	2.12%	7,800	12	2.44%
Natural Resources and Mining	5,100	13	1.42%	3,500	13	1.10%
Total	358,000		100%	319,400		100%

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

Schedule 13
Education Enrollment
Last Ten Academic Years

Public School Enrollment

	<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>	<u>2007-08</u>	<u>2008-09</u>
Kindergarten	7,559	7,144	7,057	7,012	6,890	6,641	6,578	6,648	6,661	7,197
Grades 1-3	23,930	22,999	22,108	21,473	21,229	21,115	20,736	20,358	20,126	20,030
Grades 4-6	24,989	24,289	23,652	23,241	22,645	22,109	21,390	21,060	20,951	20,847
Grades 7-8	17,652	17,099	16,880	16,514	16,287	16,148	15,864	15,333	14,759	14,573
Grades 9-12	37,575	36,563	35,517	34,773	34,086	33,311	32,552	32,201	31,483	30,727
Total Enrollment	111,705	108,094	105,214	103,013	101,137	99,324	97,120	95,600	93,980	93,374
Special Education Students	13,572	13,650	13,630	13,901	13,868	14,681	13,883	13,825	13,606	NA

Source: Department of Public Instruction

University System Full-Time Equivalent Student Enrollment

	<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>	<u>2007-08</u>	<u>2008-09</u>
Bismarck State College	2,326	2,267	2,473	2,543	2,747	2,800	2,603	2,651	2,793	2,937
Dickinson State University	1,638	1,698	1,746	1,939	1,991	2,034	2,031	2,059	2,158	2,294
Lake Region State College	506	524	664	683	739	738	738	750	764	784
Mayville State University	692	686	662	657	701	761	722	652	586	563
Minot State University	2,753	2,647	2,911	2,975	3,029	3,034	3,011	2,928	2,729	2,720
MiSU - Bottineau	498	419	416	477	473	447	386	399	401	440
ND State College Of Science	2,503	2,428	2,247	2,253	2,322	2,271	2,223	2,171	2,097	2,041
North Dakota State University	8,775	9,003	9,621	9,993	10,348	10,745	10,807	10,890	11,221	11,794
University of North Dakota	9,417	9,837	10,466	11,155	11,811	11,931	11,155	11,381	10,967	11,137
Valley City State University	956	969	896	922	879	956	899	844	807	823
Williston State College	656	585	614	652	703	709	702	648	551	562
Total	30,720	31,063	32,716	34,249	35,743	36,426	35,277	35,373	35,074	36,095

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

In August 2006, the SBHE changed the definition of undergraduate FTE to 15 credit hours from 16, and first professional to 1 for full-time students and 1/2 for part-time students. In order to provide a consistent basis for comparing enrollments to prior years, prior year FTE's have been recalculate based on the new definition, which is compatible with National Integrated Post-Secondary Education Data System (IPEDS) reporting requirements.

