



Comprehensive Annual Financial Report

# 2009

For the Fiscal Year Ended June 30, 2009

State of  
North Dakota

# STATE OF NORTH DAKOTA

## Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED

**June 30, 2009**



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

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
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Turtle River State Park Bridge

# Introductory Section





Drayton Bridge

# OFFICE OF MANAGEMENT AND BUDGET

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

December 17, 2009

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, 2009. 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, 2009, 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, 2009, 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 national economy has languished through the worst recession since the Great Depression; in fact the current economic crisis has been referred to as the Great Recession. However, during this period of national economic turmoil, the North Dakota economy has continued to make headlines as it outperforms the nation. The 2007-09 legislative forecast, finalized at the conclusion of the legislative session in April 2007, predicted 2007-09 revenues of \$2.257 billion; actual revenues were \$2.715 billion, a variance of more than 20%.

While nationally, one in ten workers are unemployed, North Dakota has recorded the lowest unemployment of any state. In October 2009, North Dakota's non-seasonally adjusted unemployment rate was 3.2%, only one-third the national rate of 9.5%.

Several factors have driven this exceptional economic performance. 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.

The energy industry plays an important role in the state's economy. The development of wind and coal resources, the production of ethanol and bio-diesel, and oil and natural gas extraction all contribute 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. North Dakota's current crude oil production ranks fourth in the nation, with only Texas, Alaska, and California producing more oil. 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% of employment and over 50% of the state's exports. Exports totaled over \$2.7 billion in 2008.

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 2009 to 2013, the state's gross domestic product is expected to grow by \$3.8 billion, or 15.4%; employment is expected to grow by 23,000 jobs, or 6.3%. During that time, the unemployment rate is expected to remain considerably lower than the national rate, varying from 3.1% to 4.9%. Personal income is expected to grow at an average annual rate of 2.8% per year.

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

The long-term financial plan of the state is to target aggressive economic development efforts at five industry sectors where North Dakota has a competitive advantage because of our natural or human resources – value-added agriculture, advanced manufacturing, technology-based businesses, energy, and tourism. Economic growth in these industries 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.

Revenue forecasting is a critical component of the state's financial planning process. The state utilizes a Revenue Forecasting Advisory Committee, comprised of representatives of the major industries in the state and the legislative and executive branches of government, along with the expertise of a national economic forecasting consultant. With the assistance of these experts, the state's Tax Department and Office of Management and Budget develop a forecast based on state trends, national forecasting models, and input from private industry experts.

The budgeting process begins with the development of a biennial budget proposal reflecting the Governor's priorities for the next two years. The budget is submitted to the legislature for their consideration and eventual enactment. 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 \$325 million. Balances in the oil tax trust fund and foundation aid stabilization fund also continue to grow.

### **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 of \$325 million, or 10 percent of the biennial state general fund budget. In addition, the Governor is able to reduce general fund expenditures to alleviate the effects of a revenue shortfall, if necessary.

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. Oil tax collections are split between the state and local political subdivisions. Of the state share, the first \$71 million each biennium is deposited in the general fund; all oil tax collections in excess of \$71 million are deposited into the permanent oil tax trust fund.

## **Major Initiatives**

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

### **Education**

A record \$1.3 billion K-12 education funding package was approved by the 2009 Legislative Assembly. Included in this funding package is an additional \$120 million of state funds, an increase of \$20 million in federal funds and one-time fiscal stimulus funding of \$150 million. The funding package also included funding for mentorships, additional counselors and tutors and established an Early Childhood Learning Council.

Higher Education received \$795 million of state support. This funding package included \$161 million of additional funding to support students and families, build our campuses, and hold the line on tuition. To make higher education more affordable, more than \$32 million was included for financial aid for students. Nearly \$100 million in one-time funding was approved for capital projects and deferred maintenance on North Dakota campuses including a new education building at the University of North Dakota, a new library at Dickinson State University, renovation of Minard Hall at North Dakota State University, renovation of Swain Hall at Minot State University, a new career and technology center at Williston State college, a new wind project and wind energy training program at Lake Region State College, and a new center for applied energy research at Bismarck State College.

### **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 agriculture 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 \$2 million grant program for the installation of blender pumps at motor fuel retailers to promote expanded use of ethanol and biodiesel.

### **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, 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:

- Longitudinal data system to follow student progress from kindergarten to career in order to improve educational adequacy and meet the needs of the future workplace.
- Funding for the Medicaid Management Information System.



## **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:

- A \$20 million appropriation for Centers of Excellence awards. To date, the Centers of Excellence program has produced nearly \$170 million in total economic impact. These projects will continue to transform and expand North Dakota's economy.
- Increased funding for the North Dakota Trade office, which helps grow North Dakota's exports.
- More than \$5 million in loan and grant programs for childcare workforce development, quality improvement and technical assistance to establish and expand safe childcare facilities in North Dakota.
- \$2.5 million to support innovation and entrepreneurship for technology-based entrepreneurship, Innovate ND, and seed financing to support new business incubators.

## **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 \$380 million increase in the Department of Human Services budget to help seniors, children, and persons with disabilities.
- Increased medical payments to hospitals, physicians, dentists, chiropractors and ambulance service providers to advance quality healthcare in North Dakota.
- Increased funding for home and community based care to help our seniors live more independently.
- Expanded eligibility for SCHIP from 150 to 160 percent net of the federal poverty level.
- Approval for a major expansion of the North Dakota Heritage Center.
- An enhanced Veteran's Bonus Program that removes the current caps for both domestic and overseas service, and compensates for actual time served.

## **Energy Development**

Energy is one of the largest industries in North Dakota. Energy development in North Dakota has expanded greatly from traditional oil, gas and coal energy to renewable energies such as ethanol, biodiesel and wind energy. Recent efforts to further the development of energy in North Dakota include:

- A streamlined 7 percent oil extraction tax option to promote exploration and development in the Bakken Reserve.
- A carbon credit incentive against coal conversion privilege taxes to help facilities achieve a required level of carbon dioxide capture, and a new tax incentive for cleaner-burning beneficiated coal.
- An extended property tax reduction and sales and use tax exemption for wind power, as well as an extended income tax credit for the installation of any renewable energy device, including geothermal, solar, wind and biomass.
- \$3 million for the Renewable Energy Fund.

## **Tax Relief**

In addition to the initiatives above, Governor Hoeven proposed and the 2009 Legislative Assembly supported broad based tax relief and reform for the people of North Dakota. Elements of the broad based tax relief include:

- \$295 million property tax relief to help homeowners, farmers, ranchers and commercial businesses by reducing the average school district levy by 75 mills and capping the rate at 110 mills.
- \$90 million in individual income tax rate reductions to make sure all taxpayers share the benefit of tax relief.
- \$10 million in corporate income tax reductions to help stimulate North Dakota's economy and make our state more competitive.
- An increase in the Homestead Tax Credit to help reduce the burden of taxes on seniors and people with disabilities.

## 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, 2008. This was the 18th 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 2009-2011 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,

A handwritten signature in black ink, appearing to read "Pam Sharp". The signature is fluid and cursive, with the first name "Pam" and last name "Sharp" clearly distinguishable.

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, 2008

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.



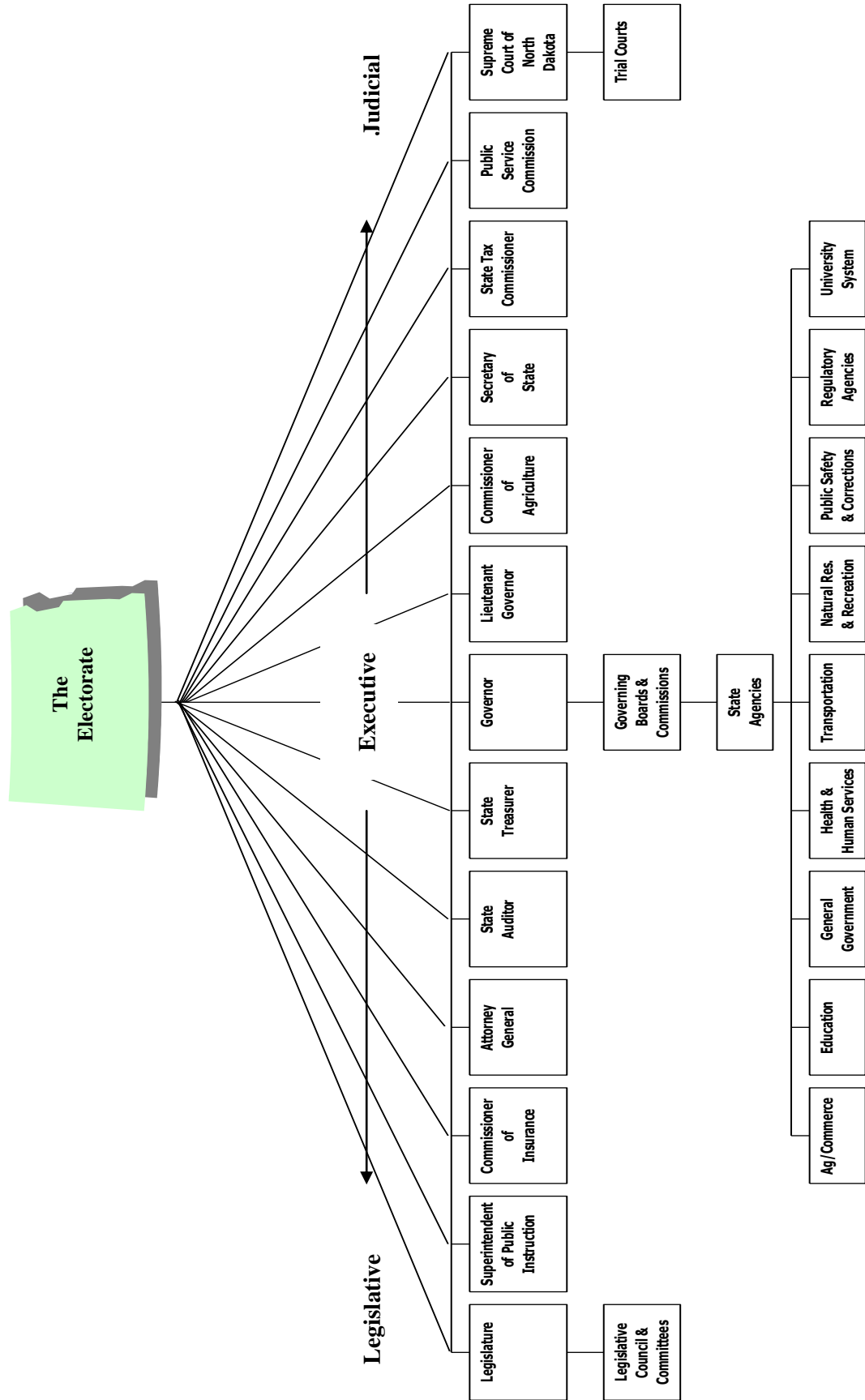
A handwritten signature in black ink, appearing to read "K. L. R.", positioned above the title "President".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", positioned above the title "Executive Director".

Executive Director

# STATE OF NORTH DAKOTA ORGANIZATIONAL CHART



**NORTH DAKOTA**  
**PRINCIPAL STATE OFFICIALS**  
**June 30, 2009**

**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  
Brian Kalk, Public Service Commissioner  
Doug Goehring, 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**

David Monson, Speaker of the House  
Al Carlson, House Majority Leader  
Merle Boucher, House Minority Leader  
Lt. Gov. Jack Dalrymple, President of the Senate  
Bob Stenehjem, Senate Majority Leader  
David O'Connell, Senate Minority Leader

**JUDICIAL**

Gerald W. 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 AUDITOR  
ROBERT R. PETERSON



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**OFFICE OF THE STATE AUDITOR**  
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**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, 2009, 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	22%	1%
Business-Type Activities	83%	31%
Aggregate Discretely Presented Component Units	100%	100%
<u>Fund Financial Statements</u>		
Major Governmental Funds		
Federal Fund	1%	2%
School Permanent Trust Fund	100%	100%
Major Enterprise Funds		
Bank of North Dakota	100%	100%
Housing Finance Agency	100%	100%
Workforce Safety and Insurance	100%	100%
Aggregate Remaining Fund Statements	75%	29%

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 \$546 million at June 30, 2009. 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 never fully fund the unfunded actuarial accrued liability based on the current actuarial assumptions.

The actuary for the North Dakota Public Employees Retirement System has determined that the Fund's unfunded actuarial accrued liability is approximately \$284 million at June 30, 2009. 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 17 to the basic financial statements, the Bank of North Dakota elected to present an unclassified balance sheet because current assets are not matched with current liabilities. Presentation of a classified balance sheet would give the false impression that there is a liquidity problem at the bank. Presentation of a classified balance sheet for the Bank of North Dakota would be misleading to the extent that the financial statements may be materially misstated.

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated December 16, 2009 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 17, 2009

## 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, 2009. 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 \$6 billion (reported as net assets), an increase of \$320 million from the previous year. The net assets of governmental activities increased by 10% while the net assets of the business-type activities showed a decrease of 5%.

#### Fund Level:

As of the close of fiscal year 2009 the State's governmental funds reported combined ending fund balances of \$3.1 billion, an increase of \$332 million. Of this amount, \$2 billion represents unreserved fund balance, with the remaining amount of \$1.1 billion reserved for specific purposes, such as debt service, capital projects, and permanent trust for education. At the end of the fiscal year, unreserved fund balance for the General Fund was \$863 million.

The enterprise funds reported net assets at year-end of \$1.6 billion, a decrease of \$92 million during the year.

#### Long-term Debt:

The State's total debt (bonds and notes payable) decreased approximately 5.8% during the fiscal year to \$1.65 billion, a decrease of \$101 million, which represents the net difference between new issuances and payments. During the year the State issued \$143 million in bonds and \$160 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 \$6 billion at the end of fiscal year 2009. Net assets increased 5.6% from the prior fiscal year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2009	2008	2009	2008	2009
Current and Other Assets	\$3,280,899	\$3,613,541	\$5,685,182	\$6,016,829	\$7,841,302	\$7,928,465
Capital Assets	1,479,571	1,542,653	792,216	835,095	2,271,787	2,377,748
Total Assets	4,760,470	5,156,194	6,477,398	6,851,924	10,113,089	10,306,213
Long-Term Liabilities						
Outstanding	349,055	326,031	2,365,176	2,249,525	2,714,231	2,575,556
Other Liabilities	432,439	441,479	2,379,563	2,959,459	1,687,223	1,699,033
Total Liabilities	781,494	767,510	4,744,739	5,208,984	4,401,454	4,274,589
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	1,400,535	1,323,477	546,699	578,828	1,947,234	1,902,305
Restricted	1,458,565	1,502,237	532,955	500,433	1,991,520	2,002,670
Unrestricted	1,119,876	1,562,970	653,005	563,679	1,772,881	2,126,649
Total Net Assets	\$3,978,976	\$4,388,684	\$1,732,659	\$1,642,940	\$5,711,635	\$6,031,624

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 unrestricted net assets, which may be used at the State's discretion, but often have limitations on use based on State statutes. Restricted net assets make up thirty-three percent (33%) of the state's 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-one percent (32%) 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)

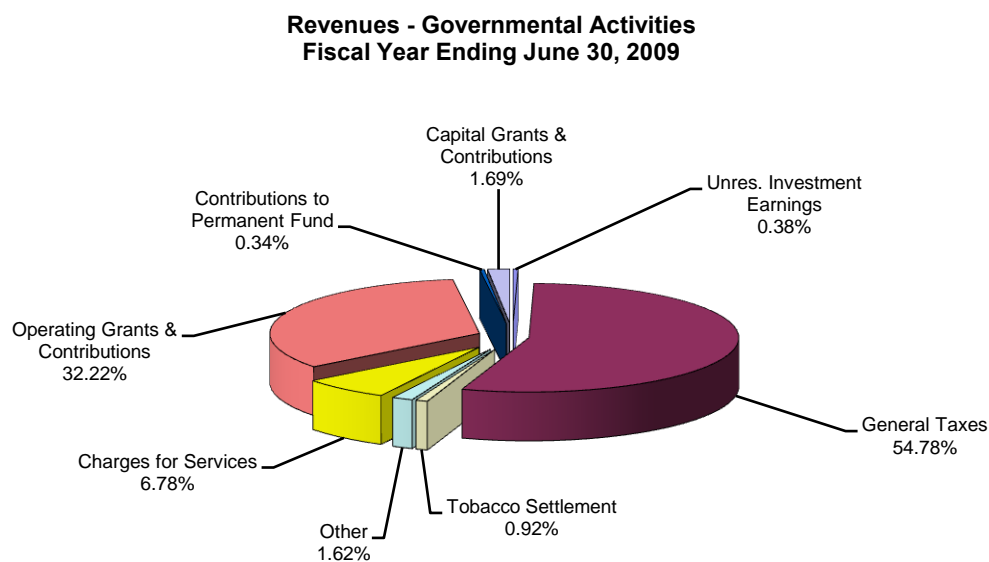
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2009	2008	2009	2008	2009
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 210,843	\$ 229,005	\$1,073,777	\$1,116,210	\$1,284,620	\$1,345,215
Operating Grants & Contributions	1,041,411	1,131,838	258,218	114,158	1,299,629	1,245,996
Capital Grants & Contributions	68,472	57,065	9,245	10,820	77,717	67,885
General Revenues:						
Income Taxes	473,235	503,976	-	-	473,235	503,976
Sales Taxes	797,614	857,771	-	-	797,614	857,771
Other Taxes	534,732	489,484	-	-	534,732	489,484
Investment Earnings	25,150	12,830	-	-	25,150	12,830
Tobacco Settlement	20,062	30,990	-	-	20,062	30,990
Other	42,052	54,637	-	-	42,052	54,637
<b>Total Revenues</b>	<u>3,213,571</u>	<u>3,367,596</u>	<u>1,341,240</u>	<u>1,241,188</u>	<u>4,554,811</u>	<u>4,608,784</u>
<b>Expenses</b>						
General Government	313,330	418,221	-	-	313,330	418,221
Education	537,757	564,819	-	-	537,757	564,819
Health and Human Services	960,440	1,005,299	-	-	960,440	1,005,299
Regulatory	28,265	26,582	-	-	28,265	26,582
Public Safety and Corrections	135,068	194,264	-	-	135,068	194,264
Agriculture and Commerce	67,942	68,057	-	-	67,942	68,057
Natural Resources	64,090	64,817	-	-	64,090	64,817
Transportation	318,241	382,619	-	-	318,241	382,619
Interest on Long Term Debt	13,293	12,684	-	-	13,293	12,684
Bank of North Dakota	-	-	108,078	99,090	108,078	99,090
Housing Finance	-	-	58,816	59,769	58,816	59,769
Loan Programs	-	-	9,658	6,777	9,658	6,777
Mill and Elevator	-	-	242,924	233,792	242,924	233,792
State Lottery	-	-	16,205	16,123	16,205	16,123
Unemployment Compensation	-	-	46,912	106,475	46,912	106,475
University System	-	-	835,873	894,733	835,873	894,733
Workforce Safety and Insurance	-	-	246,582	168,527	246,582	168,527
Other	-	-	23,269	15,810	23,269	15,810
<b>Total Expenses</b>	<u>2,438,426</u>	<u>2,737,362</u>	<u>1,588,317</u>	<u>1,601,096</u>	<u>4,026,743</u>	<u>4,338,458</u>
Increase (decrease) in Net Assets Before Contributions & Transfers	775,145	630,234	(247,077)	(359,908)	528,068	270,326
Contributions to Permanent Fund Principal	19,181	11,574	-	-	19,181	11,574
Special Item-Loss on Discontin. of Computer Project	-	(3,314)	-	-	-	(3,314)
Transfers	<u>(254,648)</u>	<u>(229,268)</u>	<u>228,141</u>	<u>270,189</u>	<u>(26,507)</u>	<u>40,921</u>
<b>Increase in Net Assets</b>	539,678	409,226	(18,936)	(89,719)	520,742	319,507
Net Assets - Beginning -As Restated	<u>3,439,298</u>	<u>3,979,458</u>	<u>1,751,595</u>	<u>1,732,659</u>	<u>5,190,893</u>	<u>5,712,117</u>
Net Assets- Ending	<u>\$3,978,976</u>	<u>\$4,388,684</u>	<u>\$1,732,659</u>	<u>\$1,642,940</u>	<u>\$5,711,635</u>	<u>\$6,031,624</u>

## Governmental Activities

Governmental Activities increased the State's net assets by \$409 million. The largest increases in the State's revenues for fiscal year 2009 were from the State's operating grants and contributions. The increase in operating grants and contributions of 8.9% is due to increased disaster assistance and in reimbursement for other increased federal expenditures. Oil tax revenues decreased from the prior fiscal year by 8.6%. This was due to falling prices and a decline in rig counts. Sales and use taxes increased 7.5% because of strong gains in the North Dakota economy including expansion of the retail tax base throughout the state. Income taxes increased 6.5% due to the state's strong economy. 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 12% from the prior fiscal year. General government expenses increased approximately \$104 million due to providing weather-related cost sharing funds to political subdivisions and increases in cost sharing payments to political subdivisions due to higher tax collections. Transportation expenses increased by \$64 million and public safety and corrections had an increase of \$59 million. These increases are due largely for costs relating to flood and snow disasters. In addition, Medicaid and Long Term Care grant payments increased by \$13.2 million due to an increase in both caseload and cost per case.

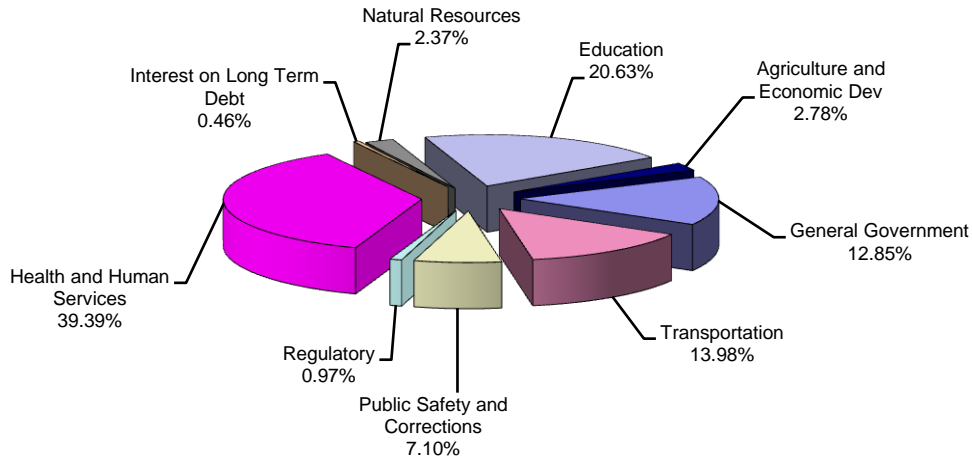
The following chart depicts revenues of the governmental activities for the fiscal year:



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



### Expenditures - Governmental Activities Fiscal Year Ending June 30, 2009



### Business-type Activities

Net assets of the business-type activities decreased by \$90 million during the fiscal year.

Workforce Safety and Insurance's (WSI) net assets decreased \$120 million because of underwriting loss and loss on investments.

The Mill and Elevator's net assets decreased \$9.7million, primarily due to the decrease in the value of inventories caused by the decline in wheat prices.

Other business-type activities had increases in net assets, including the Bank of North Dakota, which had an increase of \$31 million; Housing Finance with a \$7.6 million increase; and the University System with a \$28 million increase.

The Bank of North Dakota increase is attributable to continued growth in state deposits, liquidity of banks investing at the Bank and increased investment in repurchase agreements by commercial customers. The increase in Housing Finance is a result of program operations and financing activities. The University System's net asset change is from increases in tuition, housing, food service and book store revenue.

### FINANCIAL ANALYSIS OF THE STATE'S FUNDS

#### Governmental Funds

As the State completed the year, its governmental funds reported combined fund balances of \$3.1 billion, an increase of \$332 million from the prior fiscal year. Approximately \$2.1 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 \$863 million and reserved fund balance was \$4 million. Total fund

balance rose during the fiscal year by \$79 million, due to increases in tax revenues. Sales and use taxes had the largest increase, \$60 million, followed by individual income and corporate income taxes with a \$39.5 million increase. By the end of fiscal year General Fund revenues increased 5.8% from the prior year.