Source: North Dakota University System, Fall Enrollment Reports

Schedule 14
State Employees by State Agency
Last Ten Fiscal Years

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
EXECUTIVE BRANCH										
Adjutant General	121	122	127	128	125	133	132	158	169	171
Aeronautics Commission	5	5	5	5	5	5	5	5	5	5
Bank of North Dakota	174	173	173	172	170	171	169	167	181	179
Barley Council	3	2	2	3	4	4	2	2	5	6
Beef Commission	2	2	2	2	2	2	2	2	2	2
Career and Technical Education	27	27	28	28	25	26	26	25	33	33
Corn Council	1	1	1	1	1	1	2	1	2	2
Council on the Arts	4	4	6	5	5	5	4	5	5	5
Department of Agriculture	45	49	54	56	57	56	54	58	64	67
Department of Commerce	36	29	33	55	55	54	54	56	67	68
Department of Corrections and Rehabilitation	483	513	531	553	581	590	602	627	664	681
Department of Emergency Services	19	21	20	20	20	22	19	53	54	56
Department of Financial Institutions	19	22	20	21	21	21	23	24	26	26
Department of Human Services	2,160	2,153	2,156	2,145	2,095	1,951	1,946	1,938	2,133	2,297
Department of Public Instruction	129	129	130	85	90	90	88	89	95	95
Department of Transportation	1,020	1,014	1,010	1,027	1,017	1,015	1,014	1,021	1,054	1,061
Game and Fish Department	129	128	129	137	140	138	139	139	154	154
Highway Patrol	188	190	191	190	187	192	171	176	186	193
Historical Society	50	51	53	54	55	56	56	56	58	61
Indian Affairs Commission	2	3	4	4	4	3	3	3	3	4
Industrial Commission	57	57	58	59	58	55	48	48	53	55
Information Technology Department	156	166	168	243	243	245	244	240	313	316
Job Service North Dakota	377	387	379	371	357	357	333	286	352	309
Milk Marketing Board	5	5	5	5	4	4	4	4	6	6
ND Department of Health	299	298	294	303	316	318	295	292	324	335
ND Horse Racing Commission	0	0	0	0	0	0	0	2	2	2
ND Housing Finance Agency	30	32	33	36	38	38	40	37	38	43
ND Mill and Elevator Association	121	117	114	116	117	118	117	121	127	125
ND Vision Services/School for the Blind	25	28	26	26	28	30	26	26	30	30
North Dakota University System	6,523	6,393	6,378	6,858	7,093	7,351	7,543	7,336	6,015	7,171
Office of Administrative Hearings	6	5	6	5	5	5	6	7	7	7
Office of Management and Budget	146	147	148	128	129	129	129	120	133	133
Office of the Attorney General	139	143	138	145	143	139	164	174	177	185

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
EXECUTIVE BRANCH, Continued										
Office of the Governor	17	16	17	18	18	17	18	16	18	18
Office of the Insurance Commissioner	41	43	42	40	38	43	40	40	46	46
Office of the Labor Commissioner	6	9	9	10	10	10	10	10	12	11
Office of the State Auditor	50	53	53	52	52	51	50	53	56	56
Office of the State Tax Commissioner	138	136	134	132	133	129	125	123	133	133
Office of the State Treasurer	7	7	7	6	6	6	6	5	7	7
Oilseed Council	1	1	1	1	1	1	1	1	1	1
Parks and Recreation Department	39	39	38	43	44	44	44	42	50	49
Protection and Advocacy	21	22	21	22	25	26	24	24	25	27
Public Employees Retirement System	23	26	26	27	25	28	27	28	33	33
Public Service Commission	42	41	40	41	41	41	41	39	43	44
Retirement and Investment Office	17	16	17	17	17	18	17	16	17	17
School for the Deaf	59	63	61	60	60	55	50	49	49	44
Secretary of State	24	26	24	26	26	26	26	26	27	27
Securities Department	8	8	8	8	8	8	8	8	9	9
Seed Department	27	23	25	25	24	25	23	22	32	31
Soybean Council	3	3	3	3	3	3	3	3	5	5
State Fair Association	5	12	13	12	12	16	15	15	24	26
State Land Department	17	18	16	18	18	19	17	17	21	21
State Library	28	28	27	27	27	27	29	28	30	30
State Radio	31	31	30	31	29	28	28	0	0	0
Veteran's Affairs Department	6	6	6	6	6	6	6	6	6	7
Veterans Home	84	83	84	86	84	84	82	86	88	92
Water Commission	77	79	79	81	82	80	77	77	84	84
Wheat Commission	7	7	7	6	6	6	6	5	8	8
Workforce Safety and Insurance	162	173	187	229	226	223	219	216	239	239
LEGISLATIVE BRANCH										
Legislative Council	32	32	30	31	31	30	31	31	33	33
JUDICIAL BRANCH										
Judiciary Branch	233	235	327	335	329	323	323	339	352	367
Total State Employees	13,706	13,652	13,754	14,379	14,571	14,697	14,806	14,623	13,985	15,348