The School Permanent Trust Fund balance at June 30, decreased \$68 million because of a decrease in investment income of \$93 million.

The Federal Fund balance at June 30, showed an increase of \$3.7 million because of increased inventory of donated vaccinations.

### **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, 2009, was the second year of the 2007-09 budget cycle. The original budget increased \$149.1 million.

At the beginning of the 2007-09 budget cycle, there was an increase in the original budget of \$13.4 million due to the authorized carryover of general fund appropriation authority from the 2005-07 biennium and a \$2.1 million increase for capital construction carryover. 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, and the University System, \$1.8 million. Of the \$2.1 million in capital construction carryover dollars, \$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.

The 2009 Legislature authorized various general fund adjustments for the 2007-09 budget. In a deficiency bill, \$8.4 million in additional general fund appropriation authority was given to various agencies, including \$4.8 million to Adjutant General for operating costs and \$2.8 million to the University of North Dakota for flood expenditures. In another bill, Adjutant General also received an additional \$12.5 million to defray flood related expenses. There was a \$43 million general fund adjustment for the Office of Management and Budget to be transferred to the Adjutant General's state disaster relief fund to be used for matching federal funds for expenses related to presidential-declared disasters in the state. The State Treasurers Office's general fund appropriation was increased by \$59 million for the purpose of providing weather-related cost sharing funds to political subdivisions and to the state highway fund.

The Secretary of State had \$70,654 in expenditures in excess of general fund spending authority because of costs related to a computer project.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets: At the end of the fiscal year 2009, the State had invested \$2.4 billion, net of accumulated depreciation, in a broad range of capital assets. Depreciation charges for this fiscal year totaled \$117 million.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2009	2008	2009	2008	2009
Land and Land Improvements	\$ 55,374	\$ 68,052	\$ 19,436	\$ 18,764	\$ 74,810	\$ 86,816
Building & Building Improvements	229,159	250,635	474,247	520,271	703,406	770,906
Equipment	135,669	142,964	155,199	163,713	290,868	306,677
Infrastructure	601,393	638,110	85,434	89,478	686,827	727,588
Construction in Progress	457,976	442,892	57,910	42,869	515,886	485,761
<b>Total</b>	<b>\$1,479,571</b>	<b>\$1,542,653</b>	<b>\$ 792,226</b>	<b>\$ 835,095</b>	<b>\$2,271,797</b>	<b>\$2,377,748</b>

The total increase in the State's investments in capital assets for the current fiscal year was 4.7% in terms of net book value. However, actual expenditures to purchase or construct capital assets were approximately \$378 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, 2009.

The State does have a number of revenue bonds outstanding at June 30, 2009. 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 \$314.6 million. The advances have a fixed rate of interest, ranging from 3.27 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	
	2008	2009	2008	2009	2008	2009
Revenue Bonds	\$ 265,665	\$ 251,526	\$1,197,845	\$1,051,542	\$1,463,510	\$1,303,068
Notes Payable	35,726	26,523	250,645	318,847	286,371	345,370
<b>Total</b>	<b>\$ 301,391</b>	<b>\$ 278,049</b>	<b>\$1,448,490</b>	<b>\$1,370,389</b>	<b>\$1,749,881</b>	<b>\$1,648,438</b>

The State's total debt decreased approximately 5.8% during the current fiscal year.

## **ECONOMIC CONDITION AND OUTLOOK**

North Dakota's economy grew steadily during the 2007-09 biennium, even in the midst of what has been termed the Great Recession. Many states have faced the worst budget crisis in recent history with declining sources of revenue and growing demands for social services. However, in North Dakota, we have enjoyed economic stability and expansion, 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. The agricultural economy remains healthy – commodity prices have fallen from recent highs, but remain strong by historic standards. High oil prices have led to increased oil exploration activity and increased tax collections for both the state and political subdivisions. Oil activity has also had a positive impact on income and sales tax collections. Oil production is at a record level. The rig count is steadily increasing, up to 51 rigs in September 2009, compared to 45 the previous month. It is estimated that each oil rig represents up to 40 direct jobs and 80 indirect jobs.

The state's unemployment rate continues at an exceptionally low rate – as of October 2009, the lowest rate in the nation. The state's non-seasonally adjusted unemployment rate in October 2009 was only 3.2%, one-third the national average of 9.5%.

Moody's Economy.com noted in a September 2009 publication that "the [North Dakota] state government's prudent budgeting and a sound financial services industry coupled with rising energy prices, stable household balance sheets, and renewed business investment will usher in a recovery that will lead the nation's recovery."

## **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.



Little Missouri Scenic Bridge

# Basic Financial Statements

# STATE OF NORTH DAKOTA

## Statement of Net Assets

June 30, 2009

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and Cash Equivalents	\$ 11,679,678	\$ 672,337,942	\$ 684,017,620	\$ 41,062,839
Investments	1,075,158,877	1,469,826,743	2,544,985,620	32,136,623
Accounts Receivable - Net	51,627,671	88,052,301	139,679,972	19,352,645
Taxes Receivable - Net	258,336,391	-	258,336,391	-
Interest Receivable - Net	8,454,593	46,271,118	54,725,711	85,229
Intergovernmental Receivable - Net	222,505,975	41,204,702	263,710,677	-
Internal Receivable	1,852,768,660	-	150,864,253	-
Due from Component Units	-	9,280,691	9,280,691	-
Due from Primary Government	-	-	-	62,770,818
Prepaid Items	5,853,792	1,709,625	7,563,417	-
Inventory	16,389,853	28,186,897	44,576,750	520,096
Loans and Notes Receivable - Net	107,099,366	2,642,104,559	2,749,203,925	11,677,758
Unamortized Bond Financing Costs	1,145,897	10,856,888	12,002,785	2,859,754
Pension Assets	2,471,502	-	2,471,502	-
Other Assets	-	10,507,424	10,507,424	28,032,015
Restricted Assets:				
Cash and Cash Equivalents	49,626	124,608,441	124,658,067	21,411,228
Investments	-	28,921,807	28,921,807	703,497,133
Interest Receivable - Net	-	3,515,000	3,515,000	4,133,000
Loans and Notes Receivable - Net	-	839,444,000	839,444,000	-
Capital Assets:				
Land and Construction in Progress	510,943,893	61,633,860	572,577,753	3,443,805
Infrastructure - Net	638,109,275	89,477,455	727,586,730	12,057,337
Buildings and Equipment - Net	393,598,527	683,984,820	1,077,583,347	109,681,005
Total Assets	5,156,193,576	6,851,924,273	10,306,213,442	1,052,721,285

\* 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, 2009

	Primary Government			
	Governmental	Business-Type		Component
	Activities	Activities	Total	Units
LIABILITIES				
Accounts Payable	187,401,654	36,215,738	223,617,392	8,053,737
Accrued Payroll	38,316,787	26,240,519	64,557,306	103,686
Securities Lending Collateral	72,571,905	61,204,672	133,776,577	-
Interest Payable	3,829,112	19,853,381	23,682,493	1,539,000
Intergovernmental Payable	65,871,655	4,090,249	69,961,904	-
Tax Refunds Payable	54,120,613	-	54,120,613	-
Internal Payable	-	1,701,904,407	-	-
Due to Component Units	-	4,047,936	4,047,936	-
Due to Primary Government	-	-	-	9,280,691
Contracts Payable	7,718,596	755,782	8,474,378	-
Federal Funds Purchased	-	300,945,000	300,945,000	-
Reverse Repurchase Agreements	-	3,075,000	3,075,000	-
Other Deposits	-	677,392,905	677,392,905	660,383
Amounts Held In Custody for Others	-	18,922,038	18,922,038	-
Unearned Revenue	11,647,777	93,863,880	105,511,657	6,881,475
Other Liabilities	-	10,947,684	10,947,684	28,521,176
Long-Term Liabilities				
Due within one year	28,680,366	144,711,826	173,392,192	17,340,835
Due in more than one year	297,351,491	2,104,812,792	2,402,164,283	256,165,048
Total Liabilities	767,509,956	5,208,983,809	4,274,589,358	328,546,031
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	1,323,476,716	578,827,822	1,902,304,538	102,924,608
Restricted for:				
General Government	1,440,757	-	1,440,757	-
Education	128,198,786	-	128,198,786	-
Health and Human Services	39,069,734	-	39,069,734	-
Regulatory Purposes	30,880,045	-	30,880,045	-
Public Safety & Corrections	35,834,415	-	35,834,415	-
Agriculture and Commerce	18,881,200	-	18,881,200	-
Cultural and Natural Resources	126,639,996	-	126,639,996	-
Transportation	188,880,963	-	188,880,963	-
Capital Projects	3,340,000	79,659	3,419,659	-
Debt Service	25,220,898	102,738,979	127,959,877	58,643,000
Loan Purposes	-	46,432,847	46,432,847	215,761,000
Pledged Assets	-	190,647,000	190,647,000	-
Unemployment Compensation	-	116,945,710	116,945,710	-
Permanent Fund and University System - Expendable	20,887,944	30,553,551	51,441,495	-
Permanent Fund and University System - Nonexpendable	879,305,267	11,920,629	891,225,896	-
Other	3,657,246	1,114,857	4,772,103	300,962,291
Unrestricted	1,562,969,653	563,679,410	2,126,649,063	45,884,355
Total Net Assets	\$ 4,388,683,620	\$ 1,642,940,464	\$ 6,031,624,084	\$ 724,175,254

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, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 418,220,944	\$ 24,085,311	\$ 37,991,743	\$ -
Education	564,818,600	4,325,036	69,947,510	-
Health and Human Services	1,005,299,226	34,200,110	694,183,117	7,000
Regulatory	26,581,606	19,418,470	3,095,779	-
Public Safety and Corrections	194,263,845	10,572,514	87,764,235	221,000
Agriculture and Commerce	68,057,495	22,749,832	22,169,064	-
Natural Resources	64,816,773	26,553,195	13,474,231	14,559,813
Transportation	382,619,328	87,100,993	203,212,452	42,276,911
Interest on Long Term Debt	12,683,901	-	-	-
Total Governmental Activities	2,737,361,718	229,005,461	1,131,838,131	57,064,724
Business-Type Activities:				
Bank of North Dakota	99,089,692	155,951,000	(5,310,000)	-
Housing Finance	59,769,233	53,438,021	13,635,000	-
Loan Programs	6,776,733	6,941,602	592,013	-
Mill and Elevator	233,792,242	224,127,818	27,178	-
State Lottery	16,122,996	21,815,381	38,239	-
Unemployment Compensation	106,475,262	75,137,232	6,023,243	-
University System	894,733,624	400,638,083	217,373,005	10,820,227
Workforce Safety & Insurance	168,527,183	163,857,781	(115,693,869)	-
Other	15,809,783	14,303,486	(2,526,628)	-
Total Business-Type Activities	1,601,096,748	1,116,210,404	114,158,181	10,820,227
Total Primary Government	\$ 4,338,458,466	\$ 1,345,215,865	\$ 1,245,996,312	\$ 67,884,951
Component Units:	\$ 104,427,713	\$ 58,560,007	\$ (11,139,038)	\$ -

### General Revenues:

#### Taxes:

Individual and Corporate Income Taxes

Sales and Use Taxes

Oil, Gas and Coal Taxes

Business and Other Taxes

Unrestricted Investment Earnings

Tobacco Settlement

Miscellaneous

Contributions to Perm Fund Principal

Special Item - Loss on Discontinuance of Computer Project

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	
\$ (356,143,890)		\$ (356,143,890)	
(490,546,054)		(490,546,054)	
(276,908,999)		(276,908,999)	
(4,067,357)		(4,067,357)	
(95,706,096)		(95,706,096)	
(23,138,599)		(23,138,599)	
(10,229,534)		(10,229,534)	
(50,028,972)		(50,028,972)	
(12,683,901)		(12,683,901)	
<u>(1,319,453,402)</u>		<u>(1,319,453,402)</u>	
	51,551,308	51,551,308	
	7,303,788	7,303,788	
	756,882	756,882	
	(9,637,246)	(9,637,246)	
	5,730,624	5,730,624	
	(25,314,787)	(25,314,787)	
	(265,902,309)	(265,902,309)	
	(120,363,271)	(120,363,271)	
	(4,032,925)	(4,032,925)	
<u>-</u>	<u>(359,907,936)</u>	<u>(359,907,936)</u>	
<u>(1,319,453,402)</u>	<u>(359,907,936)</u>	<u>(1,679,361,338)</u>	
			<u>\$ (57,006,744)</u>
503,975,529	-	503,975,529	-
857,770,891	-	857,770,891	-
428,669,882	-	428,669,882	-
60,813,632	-	60,813,632	-
12,830,321	-	12,830,321	-
30,990,193	-	30,990,193	-
54,636,981	-	54,636,981	-
11,573,541	-	11,573,541	8,246,062
(3,314,057)	-	(3,314,057)	-
(229,267,859)	270,189,481	40,921,622	-
<u>1,728,679,054</u>	<u>270,189,481</u>	<u>1,998,868,535</u>	<u>8,246,062</u>
409,225,652	(89,718,455)	319,507,197	(48,760,682)
3,979,457,968	1,732,658,919	5,712,116,887	772,935,936
<u>\$ 4,388,683,620</u>	<u>\$ 1,642,940,464</u>	<u>\$ 6,031,624,084</u>	<u>\$ 724,175,254</u>

# STATE OF NORTH DAKOTA

## Balance Sheet Governmental Funds June 30, 2009

	General	Federal	School Permanent Trust Fund	Other Governmental Funds	Total
<b>ASSETS</b>					
Cash Deposits at the Bank of ND	\$ 585,968,025	\$ -	\$ 4,871,323	\$ 1,011,928,975	\$ 1,602,768,323
Cash and Cash Equivalents	5,710,517	15,762	-	5,926,946	11,653,225
Restricted Cash and Cash Equivalents	-	-	-	49,626	49,626
Investments at the Bank of ND	99,923,955	7,750,000	-	136,606,842	244,280,797
Investments	81,761,823	-	901,847,772	86,577,815	1,070,187,410
Accounts Receivable - Net	3,460,232	7,252,497	9,803,718	29,100,699	49,617,146
Taxes Receivable - Net	191,155,829	-	1,854,439	65,326,124	258,336,392
Interest Receivable - Net	97,245	-	7,306,563	996,232	8,400,040
Intergovernmental Receivable - Net	-	212,196,169	-	10,137,978	222,334,147
Due from Other Funds	101,045,606	13,725,077	2,043,566	66,443,781	183,258,030
Due from Fiduciary Funds	151,171	1,174,999	-	158,271	1,484,441
Prepaid Items	1,202,509	818,949	-	2,221,220	4,242,678
Inventory	2,845,591	6,086,735	-	7,351,222	16,283,548
Loans and Notes Receivable - Net	141,290	279,673	38,334,416	68,343,987	107,099,366
Total Assets	\$ 1,073,463,793	\$ 249,299,861	\$ 966,061,797	\$ 1,491,169,718	\$ 3,779,995,169
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$ 43,664,077	\$ 105,971,754	\$ 4,486,449	\$ 31,327,368	\$ 185,449,648
Accrued Payroll	19,680,488	8,718,799	-	8,107,008	36,506,295
Securities Lending Collateral	-	-	61,297,730	11,164,202	72,461,932
Interest Payable	-	-	-	290,263	290,263
Intergovernmental Payable	2,770,223	7,838,180	-	55,263,217	65,871,620
Tax Refunds Payable	53,317,541	-	-	803,072	54,120,613
Due to Other Funds	55,394,555	99,596,789	84,409	36,224,384	191,300,137
Contracts Payable	9,984	6,539,400	-	1,169,212	7,718,596
Deferred Revenue	31,409,983	16,977,693	-	33,153,600	81,541,276
Total Liabilities	206,246,851	245,642,615	65,868,588	177,502,326	695,260,380
Fund Balances:					
Reserved For:					
Inventory	2,845,591	6,086,735	-	7,351,222	16,283,548
Long - Term Receivables	75,454	166,566	-	61,901,185	62,143,205
Capital Projects	-	-	-	3,340,000	3,340,000
Debt Service	-	-	-	25,220,898	25,220,898
Prepaid Expenditures	1,202,509	818,949	-	2,221,220	4,242,678
Legal Requirements	-	-	-	14,611,223	14,611,223
Undistributed Revenue	-	-	7,306,562	-	7,306,562
Permanent Trust Fund	-	-	892,886,647	-	892,886,647
Unreserved, Reported in:					
General Fund	863,093,388	-	-	-	863,093,388
Special Revenue Funds	-	(3,415,004)	-	1,199,021,644	1,195,606,640
Total Fund Balances	867,216,942	3,657,246	900,193,209	1,313,667,392	3,084,734,789
Total Liabilities and Fund Balances	\$ 1,073,463,793	\$ 249,299,861	\$ 966,061,797	\$ 1,491,169,718	\$ 3,779,995,169

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, 2009

**Total Fund Balances-Governmental Funds** \$ 3,084,734,789

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 \$4,235,960,037 and the accumulated depreciation is \$2,768,654,623. 1,467,305,414

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. 69,893,499

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. 74,942,639

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. 1,106,000

The pension assets resulting from contributions in excess of annual required contribution are not financial resources and, therefore, are not reported in the funds. 2,471,500

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	(247,949,109)	
Notes Payable	(20,522,820)	
Accrued Interest on Long-Term Liabilities	(3,165,661)	
Compensated Absences	(34,080,137)	
Intergovernmental Payable	(504,739)	
Capital Leases	(3,662,211)	
Pension Obligation (Reported as Accounts Payable)	(214,386)	
Claims and Judgments	(1,671,158)	
Total Long-Term Liabilities		(311,770,221)

**Net Assets of Governmental Activities** \$ 4,388,683,620

# STATE OF NORTH DAKOTA

## Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2009

	General	Federal	School Permanent Trust Fund	Other Governmental Funds	Total
<b>REVENUES</b>					
Individual and Corporate Income Taxes	\$ 492,125,666	\$ -	\$ -	\$ 12,885,825	\$ 505,011,491
Sales and Use Taxes	648,762,770	-	-	208,638,009	857,400,779
Oil, Gas, and Coal Taxes	53,168,841	-	17,686,968	357,773,973	428,629,782
Business and Other Taxes	42,512,178	-	-	18,505,454	61,017,632
Licenses, Permits and Fees	14,041,483	-	-	119,178,385	133,219,868
Intergovernmental	499,011	1,204,858,005	-	46,808,433	1,252,165,449
Sales and Services	3,715,595	3,796,238	-	41,359,867	48,871,700
Royalties and Rents	31,680,880	8,015	72,574,656	20,988,135	125,251,686
Fines and Forfeits	4,031,692	-	3,236,701	8,506,021	15,774,414
Interest and Investment Income	11,798,140	189,741	(129,908,272)	7,567,234	(110,353,157)
Tobacco Settlement	-	-	8,336,839	30,990,193	39,327,032
Commodity Assessments	-	-	-	16,502,864	16,502,864
Miscellaneous	1,420,715	502,976	-	3,939,953	5,863,644
Total Revenues	1,303,756,971	1,209,354,975	(28,073,108)	893,644,346	3,378,683,184
<b>EXPENDITURES</b>					
Current:					
General Government	153,986,572	3,100,917	-	7,974,910	165,062,399
Education	388,901,838	127,298,564	4,211,800	44,167,512	564,579,714
Health and Human Services	263,307,026	678,106,249	-	61,286,541	1,002,699,816
Regulatory	8,264,935	4,064,607	-	9,954,847	22,284,389
Public Safety and Corrections	100,686,357	51,129,437	-	35,243,433	187,059,227
Agriculture and Commerce	13,374,239	20,642,603	-	33,970,990	67,987,832
Natural Resources	15,465,496	14,237,465	-	28,730,204	58,433,165
Transportation	-	212,493,146	-	140,747,267	353,240,413
Intergovernmental - Revenue Sharing	-	-	-	253,363,580	253,363,580
Capital Outlay	16,210,390	65,423,082	-	32,246,113	113,879,585
Debt Service:					
Principal	3,492,402	341,792	-	16,372,999	20,207,193
Interest and Other Charges	851,603	81,522	-	11,347,531	12,280,656
Total Expenditures	964,540,858	1,176,919,384	4,211,800	675,405,927	2,821,077,969
Revenues over (under) Expenditures	339,216,113	32,435,591	(32,284,908)	218,238,419	557,605,215
<b>OTHER FINANCING SOURCES (USES)</b>					
Bonds and Notes Issued	-	-	-	3,005,000	3,005,000
Capital Lease Acquisitions	58,585	29,660	-	-	88,245
Sale of Capital Assets	-	-	11,800	74,825	86,625
Transfers In	84,765,607	9,202,293	-	184,265,987	278,233,887
Transfers Out	(344,762,727)	(37,912,452)	(35,600,000)	(89,226,567)	(507,501,746)
Total Other Financing Sources (Uses)	(259,938,535)	(28,680,499)	(35,588,200)	98,119,245	(226,087,989)
Net Change in Fund Balances	79,277,578	3,755,092	(67,873,108)	316,357,664	331,517,226
Fund Balances - Beginning of Year, as Adjusted	787,939,364	(97,846)	968,066,317	997,309,728	2,753,217,563
Fund Balances - End of Year	\$ 867,216,942	\$ 3,657,246	\$ 900,193,209	\$ 1,313,667,392	\$ 3,084,734,789

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, 2009

**Net Change in Fund Balances-Total Governmental Funds** \$ 331,517,226

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	113,879,585	
Depreciation expense	(54,990,948)	
Excess of capital outlay over depreciation expense		58,888,637

Construction in progress previously capitalized on the government wide and expensed in governmental funds. This construction in progress was written off in the current fiscal year on the government wide but does not affect the governmental funds. (3,314,057)

In the statement of activities, only the *gain(loss)* on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the book value of the assets sold. (1,246,657)

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. 312,832

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. (88,245)

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. (421,136)

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 6,858,499

Bonds proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. (3,005,000)

The pension assets resulting from contributions in excess of annual required contribution are not financial resources and, therefore, are not reported in the funds. 98,177

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	16,217,000	
Note payments	3,203,326	
Capital lease payments	1,164,863	
Total long-term debt repayment		20,585,189

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	327,944	
Net increase/decrease in compensated absences	(1,591,486)	
Net increase/decrease in net pension obligation (reported as accounts payable)	(112,756)	
Net increase/decrease in claims and judgments	416,485	
Total additional expenditures		(959,813)

**Change in Net Assets of Governmental Activities** \$ 409,225,652



# STATE OF NORTH DAKOTA

## Statement of Net Assets Proprietary Funds June 30, 2009

	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
						Total	
<b>ASSETS</b>							
Current Assets:							
Cash Deposits at the Bank of ND	\$ 2,840,000	\$ 46,725	\$ 49,851,643	\$ 2,030,233	\$ 30,063,976	\$ 84,832,577	\$ 13,822,436
Cash and Cash Equivalents	92,000	-	9,837,092	-	109,685,850	119,614,942	26,453
Investments at the Bank of ND	-	-	95,428,748	25,761,995	11,051,000	132,241,743	-
Investments	-	-	2,760,815	1,110,726,761	21,724,114	1,135,211,690	4,971,458
Accounts Receivable - Net	549,000	30,430,826	21,022,999	17,739,055	18,241,116	87,982,996	526,085
Interest Receivable - Net	178,000	-	-	8,521,532	2,920,586	11,620,118	54,053
Intergovernmental Receivable - Net	157,000	-	36,749,624	-	4,298,078	41,204,702	171,828
Due from Other Funds	98,000	-	12,023,287	1,855	1,006,541	13,129,683	6,539,622
Due from Fiduciary Funds	-	-	-	-	69,305	69,305	-
Due from Component Units	-	-	5,612,691	-	-	5,612,691	-
Prepaid Items	46,000	475,820	-	62,411	1,125,394	1,709,625	1,611,114
Inventory	-	19,964,272	7,210,562	-	1,012,063	28,186,897	106,305
Loans and Notes Receivable - Net	-	-	8,715,134	-	9,462,261	18,177,395	-
Other Assets	452,000	-	2,284,199	-	-	2,736,199	-
Restricted Cash at the Bank of ND	10,542,000	-	-	-	3,279,949	13,821,949	191,977
Restricted Cash and Cash Equivalents	124,584,000	-	-	-	-	124,584,000	-
Restricted Investments at the Bank of ND	-	-	-	-	4,575,000	4,575,000	-
Restricted Interest Receivable - Net	3,515,000	-	-	-	-	3,515,000	-
Restricted Loans Receivable - Net	15,857,000	-	-	-	-	15,857,000	-
Total Current Assets	158,910,000	50,917,643	251,496,794	1,164,843,842	218,515,233	1,844,683,512	28,021,331
Noncurrent Assets:							
Restricted Cash at the Bank of ND	-	-	4,002,365	-	260,070	4,262,435	-
Restricted Cash and Cash Equivalents	-	-	24,441	-	-	24,441	-
Restricted Investments at the Bank of ND	-	-	6,262,965	-	-	6,262,965	-
Restricted Investments	13,345,000	-	15,361,119	-	215,688	28,921,807	-
Investments at the Bank of ND	-	-	35,893,634	-	-	35,893,634	-
Investments	-	-	6,867,053	-	-	6,867,053	-
Loans and Notes Receivable - Net	-	-	31,817,269	-	57,099,895	88,917,164	-
Restricted Loans Receivable - Net	808,387,000	-	-	-	15,200,000	823,587,000	-
Unamortized Bond Issuance Costs	7,143,000	-	3,620,327	-	93,561	10,856,888	39,897
Other Noncurrent Assets	3,033,000	269,721	254	-	2,766,250	6,069,225	-
Capital Assets:							
Land and Construction in Progress	-	2,599,407	47,676,888	7,912,533	2,274,032	60,462,860	58,904
Infrastructure - Net	-	853,041	87,636,889	-	987,525	89,477,455	-
Buildings and Equipment - Net	96,000	33,836,453	618,000,366	9,767,934	9,874,067	671,574,820	75,287,377
Total Noncurrent Assets	832,004,000	37,558,622	857,163,570	17,680,467	88,771,088	1,833,177,747	75,386,178
Bank Related Assets:							
Cash and Cash Equivalents	\$ 552,723,000					\$ 552,723,000	
Investments	327,748,000					327,748,000	
Interest Receivable - Net	34,651,000					34,651,000	
Due from Other Funds	47,882,000					47,882,000	
Due from Component Units	3,668,000					3,668,000	
Loans and Notes Receivable - Net	2,535,010,000					2,535,010,000	
Other Assets	1,702,000					1,702,000	
Capital Assets:							
Land and Construction in Progress	1,171,000					1,171,000	
Buildings and Equipment - Net	12,410,000					12,410,000	
Total Bank Related Assets	3,516,965,000					3,516,965,000	
Total Assets	3,516,965,000	990,914,000	88,476,265	1,108,660,364	1,182,524,309	307,286,321	7,194,826,259

The Accompanying Notes are an Integral Part of the Financial Statements

# STATE OF NORTH DAKOTA

## Statement of Net Assets Proprietary Funds June 30, 2009

	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
<b>LIABILITIES</b>							
Current Liabilities:							
Accounts Payable		1,044,000	4,304,453	22,212,668	4,563,677	4,090,940	36,215,738
Accrued Payroll		-	280,818	25,679,825	-	279,876	26,240,519
Securities Lending Collateral		-	-	-	60,747,094	457,578	61,204,672
Interest Payable		19,149,000	-	27,812	-	114,389	19,291,201
Intergovernmental Payable		544,000	-	169,563	-	4,102,249	4,815,812
Due to Other Funds		2,802,000	38,600,000	2,742,100	127,527	10,594,763	54,866,390
Due to Component Units		-	-	379,936	-	-	379,936
Contracts Payable		-	-	755,782	-	-	755,782
Other Deposits		-	-	8,511,531	-	-	8,511,531
Amounts Held in Custody for Others		10,542,000	-	-	-	8,380,038	18,922,038
Claims/Judgments Payable		-	-	-	96,250,000	868,653	97,118,653
Dividends Payable		-	-	-	1,644,630	-	1,644,630
Compensated Absences Payable		133,000	37,272	1,333,346	836,573	33,724	2,373,915
Notes Payable		-	-	951,999	-	-	951,999
Capital Leases Payable		-	-	8,576,442	-	24,716	8,601,158
Bonds Payable		19,480,000	-	8,488,908	-	190,000	28,158,908
Deferred Revenue		35,000	-	12,188,589	77,004,241	4,636,050	93,863,880
Total Current Liabilities		53,729,000	43,222,543	92,018,501	241,173,742	33,772,976	463,916,762
Noncurrent Liabilities:							
Intergovernmental Payable		1,612,000	-	1,362,405	-	4,877,778	7,852,183
Claims/Judgments Payable		-	-	-	675,650,000	75,534	675,725,534
Compensated Absences Payable		68,000	708,174	24,374,565	147,630	299,853	25,598,222
Notes Payable		-	-	2,291,179	-	-	2,291,179
Capital Leases Payable		-	-	59,312,871	-	182,538	59,495,409
Bonds Payable		830,106,000	-	177,309,988	-	15,967,277	1,023,383,265
Other Noncurrent Liabilities		-	-	1,373,787	-	5,870,897	7,244,684
Total Noncurrent Liabilities		831,786,000	708,174	266,024,795	675,797,630	27,273,877	1,801,590,476
Bank Related Liabilities:							
Interest Payable		428,482					428,482
Due to Other Funds		23,931,518					23,931,518
Due to Component Units		3,668,000					3,668,000
Federal Funds Purchased		300,945,000					300,945,000
Reverse Repurchase Agreements		3,075,000					3,075,000
Deposits Held for Other Funds		2,017,227,840					2,017,227,840
Other Deposits		624,460,160					624,460,160
Other Liabilities		3,703,000					3,703,000
Long Term Liabilities:							
Due within one year		5,137,000					5,137,000
Due in more than one year		310,467,000					310,467,000
Total Bank Related Liabilities		3,293,043,000					3,293,043,000
Total Liabilities		885,515,000	43,930,717	358,043,296	916,971,372	61,046,853	5,558,550,238
<b>NET ASSETS</b>							
Invested in Capital Assets, Net of Related Debt		13,581,000	96,000	37,282,916	498,376,235	11,811,204	578,827,822
Restricted for:							
Capital Projects		-	-	79,659	-	-	79,659
Debt Service		89,748,000	-	11,785,221	-	1,205,758	102,738,979
Loan Purposes		-	-	45,827,764	-	605,083	46,432,847
Pledged Assets		190,647,000	-	-	-	-	190,647,000
Unemployment Compensation		-	-	-	-	116,945,710	116,945,710
University System-Nonexpendable		-	-	11,920,629	-	-	11,920,629
University System-Expendable		-	-	30,553,551	-	-	30,553,551
Other		-	-	117,403	-	997,454	1,114,857
Unrestricted		19,694,000	15,555,000	7,262,632	151,956,606	247,872,470	557,014,967
Total Net Assets		\$ 223,922,000	\$ 105,399,000	\$ 44,545,548	\$ 750,617,068	\$ 246,239,468	\$ 1,636,276,021

### Reconciliation of the Proprietary Funds Statement of Net Assets to the Statement of Net Assets June 30, 2009

#### Total Net Assets - Enterprise Funds

Amounts reported for business-type activities in the statement of net assets are different because: \$ 1,636,276,021

Prior year net assets restatement and reduction of current year expenses based on the allocation of internal service fund's net income 6,664,443

Net Assets of Business-Type Activities \$ 1,642,940,464

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, 2009

	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
<b>OPERATING REVENUES</b>								
Sales and Services	\$ 7,475,000	\$ 1,572,000	\$ 224,052,365	\$ 57,477,025	\$ 162,179,298	\$ 114,488,417	\$ 567,244,105	\$ 83,794,546
Auxiliary Sales Pledges for Bonds	-	-	-	94,329,556	-	-	94,329,556	-
Tuition and Fees	-	-	-	244,594,116	-	-	244,594,116	-
Grants and Contributions	-	-	-	156,649,964	-	-	156,649,964	-
Royalties and Rents	-	-	-	-	759,180	71,608	830,788	-
Fines and Forfeits	-	-	-	-	919,303	-	919,303	-
Interest and Investment Income	143,166,000	51,866,021	-	-	-	3,631,792	198,663,813	-
Miscellaneous	-	-	-	1,553,886	-	1,384	1,555,270	296,821
Total Operating Revenues	150,641,000	53,438,021	224,052,365	554,604,547	163,857,781	118,193,201	1,264,786,915	84,091,367
<b>OPERATING EXPENSES</b>								
Cost of Sales and Services	-	-	226,765,117	38,080,007	-	2,726,946	267,572,070	1,179,284
Salaries and Benefits	9,595,000	2,416,000	1,568,849	543,130,015	14,481,049	4,220,439	575,411,352	21,029,682
Operating	16,596,000	4,995,000	732,844	225,073,998	3,760,342	27,462,804	278,620,988	37,040,580
Claims	-	-	-	-	147,080,241	108,347,826	255,428,067	3,378,476
Dividends Expense	-	-	-	-	(3,300,000)	-	(3,300,000)	-
Scholarships and Fellowships	-	-	-	29,537,642	-	-	29,537,642	-
Interest	71,801,000	40,204,000	-	-	-	834,444	112,839,444	-
Depreciation	1,194,000	4,000	2,700,468	43,817,249	248,627	1,000,189	48,964,533	11,519,942
Miscellaneous	-	-	-	-	-	3,800	3,800	-
Total Operating Expenses	99,186,000	47,619,000	231,767,278	879,638,911	162,270,259	144,596,448	1,565,077,896	74,147,964
Operating Income (Loss)	51,455,000	5,819,021	(7,714,913)	(325,034,364)	1,587,522	(26,403,247)	(300,290,981)	9,943,403
<b>NONOPERATING REVENUES (EXPENSES)</b>								
Grants and Contracts	-	-	-	33,046,541	-	516,860	33,563,401	-
Gifts	-	-	-	23,263,783	-	-	23,263,783	-
Interest and Investment Income	-	13,635,000	27,178	4,412,717	(115,693,869)	3,610,007	(94,008,967)	(405,844)
Interest Expense	-	(12,157,000)	(2,036,147)	(14,179,789)	(6,332,254)	(166,715)	(34,871,905)	(787,698)
Gain (Loss) on Sale of Capital Assets	-	-	-	(1,794,197)	-	4,500	(1,789,697)	(79,475)
Other	-	-	26,828	1,875,745	-	(466,412)	1,436,161	19,061
Total Nonoperating Revenues (Expenses)	-	1,478,000	(1,982,141)	46,624,800	(122,026,123)	3,498,240	(72,407,224)	(1,253,956)
Income (Loss) Before Contributions and Transfers	51,455,000	7,297,021	(9,697,054)	(278,409,564)	(120,438,601)	(22,905,007)	(372,698,205)	8,689,447
Capital Grants and Contributions	-	-	-	10,820,227	-	-	10,820,227	142,096
Transfers In	-	363,979	-	303,759,385	-	1,160,375	305,283,739	-
Transfer Out	(20,004,000)	(31,000)	(36,254)	(8,234,000)	-	(6,789,004)	(35,094,258)	-
Changes in Net Assets	31,451,000	7,630,000	(9,733,308)	27,936,048	(120,438,601)	(28,533,636)	(91,688,497)	8,831,543
Total Net Assets - Beginning of Year, as Adjusted	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
Total Net Assets - End of Year	\$ 223,922,000	\$ 105,399,000	\$ 44,545,548	\$ 750,620,068	\$ 265,552,937	\$ 246,239,468	\$ 1,636,279,021	\$ 81,607,082

### 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, 2009

Net Change in Net Assets-Total Enterprise Funds \$ (91,691,497)

Amounts reported for business-type activities in the statement of net assets are different because:

Expenses were reduced based on the allocation of internal service fund's net income 1,973,042

Change in Net Assets of Business-Type Activities \$ (89,718,455)

The Accompanying Notes are an Integral Part of the Financial Statements



Memorial Bridge – Bismarck

# STATE OF NORTH DAKOTA

## Statement of Cash Flows

### Proprietary Funds

For the Fiscal Year Ended June 30, 2009

	Business-Type Activities - Enterprise Funds		
	Bank of North Dakota	Housing Finance	Mill and Elevator
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers and Users	\$ 7,664,000	\$ 153,562,021	\$ 275,810,930
Receipts from Tuition and Fees	-	-	-
Interest Income on Loans	-	-	-
Receipts from Loan Principal Repayments	-	-	-
Receipts from Other Funds	-	-	-
Receipts from Grants and Contracts	-	-	-
Receipts from Others	-	-	-
Payments for Loan Funds	-	(460,000)	-
Payments to Other Funds	-	-	-
Payments for Scholarships and Fellowships	-	-	-
Payments to Suppliers	(8,500,000)	(157,703,000)	(221,517,628)
Payments to Employees	(9,550,000)	(2,410,000)	(7,998,481)
Claim Payments	-	-	-
Payments to Others	-	(921,000)	-
Other	-	-	(48,625)
Net Cash Provided by (Used for) Operating Activities	(10,386,000)	(7,931,979)	46,246,196
<b>Cash Flows from Noncapital Financing Activities:</b>			
Proceeds from Bonds	-	175,641,000	-
Proceeds from Sale of Notes and Other Borrowings	360,200,000	-	31,600,000
Principal Payments - Bonds	-	(254,020,000)	-
Principal Payments - Notes and Other Borrowings	(289,666,000)	-	(71,898,712)
Interest Payments - Bonds	-	(40,733,000)	-
Interest Payments - Notes and Other Borrowings	(14,468,000)	-	(2,036,147)
Payment of Bond Issue Costs	-	(1,236,000)	-
Transfers In	-	363,979	-
Transfers Out	(30,046,000)	(31,000)	(36,254)
Net Increase in Non-Interest Bearing Deposits	(4,049,000)	-	-
Net Decrease in Interest Bearing Deposits	777,638,000	-	-
Payments of Interest on Deposits	(46,233,000)	-	-
Interest Paid on Federal Funds and Reverse Repurchase Agreements	(9,226,000)	-	-
Net Decrease in Federal Funds and Reverse Repurchase Agreements	(130,041,000)	-	-
Principal Payments on Due To Other Funds	-	-	-
Grants and Gifts Received for Other than Capital Purposes	-	-	-
Agency Fund Cash Increase	-	-	-
Grants Given for Other than Capital Purposes	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	614,109,000	(120,015,021)	(42,371,113)
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and Construction of Capital Assets	(3,731,000)	(89,000)	(3,909,273)
Proceeds from Sale of Capital Assets	2,122,000	-	50,000
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	-	-	-
Other	-	-	-
Net Cash Used for Capital and Related Financing Activities	(1,609,000)	(89,000)	(3,859,273)
<b>Cash Flows from Investing Activities:</b>			
Proceeds from Sale and Maturities of Investment Securities	131,488,000	10,918,000	-
Purchase of Investment Securities	(232,664,000)	(5,942,000)	-
Interest and Dividends on Investments	18,999,000	1,803,000	27,178
Proceeds from Sale of Other Real Estate	129,000	-	-
Net Decrease in Loans	(618,415,000)	-	-
Receipt of Loan Principal Repayments	-	-	-
Loan Income Received	128,415,000	-	-
Net Cash Provided by (Used for) Investing Activities	(572,048,000)	6,779,000	27,178

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
\$ 146,301,463	\$ 88,306,037	\$ 283,731,720	\$ 955,376,171	\$ 82,534,560
245,208,707	-	-	245,208,707	-
-	-	488,788	488,788	-
4,855,567	-	11,963,738	16,819,305	-
-	-	6,380	6,380	231,145
155,300,058	-	-	155,300,058	-
4,513,910	2,835,198	92,097	7,441,205	-
(4,705,013)	-	(10,663,788)	(15,828,801)	-
-	-	225	225	(186,793)
(29,537,642)	-	-	(29,537,642)	-
(262,442,569)	(1,545,746)	(195,821,979)	(847,530,922)	(37,462,349)
(539,978,286)	(10,845,602)	(4,138,108)	(574,920,477)	(20,786,870)
-	(112,186,839)	(77,674,286)	(189,861,125)	(484,313)
-	(15,615,457)	(63,678)	(16,600,135)	(2,745,908)
2,989,448	-	(454,323)	2,486,500	2,953
(277,494,357)	(49,052,409)	7,466,786	(291,151,763)	21,102,425
-	-	-	175,641,000	-
-	-	-	391,800,000	-
-	-	(59,400,000)	(313,420,000)	-
-	-	-	(361,564,712)	-
-	-	(929,000)	(41,662,000)	-
-	-	(61,122)	(16,565,269)	-
-	-	-	(1,236,000)	(2,449)
308,619,021	-	906,431	309,889,431	-
(8,234,000)	-	(9,743,004)	(48,090,258)	(5,500,000)
-	-	-	(4,049,000)	-
-	-	-	777,638,000	-
-	-	-	(46,233,000)	-
-	-	-	(9,226,000)	-
-	-	-	(130,041,000)	-
(1,479,887)	-	(443,486)	(1,923,373)	-
45,017,972	-	516,860	45,534,832	-
263,298	-	-	263,298	-
(1,557,755)	-	-	(1,557,755)	-
342,628,649	-	(69,153,321)	725,198,194	(5,502,449)
(57,362,918)	(3,623,419)	(1,278,975)	(69,994,585)	(14,000,722)
167,455	-	-	2,339,455	1,953,653
10,632,445	-	73,150	10,705,595	-
-	-	(195,000)	(195,000)	-
(31,757,754)	-	(25,950)	(31,783,704)	(6,613,350)
-	-	(43,586)	(43,586)	-
(13,848,295)	-	(15,582)	(13,863,877)	(935,650)
14,876,265	-	-	14,876,265	-
-	-	(41,108)	(41,108)	(150,209)
-	-	-	-	(41,909)
8,397,112	-	-	8,397,112	-
257,851	-	-	257,851	-
-	-	220	220	-
(68,637,839)	(3,623,419)	(1,526,831)	(79,345,362)	(19,788,187)
52,099,864	56,000,000	24,292,039	274,797,903	1,060,300
(67,163,685)	(2,669,137)	(20,528,452)	(328,967,274)	-
7,668,070	-	6,206,211	34,703,459	(27,522)
-	-	-	129,000	-
-	-	(1,085,000)	(619,500,000)	-
-	-	976,426	976,426	-
-	-	517,573	128,932,573	-
(7,395,751)	53,330,863	10,378,797	(508,927,913)	1,032,778

The Accompanying Notes are an Integral Part of the Financial Statements

# STATE OF NORTH DAKOTA

## Statement of Cash Flows Proprietary Funds (Continued) For the Fiscal Year Ended June 30, 2009

	Business-Type Activities - Enterprise Funds		
	Bank of North Dakota	Housing Finance	Mill and Elevator
<b>Net Change in Cash:</b>			
Net Increase (Decrease) in Cash and Cash Equivalents	30,066,000	(121,257,000)	42,988
Cash and Cash Equivalents at June 30, 2008	522,657,000	259,315,000	3,737
Cash and Cash Equivalents at June 30, 2009	<u>\$ 552,723,000</u>	<u>\$ 138,058,000</u>	<u>\$ 46,725</u>
<b>Reconciliation:</b>			
Current:			
Cash Deposits at the Bank of North Dakota	\$ -	\$ 2,840,000	\$ 46,725
Cash and Cash Equivalents	552,723,000	92,000	-
Restricted Cash Deposits at the Bank of North Dakota	-	10,542,000	-
Restricted Cash and Cash Equivalents	-	124,584,000	-
Noncurrent:			
Restricted Cash Deposits At The Bank of North Dakota	-	-	-
Restricted Cash and Cash Equivalents	-	-	-
Cash and Cash Equivalents	<u>\$ 552,723,000</u>	<u>\$ 138,058,000</u>	<u>\$ 46,725</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:</b>			
Operating Income (Loss)	\$ 51,455,000	\$ 5,819,021	\$ (7,714,913)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	1,194,000	4,000	2,700,468
Amortization\Accretion	-	694,000	-
Reclassification of Interest Revenue\Expense	(76,675,000)	40,602,000	-
Gain on Sale of Student Loans	(1,000)	-	-
Loss on Sale of Real Estate	28,000	-	-
Net Decrease in Fair Value of Investments	5,099,000	-	-
Interest Received on Program Loans	-	-	-
Disbursements for Loans and Loan Purchases	-	-	-
Receipt of Loan Principal Repayments	-	-	-
Provision for Losses	8,900,000	-	-
Contributed Property and Equipment	(628,000)	-	-
Other	-	(123,000)	75,453
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	-	(55,173,000)	16,057,557
(Increase) Decrease in Interest Receivable	-	(337,000)	-
(Increase) Decrease in Due From	96,000	25,000	-
Decrease in Due From Fiduciary Funds	-	-	-
(Increase) Decrease in Intergovernmental Receivable	-	48,000	-
Decrease in Notes Receivable	-	-	-
(Increase) Decrease in Prepaid Items	-	(22,000)	554,545
Decrease in Inventories	-	-	38,016,258
Increase in Other Assets	(94,000)	-	(21,766)
Increase (Decrease) in Accounts Payable	-	-	(3,221,233)
Increase (Decrease) in Claims/Judgments Payable	-	-	-
Increase (Decrease) in Intergovernmental Payable	-	(210,000)	-
Increase in Accrued Payroll	-	-	26,007
Increase in Compensated Absences Payable	-	13,000	55,884
Increase in Amounts Held for Others	-	388,000	-
Increase in Other Deposits	-	-	-
Increase (Decrease) in Due To Other Funds	(9,000)	26,000	-
Increase (Decrease) in Deferred Revenue	-	-	-
Increase (Decrease) in Other Liabilities	249,000	314,000	(282,064)
Decrease in Dividends Payable	-	-	-
Total Adjustments	<u>(61,841,000)</u>	<u>(13,751,000)</u>	<u>53,961,109</u>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>\$ (10,386,000)</u>	<u>\$ (7,931,979)</u>	<u>\$ 46,246,196</u>
<b>Noncash Transactions:</b>			
Net Increase (Decrease) in Fair Value of Investments	\$ 5,310,000	\$ (246,000)	\$ -
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	-	-	-
Gifts of Capital Assets	-	-	-
Interest Revenue on Prize Reserves	-	-	-
Total Noncash Transactions	<u>\$ 5,310,000</u>	<u>\$ (246,000)</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	
(10,899,298)	655,035	(52,834,569)	(154,226,844)	(3,155,433)	
74,614,839	1,375,198	196,124,414	1,054,090,188	17,196,299	
\$ 63,715,541	\$ 2,030,233	\$ 143,289,845	\$ 899,863,344	\$ 14,040,866	
\$ 49,851,643	\$ 2,030,233	\$ 30,063,976	\$ 84,832,577	\$ 13,822,436	
9,837,092	-	109,685,850	672,337,942	26,453	
-	-	3,279,949	13,821,949	-	
-	-	-	124,584,000	-	
4,002,365	-	260,070	4,262,435	191,977	
24,441	-	-	24,441	-	
\$ 63,715,541	\$ 2,030,233	\$ 143,289,845	\$ 899,863,344	\$ 14,040,866	
\$ (325,037,364)	\$ 1,587,522	\$ (26,403,247)	\$ (300,293,981)	\$ 9,943,403	
43,817,249	248,627	1,000,189	48,964,533	11,513,292	
-	-	539,000	1,233,000	6,650	
-	-	(2,360,500)	(38,433,500)	-	
-	-	-	(1,000)	-	
-	-	-	28,000	-	
-	-	-	5,099,000	-	
-	-	2,495,000	2,495,000	-	
-	-	(178,000)	(178,000)	-	
-	-	24,758,000	24,758,000	-	
-	-	897,000	9,797,000	-	
-	-	-	(628,000)	-	
-	-	(378,323)	(425,870)	-	
(11,911,526)	(1,598,444)	(1,501,328)	(54,126,741)	(375,169)	
-	-	35,314	(301,686)	-	
-	-	6,243	127,243	(1,195,494)	
-	-	4,476	4,476	-	
-	-	(1,464,644)	(1,416,644)	230,614	
1,380,461	-	177,307	1,557,768	-	
-	36,753	(343,152)	226,146	694,950	
202,708	-	51,299	38,270,265	6,225	
2,373,271	-	(59,878)	2,197,627	2,953	
1,851,001	155,715	1,258,173	43,656	77,029	
-	31,300,000	(320,661)	30,979,339	160,603	
-	-	2,784,385	2,574,385	(191,567)	
2,205,334	-	33,169	2,264,510	192,637	
2,040,942	164,720	49,162	2,323,708	50,174	
-	-	3,908,835	4,296,835	-	
3,211,042	-	-	3,211,042	-	
-	58,581	1,279,373	1,354,954	(13,336)	
2,372,525	8,930,567	1,208,414	12,511,506	(539)	
-	(89,936,450)	(8,820)	272,116	-	
47,543,007	(50,639,931)	33,870,033	9,142,218	11,159,022	
\$ (277,494,357)	\$ (49,052,409)	\$ 7,466,786	\$ (291,151,763)	\$ 21,102,425	
\$ (138,139)	\$ (117,088,561)	\$ (2,109,850)	\$ (114,272,550)	\$ (409,517)	
-	(76,051,009)	(444,891)	(76,495,900)	(127,261)	
-	43,923,868	-	43,923,868	-	
-	-	8,754	8,754	-	
-	-	3,335	3,335	-	
26,761,225	-	-	26,761,225	-	
657,055	-	-	657,055	-	
2,335,463	-	-	2,335,463	-	
-	-	591	591	-	
\$ 29,615,604	\$ (149,215,702)	\$ (2,542,061)	\$ (117,078,159)	\$ (536,778)	