NA - Not Available

NOTE: Fulltime employees 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 in 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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government										
Office of the Tax Commissioner										
Number of returns filed electronically ¹	13,822	28,589	50,685	78,932	103,910	129,509	147,683	166,733	186,329	203,279
Education										
Department of Public Instruction										
Public School Enrollment ²	111,705	108,094	105,214	103,013	101,137	99,324	97,120	95,600	93,980	93,374
North Dakota University System										
Full Time Equivalent Student Enrollment ³	30,720	31,063	32,716	34,249	35,743	36,426	35,277	35,373	35,074	36,095
Health and Human Services										
North Dakota Department of Health										
Number of Autopsies Performed in ND ⁴	197	196	172	225	226	195	221	240	237	NA
Air Quality - Percent of Facilities in Compliance ⁴	100	99	99	100	99	100	100	100	98	NA
Public Water Systems - Percent of Facilities in Compliance ⁴	95	94	94	96	97	92	92	94	95	NA
Department of Human Services										
Number of TANF Caseloads	6,926	5,581	5,612	NA	5,988	5,887	5,524	5,259	5,112	NA
Number of Medicaid Recipients	61,989	61,781	62,492	NA	76,377	77,378	77,018	77,799	75,470	NA
Regulatory										
Office of the Insurance Commissioner										
Licensed Insurance Agents ⁴	15,101	17,680	20,905	23,372	25,856	31,645	33,323	39,230	47,437	47,399
Public Service Commission										
Weighting and Measuring Devices Inspected	14,564	12,407	15,321	13,853	14,971	14,605	13,944	12,414	13,183	11,476
Gas Pipeline Safety Inspections	NA	NA	NA	18	70	67	45	53	56	75
Public Safety and Corrections										
Department of Corrections and Rehabilitation										
Average Daily Adult Prison Population ⁴	931	1,016	1,099	1,160	1,198	1,299	1,366	1,409	1,429	NA
Office of the Attorney General-Bureau of Investigations										
Criminal Cases Opened ⁴	218	222	296	302	302	286	319	351	299	NA
Drug Cases Opened ³	282	313	363	573	549	623	553	472	425	NA
Office of the Attorney General-Crime Laboratory										
Toxicology Alcohol Blood and Breath Analyses ⁴	5,068	4,434	4,552	4,847	5,646	6,411	6,378	6,517	6,915	NA
Methamphetamine/Amphetamine Samples Processed ⁴	494	1,218	1,505	2,419	1,990	2,813	2,779	1,552	1,009	NA
Office of the Adjutant General										
Assigned National Guard ⁵	4,381	4,363	4,366	4,269	4,241	4,106	4,043	4,243	4,211	4,262
Agriculture and Commerce										
Department of Agriculture										
Pounds of Pesticide Waste Collected	131,676	158,938	166,949	147,857	190,759	155,158	129,994	172,791	170,817	215,521
Department of Commerce										
Net Job Growth from Nonfarm Employment ⁴	4,400	3,900	1,950	150	2,800	5,250	6,850	7,500	5,600	NA
New Private Sector Businesses ⁴	58	203	-29	206	332	458	558	28	-66	NA
Natural Resources										
Game and Fish Department										
Registered Boats ⁴	41,591	46,819	51,483	45,076	49,249	52,961	44,499	49,641	53,519	NA
Hunting and Fishing Licenses Issued	289,998	294,967	312,853	322,728	321,304	323,479	314,465	332,644	324,770	NA
Department of Parks and Recreation										
Park Visitations ⁴	1,135,156	1,091,257	1,052,399	1,051,752	1,045,390	972,151	923,181	940,113	898,235	NA
Camping Nights ⁴	44,382	43,046	44,168	47,489	49,533	47,484	48,599	51,945	37,301	NA
Snowmobile Registrations ⁴	4,308	17,563	4,134	17,459	2,649	15,961	2,223	14,198	11,322	NA
Transportation										
Department of Transportation										
Registered Vehicles ⁴	NA	NA	790,933	809,459	815,042	836,927	843,054	878,443	902,581	NA
Licensed Drivers	455,027	457,890	456,055	455,921	457,743	459,566	466,701	468,711	470,731	473,019
Unemployment Compensation- Job Service North Dakota										
Number of Covered Workers ⁴	306,207	309,223	311,632	311,808	314,273	321,108	328,121	335,718	341,705	NA
Workforce Safety and Insurance										
Number of Claims Filed	20,034	20,045	20,320	19,950	18,753	19,184	19,887	21,588	21,309	21,061
Number of Covered Workers	292,868	296,663	299,714	301,913	301,777	304,287	311,200	318,240	326,100	332,170