The Accompanying Notes are an Integral Part of the Financial Statements



# STATE OF NORTH DAKOTA

## Statement of Fiduciary Net Assets

### Fiduciary Funds

June 30, 2009

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Agency Funds
<b>ASSETS</b>				
Cash Deposits at the Bank of ND	\$ 27,963,234	\$ 716,541	\$ 8,021,963	\$ 15,249,160
Cash and Cash Equivalents	-	-	1,806,697	3,894,839
Receivables:				
Contributions Receivable	13,881,378	-	-	-
Accounts Receivable - Net	4,717	-	54,630	6,223,561
Taxes Receivable - Net	-	-	-	14,179,561
Interest Receivable - Net	9,713,752	74,124	5,096	409
Due from Other Funds	14,290	-	26	-
Due from Fiduciary Funds	140,720	-	-	-
Total Receivables	23,754,857	74,124	59,752	20,403,531
Investments, at Fair Value:				
Investments at the Bank of ND	5,500	-	21,103	19,857,655
Equity Pool	1,306,117,088	59,599,108	-	-
Fixed Income	2,399,637	-	-	-
Fixed Income Pool	1,054,485,414	58,468,110	2,080,342	230,774
Cash and Cash Pool	8,132,298	250,157	-	-
Real Estate Pool	220,441,035	7,338,132	-	-
Alternative Investments	141,264,674	3,307,954	-	-
Annuities	88,888	-	-	-
Mutual Funds	33,107,540	-	263,169,979	-
Total Investments	2,766,042,074	128,963,461	265,271,424	20,088,429
Invested Securities Lending Collateral	14,552,880	988,942	34,178	-
Capital Assets (Net of Depreciation)	4,684,575	-	-	-
Total Assets	2,836,997,620	130,743,068	275,194,014	\$ 59,635,959
<b>LIABILITIES</b>				
Accounts Payable	4,809,889	226,164	771,343	\$ -
Accrued Payroll	113,626	-	-	-
Securities Lending Collateral	14,552,880	988,942	34,178	-
Intergovernmental Payable	-	-	-	31,033,499
Tax Refunds Payable	-	-	-	42,665
Due to Other Funds	138,703	-	-	-
Due to Fiduciary Funds	134,605	-	-	-
Amounts Held in Custody for Others	-	-	-	28,559,795
Deferred Revenue	18,744	-	-	-
Compensated Absences Payable	130,273	-	-	-
Total Liabilities	19,898,720	1,215,106	805,521	\$ 59,635,959
<b>NET ASSETS</b>				
Net Assets Held in Trust for:				
Pension Benefits	2,815,803,258	-	-	-
Other Employee Benefits	1,295,642	-	-	-
External Investment Pool Participants	-	129,527,962	-	-
Other Purposes	-	-	274,388,493	-
Total Net Assets Held in Trust	\$ 2,817,098,900	\$ 129,527,962	\$ 274,388,493	-

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, 2009

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 73,681,743	\$ -	\$ -
Employee	77,174,126	-	-
From Participants	-	-	27,420,196
Transfers from Other Funds	564,078	-	-
Transfers from Other Plans	150,734	-	-
Donations	-	-	3,359
Total Contributions	<u>151,570,681</u>	<u>-</u>	<u>27,423,555</u>
Investment Income:			
Net Change in Fair Value of Investments	(1,019,750,271)	(26,057,926)	(69,463,525)
Interest and Dividends	<u>77,164,619</u>	<u>3,100,638</u>	<u>9,976,204</u>
Less Investment Expense	<u>13,774,604</u>	<u>556,975</u>	<u>-</u>
Net Investment Income	<u>(956,360,256)</u>	<u>(23,514,263)</u>	<u>(59,487,321)</u>
Securities Lending Activity:			
Securities Lending Income	543,773	30,809	-
Less Securities Lending Expense	<u>225,741</u>	<u>13,050</u>	<u>-</u>
Net Securities Lending Income	<u>318,032</u>	<u>17,759</u>	<u>-</u>
Repurchase Service Credit	6,078,777	-	-
Miscellaneous Income	<u>1,055,807</u>	<u>-</u>	<u>3,900</u>
Total Additions	<u>(797,336,959)</u>	<u>(23,496,504)</u>	<u>(32,059,866)</u>
<b>DEDUCTIONS</b>			
Benefits Paid to Participants	204,715,940	-	371
Refunds	7,304,171	-	-
Prefunded Credit Applied	4,854,724	-	-
Transfer to Other Plans	564,078	-	-
Payments in Accordance with Trust Agreements	-	-	33,534,397
Administrative Expenses	<u>3,785,294</u>	<u>-</u>	<u>2,406,482</u>
Total Deductions	<u>221,224,207</u>	<u>-</u>	<u>35,941,250</u>
Purchase of Units at Net Asset Value of \$1.00 Per Unit	<u>-</u>	<u>31,970,490</u>	<u>-</u>
Change in Net Assets Held in Trust for:			
Pension Benefits	(1,018,941,438)	-	-
Other Employee Benefits	380,272	-	-
External Investment Pool Participants	-	8,473,986	-
Other Purposes	<u>-</u>	<u>-</u>	<u>(68,001,116)</u>
Total Change in Net Assets	<u>(1,018,561,166)</u>	<u>8,473,986</u>	<u>(68,001,116)</u>
Net Assets - Beginning of Year	<u>3,835,660,066</u>	<u>121,053,976</u>	<u>342,389,609</u>
Net Assets - End of Year	<u>\$ 2,817,098,900</u>	<u>\$ 129,527,962</u>	<u>\$ 274,388,493</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, 2009

	BSC Foundation	DSU Foundation	CHAND	MISU Development Foundation	Public Finance Authority	ND Development Fund
<b>ASSETS</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 101,791	\$ 11,309,711	\$ 3,523,938	\$ 293,524	\$ 1,000	\$ 6,687,135
Investments	-	-	-	-	-	6,019,000
Accounts Receivable - Net	1,381,102	2,838,022	10,957	41,152	-	-
Interest Receivable - Net	-	-	-	-	-	85,229
Due from Primary Government	54,788	-	-	-	-	-
Inventory	-	-	-	-	-	-
Loans and Notes Receivable - Net	-	-	-	-	-	2,346,473
Other Assets	65,079	99,631	-	3,892	-	-
Restricted Cash and Cash Equivalents	-	-	-	-	1,233,000	-
Restricted Investments	-	-	-	-	54,570,000	-
Restricted Interest Receivable - Net	-	-	-	-	4,133,000	-
Total Current Assets	1,602,760	14,247,364	3,534,895	338,568	59,937,000	15,137,837
Noncurrent Assets:						
Restricted Cash and Cash Equivalents	456,391	111,737	-	-	-	-
Restricted Investments	10,101,508	7,018,881	-	8,655,276	393,316,000	-
Investments	327,647	580,000	-	956,202	-	834,057
Due from Primary Government	2,265,000	-	-	-	3,668,000	-
Loans and Notes Receivable - Net	-	-	-	-	-	7,671,535
Unamortized Bond Issuance Costs	41,526	-	-	-	1,036,000	-
Other Noncurrent Assets	603,594	5,248,349	-	343,937	-	-
Capital Assets:						
Land and Construction in Progress	1,200,000	80,000	-	-	-	-
Infrastructure - Net	11,071,939	57,596	-	-	-	-
Buildings and Equipment - Net	70,206	770,497	-	-	-	766
Total Noncurrent Assets	26,137,811	13,867,060	-	9,955,415	398,020,000	8,506,358
Total Assets	27,740,571	28,114,424	3,534,895	10,293,983	457,957,000	23,644,195
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable	81,818	785,625	2,000,325	14,314	153,000	13,653
Accrued Payroll	-	74,991	-	-	-	-
Interest Payable	-	-	-	-	1,539,000	-
Intergovernmental Payable	-	-	-	-	-	-
Due to Primary Government	87,764	1,511,847	-	-	-	-
Other Deposits	-	-	-	-	-	-
Notes Payable	-	464,924	-	-	-	-
Capital Leases Payable	-	-	-	-	-	-
Bonds Payable	771,834	-	-	-	12,234,000	-
Deferred Revenue	-	-	165,233	-	-	-
Other Current Liabilities	-	-	-	-	-	-
Total Current Liabilities	941,416	2,837,387	2,165,558	14,314	13,926,000	13,653
Noncurrent Liabilities:						
Intergovernmental Payable	-	-	-	-	310,000	-
Due to Primary Government	-	-	-	-	3,668,000	-
Notes Payable	-	131,569	-	-	-	-
Capital Leases Payable	-	-	-	-	-	-
Bonds Payable	3,430,799	9,200,000	-	-	162,774,000	-
Other Noncurrent Liabilities	2,445,031	611,265	-	161,712	-	-
Total Noncurrent Liabilities	5,875,830	9,942,834	-	161,712	166,752,000	-
Total Liabilities	6,817,246	12,780,221	2,165,558	176,026	180,678,000	13,653
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	9,139,512	311,600	-	-	-	766
Restricted for:						
Debt Service	-	-	-	-	58,643,000	-
Loan Purposes	-	-	-	-	215,761,000	-
Other	12,640,139	15,542,936	-	7,910,175	-	-
Unrestricted	(856,326)	(520,333)	1,369,337	2,207,782	2,875,000	23,629,776
Total Net Assets	\$ 20,923,325	\$ 15,334,203	\$ 1,369,337	\$ 10,117,957	\$ 277,279,000	\$ 23,630,542

	NDSU Development Foundation	NDSU Research and Technology Park	RE Arena Inc. UND Arena Services, Inc. & Affiliates	UND Aerospace Foundation	UND Alumni Association and UND Foundation	Non-Major	Total
\$	1,271,676	\$ 2,565,625	\$ 4,317,053	\$ 737,589	\$ 2,439,456	\$ 7,814,341	\$ 41,062,839
-	-	-	-	-	-	-	6,019,000
2,399,661	287,777	1,557,174	1,577,150	9,013,054	246,596	-	19,352,645
-	-	-	-	-	-	-	85,229
373,824	840,000	-	132,951	915,693	229,619	-	2,546,875
-	-	387,867	132,229	-	-	-	520,096
-	-	-	-	-	-	-	2,346,473
588,484	72,310	148,305	261,101	27,619	104,994	-	1,371,415
-	-	-	-	-	-	-	1,233,000
-	-	-	-	-	-	-	54,570,000
-	-	-	-	-	-	-	4,133,000
4,633,645	3,765,712	6,410,399	2,841,020	12,395,822	8,395,550	-	133,240,572
6,566,481	550,599	2,782,497	-	-	9,710,523	-	20,178,228
82,759,996	-	-	-	130,626,146	16,449,326	-	648,927,133
17,730,451	-	-	31,310	5,657,956	-	-	26,117,623
19,144,510	23,645,000	-	1,784,126	9,717,307	-	-	60,223,943
-	1,659,750	-	-	-	-	-	9,331,285
-	1,782,228	-	-	-	-	-	2,859,754
1,425,194	674,755	200,000	-	17,907,665	257,106	-	26,660,600
868,809	-	-	1,088,436	-	206,560	-	3,443,805
-	907,569	-	20,233	-	-	-	12,057,337
4,981,296	3,387,496	82,112,115	15,384,373	2,649,911	324,345	-	109,681,005
133,476,737	32,607,397	85,094,612	18,308,478	166,558,985	26,947,860	-	919,480,713
138,110,382	36,373,109	91,505,011	21,149,498	178,954,807	35,343,410	-	1,052,721,285
1,642,738	340,704	1,233,474	912,709	796,627	78,750	-	8,053,737
-	28,695	-	-	-	-	-	103,686
-	-	-	-	-	-	-	1,539,000
-	28,368	-	-	-	-	-	28,368
-	-	1,427,088	881,899	3,150	1,700,943	-	5,612,691
660,383	-	-	-	-	-	-	660,383
195,525	81,667	-	980,093	200,000	33,734	-	1,955,943
-	41,564	-	40,858	-	-	-	82,422
485,861	840,000	226,714	-	715,693	-	-	15,274,102
-	-	3,793,683	1,597,565	1,324,994	-	-	6,881,475
-	-	-	-	-	20,000	-	20,000
2,984,507	1,360,998	6,680,959	4,413,124	3,040,464	1,833,427	-	40,211,807
-	463,452	-	-	-	-	-	773,452
-	-	-	-	-	-	-	3,668,000
1,793,487	628,000	-	6,958,495	100,000	37,881	-	9,649,432
-	-	-	1,784,126	-	-	-	1,784,126
22,677,819	27,085,000	5,538,844	-	13,251,576	-	-	243,958,038
6,194,691	1,003,700	-	-	18,001,446	83,331	-	28,501,176
30,665,997	29,180,152	5,538,844	8,742,621	31,353,022	121,212	-	288,334,224
33,650,504	30,541,150	12,219,803	13,155,745	34,393,486	1,954,639	-	328,546,031
5,850,105	(387,587)	76,346,557	8,554,454	2,649,911	459,290	-	102,924,608
-	-	-	-	-	-	-	58,643,000
-	-	-	-	-	-	-	215,761,000
99,806,823	636,515	2,782,497	-	130,132,376	31,510,830	-	300,962,291
(1,197,050)	5,583,031	156,154	(560,701)	11,779,034	1,418,651	-	45,884,355
\$ 104,459,878	\$ 5,831,959	\$ 79,285,208	\$ 7,993,753	\$ 144,561,321	\$ 33,388,771	\$	\$ 724,175,254

# STATE OF NORTH DAKOTA

## Combining Statement of Activities Component Units - Proprietary Funds For the Fiscal Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
BSC Foundation	\$ 2,298,387	\$ 400,006	\$ (1,783,977)	\$ (3,682,358)
DSU Foundation	2,251,076	145,149	4,405,760	2,299,833
CHAND	10,721,751	11,398,138	446,291	1,122,678
MISU Development Foundation	706,212	203,446	(2,320,693)	(2,823,459)
Public Finance Authority	8,929,000	1,297,000	24,573,000	16,941,000
ND Development Fund	1,473,687	887,649	233,596	(352,442)
NDSU Development Foundation	15,146,243	1,254,933	(11,897,423)	(25,788,733)
NDSU Research and Technology Park	3,382,172	2,823,640	533,789	(24,743)
RE Arena, Inc., UND Arena Services & Affiliates	12,161,832	7,485,936	-	(4,675,896)
UND Aerospace Foundation	19,481,610	20,090,136	404,098	1,012,624
UND Alumni Association & UND Foundation	15,698,405	4,492,821	(25,329,411)	(36,534,995)
Nonmajor Component Units	12,177,338	8,141,153	(464,068)	(4,500,253)
Total Component Units	<u>\$ 104,427,713</u>	<u>\$ 58,620,007</u>	<u>\$ (11,199,038)</u>	<u>\$ (57,006,744)</u>

The Accompanying Notes are an Integral Part of the Financial Statements

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Adds to Permanent Endowments		Change in Net Assets	Net Assets Beginning of Year, as Adjusted	Net Assets End of Year
\$	406,523	\$ (3,275,835)	\$ 24,199,160	\$ 20,923,325
	250,184	2,550,017	12,784,186	15,334,203
	-	1,122,678	246,659	1,369,337
	251,466	(2,571,993)	12,689,950	10,117,957
	-	16,941,000	260,338,000	277,279,000
	-	(352,442)	23,982,984	23,630,542
	5,403,988	(20,384,745)	124,844,623	104,459,878
	-	(24,743)	5,856,702	5,831,959
	-	(4,675,896)	83,961,104	79,285,208
	-	1,012,624	6,981,129	7,993,753
	1,343,163	(35,191,832)	179,753,153	144,561,321
	590,738	(3,909,515)	37,298,286	33,388,771
<u>\$ 8,246,062</u>		<u>\$ (48,760,682)</u>	<u>\$ 772,935,936</u>	<u>\$ 724,175,254</u>

The Accompanying Notes are an Integral Part of the Financial Statements

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# STATE OF NORTH DAKOTA

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## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2009

### 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, 2009, 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, 2008, 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, 2008, 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

## STATE OF NORTH DAKOTA

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by other independent auditors for the fiscal year ended June 30, 2009, 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, 2009, 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, 2009, 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, 2009, 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, 2009, 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, 2009, 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, 2009, 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)

## STATE OF NORTH DAKOTA

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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, 2009, 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, 2009, 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 15-member board of directors comprised of leading citizens, both alumni and friends of the university, as well as one ex-officio member 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, 2009, 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, 2009, 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, 2009, 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 18-member board of directors comprised of leading citizens, both alumni and friends of the university, as well as one ex-officio member 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:

# STATE OF NORTH DAKOTA

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Building Authority  
600 E. Boulevard Ave., 14<sup>th</sup> Floor  
Bismarck, ND 58505-0310

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

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

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.

**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

# STATE OF NORTH DAKOTA

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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.

# STATE OF NORTH DAKOTA

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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 the 2007-2009 biennium, there were general, federal and supplemental appropriations totaling \$538,128,488.

For the biennium ended June 30, 2009, the Secretary of State had expenditures that exceeded appropriations by \$70,654 at the General Fund Funding Authority, Line Item Level, and by \$56,114 at the Operating Expense Line Item Level. An unexpected amount of computer costs resulted in the over-expenditure.

## **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, 2009.

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

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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 cost adjusted for other than temporary impairment as determined by the Board of Directors. Among the factors considered by the Fund's Directors in determining whether an other than temporary impairment of an investment has occurred 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 by the management company and of the investee company as to the potential effect of future developments. Total equity investments in the North Dakota Development Fund, Inc. are valued at \$834,057 at June 30, 2009. 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, 2009, 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, 2009, 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, 2009, was 10 days. The Average Weighted Maturity of collateral investments as of June 30, 2009, was 95 days. (Land Department was 52 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 15 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.



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## **H. INTERFUND ACTIVITY AND BALANCES**

### INTERFUND ACTIVITY

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

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

### INTERFUND BALANCES

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

## **I. INVENTORIES AND PREPAID ITEMS**

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

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

Generally, inventories of University System Funds are valued at the lower of cost or fair market value. Cost is generally determined on the first in/first out, or moving weighted average method. Inventories consist of food, books, and other merchandise held for resale in auxiliaries and unrestricted physical plant supplies.

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

## STATE OF NORTH DAKOTA

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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 five 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.

# STATE OF NORTH DAKOTA

Differences on the fund balance sheets between the liability "Deposits Held for Other Funds" and the assets "Cash Deposits and Investments at the Bank of North Dakota" are attributable to timing differences resulting from the Bank of North Dakota having a different accounting year end than many other state agencies.

## Q. DEFERRED REVENUE

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

## R. REVENUES AND EXPENDITURES/EXPENSES

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

In the government-wide financial statements, revenues are reported by source and are further classified as either ~~general~~ general purpose or ~~restricted~~ 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.

## 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, 2008, fund balance/net assets, as previously reported	\$ 3,978,976	\$ 975,756	\$ 996,983
Prior period adjustment:			
Correction of errors	482	(7,690)	327
June 30, 2008, fund balance/net assets, as restated	<u>\$ 3,979,458</u>	<u>\$ 968,066</u>	<u>\$ 997,310</u>

In the governmental fund financial statements, expenditures are reported by character: ~~Current~~ Current, ~~Intergovernmental-revenue~~ Intergovernmental-revenue Sharing, ~~Capital~~ Capital Outlay, or ~~Debt~~ 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~~ Fund Balance on governmental fund statements.

# STATE OF NORTH DAKOTA

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## CORRECTION OF ERRORS

The beginning net assets of the Government-wide Governmental Activities \$481,736; School Permanent Trust Fund \$(7,689,685); PACE Fund \$(273,549); Transportation \$700,369 and Other Special \$(99,945) were restated. The errors consisted of underaccrual of liabilities, overstatement of revenue in prior period and adjustments to fund balances in prior period for the Other Governmental Funds. Also, land values of the School Permanent Trust Fund were transferred from an investment to a capital asset per GASB 34.

## **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, "all 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, 2009, the bank balance of the primary government's deposits was \$468,047,967. Of the bank amount, \$420,351,884 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, 2009. Their uninsured and uncollateralized deposits totaled \$409.1 million and \$7.5 million, and their bank deposits totaled \$409.9 million and \$7.5 million, respectively.

At June 30, 2009, the bank balance of the major component units' deposits was \$91,028,333. Of the bank amount, \$11,971,849 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 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 to the extent such mortgages are guaranteed or insured by the United States or any instrumentality thereof, or if not so guaranteed or insured, not exceeding in amount 80 percent of the actual value of the property on which

## STATE OF NORTH DAKOTA

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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, 2009, the following table shows the debt securities of the primary government and major component units by investment type and maturity (expressed in thousands).

## STATE OF NORTH DAKOTA

### 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	\$ 22,739	\$ 4,444	\$ 4,648	\$ 2,594	\$ 11,053
Commercial Mortgage-Backed	26,153	5,267	-	-	20,886
Corporate Bonds	854,196	11,556	457,956	220,918	163,766
Corporate Convertible Bonds	87,949	48	76,874	391	10,636
Government Agencies	335,437	109,273	202,646	12,777	10,741
Government Bonds	178,254	35,081	66,517	42,576	34,080
Government Mortgage-Backed	256,335	446	189,362	6,840	59,687
Index-Linked Government Bonds	202,022	4,266	149,959	15,956	31,841
Municipal/Provincial Bonds	21,314	1,110	2,673	3,303	14,228
Non-Government-Backed CMOs	42,331	8,127	85	593	33,526
Short Term Bills and Notes	5,418	5,418	-	-	-
Short Term Investment Funds	19,758	19,758	-	-	-
Pooled Investments	<u>400,777</u>	<u>72,741</u>	<u>154,520</u>	<u>173,404</u>	<u>112</u>
Total Debt Securities	<u>\$ 2,452,683</u>	<u>\$ 277,535</u>	<u>\$ 1,305,240</u>	<u>\$ 479,352</u>	<u>\$ 390,556</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	\$ 584	\$ 158	\$ 283	\$ 142	\$ 1
Money Market Funds	2,291	2,291	-	-	-
Corporate Bonds	3,412	226	2,326	685	175
State and Municipal Bonds	388	-	47	18	323
Mutual Bond Funds	30,625	1,902	14,973	1,141	12,609
Commercial Paper	<u>312</u>	<u>312</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Debt Securities	<u>\$ 37,612</u>	<u>\$ 4,889</u>	<u>\$ 17,629</u>	<u>\$ 1,986</u>	<u>\$ 13,108</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.

## STATE OF NORTH DAKOTA

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As of June 30, 2009, 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\*

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	Total Market Value	AAA	AA	A	BBB
Asset Backed Securities	\$ 22,738	\$ 8,132	\$ 1,578	\$ 1,012	\$ 5,505
Commercial Mortgage Backed	24,839	24,164	675	-	-
Corporate Bonds	854,228	12,639	28,702	152,385	332,708
Corporate Convertible Bonds	87,948	1,256	458	14,679	21,341
Government Agencies	223,362	216,169	-	4,495	2,583
Government Bonds	122,186	77,614	-	16,674	8,943
Government Mortgage Backed	128,610	128,610	-	-	-
Index-Linked Government Bonds	198,491	69,103	-	27,709	-
Municipal/Provincial Bonds	9,447	-	5,323	1,514	1,329
Non-Government Backed CMOs	42,330	20,590	480	1,153	3,510
Pooled Investments	418,104	176,489	105,302	67,041	-
Total Credit Risk Debt Securities	2,132,283	\$ 734,766	\$ 142,518	\$ 286,662	\$ 375,919
US Gov't & Agencies	320,400				
Total Debt Securities	\$ 2,452,683				

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

## STATE OF NORTH DAKOTA

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

BB	B	CCC	C	D	Not Rated
\$ 608	\$ 1,537	\$ 113	\$ 29	\$ 16	\$ 4,208
-	-	-	-	-	-
121,584	76,661	32,788	1,865	3,769	91,127
18,147	11,201	3,429	-	-	17,437
100	-	-	15	-	-
3,021	-	98	-	-	15,836
-	-	-	-	-	-
-	-	-	-	-	101,679
-	1,281	-	-	-	-
3,524	6,379	4,132	1,067	20	1,475
60,565	8,003	-	-	-	704
<u>\$ 207,549</u>	<u>\$ 105,062</u>	<u>\$ 40,560</u>	<u>\$ 2,976</u>	<u>\$ 3,805</u>	<u>\$ 232,466</u>



# STATE OF NORTH DAKOTA

## Component Units

S & P Credit Rating*	Total Market Value	Money Market Funds	Corporate Bonds	State and Municipal Bonds	Mutual Bond Funds	Commercial Paper
AAA	\$ 2,336	\$ 2,291	\$ -	\$ 45	\$ -	\$ -
AA	98	-	98	-	-	-
AA3	93	-	93	-	-	-
A	3,227	-	1,401	114	1,712	-
Aa	618	-	389	229	-	-
Aaa	27	-	27	-	-	-
BAA	41	-	41	-	-	-
BBB	838	-	33	-	805	-
B	46	-	46	-	-	-
Baa	11	-	11	-	-	-
BB	15	-	15	-	-	-
CCC	120	-	120	-	-	-
Caa	81	-	81	-	-	-
NR	29,477	-	1,057	-	28,108	312
Total Credit Risk						
Debt Securities	37,028	\$ 2,291	\$ 3,412	\$ 388	\$ 30,625	\$ 312
US Treasuries	584					
Total Debt Securities	\$ 37,612					

\*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, 2009 (expressed in thousands):

	Amount	Percent
Federal Agency		
Federal Home Loan Bank	\$ 160,383	48.4%
Mortgage-backed		
Fannie Mae	37,755	11.4%
Freddie Mac	55,904	16.9%
Ginnie Mac	18,216	5.5%
Federal Home Loan Bank Stock	17,385	5.3%

## 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, 2009, 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).

## STATE OF NORTH DAKOTA

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

Currency	Short-Term	Debt	Equity	Total
Australian dollar	\$ (1,706)	\$ 9,150	\$ 13,410	\$ 20,854
Brazilian real	(960)	5,045	5,566	9,651
British pound sterling	(3,444)	5,658	50,734	52,948
Canadian dollar	(2,078)	4,219	4,380	6,521
Danish krone	(816)	946	2,674	2,804
Euro	(18,576)	499	87,181	69,104
Hong Kong dollar	(2,441)	-	7,853	5,412
Hungarian forint	(110)	148	-	38
Iceland krona	-	295	-	295
Indonesian rupiah	-	2,215	-	2,215
Israeli shekel	-	-	64	64
Japanese yen	(18,787)	70	59,489	40,772
Malaysian ringgit	-	4,739	-	4,739
Mexican peso	-	3,971	102	4,073
New Zealand dollar	828	3,611	98	4,537
Norwegian krone	502	73	1,931	2,506
Polish zloty	(95)	3,811	-	3,716
Singapore dollar	(480)	-	2,372	1,892
South African rand	-	2,525	96	2,621
South Korean won	2,748	-	146	2,894
Swedish krona	(967)	2,106	4,021	5,160
Swiss franc	(8,684)	48	19,973	11,337
Turkish lira	885	-	-	885
International commingled funds (various currencies)	-	96,600	277,288	373,888
Total international investment securities	\$ (54,181)	\$ 145,729	\$ 537,378	\$ 628,926

**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 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 (publicly 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.

# STATE OF NORTH DAKOTA

## C. SECURITIES LENDING

The following represents the balances relating to the securities lending transactions at June 30, 2009 (expressed in thousands).

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

Securities Lent	<u>Underlying Securities</u>	<u>Non-Cash Collateral Value</u>	<u>Cash Collateral Investment Value</u>
Lent for cash collateral:			
US agency securities	\$ 4,231	\$ -	\$ 4,332
US government securities	69,477	-	70,739
US corporate fixed income securities	41,406	-	42,478
US equities	29,683	-	31,233
Global equities	558	-	574
Lent for non-cash collateral:			
US agency securities	-	-	-
US government securities	919	373	-
US corporate fixed income securities	-	-	-
US equities	-	-	-
Global equities	-	-	-
Total	<u>\$ 146,274</u>	<u>\$ 373</u>	<u>\$ 149,356</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 the administration of the powers to appropriate appreciation and 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. 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, 2009:

Mayville State University	\$ 594	<u>Reflected in net assets as:</u>
Minot State University	62,898	Expendable scholarships & fellowships
University of North Dakota	458,000	Expendable scholarships & fellowships
Williston State College	3,685	Non-expendable scholarships & fellowships
Total NDUS	<u>\$ 525,177</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, 2009 are \$41,821,933 and \$1,430,000, respectively.

## STATE OF NORTH DAKOTA

### 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, 2009, the State had reverse repurchase agreements of \$3,075,000 included in securities lending collateral on the statement of net assets. The highest month end balance for the previous year was \$141,755,000, with an average daily balance of \$87,114,000. The weighted average interest rate as of year end was 0.25 percent. The weighted average interest rate paid during the year was 1.90 percent. The fair value of these securities at June 30, 2009, was \$3,075,000.

### F. RECEIVABLES

Receivables at June 30, 2009, 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
<b>Receivables:</b>								
Accounts	\$ 7,532	\$ 7,252	\$ 9,804	\$ 40,973	\$ -	\$ 549	\$ 31,987	\$ 24,624
Less Allowance	(4,072)	-	-	(11,872)	-	-	(1,556)	(3,601)
Taxes	213,253	-	1,854	66,464	-	-	-	-
Less Allowance	(22,097)	-	-	(1,138)	-	-	-	-
Interest	97	-	7,307	2,055	34,651	3,693	-	-
Less Allowance	-	-	-	(1,059)	-	-	-	-
Current Loans and Notes	167	280	2,757	72,198	461,234	15,857	-	10,181
Less Allowance	(26)	-	-	(3,854)	-	-	-	(1,466)
Noncurrent Loans and Notes	-	-	35,577	-	2,110,526	808,387	-	36,705
Less Allowance	-	-	-	-	(36,750)	-	-	(4,888)
<b>Net Receivables</b>	<b>\$ 194,854</b>	<b>\$ 7,532</b>	<b>\$ 57,299</b>	<b>\$ 163,767</b>	<b>\$ 2,569,661</b>	<b>\$ 828,486</b>	<b>\$ 30,431</b>	<b>\$ 61,555</b>

	Workforce Safety & Insurance	Other Enterprise Funds	Internal Service Funds	Fiduciary Funds	Major Component Units	Total
<b>Receivables:</b>						
Accounts	\$ 22,239	\$ 24,498	\$ 526	\$ 6,283	\$ 19,106	\$ 195,373
Less Allowance	(4,500)	(6,257)	-	-	-	(31,858)
Taxes	-	-	-	16,488	-	298,059
Less Allowance	-	-	-	(2,308)	-	(25,543)
Interest	8,522	2,921	54	9,793	4,218	73,311
Less Allowance	-	-	-	-	-	(1,059)
Current Loans and Notes	-	9,462	-	-	2,346	574,482
Less Allowance	-	-	-	-	-	(5,346)
Noncurrent Loans and Notes	-	73,313	-	-	14,819	3,079,327
Less Allowance	-	(1,013)	-	-	(5,487)	(48,138)
<b>Net Receivables</b>	<b>\$ 26,261</b>	<b>\$ 102,924</b>	<b>\$ 580</b>	<b>\$ 30,256</b>	<b>\$ 35,002</b>	<b>\$ 4,108,608</b>

# STATE OF NORTH DAKOTA

## G. INTERFUND ACCOUNTS AND TRANSFERS

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

Interfund balances at June 30, 2009, consist of the following (expressed in thousands):

Due To General Fund From:	
Federal Fund	\$ 81,337
Nonmajor Governmental Funds	11,450
Bank of North Dakota	2,401
Nonmajor Enterprise Funds	5,755
All Others	254
Total Due To General Fund	<u>\$ 101,197</u>

Due To Federal Fund From:	
General Fund	\$ 2,454
Nonmajor Governmental Funds	11,205
All Others	1,241
Total Due To Federal Fund	<u>\$ 14,900</u>

Due To Internal Service Funds From:	
General Fund	\$ 3,837
Federal Fund	625
Nonmajor Governmental Funds	814
University System	645
All Others	619
Total Due To Internal Service Funds	<u>\$ 6,540</u>

Due To School Permanent Trust Fund From:	
Nonmajor Enterprise Funds	\$ 1,186
All Others	858
Total Due To School Permanent Trust Fund	<u>\$ 2,044</u>

Included in the Nonmajor Enterprise Funds is an advance from the Developmentally Disabled Fund for \$838,425. This is not expected to be repaid within one year.

### Due To Nonmajor Governmental Funds From:

General Fund	\$ 40,811
Federal Fund	14,705
Nonmajor Governmental Funds	9,910
Internal Service Funds	594
All Others	582

Total Due To Nonmajor Governmental Funds \$ 66,602

### Due To Bank of North Dakota From:

Housing Finance	\$ 9,648
Mill and Elevator	34,894
University System	1,573
Nonmajor Enterprise Funds	968
All Others	799

Total Due To Bank of North Dakota \$ 47,882

### Due To University System From:

General Fund	\$ 8,363
Federal Fund	2,271
All Others	1,389

Total Due To University System \$ 12,023

### Due To All Other Funds From:

All Other	<u>\$ 1,330</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, 2009.

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

<b>Due From's</b>	<b>\$ 252,518</b>
Differences:	
General Fund/Bank of ND	12,599
Bank of ND/Housing Finance	(6,898)
Mill & Elevator/Bank of ND	3,706
University System/Bank of ND	309
Student Loan Trust/Bank of ND	(72)
School Permanent Trust Fund/	
Developmentally Disabled Loan Fund	(39)
Bank of ND/Guaranteed Student Loan	199
Governmental Agencies/Bank of ND	5,991
Enterprise Funds/Bank of ND	2,188
Total Differences	17,983
<b>Due To's</b>	<b><u>\$ 270,501</u></b>

## STATE OF NORTH DAKOTA

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

### INTERFUND TRANSFERS

A summary of interfund transfers for the fiscal year ended June 30, 2009, follows (expressed in thousands):

	Transfers In						Total
	General	Federal	Non-major Governmental	Housing Finance	University System	Non-major Enterprise	
<b>Transfers Out</b>							
General	\$ -	\$ -	\$ 61,678	\$ -	\$ 283,085	\$ -	\$ 344,763
Federal	-	-	37,548	364	-	-	37,912
School Permanent Trust Fund	-	-	34,170	-	1,430	-	35,600
Non-major Governmental	24,766	8,375	35,624	-	19,244	1,218	89,227
Bank of North Dakota	20,004	-	-	-	-	-	20,004
Housing Finance	-	-	31	-	-	-	31
University System	-	-	8,234	-	-	-	8,234
Non-major Enterprise	-	-	6,789	-	-	-	6,789
Mill & Elevator	-	-	36	-	-	-	36
Total	<u>\$ 44,770</u>	<u>\$ 8,375</u>	<u>\$ 184,110</u>	<u>\$ 364</u>	<u>\$ 303,759</u>	<u>\$ 1,218</u>	<u>\$ 542,596</u>

(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, 2009, 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):

<b>Transfers Out</b>	\$ 542,596
Differences:	
General Fund/Bank of ND	39,996
Federal Fund/Bank of ND	827
Beginning Farmer/PACE	156
State Fair/Bank of ND	(58)
Total Differences	<u>40,921</u>
<b>Transfers In</b>	<u>\$ 583,517</u>

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.

# STATE OF NORTH DAKOTA

## H. CAPITAL ASSETS

### PRIMARY GOVERNMENT:

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

<u>Description</u>	<u>Balance July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2009</u>
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 63,211	\$ 4,848	\$ (7)	\$ 68,052
Construction in Progress	457,976	79,548	(94,632)	442,892
Total Capital Assets Not Being Depreciated	521,187	84,396	(94,639)	510,944
Capital Assets Being Depreciated:				
Buildings and Improvements	405,812	30,911	(423)	436,300
Equipment	262,857	29,929	(16,149)	276,637
Infrastructure	3,073,481	74,431	(106)	3,147,806
Total Capital Assets Being Depreciated	3,742,150	135,271	(16,678)	3,860,743
Less Accumulated Depreciation for:				
Buildings and Improvements	(176,653)	(9,312)	300	(185,665)
Equipment	(127,188)	(19,512)	13,027	(133,673)
Infrastructure	(2,472,088)	(37,681)	73	(2,509,696)
Total Accumulated Depreciation	(2,775,929)	(66,505)	13,400	(2,829,034)
Total Capital Assets Being Depreciated, Net	966,221	68,766	(3,278)	1,031,709
Governmental Activities Capital Assets, Net	\$ 1,487,408	\$ 153,162	\$ (97,917)	\$ 1,542,653

Infrastructure assets of the State Water Commission, with a carrying value of \$30,516,290 are considered temporarily impaired at June 30, 2009.

<u>Description</u>	<u>Balance July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2009</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 19,436	\$ -	\$ (672)	\$ 18,764
Construction in Progress	57,910	46,116	(61,157)	42,869
Total Capital Assets Not Being Depreciated	77,346	46,116	(61,829)	61,633
Capital Assets Being Depreciated:				
Buildings and Improvements	852,599	69,581	(4,762)	917,418
Equipment	402,515	35,181	(17,161)	420,535
Infrastructure	150,640	7,783	-	158,423
Total Capital Assets Being Depreciated	1,405,754	112,545	(21,923)	1,496,376
Less Accumulated Depreciation for:				
Buildings and Improvements	(378,352)	(22,720)	3,925	(397,147)
Equipment	(247,316)	(23,965)	14,459	(256,822)
Infrastructure	(65,216)	(3,729)	-	(68,945)
Total Accumulated Depreciation	(690,884)	(50,414)	18,384	(722,914)
Total Capital Assets Being Depreciated, Net	714,870	62,131	(3,539)	773,462
Business-Type Activities Capital Assets, Net	\$ 792,216	\$ 108,247	\$ (65,368)	\$ 835,095



# STATE OF NORTH DAKOTA

<u>Description</u>	<u>Balance July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2009</u>
Major Component Units:				
Capital Assets Not Being Depreciated				
Land	\$ 3,215	\$ 22	\$ -	\$ 3,237
Construction in Progress	10,351	496	(10,846)	1
Total Capital Assets Not Being Depreciated	13,566	518	(10,846)	3,238
Capital Assets Being Depreciated:				
Buildings and Improvements	120,623	32	(14)	120,641
Equipment	21,030	13,185	(3,997)	30,218
Infrastructure	1,638	10,846	-	12,484
Total Capital Assets Being Depreciated	143,291	24,063	(4,011)	163,343
Less Accumulated Depreciation for:				
Buildings and Improvements	(27,340)	(6,278)	14	(33,604)
Equipment	(6,231)	(2,118)	451	(7,898)
Infrastructure	(235)	(191)	-	(426)
Total Accumulated Depreciation	(33,806)	(8,587)	465	(41,928)
Total Capital Assets Being Depreciated, Net	109,485	15,476	(3,546)	121,415
Major Component Unit Capital Assets, Net	\$ 123,051	\$ 15,994	\$ (14,392)	\$ 124,653

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	\$ 6,362
Education	337
Health and Human Services	4,205
Regulatory	249
Public Safety & Corrections	7,698
Agriculture and Commerce	138
Natural Resources	6,524
Transportation	40,992
Total Governmental Activities Depreciation Expense	<u>\$ 66,505</u>

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

## Project Description:

<u>Governmental Activities</u>	<u>Amount Authorized</u>	<u>Amount Expended Through June 30, 2009</u>	<u>Balance Authorized</u>
Office of Management and Budget	\$ 5,398	\$ 2,018	\$ 3,380
State Courts	1,538	758	780
Legislative Assembly	2,137	575	1,562
Secretary of State	709	709	-
School for the Deaf	286	55	231
Department of Health	338	278	60
Veterans Home	35,077	4,206	30,871
Department of Human Services	5,109	4,394	715
Adjutant General	35,794	20,884	14,910
Department of Corrections	295	86	209
Game and Fish	1,264	285	979
Job Service North Dakota	6,324	386	5,938
Department of Transportation	487,340	408,199	79,141
Fleet Services	127	59	68
Total Governmental Activities	<u>\$ 581,736</u>	<u>\$ 442,892</u>	<u>\$ 138,844</u>

## STATE OF NORTH DAKOTA

<u>Business-Type Activities</u>	<u>Amount Authorized</u>	<u>Amount Expended Through June 30, 2009</u>	<u>Balance Authorized</u>
Mill and Elevator	\$ 3,475	\$ 2,378	\$ 1,097
Workforce Safety and Insurance	14,000	7,011	6,989
State Fair	250	120	130
PERS Group Insurance	2,759	1,763	996
University System	84,563	31,597	52,966
Total Business-Type Activities	<u>\$ 105,047</u>	<u>\$ 42,869</u>	<u>\$ 62,178</u>

<u>Major Component Units</u>	<u>Amount Authorized</u>	<u>Amount Expended Through June 30, 2009</u>	<u>Balance Authorized</u>
UND Aerospace Foundation	<u>\$ 200</u>	<u>\$ 1</u>	<u>\$ 199</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, 2009, amounted to \$11,374,584 for governmental activities and \$8,621,241 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, 2009, 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>
2010	\$ 4,693	\$ 6,039
2011	2,727	4,657
2012	1,289	3,615
2013	850	2,818
2014	382	2,170
2015-2019	908	6,189
2020-2024	137	433
2025-2029	-	253
2030-2034	-	114
Total Minimum Lease Payments	<u>\$ 10,986</u>	<u>\$ 26,288</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, 2009 (expressed in thousands):

## STATE OF NORTH DAKOTA

Year Ending June 30	Governmental Activities	Business- type Activities	Major Component Units
2010	\$ 1,528	\$ 12,401	\$ 171
2011	1,191	9,065	126
2012	974	7,360	126
2013	789	6,673	126
2014	8	6,141	126
2015-2019	-	25,928	632
2020-2024	-	13,617	632
2025-2029	-	12,523	632
2030-2034	-	2,042	569
2035-2039	-	1,822	-
2040-2044	-	729	-
Total Minimum Lease Payments	4,490	98,301	3,140
Less: Amount Representing Interest	(434)	(30,204)	(1,273)
Present Value of Future Minimum Lease Payments	\$ 4,056	\$ 68,097	\$ 1,867

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, 2009, is as follows (expressed in thousands):

	Governmental Activities	Business- Type Activities	Major Component Units
Infrastructure	\$ -	\$ 1,660	\$ -
Buildings	-	46,319	-
Equipment	10,415	33,302	1,978
Less: Accumulated Depreciation	(5,217)	(20,868)	(432)
Total	\$ 5,198	\$ 60,413	\$ 1,546

### 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, 2009, 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 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

# STATE OF NORTH DAKOTA

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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 semi-annually 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

Interest is payable semiannually on June 1 and December 1 of each year. The proceeds of the Series 2000 B Bonds were used to provide funds for the acquisition of student loans from the Bank of North Dakota. The 2000 Series B Bonds are fixed rate bonds. Under certain conditions, the Industrial Commission may call for early redemption of the 2000 Series 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 lesser of either the one-month LIBOR plus .7% or Federal Home Loan Bank plus .7%. Details of the terms and provisions of the variable rate bonds are outlined in Section 2.1 of the Fourth Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds First General Bond Resolution. Section 2.2 of the Fourth Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds First General Bond Resolution has deemed these to be Federally Taxable Bonds. 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 lesser of either the one-month LIBOR plus .7% or Federal Home Loan Bank plus .7%. Details of the terms and provisions of the variable rate bonds are outlined in Section 2.1 of the Fourth 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.

# STATE OF NORTH DAKOTA

Revenue Bonds outstanding (expressed in thousands):

<u>Fund Type/Fund</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Balance 6/30/09</u>
<b>Primary Government</b>			
<u>Governmental:</u>			
Building Authority	2010-2025	2.00-5.35	\$ 94,396
Water Commission	2010-2048	2.50-5.50	107,093 <sup>1)</sup>
Department of Transportation	2010-2020	3.00-5.00	46,460
Information Technology Department	2010-2014	4.50-5.25	3,577
<u>Proprietary:</u>			
State Fair	2010-2012	3.50-4.60	957
Student Loan Trust	2026-2029	1.01-5.85	15,200 <sup>2)</sup>
Housing Finance:			
Homeownership	2010-2040	1.45-6.15	849,586 <sup>2)</sup>
University System:			
VCSU—Valley City	2010-2033	4.30-7.25	3,190
Williston State College	2010-2019	0-4.75	426
Lake Region State College	2010-2017	4.00-5.125	745
UND—Grand Forks	2010-2036	0-5.00	71,550
NDSU—Fargo	2010-2037	0-5.60	87,700
NDSCS—Wahpeton	2010-2016	0-5.50	1,050
MiSU—Minot	2010-2030	0-5.25	5,585
MiSU—Bottineau	2010-2012	6.25-6.95	81
MaSU—Mayville	2010-2018	4.80-5.38	2,302
DSU—Dickinson	2010-2020	4.00-5.00	630
BSC—Bismarck	2010-2030	3.4-6.1	4,020
NDUS – Univ. Sys. State Office	2010-2014	0-4.28	8,520
Total Revenue Bonds Payable— Primary Government			<u>\$ 1,303,068</u>
<b>Major Component Units</b>			
<u>Proprietary:</u>			
Public Finance Authority	2010-2033	2.00-10.00	\$ 175,008
NDSU Research and Technology Park, Inc.	2010-2032	3.00-5.40	27,925
NDSU Development Foundation	2010-2039	1.50-5.19	23,164
Arena Holdings Charitable LLC	2010-2030	4.60	5,765
UND Foundation	2010-2027	2.50-5.00	13,967
DSU Foundation	2010-2024	5.89	9,200
BSC Foundation	2010-2032	4.50-5.25	4,203
Total Revenue Bonds Payable— Major Component Units			<u>\$ 259,232</u>

<sup>1)</sup> Approximately \$57 million of the Water Commission's bonds payable is not associated with fixed assets of the State.