NA-Not Available

¹ Calendar Year Received² Academic Year End Enrollment³ Academic Year Enrollment⁴ Statistics on a Calendar Year Basis⁵ 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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<u>General Government</u>										
Office of Management and Budget										
Capitol Complex Buildings	7	7	7	7	7	7	7	7	7	7
<u>Education</u>										
Department of Land										
Common Schools Trust										
Land Acreage	635,522	635,682	635,695	635,703	635,534	635,529	635,574	632,408	632,248	632,248
ND University System										
Buildings	494	501	501	512	512	527	527	516	516	516
Buildings Square Footage	12,912,934	13,014,194	13,014,194	13,056,392	13,056,392	13,440,708	13,491,510	13,491,510	13,491,510	14,003,445
<u>Health and Human Services</u>										
Dept. of Human Services										
Buildings	80	78	77	77	74	74	74	74	74	74
<u>Public Safety and Corrections</u>										
Department of Corrections and Rehabilitation										
Buildings	NA	NA	NA	64	70	70	71	71	71	71
Office of the Adjutant General										
Headquarters, Camp and Armory Buildings	518	524	524	528	530	539	551	567	475	475
<u>Natural Resources</u>										
Game and Fish Department										
Wildlife Management Areas	NA	NA	NA	NA	183	183	185	186	186	186
Boats, ATV's, Snowmobiles, Tractors, Other	NA	NA	NA	NA	NA	344	364	393	397	417
Dept. of Parks and Recreation										
Park/Recreational Sites	16	16	16	16	16	15	15	15	15	15
Park Maintenance Vehicles/Equipment	NA	NA	NA	NA	NA	196	207	222	230	235
<u>Transportation</u>										
Department of Transportation										
Roadway Miles Maintained	8,394	8,394	8,402	8,410	8,412	8,414	8,450	8,469	8,479	8,511
Fleet Vehicles	NA	2,933	2,879	2,943	2,988	3,097	3,137	3,220	3,316	3,307
Heavy Equipment	595	598	593	589	577	565	552	527	359	340
Buildings	77	77	77	77	77	77	77	77	79	80

NA-Not Available

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

Schedule 17
Claims Development Information
Last Ten Fiscal Years

The following tables illustrate how the individual funds' earned revenues and investment income compare to related costs of loss and other expenses assumed by the funds as of the end of each of the last ten years. The rows of the tables are defined as follows: (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues. (2) This line shows each fiscal year's other operation costs of the fund including overhead and claims expense not allocable to individual claims. (3) This line shows the funds' incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year). (4) This section of 10 columns shows the cumulative amounts paid as of the end of successive years for each policy year. (5) This section of 10 columns shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received regarding unknown claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. (6) This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the tables show data for successive policy years (expressed in thousands).