<sup>2)</sup> Entire amount of bonds payable are not associated with fixed assets of the State.

# STATE OF NORTH DAKOTA

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>
2010	\$ 17,595	\$ 10,677
2011	17,483	10,034
2012	16,709	9,339
2013	16,720	8,675
2014	17,629	8,039
2015-2019	84,129	28,424
2020-2024	52,805	11,683
2025-2029	17,383	2,771
2030-2034	3,588	1,105
2035-2039	1,153	692
2040-2044	1,417	438
2045-2049	1,246	140
Bond Premium	4,926	(4,926)
Deferred Amount On Refunding	(1,257)	1,257
Total	<u>\$ 251,526</u>	<u>\$ 88,348</u>

### Business-type Activities

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 28,159	\$ 48,643
2011	33,704	47,401
2012	34,163	46,029
2013	32,172	44,592
2014	30,566	43,229
2015-2019	133,235	197,909
2020-2024	144,035	165,358
2025-2029	197,875	123,842
2030-2034	206,535	73,689
2035-2039	200,595	21,927
2040-2044	4,290	84
Bond Premium	6,213	(6,213)
Total	<u>\$ 1,051,542</u>	<u>\$ 806,490</u>

### Major Component Units

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 15,275	\$ 11,000
2011	15,395	10,830
2012	15,559	10,197
2013	15,254	9,535
2014	15,657	8,869
2015-2019	78,235	34,203
2020-2024	58,143	18,068
2025-2029	38,615	7,073
2030-2034	5,270	780
2035-2039	511	59
Bond Premium	1,318	(1,318)
Total	<u>\$ 259,232</u>	<u>\$ 109,296</u>

# STATE OF NORTH DAKOTA

## 2. NOTES PAYABLE

The following is a schedule of notes payable outstanding at June 30, 2009 (expressed in thousands):

Fund Type/Fund	Maturities	Interest Rates	Balance 6/30/08
<b>Primary Government</b>			
<u>Governmental:</u>			
Department of Corrections	2010-2015	4.59	\$ 489
Department of Human Services	2010-2015	4.24	3,372
Department of Transportation	2010-2022	4.18	2,309
Office of Management and Budget	2010-2022	4.18	4,183
Tax Department	2010-2013	3.166	9,916
School for the Deaf	2010-2021	4.8408	253
Information Technology Department	2010-2013	3.47	6,000
<u>Proprietary:</u>			
Bank of North Dakota	2010-2022	3.27-7.35	315,604
University System	2010-2015	4.09-5.52	3,243
<b>Major Component Units</b>			
UND Aerospace Foundation	2010-2019	2.22-6.00	7,939
NDSU Development Foundation	2010-2013	2.77-6.86	1,989
NDSU Research & Tech Park	2010-2017	0.0-7.50	710
UND Foundation	2010-2012	5.00	300
DSU Foundation	2010-2013	5.625-6.785	596

(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

Fiscal Year	Principal	Interest
2010	\$ 4,395	\$ 944
2011	5,424	768
2012	5,648	575
2013	4,834	386
2014	1,241	240
2015-2019	2,919	779
2020-2024	2,061	145
Total	\$ 26,522	\$ 3,837

#### Business-type Activities

Fiscal Year	Principal	Interest
2010	\$ 6,089	\$ 15,303
2011	946	15,112
2012	33,894	14,314
2013	630	13,104
2014	62,243	11,523
2015-2019	190,445	41,576
2020-2024	24,600	3,659
Total	\$ 318,847	\$ 114,591

# STATE OF NORTH DAKOTA

## Major Component Units

Fiscal Year	Principal	Interest
2010	\$ 1,922	\$ 557
2011	1,883	460
2012	1,196	373
2013	1,284	305
2014	2,859	176
2015–2019	2,390	226
Total	<u>\$ 11,534</u>	<u>\$ 2,097</u>

## Changes in General Long-Term Liabilities

Changes in Long-Term Liabilities for the year ended June 30, 2009, are summarized as follows (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Notes Payable	\$ 35,726	\$ -	\$ (9,203)	\$ 26,523	\$ 4,396
Bonds Payable	265,665	3,005	(17,144)	251,526	17,730
Capital Leases Payable	5,236	89	(1,269)	4,056	1,338
Intergovernmental Payable	385	120	-	505	56
Compensated Absences	34,039	23,612	(21,971)	35,680	1,970
Claims/Judgments Payable	8,004	4,074	(4,336)	7,742	3,190
Total Long-Term Liabilities	<u>\$ 349,055</u>	<u>\$ 30,900</u>	<u>\$ (53,923)</u>	<u>\$ 326,032</u>	<u>\$ 28,680</u>
<b>Business-Type Activities:</b>					
Notes Payable	\$ 250,645	\$ 160,200	\$ (91,998)	\$ 318,847	\$ 6,089
Bonds Payable	1,197,845	139,750	(286,053)	1,051,542	28,159
Capital Leases Payable	50,046	27,891	(9,840)	68,097	8,601
Intergovernmental Payable	7,547	10,508	(9,477)	8,578	726
Compensated Absences	25,648	3,510	(1,186)	27,972	2,374
Dividends Payable	91,581	-	(89,936)	1,645	1,645
Claims/Judgments Payable	741,864	180,267	(149,286)	772,845	97,119
Total Long-Term Liabilities	<u>\$ 2,365,176</u>	<u>\$ 522,126</u>	<u>\$ (637,776)</u>	<u>\$ 2,249,526</u>	<u>\$ 144,713</u>
<b>Major Component Units:</b>					
Notes Payable	\$ 8,383	\$ 6,988	\$ (3,837)	\$ 11,534	\$ 1,922
Bonds Payable	226,938	62,840	(30,546)	259,232	15,274
Capital Leases Payable	1,952	-	(85)	1,867	83
Intergovernmental Payable	967	94	(260)	801	28
Total Long-Term Liabilities	<u>\$ 238,240</u>	<u>\$ 69,922</u>	<u>\$ (34,728)</u>	<u>\$ 273,434</u>	<u>\$ 17,307</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, \$1,600,081 of internal service fund compensated absences and \$6,071,092 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 (15%), the Federal Fund (21%), and other various funds. Other governmental activities claims and judgments have all been liquidated by the Petroleum Release Compensation Fund.



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## 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, 2009, there were bonds of \$8,250,000.

#### Water Commission

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, 2009, \$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, 2009, \$2,855,000 of bonds outstanding is considered defeased.

### University System

#### North Dakota State University

On December 30, 1985, the North Dakota State University issued \$4,833,813 of Housing and Auxiliary Facilities Revenue Refunding Bonds (Series 1985). The purpose of issuing Series 1985 bonds was to refund in advance of maturity the outstanding advanced refunded bonds, which consisted of all bonds outstanding as of December 30, 1985, totaling \$7,675,000. The principal amount outstanding as of June 30, 2009, of the original bonds refunded by the advance refunding total \$430,000.

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, 2009 or the original amount of the portion of the Series 2000 and 2002 bonds refunded, totaled \$22,445,000.

#### 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, 2009, of the original bonds refunded is \$475,000.

### Component Units

#### Public Finance Authority Bonds

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, 2008, \$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.

## STATE OF NORTH DAKOTA

The State has an arbitrage rebate payable to the federal government of approximately \$3,016,739 at June 30, 2009. These amounts are reported in the Government-wide and Proprietary Fund Type financial statements as an intergovernmental payable.

Cities and Park Districts	80
Counties	48
School Districts	108
Other	65
Total Participating Local	<u>301</u>

### NOTE 4 – NET ASSETS

The government-wide statement of net assets reports \$2,002,670,483 of restricted net assets, of which \$562,632,585 is restricted by enabling legislation.

### NOTE 5 – RETIREMENT SYSTEMS

#### A. *DESCRIPTION OF PLANS*

The State of North Dakota administers four major retirement systems: North Dakota Public Employees' Retirement System, North Dakota Highway Patrolmen's Retirement System, Retirement Plan for the Employees of Job Service North Dakota and the Teachers' Fund for Retirement. The State also administers the North Dakota Defined Contribution Retirement Plan, which was established January 1, 2000. These retirement systems have implemented Governmental Accounting Standards Boards Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for

Defined Contribution Plans, and Statement No. 27, Accounting for Pensions by State and Local Governmental Employers. Certain state employees may also participate in a privately administered retirement system: Teachers' Insurance Annuity Association. The following is a brief description of each plan. More detailed information can be found in the plan agreements and the related legislation.

#### NORTH DAKOTA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

The North Dakota Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan covering substantially all employees of the State of North Dakota, its agencies, and various participating political subdivisions (Main System). It also covers Supreme and district court judges, the National Guard Security Officers and Firefighters, and as of August 1, 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, 2009, the number of participating local political subdivisions in PERS was:

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 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

## STATE OF NORTH DAKOTA

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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. The plan permits early retirement at ages 50-55 with three or more years of service.

Employees may elect to receive the pension benefits in the form of a single life, joint and survivor, level social security, term-certain annuity, or partial lump sum with ongoing annuity. Employees may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the employee's accumulated contributions plus interest.

The System is funded by employee contributions (set by statute) of 4% of regular compensation, with the exception of Supreme and district court judges' contributions, which are established at 5% of total compensation. During the 1983-1985 biennium, the State implemented the employer pickup provision of the IRS code, whereby a portion or all of the required employee contributions are made by the employer. The State is paying the full employee contribution with the exception of the Supreme and district court judges, in which the State is paying 4 of the 5% contribution. Some of the political subdivisions are paying all or part of the employee contributions. Employer contributions of 4.12% of covered compensation are set by statute. The employer contribution rate for the Supreme and district court judges is also set by statute at 14.52%, and the contribution rate for the National Guard/Law Enforcement is set by the Board at 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. 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 months out of the last 120 months of service. The percentage is equal to the sum of the first 25 years of service multiplied by 3.60% and 1.75% multiplied by years of service in excess of 25, if any. The plan permits early retirement at ages 50-54, with ten or more years of service.

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

### REFUNDS OF MEMBER CONTRIBUTIONS

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

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

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

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

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

The plan provides retirement, disability and death benefits. If the death of a participant occurs prior to their annuity starting date, the surviving spouse who has been married at least two years prior to the participant's death or, if married less than two years is a parent of a child of this marriage, then the spouse shall receive monthly benefits. The amount is the greater of the benefit had the

participant retired on the day before they died and elected the Contingent Annuitant Option with 55% of their retirement benefit continued to their spouse or 55% of the smaller of 40% of the deceased participant's average monthly earnings or the deceased participant's normal retirement benefit obtained by increasing their credited service by the period of time between their date of death, and the date they would have attained age 60. Upon remarriage of the surviving spouse before age 60, the death benefit will cease.

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

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

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

The System is funded by employee contributions of 7% of retirement wages (of which 4% is paid by the employer in lieu of salary increases). The required employer contributions are determined using the frozen initial liability actuarial cost method, which is the same as the aggregate 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. The scheduled contribution and amortization will be determined when the plan is not in surplus and will be based on a funding policy adopted by the employer.

### 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.

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At June 30, 2009, the number of participating employer units in TFFR was:

Type	Number
Special Education Units	21
Vocational Education Units	5
Public School Districts	184
County Superintendents	11
Other	10
Total	231

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 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 8.25% of the teacher's salary, until the fund reaches 90% funded ratio on an actuarial basis.

A vested member who terminates covered employment may elect a refund of assessments paid plus 6% or defer payment until eligible for pension benefits. A nonvested member who terminates covered employment must claim a refund of contributions paid before 70 ½. 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:

## STATE OF NORTH DAKOTA

	<u>PERS</u>	<u>NDHPRS</u>	<u>JSND</u>	<u>TFFR</u>
Retirees and Beneficiaries				
Currently Receiving Benefits:	7,188	109	214	6,466
Special Prior Service Retirees:	22	-	-	-
Terminated Employees:				
Vested	3,270	4	4	1,490
Nonvested	<u>2,025</u>	<u>1</u>	<u>-</u>	<u>292</u>
Total Terminated Employees	5,295	5	4	1,782
Active Employees:				
Vested	14,281	66	35	8,301
Nonvested	<u>5,662</u>	<u>67</u>	<u>-</u>	<u>1,406</u>
Total Active Employees	19,943	133	35	9,707
Date of Annual Valuation	July 1, 2009	July 1, 2009	July 1, 2009	July 1, 2009

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.

## STATE OF NORTH DAKOTA

	PERS NDHPRS	JSND	TFFR
Valuation Date	July 1, 2009	July 1, 2009	July 1, 2009
Actuarial Cost Method	Entry Age Normal	Frozen Initial Liability**	Entry Age Normal
Amortization Method	Level Percent Open	Level Dollar Closed	Level Percentage of Payroll
Remaining Amortization Period	20 years	15 years	30 years***
Asset Valuation Method	5-year smoothed market	5-year smoothed market	5-year smoothed market
Actuarial Assumptions:			
Investment rate of return	8.0%	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 frozen initial liability actuarial cost method is the same as the aggregate cost method.

\*\*\* 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
<b>PERS</b>						
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%
July 1, 2009	1,617.1	1,901.2	284.1	85.1%	697.7	40.7%
<b>NDHPRS</b>						
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%
July 1, 2009	50.2	57.6	7.4	87.2%	7.0	105.0%
<b>JSND</b>						
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%
July 1, 2009	74.5	71.1	(3.4)	104.7%	1.7	0.0%
<b>TFFR</b>						
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%
July 1, 2009	1,990.3	2,445.9	545.6	77.7%	440.0	124.0%

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

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

Employer contribution rates for PERS 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, which is the same as the aggregate cost method.



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The contribution rate is not actuarially determined for TFFR; it is set by statutory law under the North Dakota Century Code 15-39.1-09. It is required that every eligible teacher be a member of the Fund and assessed at a rate of 7.75 percent of gross salary and that every governmental body employing a teacher pay into the plan a sum equal to 8.25 percent of the teacher's salary, until the fund reaches 90% funded ratio on an actuarial basis.

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

### Schedule of Employer Contributions

	Annual Required Contribution	Percentage Contributed
PERS		
2007	\$ 38,184,510	61.0%
2008	35,875,117	70.0%
2009	40,327,067	69.0%
TFFR		
2007	\$ 50,532,462	63.1%
2008	44,114,585	76.4%
2009	41,986,174	89.3%

For NDHPRS and JSND, sole employer plans, the following schedule represents the annual pension costs and net pension obligations for the year ended June 30, 2009:

	NDHPRS	JSND
Annual required contributions	\$ 1,025,737	\$ -
Interest on net pension obligations	(57,978)	(123,645)
Adjustment to annual required contributions	50,579	129,850
Annual pension costs	1,018,338	6,205
Contributions made	1,122,720	-
Increase in net pension obligations	(104,382)	6,205
Net pension obligations, beginning of year	(724,722)	(1,648,603)
(Assets in excess of) net pension obligations, end of year	\$ (829,104)	\$ (1,642,398)

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			
2007	\$ 1,076,146	89%	\$ (565,712)
2008	905,591	117%	(724,722)
2009	1,025,737	109%	(829,104)
JSND			
2007	\$ 6,252	0%	\$ (1,654,832)
2008	6,229	0%	(1,648,603)
2009	6,205	0%	(1,642,398)

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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 300 participants as of June 30, 2009.

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 \$594,402 and \$577,142 respectively, for the fiscal year ended June 30, 2009.

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 \$24,566,108 to TIAA-CREF during the fiscal year ending June 30, 2009.

## NOTE 6 - 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

## STATE OF NORTH DAKOTA

Retirement System, and the Defined Contribution Retirement Plan is set by state statute on an actuarially determined basis at one percent (1.14 percent effective July 1, 2009) of covered compensation. The employer contribution for non-teaching employees of the Office of the Superintendent of Public Instruction is 3.1 percent (3.24 percent effective July 1, 2009) 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 (2.99 percent effective July 1, 2009) 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 (1.14 percent effective July 1, 2009) 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 (\$5.00 effective July 1, 2009) 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 (\$5.00 effective July 1, 2009) 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, 2009. 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
Changes in plan provisions	0.14%	\$ 1,007,737
Changes in plan experience during the year	(0.02)%	(143,962)
	0.12%	\$ 863,775

Employer contributions totaling \$6,771,699 were made for the year ended June 30, 2009. The actuarially required employer contribution of \$5,804,660 for the year ended June 30, 2009, is 0.81 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, 2009, the cost of benefits incurred for the fund was \$4,854,724.

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, 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%
June 30, 2009	44.8	102.2	57.4	43.9%	719.8	8.0%

Employee membership is as follows:

Retirees receiving benefit	4,030
Active participants	20,317
Total Membership	<u>24,347</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, 2009, is \$36,148,791.

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 2009-11 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, 2009 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 (\$5.00 effective July 1, 2009) 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, when the Met Life Insurance benefit plan was

## STATE OF NORTH DAKOTA

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	254	241

The funding policy of the plans thru June 30, 2009 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	212,698	51,055	263,753
Increase in net OPEB obligation	70,025	42,731	112,756
Net OPEB obligations, beginning of year	59,922	41,708	101,630
Net OPEB obligations, end of year	\$ 129,947	\$ 84,439	\$ 214,386

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

June 30	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
2008	\$ 282,723	\$ 93,786	\$ 222,801	\$ 52,078	\$ 101,630	73.0%
2009	282,723	93,786	212,698	51,055	112,756	70.1%

## STATE OF NORTH DAKOTA

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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 7 - DEFERRED COMPENSATION PLAN**

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

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

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

Plan Participation By:	
State of North Dakota	\$ 19,060
Other Jurisdictions	2,619
Total Value	<u>\$ 21,679</u>

### **NOTE 8 - PERS UNIFORM GROUP INSURANCE PROGRAM**

The PERS Uniform Group Insurance Program, an enterprise fund, contracts with Blue Cross Blue Shield of North Dakota (BCBS) to provide health care insurance to the employees of the State of North Dakota, or any of its political subdivisions, institutions, departments or agencies. The contract provides for an accounting of premiums paid and claims incurred during the biennium. In accordance with the 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 of \$3,966,104. 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 \$5,545,634 are shown as cash on the State's financial statements. These funds are being held by BCBS.

### **NOTE 9 - 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, 2009, was as follows (expressed in thousands):

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	Home-Ownership Bond Funds
<b>Condensed Statement of Net Assets</b>	
Current assets – other	\$ 146,717
Noncurrent assets – other	818,432
Total Assets	965,149
Current liabilities – other	43,683
Noncurrent liabilities – other	831,718
Total Liabilities	875,401
Net assets – restricted	89,748
Total Net Assets	\$ 89,748
<b>Condensed Statement of Revenues, Expenses and Change in Fund Net Assets</b>	
Operating revenues	\$ 51,316
Operating expenses	45,037
Operating income	6,279
Change in net assets	
Total net assets, beginning of year	82,081
Equity transfer in	1,388
Total net assets, end of year	\$ 89,748
<b>Condensed Statement of Cash Flows</b>	
Net cash used for operating activities	\$ (4,388)
Net cash from noncapital financing activities	(117,639)
Net cash from investing activities	(82)
Net change in cash and cash equivalents	(122,109)
Cash and cash equivalents, beginning of year	246,694
Cash and cash equivalents, end of year	124,585

## NOTE 10 - 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, 2009, DSU has valued these services at approximately \$162,000.

The Dickinson State University Foundation issued two series of revenue bonds of \$9,200,000 on June 4, 2009, to finance the Badland Activities Center project. The bonds will be paid off with private donations raised by the Foundation and are summarized as follows: \$5,000,000 bond at a fixed rate of 5.89%. The bond is amortized over 15 years with semi-annual payments due each January and July 20<sup>th</sup>. The payments in 2010 will

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be interest only, with the first principal payment due in January of 2011.

\$4,200,000 bond with a variable rate of interest, currently 1.65%. The bond is repriced every six months and has payments each January and July. The 2010 payments will be interest only, with the first principal payment due in January 2011. There are neither time limits nor prepayment penalties on this issue.

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

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

On November 1, 2000, NDSU Research and Technology Park, Inc. (RTP) entered into a \$6.5 million lease agreement with the City of Fargo to finance the construction of laboratory and research facilities and all equipment and furnishings located on property owned by the city. The agreement assigned to NDSU all of RTP's obligations under the lease, including but not limited to the payment of all rent, maintenance, and repair of the facility, maintenance of all insurance required under the lease, and restrictions of use of the 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 2009 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 2009 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 \$304,082 in fiscal year 2009 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 \$3,580,000 as of June 30, 2009. 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 \$3.5 million 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 \$331,996 in fiscal year 2009 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 \$2,894,022 as of June 30, 2009. 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.



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## **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 KLAIR HALL ARCHITECTURE BUILDING**

Effective November 28, 2007, NDSU and the NDSU Development Foundation entered into a lease agreement 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 Klair Hall architecture building projects through the sale of

\$18.52 million of 20-year University Facilities Revenue Bonds issued 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. The bonds payable have a balance of \$14,604,641 at June 30, 2009.

## **PRESIDENT'S RESIDENCE**

On September 15, 2008, the NDSU Development Foundation financed the construction of a new residence for the NDSU President through the sale of \$900,000 of 30 year University Facilities Bonds. The interest rate is a fixed rate of 4.20% with semi-annual principal and interest payments. The repayment source is private donations and pledges. The bonds payable have a balance of \$887,346 at June 30, 2009. The NDSU Development Foundation incurred \$1,003,672 of costs related to the construction of the President's residence. In addition, donated architect services of \$265,000 were contributed to the construction of the President's residence through June 30, 2009.

## **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 2009 were \$1,395,110. 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 \$10.5 million in fiscal year 2009. This operating agreement has no specific term and is intended to memorialize various operating agreements,

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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, 2009, the Foundation has recorded accounts payable to UND of \$881,899 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 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.

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

RE Arena, Inc. manages, operates and maintains an arena known as the Ralph Englestad Arena, which was constructed in 2001 for the benefit of UND athletics. UND and RE Arena, Inc. enter into an annual operating agreement from July 1 to June 30. The operating agreement sets forth the facility usage, fees and services, ticket administration and revenue allocation, sponsorship sales administration and revenue allocation, and net income disposition. In accordance with this agreement: (i) RE Arena, Inc. collects all ticket revenue from ticketed UND athletic events (men's and women's hockey, football, men's and women's basketball, and volleyball), RE Arena, Inc. retains 52% of such ticket revenue and remits 48% to UND, and (ii) RE Arena, Inc. collects all sponsorship sales revenue from UND Athletic events, RE Arena, Inc. retains 64% of such sponsorship revenue, net of direct costs and remits 36% to UND. In addition, UND and RE Arena Inc. jointly utilize UND and RE Arena, Inc. marketing staff to market and promote UND athletic 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, RE Arena, Inc. retained

approximately \$1,802,000 in fiscal year 2009 in ticket revenue and \$693,000 in sponsorship revenue from UND athletic events. Additionally, under the agreement, RE Arena, Inc. makes annual deposits to a reserve for extraordinary repairs, maintenance, and building improvements. The amount reserved in fiscal year 2009 was \$500,000. On an annual basis, RE Arena, Inc. will remit to UND its net income after adding back depreciation and amortization, the funded reserve, equity retention and capital expenditures for the fiscal year. RE Arena, Inc. paid UND \$450,000 under this agreement in fiscal year 2009.

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, 2009, RE Arena, Inc. has a payable to UND of \$189,976 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, 2009. The foundation may pay down principal in increments of \$100,000 on interest payment dates without penalty. Principal balance outstanding at June 30, 2009, is \$3,483,351. 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, 2009.

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 2.5 to 5.0 percent and mature in 2027. The lease revenue bond has a balance of \$7,150,000 at June 30, 2009. 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.

On April 16, 2008, the UND Foundation issued bonds of \$2,200,000 to build a University Presidents Home and an addition to the Jodsaas Center Engineering building. Series B for the President's residence was \$900,000 and Series A for the Jodsaas Center Engineering Building

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was \$1,300,000. Semi-annual payments are required on Series A. Series B requires semi-annual payments with principal paid annually. The interest rate is fixed at 4.15%. Payments on both series are due through 2038. The bonds have a balance of \$2,133,919 at June 30, 2009. The UND Foundation incurred \$919,571 in costs related to the President's residence and also incurred \$424,080 in costs related to infrastructure and land improvements related to the President's residence.

On December 22, 2008, the UND Foundation issued bonds of \$1,200,000 to fund construction of the North Dakota Center for Human Safety. Annual payments of principal along with semi-annual payments of interest are required at a fixed interest rate of 3.5%. Payments are due through 2013. The bonds have a balance of \$1,200,000 at June 30, 2009.

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, 2009, due to timing of receipts and payments, the UND Foundation recorded a payable of \$3,150 to UND.

### **NOTE 11 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK**

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

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

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

	Contract Amount (in thousands)
Commitments to extend credit	\$ 653,632
Financial standby letters of credit	295,808
	<u>\$ 949,440</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 \$1,762,000 at December 31, 2008.

#### **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 \$51,204,000 at June 30, 2009. 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 \$1,857,000 at June 30, 2009.

# STATE OF NORTH DAKOTA

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## 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 \$133,108,000 at December 31, 2008.

## **NOTE 12 - INTEREST RATE SWAP**

### NORTH DAKOTA HOUSING FINANCE AGENCY

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

The bonds and the related swap agreements have a stated maturity date, and the swap's notional amounts match the amount of variable-rate bonds. Under the swaps, the Agency pays the counterparty a fixed payment and receives a variable payment computed as a percent of the London Interbank Offered Rate (LIBOR) plus a fixed percentage. On the other hand, the bond's variable-rate coupons are determined by the remarketing agent. If, for any reason, the remarketing agent fails to act, the rate shall be the lesser of (i) the TBMA (Bond Market Association) Index plus 0.25% or (ii) the Maximum rate as defined within the applicable series resolution.

As of June 30, 2009, the Agency did not have any swaps that had a positive fair value. 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 \$13,391,000 as of June 30, 2009. The coupons on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. All valuations are as of the valuation date indicated. Mid-Market or indicative unwind valuations may be derived from broker quotations or from proprietary models that take into consideration estimates about relevant present and future market conditions as well as the size and liquidity of the position and any related actual or potential hedging transactions. Valuations based on other models or different assumptions may yield different results.

As noted above, the swap exposes the Agency to basis risk should the relationship between LIBOR and the actual variable rates converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate and the synthetic rate as of June 30, 2009. 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.

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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	\$ 11,500,000	\$ 1,750,000	\$ 8,990,000	\$ 3,165,000
5.	Variable-rate Bonds	\$ 11,500,000	\$ 1,945,000	\$ 8,990,000	\$ 3,165,000
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	0.37000%	0.37000%	0.37000%	0.37000%
10.	Fair Value	\$ (330,000)	\$ (55,000)	\$ (17,000)	\$ (74,000)
11.	Percentage of LIBOR	0.21984%	0.22592%	0.64000%	0.64000%
12.	Synthetic Rate	4.62016%	3.08408%	3.76500%	2.19300%
13.	Actual Synthetic Rate	4.79586%	3.18287%	3.92165%	2.37624%

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	\$ 3,405,000	\$14,205,000	\$ 5,760,000	\$12,990,000
5.	Variable-rate Bonds	\$ 3,405,000	\$14,205,000	\$ 5,760,000	\$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	0.37%	0.37%	0.34%	0.34%
9.	Bonds Variable-rate	0.37000%	0.37000%	0.37000%	0.37000%
10.	Fair Value	\$ (121,000)	\$ (775,000)	\$ (169,000)	\$ (713,000)
11.	Percentage of LIBOR	0.56980%	0.56980%	0.54160%	0.54160%
12.	Synthetic Rate	2.95520%	4.33020%	2.44840%	3.80840%
13.	Actual Synthetic Rate	3.09435%	4.47020%	2.62055%	3.98241%

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	\$23,375,000	\$23,100,000	\$12,000,000	\$30,210,000
5.	Variable-rate Bonds	\$23,375,000	\$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	0.37000%	0.37000%	0.37000%	0.37000%
10.	Fair Value	\$ (1,449,000)	\$ (1,381,000)	\$ (790,000)	\$ (3,461,000)
11.	Percentage of LIBOR	0.54160%	0.52128%	0.51160%	0.51160%
12.	Synthetic Rate	3.92340%	3.71872%	3.74740%	3.81340%
13.	Actual Synthetic Rate	4.09701%	3.88206%	3.90756%	3.97857%

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1.	Bond Series	2008 A	2008 B	2008 D
2.	Issuance Date	2/26/2008	2/26/2008	8/5/2008
3.	Maturity Date	1/1/2017	7/1/2038	7/1/2039
4.	Notional Amount	\$13,700,000	\$15,310,000	\$21,850,000
5.	Variable-rate Bonds	\$13,700,000	\$15,310,000	\$21,850,000
6.	Fixed Rate	3.198%	4.725%	3.919%
7.	LIBOR Percentage	63.00%	100.00%	63.70%
8.	Additional Percentage	0.32%	0.00%	0.20%
9.	Bonds Variable-rate	0.37000%	0.70000%	0.26000%
10.	Fair Value	\$ (840,000)	\$ (1,282,000)	\$ (1,934,000)
11.	Percentage of LIBOR	0.52160%	0.32000%	0.40384%
12.	Synthetic Rate	3.04640%	5.10500%	3.77516%
13.	Actual Synthetic Rate	3.26909%	5.95097%	3.02054%

Using rates as of June 30, 2009, 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, 2009. 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		
2010	\$ 8,185	\$ 746	\$ 6,798	\$ 15,729
2011	7,495	714	6,579	14,788
2012	6,480	684	6,382	13,546
2013	3,765	663	6,233	10,661
2014	2,720	649	6,124	9,493
2015-2019	63,395	2,551	24,675	90,621
2020-2024	19,180	1,769	18,012	38,961
2025-2029	19,670	1,448	15,108	36,226
2030-2034	41,420	803	8,785	51,008
2035-2039	24,905	188	2,343	27,436
2040-2044	4,290	-	-	4,290
	<u>\$ 201,505</u>	<u>\$ 10,215</u>	<u>\$ 101,039</u>	<u>\$ 312,759</u>

### **NOTE 13 – SIGNIFICANT CONCENTRATIONS OF CREDIT RISK**

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

### **NOTE 14 – RISK MANAGEMENT**

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

#### **THE STATE FIRE AND TORNADO FUND**

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

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

#### **STATE BONDING FUND**

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

# STATE OF NORTH DAKOTA

## 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 2009, a total of \$147,080,241 in claims was recognized. Incurred but not reported claims of \$771,900,000 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, 2008, and June 30, 2009:

Fiscal Year	Beginning Balance	Current Year Claims and Changes In Estimates	Claims Payments	Ending Balance
2008	\$ 1,917,351	\$ 797,395	\$ 647,716	\$ 2,067,030
2009	2,067,030	377,736	478,058	1,966,078

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 \$1,318,193.

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, 2009:

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Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2008	\$ 3,011,692	\$ 3,395,670	\$ 2,557,810	\$ 3,849,552
2009	3,849,552	3,000,740	2,745,908	4,104,384

## NOTE 15 – PUBLIC ENTITY RISK POOLS

### A. GENERAL

#### FIRE AND TORNADO AND BONDING FUND

The Fire and Tornado Fund provides property insurance to state agencies, political subdivisions, the International Peace Garden and the winter show. The Fire and Tornado Fund has issued 1,085 policies to participating entities for a total building and content coverage of \$8.8 billion. The Bonding Fund is used to provide fidelity bonding of public employees and officials. The Fund has issued 2,956 policies to participating entities. The total coverage for the Bonding Fund is \$522.9 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, 2009, coverage extended to the following employers:

Annual Premium	
\$250 - \$5,000	15,411
\$5,001 - \$50,000	3,947
\$50,001 - \$100,000	323
Over \$100,000	286
Total Employers	19,967

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, 2009, the actuary presented an estimate in the form of a range to emphasize the uncertainty for a long-tailed liability insurer such as workers' compensation. These ranges are as follows (expressed in thousands):

	Low	Expected Value	High
Full Value Basis (undiscounted)	\$1,165,000	\$ 1,293,800	\$ 1,490,000
Present Value Basis (discounted at 5% rate)	*	\$ 771,900	\$ 1,160,000

\*Not computed by actuary.



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WSI has adjusted the estimated liability for unpaid loss and loss adjustment expense to the actuary's five percent discounted expected value of \$771.9 million at June 30, 2009.

The June 30, 2008, liability of \$740.6 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, 2009.

## B. RECONCILIATION OF CLAIMS LIABILITIES

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

	Fire And Tornado		Bonding		Workforce Safety & Ins	
	2009	2008	2009	2008	2009	2008
Unpaid claims and claims adjustment expenses at the beginning of the year	\$ 1,114	\$ 404	\$ 149	\$ 501	\$ 740,600	\$ 730,900
Incurred claims and claims adjustment expenses:						
Provision for current fiscal year	1,744	10,548	128	(268)	168,967	131,380
Change in provision for prior fiscal year	-	-	-	-	9,427	(363)
Payments and claims and adjustment expenses attributable to:						
Current fiscal year insured events	(989)	(9,434)	61	417	(32,054)	(26,584)
Prior fiscal years' insured events	(1,114)	(404)	(149)	(501)	(81,140)	(76,933)
Total Payments	(2,103)	(9,838)	(88)	(84)	(113,194)	(103,517)
Change in provision for discount	-	-	-	-	(33,900)	(17,800)
Total unpaid claims and claims adjustment expenses at the end of the year	<u>\$ 755</u>	<u>\$ 1,114</u>	<u>\$ 189</u>	<u>\$ 149</u>	<u>\$ 771,900</u>	<u>\$ 740,600</u>

## NOTE 16 – SCHOOL PERMANENT TRUST FUND

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

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

1. Distribute to the fund beneficiary all or a portion of the income in excess of the previous fiscal year's distribution;
2. Retain for distribution in future years all 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, 2009, realized gains and losses available for distribution in the current year totaled \$7,644,445 for the permanent educational trusts. This amount is included in Reserved Fund Balances—Undistributed Revenue in the governmental funds balance sheet.

On June 30, 2009, the Attorney General certified to the Secretary of State that recent amendments to two federal statutes, the 1889 Enabling Act and the 1862 Morrill Act, removed any inconsistencies between these two federal laws and sections 1 and 2 of Article IX of the North Dakota State Constitution. With that certification, the historic changes that were approved by North Dakota voters as Constitutional Measure No. 1 during the November 7, 2006, general election became effective on July 1, 2009. Effective July 1, 2009, biennial distributions from the perpetual trust funds will be ten percent of the five-year average volume of trust assets, excluding the value of lands and minerals. Equal amounts must be distributed during each year of the biennium.

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## **NOTE 17 – BANK OF NORTH DAKOTA**

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

## **NOTE 18 – SPECIAL ITEM**

Previous to July 1, 2008, legislative council contracted with a software development company to develop a legislative enterprise system. The company notified the Legislative Assembly in September 2009, cancelling the project. This resulted in a write-off of construction in progress totaling \$3,314,057, which is shown as a special item on the Government-wide Statement of Activities – Governmental Activities.

## **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, 2008, the Bank of North Dakota has provided guarantees totaling \$1,648,000.

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, 2008, the Bank has guarantee outstanding totaling \$4,555,000.

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, 2008, the Bank has guarantees outstanding totaling \$789,000.

#### **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, 2009, the system has paid \$5.4 million towards these contracts. The remaining \$4.2 million will be carried over to the 2009-2011 biennium and will be paid as the project is completed.

#### **RETIREMENT AND INVESTMENT OFFICE (RIO)**

The State Investment Board has at June 30, 2009, committed to fund certain alternative private equity partnerships for an amount of \$1.17 billion. Funding of \$909.1 million has been provided leaving an unfunded commitment of \$256.4 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

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services and equipment use. LBG was reimbursed \$754,922 during 2008 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, 2009, 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, 2009, is \$500,000.

The Commission also has various significant commitments at June 30, 2009, for the purchase of various types of research, services and other goods totaling \$15,059,202.

### 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, 2009. One contract equals 5,000 bushels.

#### Futures Positions:

Month	Contracts		Avg. Price	Fair Value
	Long	Short		
September	95	-	\$ 6.7399	\$ 6.3375
December	281	-	7.3098	6.4625
March	68	-	6.4953	6.5875
May	69	-	6.9283	6.6500
July	14	-	7.1693	6.6950
September	9	-	6.7750	6.7150
December	6	-	6.7925	6.7975

As of June 30, 2009, the Mill had commitments to purchase 1,709,402 bushels of spring wheat and 119,706 bushels of durum. In addition, at June 30, 2009, construction commitments totaled \$1,097,146 amounts authorized totaled \$3,475,000 and amounts expended totaled \$2,377,854.

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, 2008, \$4,176,000 of credit was available through these letters of credit and no funds have been advanced.

### BUILDING AUTHORITY

The Authority has committed funds to complete various construction and modernization programs at June 30, 2009, totaling \$1,839,000. In addition, the 2009 Legislature authorized the Authority to bond up to \$2,575,000 during the 2009-2011 biennium for the Veteran's Home construction project.

### JOB SERVICE NORTH DAKOTA

As of June 30, 2009, Job Service has commitments to pay \$394,348 for purchase orders and contracts awarded for goods, services, software licenses, software support, and software server hosting to be provided in future periods.

### 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

### DEPARTMENT OF HUMAN SERVICES

As of June 30, 2009, the Department of Human Services had significant commitments for the purchase of various types of services totaling \$43,341,552.

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.

### STATE JUDICIARY

As of June 30, 2009, State Judiciary had significant commitments of \$235,236. The majority consists of contracts to provide various types of judicial services.

### PUBLIC SERVICE COMMISSION

As of June 30, 2009, the Public Service Commission had significant commitments of \$1,436,553. This amount consists primarily of contractor charges associated with the Abandoned Mine Lands.

# STATE OF NORTH DAKOTA

## AERONAUTICS COMMISSION

As of June 30, 2009, the Aeronautics Commission had significant commitments of \$575,000. This amount consists of grants to political subdivisions for maintenance and improvements of their airports.

## DAIRY PRODUCTS PROMOTION COMMISSION

As of June 30, 2009, the Dairy Products Commission had significant commitments of \$191,000. 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, 2009, the North Dakota Soybean Council had significant commitments of \$1,487,723. This amount mainly consists of grants for the research and development of soybeans.

## STATE WATER COMMISSION

As of June 30, 2009, the State Water Commission had long-term commitments of \$50,333,428 for various water projects.

## NORTH DAKOTA DEPARTMENT OF TRANSPORTATION

At June 30, 2009, the North Dakota Department of Transportation (Special Revenue Fund) had non-construction contract commitments of approximately \$10.91 million of which \$9.87 million represents federal programs which are cost reimbursable.

Construction commitments at June 30, 2009, totaled approximately \$252.06 million, of which \$204.93 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
DSU	\$ 8,664	\$ 4,320	\$ 4,334
MASU	6,461	2,089	4,372
MiSU	10,653	875	9,778
NDSCS	400	296	104
NDSU	14,485	7,619	6,866
UND	3,927	3,520	407
VCSU	1,533	1,516	17

## NORTH DAKOTA DEVELOPMENT FUND

The board of directors has approved equity investments, loans, grants, and guaranty of collections at June 30, 2009, for which funds have not been disbursed or written agreements entered into in the amount of \$3,808,203.

## OTHER CONSTRUCTION COMMITMENTS

Management and Budget	\$ 20
Legislative Assembly	1,626
Human Services	715
Attorney General	194
Adjutant General	14,910
School for the Deaf	231
Health Department	60
Department of Corrections	209
Transportation	78,958
Game and Fish	979
Veterans Home	26,058
State Courts	4,760

## ***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 \$2,350,000 to \$2,455,000.

The estimated gain in all the litigation brought by the State in which a gain is probable is estimated at zero.

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, 2009, in which the settlement had not been paid as of June 30, 2009.

## ***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 disal-

# STATE OF NORTH DAKOTA

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lowances 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, 2008, was completed and issued in March of 2009. As a result of this audit, approximately \$1,634,000 of identifiable questioned costs was noted. Also, there were several findings which had potentially significant, unknown, questioned costs. The State is cooperating with the federal government to resolve the findings and is optimistic these findings will not have a material impact on the State.

## **NOTE 20 - SUBSEQUENT EVENTS**

In February 2009, the State was notified of legal action being taken against one of its investment advisors. The principals of WG Trading Company, the broker/dealer for the Westridge Capital management portfolios, were charged with securities fraud for allegedly diverting investor funds for their personal use. The State was an investor along with numerous other public and private pensions funds whose investments totaled more than \$1.5 billion. Subsequent to the filing of a criminal complaint by federal prosecutors, a receiver was appointed by the court to reconstruct the alleged fraud and determine what recoverable assets exist. The receiver issued a report in May 2009, indicating that approximately \$893 million of recoverable assets were identified which equaled to 60% of the investors' account values. The State, through the State Investment Board, held three portfolios with Westridge/WG Trading at the time the fraud was discovered. The three portfolios had been valued at a combined \$161.3 million in the month prior to the court actions. \$23.3 million was recovered immediately through liquidation of futures and related collateral positions at Westridge. The remaining assets were held for WG Trading and were frozen by the courts and remain frozen as of the balance sheet date. The market value reported on the balance sheet reflects a reduction of 40% of the last known market value, based on the receiver's initial report, and will remain at the value until further information is received from the State's legal representatives or the federal courts.

## **HOUSING FINANCE**

Subsequent to June 30, 2009, the agency issued the 2009 Series A and B Housing Finance Program Bonds. The 2009 Series A and B bond issuance was \$130,530,000.

## **UNIVERSITY OF NORTH DAKOTA**

Subsequent to June 30, 2009, UND issued the Series 2009, State Board of Higher Education Revenue Bonds. Total issuance was \$1,500,000.

## **NORTH DAKOTA STATE UNIVERSITY**

Subsequent to June 30, 2009, NDSU issued Series 2009 Housing and Auxiliary Facilities Revenue Bonds. Total issuance was \$26,245,000.

## **NOTE 21 – NEW PRONOUNCEMENTS**

The State implemented the following new pronouncement for fiscal year 2009:

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. 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.

The State will implement the following new pronouncements for fiscal years ending after 2009:

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. 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.

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was issued in March 2009. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The provisions of this statement are effective for periods beginning after June 15, 2010.



Railroad Bridge – Bismarck

## **Required Supplementary Information - Budgetary Schedule**

# STATE OF NORTH DAKOTA

## Required Supplemental Information Budgetary Comparison Schedule General Fund For the Biennium Ended June 30, 2009

	Approved Budget 2007-2009 Biennium	Appropriation Adjustments 2007-2009 Biennium	Adjusted Budget 2007-2009 Biennium	Actual Biennium To Date Thru 6-30-09	Difference Uncollected/ Unspent Thru 6-30-09
<b>Budgetary Fund Balance, July 1</b>	\$ 218,350,170		\$ 218,350,170	\$ 412,793,057	\$ 194,442,887
<b>Resources (Inflows):</b>					
Sales and Use Tax	916,540,678	150,532,105	1,067,072,783	1,046,485,684	(20,587,099)
Income Tax	646,385,848	221,056,178	867,442,026	921,399,826	53,957,800
Business Privilege Tax	9,400,000	861,402	10,261,402	10,486,495	225,093
Oil And Gas Production Tax	39,839,000	(529,685)	39,309,315	278,470,527	239,161,212
Oil Extraction Tax	31,161,000	529,685	31,690,685	179,546,291	147,855,606
Insurance Premium Tax	55,470,000	11,120,545	66,590,545	64,388,601	(2,201,944)
Cigarette, Cigar and Tobacco Tax	47,366,000	(1,486,313)	45,879,687	45,230,771	(648,916)
Wholesale Liquor Tax	12,679,000	979,874	13,658,874	14,076,919	418,045
Coal Conversion Tax	47,447,000	18,410	47,465,410	49,438,952	1,973,542
Gaming Tax	20,753,844	(470,038)	20,283,806	20,042,392	(241,414)
Lottery	11,155,000	-	11,155,000	11,055,000	(100,000)
Department Fees and Collections	56,729,639	3,039,594	59,769,233	62,143,185	2,373,952
Mineral Leasing Fees	13,000,000	8,537,674	21,537,674	25,306,589	3,768,915
Motor Vehicle Excise Tax	113,558,900	13,280,356	126,839,256	130,151,534	3,312,278
Interest on Public Funds	36,420,000	2,825,931	39,245,931	49,506,190	10,260,259
Gas Tax Administration	1,274,056	-	1,274,056	1,341,599	67,543
Transfers In	198,100,000	(5,000,000)	193,100,000	193,209,644	109,644
<b>Total Revenue Inflows</b>	<b>2,257,279,965</b>	<b>405,295,718</b>	<b>2,662,575,683</b>	<b>3,102,280,197</b>	<b>439,704,514</b>
<b>Amounts Available for Appropriation</b>	<b>2,475,630,135</b>	<b>405,295,718</b>	<b>2,880,925,853</b>	<b>3,515,073,254</b>	<b>(634,147,401)</b>
<b>Charges to Appropriations (Outflows):</b>					
<b>General Government:</b>					
Governor's Office	3,102,822	-	3,102,822	2,760,586	342,236
Secretary of State	5,061,192	43,984	5,105,176	5,175,830	(70,654)
Secretary of State Public Printing	303,500	-	303,500	266,465	37,035
Office of Management and Budget	73,348,944	39,808,179	113,157,123	110,129,770	3,027,353
Information Technology	11,659,411	-	11,659,411	11,155,456	503,955
State Auditor	5,656,016	58,661	5,714,677	5,679,385	35,292
State Treasurer	3,093,470	59,900,616	62,994,086	62,441,770	552,316
Attorney General	24,432,081	419,215	24,851,296	24,756,411	94,885
Tax Department	32,538,153	178,657	32,716,810	29,055,090	3,661,720
Legislative Assembly	14,177,129	149,076	14,326,205	12,153,920	2,172,285
Legislative Council	8,748,442	524,988	9,273,430	7,704,122	1,569,308
Supreme Court	66,935,878	-	66,935,878	64,655,851	2,280,027
Legal Counsel for Indigents	9,509,991	7,531	9,517,522	7,814,819	1,702,703
Public Employees Retirement System	-	-	-	-	-
<b>Education:</b>					
Public Instruction	710,423,275	11,215,021	721,638,296	721,632,740	5,556
Education Practices & Standards Board	-	-	-	-	-
State Library	3,977,513	100,674	4,078,187	4,077,730	457
School for the Deaf	5,390,438	154,717	5,545,155	5,279,936	265,219
School for the Blind	2,917,936	9,532	2,927,468	2,927,033	435
Vocational Education	21,804,036	19,404	21,823,440	21,823,440	-
<b>Health &amp; Human Services:</b>					
Dept. of Health	21,517,033	132,460	21,649,493	21,561,091	88,402
Veteran's Home	4,125,266	38,489	4,163,755	4,157,298	6,457
Indian Affairs Commission	566,258	336	566,594	541,899	24,695
Veteran's Affairs	866,772	11,506	878,278	862,501	15,777
Dept. of Human Services-Management	21,215,989	4,815,198	26,031,187	24,715,945	1,315,242
Dept. of Human Services-Program and Policy	442,376,838	(712,351)	441,664,487	395,342,877	46,321,610
Dept. of Human Services-Centers	128,369,961	(329,102)	128,040,859	119,472,924	8,567,935
Protection and Advocacy	913,287	15,854	929,141	929,104	37
Job Service	1,746,960	-	1,746,960	1,433,293	313,667
<b>Regulatory:</b>					
Insurance Commission	-	-	-	-	-
Industrial Commission	11,756,004	42,632	11,798,636	11,547,566	251,070
Labor Commission	1,149,250	11,032	1,160,282	1,116,324	43,958
Public Service Commission	4,873,459	17,428	4,890,887	4,463,763	427,124
Securities Commissioner	1,623,355	5,040	1,628,395	1,459,082	169,313
<b>Public Safety and Corrections:</b>					
Highway Patrol	27,895,323	96,599	27,991,922	27,608,090	383,832
Division of Emergency Management	-	-	-	-	-
Corrections & Rehab	130,606,873	1,977,244	132,584,117	128,369,041	4,215,076
Adjutant General	21,802,813	20,697,800	42,500,613	36,216,532	6,284,081
<b>Agriculture &amp; Commerce:</b>					
Department of Commerce	26,581,965	907,525	27,489,490	26,836,748	652,742
Department of Agriculture	5,789,660	27,007	5,816,667	5,797,657	19,010
State Fair	1,167,150	-	1,167,150	1,167,150	-
Racing Commission	120,592	82	120,674	120,674	-
<b>Natural Resources:</b>					
Historical Society	10,232,603	470,906	10,703,509	10,172,317	531,192
Council on the Arts	1,165,799	3,248	1,169,047	1,140,756	28,291
Parks and Recreation	14,461,291	354,164	14,815,455	14,230,399	585,056
Water Commission	13,877,247	93,402	13,970,649	11,960,094	2,010,555
<b>Transportation:</b>					
Aeronautics Commission	550,000	-	550,000	550,000	-
Transfers Out	558,541,981	7,961,363	566,503,344	546,499,647	20,003,697
<b>Total Charges to Appropriations</b>	<b>2,456,973,956</b>	<b>149,228,118</b>	<b>2,606,202,074</b>	<b>2,497,763,127</b>	<b>108,438,947</b>
<b>Ending Budgetary Fund Balance</b>	<b>\$ 18,656,179</b>	<b>\$ 256,067,600</b>	<b>\$ 274,723,779</b>	<b>\$ 1,017,310,127</b>	<b>\$ 742,586,348</b>