Schedule 17
Claims Development Information
Last Ten Fiscal Years
(Expressed In Thousands)

Bonding Fund

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
1 Net Earned Required Contribution and Investment Revenues	\$ 479	\$ 637	\$ 116	\$ (50)	\$ 405	\$ 448	\$ 319	\$ 179	\$ 401	\$ 22
2 Unallocated Expenses	79	84	93	46	58	42	53	51	57	37
3 Estimated Incurred Claims and Expense, End of Policy Year	229	60	71	26	259	253	64	392	173	(268)
4 Paid (Cumulative) as of:										
End of Policy Year	(29)	(22)	(32)	(100)	(107)	(85)	(226)	(254)	(328)	(417)
One Year Later	(29)	(22)	(32)	(100)	(107)	(85)	(226)	(254)	(328)	
Two Years Later	(29)	(22)	(32)	(100)	(107)	(85)	(226)	(254)		
Three Years Later	(29)	(22)	(32)	(100)	(107)	(85)	(226)			
Four Years Later	(29)	(22)	(32)	(100)	(107)	(85)				
Five Years Later	(29)	(22)	(32)	(100)	(107)					
Six Years Later	(29)	(22)	(32)	(100)						
Seven Years Later	(29)	(22)	(32)							
Eight Years Later	(29)	(22)								
Nine Years Later	(29)									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	229	60	71	26	259	253	64	392	173	(268)
One Year Later	229	60	71	26	259	253	64	392	173	
Two Years Later	229	60	71	26	259	253	64	392		
Three Years Later	229	60	71	26	259	253	64			
Four Years Later	229	60	71	26	259	253				
Five Years Later	229	60	71	26	259					
Six Years Later	229	60	71	26						
Seven Years Later	229	60	71							
Eight Years Later	229	60								
Nine Years Later	229									
6 Increase in Estimated Incurred Claims and Expense From End of Policy Year	0	0	0	0	0	0	0	0	0	0

Schedule 17
Claims Development Information
Last Ten Fiscal Years
(Expressed In Thousands)

Fire and Tornado Fund

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
1 Net Earned Required Contribution and Investment Revenues	\$ 4,787	\$ 5,482	\$ 4,540	\$ 2,437	\$ 6,646	\$ 4,864	\$ 5,073	\$ 5,193	\$ 6,934	\$ 7,849
2 Unallocated Expenses	1,031	1,026	812	991	613	621	552	986	847	979
3 Estimated Incurred Claims and Expense, End of Policy Year	3,578	2,104	6,828	5,481	2,523	1,135	1,775	2,852	1,536	10,548
4 Paid (Cumulative) as of:										
End of Policy Year	(2,554)	303	269	(1,589)	(3,974)	(227)	986	1,660	1,133	9,434
One Year Later	(2,554)	303	269	(1,589)	(3,974)	(227)	986	1,660	1,133	
Two Years Later	(2,554)	303	269	(1,589)	(3,974)	(227)	986	1,660		
Three Years Later	(2,554)	303	269	(1,589)	(3,974)	(227)	986			
Four Years Later	(2,554)	303	269	(1,589)	(3,974)	(227)				
Five Years Later	(2,554)	303	269	(1,589)	(3,974)					
Six Years Later	(2,554)	303	269	(1,589)						
Seven Years Later	(2,554)	303	269							
Eight Years Later	(2,554)	303								
Nine Years Later	(2,554)									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	3,578	2,104	6,828	5,481	2,523	1,135	1,775	2,852	1,536	10,548
One Year Later	3,578	2,104	6,828	5,481	2,523	1,135	1,775	2,852	1,536	
Two Years Later	3,578	2,104	6,828	5,481	2,523	1,135	1,775	2,852		
Three Years Later	3,578	2,104	6,828	5,481	2,523	1,135				
Four Years Later	3,578	2,104	6,828	5,481	2,523					
Five Years Later	3,578	2,104	6,828	5,481						
Six Years Later	3,578	2,104	6,828	5,481						
Seven Years Later	3,578	2,104	6,828							
Eight Years Later	3,578	2,104								
Nine Years Later	3,578									
6 Increase in Estimated Incurred Claims and Expense From End of Policy Year	0	0	0	0	0	0	0	0	0	0

Schedule 17
Claims Development Information
Last Ten Fiscal Years
(Expressed In Thousands)

Workforce Safety & Insurance

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
1 Net Earned Required Contribution and Investment Revenues	\$ 179	\$ 210	\$ 117	\$ 86	\$ 175	\$ 194	\$ 193	\$ 148	\$ 221	\$ 166
2 Unallocated Expenses	21	25	28	23	22	21	25	33	40	41
3 Estimated Incurred Claims and Expense, End Of Policy Year	92	81	83	81	93	103	111	105	120	131
4 Paid (Cumulative) as of:										
End of Policy Year	14	16	17	17	19	20	22	21	21	27
One Year Later	27	30	29	30	33	36	34	36	37	
Two Years Later	33	35	35	37	38	42	39	41		
Three Years Later	36	40	40	41	41	46	42			
Four Years Later	39	43	42	43	44	49				
Five Years Later	42	47	45	47	46					
Six Years Later	43	48	47	48						
Seven Years Later	46	50	49							
Eight Years Later	47	52								
Nine Years Later	49									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	92	81	83	81	93	103	111	105	120	131
One Year Later	84	80	81	84	94	103	104	112	119	
Two Years Later	83	79	83	83	93	99	100	113		
Three Years Later	77	81	83	88	89	100	101			
Four Years Later	79	79	79	86	90	106				
Five Years Later	82	82	77	90	91					
Six Years Later	76	82	85	91						
Seven Years Later	76	89	87							
Eight Years Later	80	89								
Nine Years Later	82									
6 Increase in Estimated Incurred Claims and Expense From End of Policy Year	(10)	8	4	10	(2)	3	(10)	8	(1)	0

Schedule 18
Agricultural Production

Value of Export Shares of Agricultural Commodities - 2006-2007 (1)

	<u>2006</u> <u>Dollars</u> (Mil.)	<u>2006</u> <u>% of U.S.</u>	<u>2007</u> <u>Dollars</u> (Mil.)	<u>2007</u> <u>% of U.S.</u>
Wheat and Products	698.9	11.3	1,030.8	12.2
Soybeans and Products	312.2	3.8	446.4	4.0
Vegetables and Preparations	206.7	5.3	240.3	5.6
Feed Grains and Products	150.3	1.7	311.3	2.6
Sunflower Seed and Oil	99.7	52.0	101.3	51.7
Feeds and Fodders	71.7	2.9	135.7	4.7
Seeds	56.4	6.4	72.1	7.7
Live Animals and Meats Excluding Poultry	5.6	0.1	5.9	0.1
Dairy Products	4.6	0.3	-	0.0
Poultry and Products	1.7	0.1	2.6	0.1
Hides and Skins	0.6	0.0	0.7	0.0
Fats, Oils and Greases	0.2	0.0	0.3	0.0
Other (2)	273.7	1.1	217.3	2.0
Total (3)	<u>\$ 1,882.4</u>	2.7	<u>\$ 2,564.6</u>	3.1

Sources: Foreign Agricultural Trade of U.S. - E.R.S.
 North Dakota Agricultural Statistics 2008

- (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.

2007 Crop Rank Among States

<u>North Dakota</u> <u>Ranks</u>	<u>Crop Description</u>	<u>North Dakota</u> <u>Produces</u>
1st	Flaxseed	94%
	Canola	91%
	Dry Edible Peas	65%
	Pinto Beans	65%
	Durum Wheat	61%
	Oil Sunflowers	52%
	All Sunflowers	52%
	Non-oil Sunflowers	52%
	Spring Wheat	49%
	Navy Beans	42%
	All Dry Edible Beans	42%
	Lentils	39%
	Barley	37%
	Honey	21%
	Oats	17%
	All Wheat	15%

Source: North Dakota Agricultural Statistics 2008