# STATE OF NORTH DAKOTA

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**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Budget to GAAP Reconciliation**  
**General Fund**  
**For the Biennium Ended June 30, 2009**

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	3,102,280,197
Back out Revenue from FY 2008	(1,462,863,182)
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	(247,285,792)
Repayment received on loans receivable are revenue for Budget not GAAP	(3,667,230)
Proceeds are recorded for new capital leases on GAAP, but not for Budget	58,585
Total revenues and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u><u>\$ 1,388,522,578</u></u>

**Uses/Outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	2,497,763,127
Back out Expenditures from FY 2008	(1,194,982,737)
Differences-Budget to GAAP:	
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	3,194,887
New capital leases are recorded as expenditures for GAAP, but not for Budget	58,585
Certain due to other funds are recorded under GAAP, but not for Budget	3,269,723
Total expenditures and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u><u>\$ 1,309,303,585</u></u>

# STATE OF NORTH DAKOTA

## Required Supplemental Information Budgetary Comparison Schedule Other Funds For the Biennium Ended June 30, 2009

	Approved Budget 2007-2009 Biennium	Appropriation Adjustments 2007-2009 Biennium	Adjusted Budget 2007-2009 Biennium	Actual Biennium To Date Thru 6-30-09	Difference Uncollected/ Unspent Thru 6-30-09
<b>Budgetary Fund Balance, July 1</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>					
Other Budgeted Income	4,204,065,084	545,922,892	4,749,987,976	3,713,680,091	(1,036,307,885)
<b>Total Revenue Inflows</b>	<b>4,204,065,084</b>	<b>545,922,892</b>	<b>4,749,987,976</b>	<b>3,713,680,091</b>	<b>(1,036,307,885)</b>
<b>Amounts Available for Appropriation</b>	<b>4,204,065,084</b>	<b>545,922,892</b>	<b>4,749,987,976</b>	<b>3,713,680,091</b>	<b>1,036,307,885</b>
<b>Charges to Appropriations (Outflows):</b>					
General Government:					
Governor's Office	100,000	-	100,000	93,724	6,276
Secretary of State	8,873,865	166,135	9,040,000	2,583,041	6,456,959
Office of Management & Budget	40,229,115	(7,907,984)	32,321,131	22,929,185	9,391,946
Information Technology	113,006,770	1,726,755	114,733,525	100,624,179	14,109,346
State Auditor	2,585,774	24,428	2,610,202	1,802,248	807,954
Attorney General	20,901,921	3,711,571	24,613,492	14,774,693	9,838,799
Tax Department	2,800,000	52,146	2,852,146	2,125,322	726,824
Legislative Assembly	70,000	-	70,000	57,328	12,672
Supreme Court	2,199,640	20,750	2,220,390	1,932,343	288,047
Legal Counsel for Indigents	1,700,705	-	1,700,705	1,626,094	74,612
Public Employees Retirement System	15,243,302	29,988	15,273,290	10,029,596	5,243,694
Education:	-	-	-	-	-
Public Instruction	325,668,238	90,283,246	415,951,484	313,595,491	102,355,993
State Library	1,881,253	17,072	1,898,325	1,600,897	297,428
School for the Deaf	1,039,018	62,483	1,101,501	867,165	234,336
School for the Blind	843,857	4,104	847,961	619,356	228,605
Vocational Education	11,035,632	-	11,035,632	9,338,369	1,697,263
Health & Human Services:	-	-	-	-	-
Dept. of Health	150,595,277	3,247,568	153,842,845	116,658,262	37,184,583
Veteran's Home	29,914,552	3,227,500	33,142,052	13,264,131	19,877,921
Indian Affairs	5,000	-	5,000	-	5,000
Dept. of Human Services-Management	73,705,257	6,543,061	80,248,318	48,884,670	31,363,648
Dept. of Human Services-Program and Policy	1,100,985,144	13,721,929	1,114,707,073	1,096,468,368	18,238,705
Dept. of Human Services-Centers	115,394,229	3,211,108	118,605,337	116,281,775	2,323,562
Protection and Advocacy	3,140,229	61,105	3,201,334	1,699,026	1,502,308
Job Service	61,664,171	578,955	62,243,126	48,312,680	13,930,446
Regulatory:	-	-	-	-	-
Insurance Department	14,455,124	576,983	15,032,107	13,412,435	1,619,672
Industrial Commission	69,392,346	(580,732)	68,811,614	38,071,024	30,740,590
Labor Commission	401,341	-	401,341	398,631	2,710
Public Service Commission	8,003,309	109,508	8,112,817	5,931,720	2,181,097
Securities Commission	217,199	-	217,199	212,998	4,201
Public Safety and Corrections:	-	-	-	-	-
Highway Patrol	11,212,205	50,429	11,262,634	10,113,385	1,149,249
Division of Emergency Management	-	-	-	-	-
Corrections & Rehab	24,050,952	381,746	24,432,698	15,964,173	8,468,525
Adjutant General	121,675,673	75,355,971	197,031,644	126,311,094	70,720,550
Agriculture & Commerce:	-	-	-	-	-
Department of Commerce	55,758,516	20,250,683	76,009,199	40,406,735	35,602,464
Department of Agriculture	11,388,326	1,281,190	12,669,516	10,011,517	2,657,999
Racing Commission	286,698	76,483	363,181	303,256	59,925
Natural Resources:	-	-	-	-	-
Historical Society	5,318,766	2,773,489	8,092,255	4,677,143	3,415,112
Council on the Arts	1,288,318	72,000	1,360,318	1,314,156	46,162
Game and Fish	57,841,039	1,081,706	58,922,745	51,270,297	7,652,448
Parks and Recreation	13,548,117	207,276	13,755,393	7,191,519	6,563,874
Water Commission	162,122,016	12,273,457	174,395,473	76,816,451	97,579,023
Transportation:	-	-	-	-	-
Aeronautics Commission	6,522,036	2,826,201	9,348,237	6,126,920	3,221,317
Department of Transportation	903,157,500	237,584,970	1,140,742,470	888,565,800	252,176,670
<b>Total Charges to Appropriations</b>	<b>3,550,222,430</b>	<b>473,103,281</b>	<b>4,023,325,711</b>	<b>3,223,267,196</b>	<b>800,058,515</b>
<b>Ending Budgetary Fund Balance</b>	<b>\$ 653,842,654</b>	<b>\$ 72,819,611</b>	<b>\$ 726,662,265</b>	<b>\$ 490,412,895</b>	<b>\$ (236,249,370)</b>

# STATE OF NORTH DAKOTA

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## Required Supplemental Information Budgetary Comparison Schedule Budget to GAAP Reconciliation Federal Fund For the Biennium ended June 30, 2009

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

### Sources/Inflows of resources

Actual Amounts (budgetary basis) "total revenue inflows" from the budgetary comparison schedule	3,713,680,091
Back out Revenue from FY 2008	(1,070,236,026)
Perspective difference: Non-Federal fund revenues	(1,422,777,418)
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	16,143,034
Certain Due From other funds are recorded under GAAP, but not for Budget	41,977
Intrafund activity eliminated for GAAP	(18,294,390)
Total revenues and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 1,218,557,268</u>

### Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	3,223,267,196
Back out Expenditures from FY2008	(1,070,236,026)
Perspective difference: Non-Federal fund expenditures	(933,625,264)
Differences-Budget to GAAP:	
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	11,143,837
New Loans issued are expenditures for Budget but not for GAAP	(1,607,102)
GAAP, but not Budget expenditures are reduced by year end inventory balances	4,183,585
Intrafund activity eliminated for GAAP	(18,294,390)
Total expenditures and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 1,214,831,836</u>

## **STATE OF NORTH DAKOTA**

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### **Note To Required Supplemental Information - Budgetary Reporting For the Biennium Ended June 30, 2009**

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 Biennium Ended June 30, 2009." 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 \$538,128,488.

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, 2009, 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.



Rainbow Arch Bridge – Valley City

# Combining Financial Statements



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# STATE OF NORTH DAKOTA

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## *Nonmajor Governmental Funds*

### Special Revenue Funds

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

#### **AGRICULTURE**

##### 219 - Milk Marketing Fund

Accounts for revenues and expenditures associated with the general operation of the department.

##### 224 - Alcohol Motor Vehicle Fuel Fund

Funds used for the enhancement of agricultural research, development, processing, and marketing.

##### 260 - Minor Use Pesticide Fund

Accounts for registration and donations to the pesticide control board.

##### 264 - Anhydrous Ammonia Storage Inspection Fund

Account for inspection fees collected which are related to the distribution of anhydrous ammonia.

##### 306 - Stockmen's Association Fund

Accounts for revenues and expenditures associated with the general operation of the department.

##### 308 - Agriculture Department Fund

Accounts for revenues and expenditures associated with the general operation of the department.

##### 329 - Seed Department Fund

Accounts for revenues and expenditures associated with the general operation of the department.

##### 376 - Environment and Rangeland Protection Fund

To be used for rangeland improvement projects.

##### 447 - Ethanol Production Incentive Fund

Funds are used for paying ethanol production incentives.

##### 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.

#### **COMMODITY PROMOTION**

##### 208 - Soybean Council Fund

To promote the sale of North Dakota soybean products.

##### 220 - Spud Fund

To promote the sale of North Dakota potato products.

##### 221 - Turkey Promotion Fund

To promote the sale of North Dakota turkey products.

##### 223 - Honey Promotion Fund

To promote the sale of North Dakota honey products.

##### 227 - Dry Pea and Lentil Council Fund

To promote the sale of North Dakota dry pea and lentil bean products.

##### 228 - Wheat Commission Fund

To promote the sale of North Dakota wheat products.

##### 229 - Beef Commission Fund

To promote the sale of North Dakota beef products.

##### 231 - Barley Growers Check-Off

To promote the sale of North Dakota barley products.

##### 241 - Edible Bean Fund

To promote the sale of North Dakota edible bean products.

##### 245 - Oilseed Fund

To promote the sale of North Dakota oilseed products.

##### 270 - Corn Fund

To promote the sale of North Dakota corn products.

##### 309 - Dairy Products Promotion Fund

To promote the sale of North Dakota dairy products.

#### **COMMERCE**

##### 278 - Breeders Fund

Accounts for revenues that are used to award racehorse breeders.

##### 290 - Purse Fund

Revenues are used to supplement and improve purses offered at racetracks within the state.

##### 296 - Workforce Enhancement Fund

Provides grants to institutions of higher education assigned responsibility for workforce training in the state.

##### 330 - Economic Development Commission Fund

Accounts for revenues and expenditures associated with the general operation of the economic development division.

##### 334 - Horse Racing Operating Fund

Accounts for the revenues and expenditures for the general operation of the horse racing commission.



# STATE OF NORTH DAKOTA

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## 339 - Promotion Fund

Revenues are used for the promotion of racing and for the operating expenses of the Racing Commission.

## 342 - Community Services Fund

Accounts for revenues and expenditures associated with the general operation of the division of community services.

## 365 – Centers of Excellence Fund

Set up for the purpose of administering the centers of excellence program.

## 443 - Tourism Fund

Accounts for revenues and expenditures associated with the general operation of the tourism division.

## **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.

## 234 - Fossil Excavation and Restoration Fund

Used for funds received by the geological survey for the excavation and restoration of fossils.

## 236 - State Waterbank Fund

Funds used for the purpose and implementation of wetland conservation and development plans.

## 243 – Renewable Energy Development Fund

Established to provide financial assistance to foster the development of renewable energy.

## 253 - Historical Impact Emergency Fund

Used for emergency mitigation of adverse effects on cultural resources and historical buildings, structures, or objects in the state.

## 267 - Water Development Trust Fund

To be used to address the long-term water development and management needs of the state.

## 286 - Pipeline Authority Administrative Fund

Funds are to be used for the administrative costs of the Pipeline Authority.

## 297 – Biomass Incentive and Research Fund

Funds to be used for various biomass projects.

## 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.

## 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.

## 319 – Geologic Data Preservation Fund

Funds are used to defray the expenses of preserving geologic data and disseminating the data.

## 327 - State Historical Revolving Fund

Used for making investigations of permit applicants and for the management and analysis of records and artifacts.

## 381 – NAWS Operation and Maintenance Fund

Accounts for user fees and the maintenance and operation of the northwest area water supply project.

## 397 - Water Commission Fund

Accounts for revenues and expenditures associated with the general operation of the department.

## 399 - Arts and Humanities Fund

Accounts for revenues and expenditures associated with the general operation of the department.

## 413 - NAWS Project Reserve Fund

To be used for the replacement and extraordinary maintenance of the northwest area water supply project.

## 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.

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

Used to satisfy unfulfilled reclamation obligations incurred from mineral and coal exploration.

## 445 - Abandoned Mine Reclamation Setaside Fund

To defray the administrative expenses of the program.

## 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.

## 488 - Habitat and Depredation Fund

Funds used to improve private land habitats.

## **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.

## 235 - Displaced Homemakers Fund

Funds for providing services for displaced homemakers.

## Nonmajor Governmental Funds

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### 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.

### 274 - Independent Study Operating Fund

Accounts for the revenues and expenditures associated with the general operations of the Division of Independent Study.

### 353 - School for the Deaf Fund

Accounts for revenues and expenditures associated with the general operation of the department.

### 354 - School for the Blind Fund

Accounts for revenues and expenditures associated with the general operation of the department.

### 390 - Library Commission Fund

Accounts for revenues and expenditures associated with the general operation of the department.

### 391 - Public Instruction Fund

Accounts for revenues and expenditures associated with the general operation of the department.

### 393 - Career & Technical Education Fund

Accounts for revenues and expenditures associated with the general operation of the department.

### 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.

### 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.

### 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.

### 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.

## HEALTH AND HUMAN SERVICES

### 215 - Children's Services Coordinating Committee Fund

Accounts for revenues and expenditures associated with the general operation of the department.

### 254 - Employment of People With Disabilities Fund

This fund is for the development of job opportunities for disabled individuals in this state.

### 257 - Organ/Tissue Transplant Fund

To provide financial assistance to transplant patients.

### 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.

### 285 - Compulsive Gambling Prevention and Treatment Fund

Funds are used for gambling prevention and treatment services.

### 313 - Environmental Health Practitioners License Administrators Fund

Accounts for revenues and expenditures associated with advisory board duties.

### 315 - ND Health Care Trust Fund

Funds to be used for long-term care reform.

### 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.

### 355 - Provider Assessment Fund

Accounts for an assessment on intermediate care facilities for the mentally retarded.

### 360 - Human Services Department Fund

Accounts for revenues and expenditures associated with the general operation of the department.

### 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.

### 369 - Tobacco Prevention and Control Fund

Fund consists of tobacco settlement dollars to be used for creating a comprehensive plan for the prevention and control of tobacco.

### 370 - Health and Consolidated Laboratories Fund

Accounts for revenues and expenditures associated with the general operation of the department.

### 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.

### 419 - Children's Trust Fund

To aid in the prevention of child abuse and neglect and developing child abuse prevention programs.

# STATE OF NORTH DAKOTA

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## 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.

## 931 - Human Services Donor Implied Trust Fund

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

## 938 - State Hospital - Special Revenue Fund

Accounts for funds donated for the patients' religious and welfare needs.

## 996 - Developmental Center Residents Welfare Fund

Accounts for funds donated for the residents' needs.

## 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.

### 237 - Indigent Civil Legal Services Fund

Funds to provide legal services to persons unable to afford private counsel.

### 250 - Attorney General Refund Fund

Accounts for financial resources of the consumer fraud division.

### 268 - Restitution Collection Assistance Fund

Accounts for restitution received and used for defraying expenses related to collection of restitution.

### 279 - Court Facilities Improvement Fund

Used to provide grants to counties for court facilities improvement and maintenance projects.

### 282 - Indigent Defense Administration Fund

Funds are used to contract for indigent defense services in the state.

### 295 - Electronic Filing Administration Fund

Used by the Judicial Branch to cover the costs of maintaining an electronic filing system and managing electronic documents.

### 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.

### 322 - Attorney General Fund

Accounts for revenues and expenditures associated with the general operation of the department.

### 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.

## 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.

## 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.

### 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.

## LOCAL GOVERNMENT

### 238 (925) - Energy Development Impact

Accounts for monies to be distributed through grants to coal impacted political subdivisions.

### 240 - Insurance Tax Distribution Fund

Accounts for financial resources for fire departments within the State.

### 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.

### 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.

### 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.

### 405 - Financial Institution Tax Distribution

Accounts for a tax imposed on each financial institution for distribution to counties.

### 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.

### 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.

## Nonmajor Governmental Funds

### 420 - Cigarette Tax Distribution Fund

Accounts for a tax on cigarettes distributed on a per capita basis to the incorporated cities.

### 424 - Telecommunications Carriers Tax Fund

Accounts for the telecommunications carriers' tax that is allocated to counties.

### 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.

### 431 - Transmission Line Tax Distribution Fund

Accounts for tax of transmission lines and the allocation to counties in which such transmission lines are located.

### 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.

### 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.

### 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.

### 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.

### 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.

## 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.

## OTHER SPECIAL

### 212 - Statewide Conference

Accounts for revenues and expenditures for state agencies that have conferences.

### 246 - State Auditor's Operating Fund

Accounts for revenues and expenditures associated with the operations of the political subdivision of the Office.

### 249 - Firefighters Death Benefit Fund

Under certain circumstances, provides for payment to the estate of a firefighter.

### 251 - Capitol Grounds Planning Fund

Funds dedicated to implement the Capitol Grounds Master Plan for the development of the capitol grounds.

### 256 - Bicentennial Trust Fund

Fund to be used to commemorate and celebrate North Dakota's bicentennial.

### 259 - Legislative Services Fund

Accounts for fees received for providing legislative information services and copies of documents.

### 263 - Secretary of State General Services Fund

Accounts for revenues and expenditures relating to certain services provided by the department.

### 266 - Administrative Hearings Fund

Accounts for revenues and expenditures associated with the general operation of the department.

### 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.

### 287 - Integrated Tax System Fund

Accounts for the costs to establish an integrated tax processing system.

### 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.

### 302 - Athletic Commission Fund

Accounts for revenues and expenditures associated with the athletic advisory board.

### 304 - Governor's Special Fund

Moneys that have become available during the biennium from federal funds and private funds.

### 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.

### 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.

# STATE OF NORTH DAKOTA

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## 392 - Insurance Recoveries Property Fund

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

## 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.

## 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.

## 701 - Postage Revolving Fund

Fund collections from the state offices, departments, and agencies, for postage, shall be paid into the fund.

## 730 - Central Personnel Training Fund

Fund used for the coordination of employee training and development programs to state departments and agencies.

## 902 - Capitol Renovation Fund

Funds dedicated and reserved for the exclusive use of renovations needed to the capitol buildings and grounds.

## 968 - Job Service - Special Revenue

Accounts for revenues and expenditures associated with the general operation of the department.

## 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.

## **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.

### 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).

## **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.

## **PUBLIC SAFETY AND CORRECTIONS**

### 214 - National Guard Emergency Fund

Funds used for costs of the national guard in performing emergency State services.

### 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.

### 311 - Special Operations Team Reimbursement Fund

Funds are used to reimburse city and county governments that provide special operations team services to rural areas.

### 320 - Community Service Supervision

Accounts for a court imposed community service fee to be used to provide community service supervision grants.

### 321 - Probationer Violation Transportation Fund

Funds are used to defray the costs of returning to the state probationers who violate their conditions of supervision.

### 352 - State Disaster Relief Fund

To be used for defraying the expenses of state disasters.

### 361 - Highway Patrol Special Fund

Used for distributions from the state highway tax distribution fund to be used for the expenses of the department.

### 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.

### 367 - Multijurisdictional Drug Task Force Fund

Established to defray the expenses and operating costs incurred by a multijurisdictional drug task force.

### 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.

### 373 - Radio Communications Fund

Accounts for revenues and expenditures associated with the general operation of the department.

## Nonmajor Governmental Funds

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### 375 - Emergency Management Fund

Accounts for revenues and expenditures associated with the general operation of the department.

### 378 - State Hazardous Chemicals Fund

Account for revenue collected from the state hazardous chemical fee system.

### 379 - Department of Corrections Operating

Accounts for revenues and expenditures associated with the general operation of the department.

### 383 - National Guard Fund

Accounts for revenues and expenditures associated with the general operation of the department.

### 385 - National Guard Military Grounds Fund

Funds used for the improvement of the properties for military uses.

## RECREATION

### 222 - Game and Fish Department Fund

Accounts for the revenues and expenditures associated with the operation of the game and fish department.

### 261 - Snowmobile Fund

Fund for administering snowmobile safety programs and establishing and maintaining snowmobile facilities.

### 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.

### 398 - Parks and Recreation Fund

Accounts for revenues and expenditures associated with the general operation of the parks and recreation department.

### 441 - Trail Tax Transfer Fund

Fund used for all-terrain vehicle safety education and promotion.

### 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.

## 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.

### 233 - Petroleum Release Compensation Fund

Funds to provide for cleanup of petroleum spills through the establishment of a petroleum release compensation fund.

### 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.

### 242 - Financial Institution Regulatory Fund

Accounts for revenues and expenditures associated with the general operation of the department.

### 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.

### 247 - Oil and Gas Research Fund

Funds are to be used for oil and gas research activities.

### 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.

### 262 - Securities Protection Fund

Accounts for revenues and expenditures from civil penalties collected from securities enforcement actions.

### 280 - Performance Assurance Fund

Revenues received under the performance assurance plan are to be used to monitor the operation and effect of the plan.

### 301 - Siting Process Recovery Fund

Deposits in this fund are to pay for expenses incurred in the energy conversion facility siting process.

### 305 - Industrial Commission Fund

Accounts for revenues and expenditures associated with the general operation of the department.

### 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.

## TRANSPORTATION

### 200,201,277 - Highway Fund

Accounts for revenues and expenditures associated with the general operation of the department.

### 202 - Abandoned Vehicle Fund

Funds used to dispose abandoned motor vehicles and other forms of scrap metal.

# STATE OF NORTH DAKOTA

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## 205 - Motorcycle Safety Fund

Motorcycle safety education fees used for promoting motorcycle safety.

## 217 – Dealer Enforcement Fund

Fees from dealer registrations are to be deposited in this fund.

## 225 - State Infrastructure Bank (SIB)

Funds for funding eligible projects as determined by agreement of the members of the multi-state infrastructure bank.

## 230 - Special Road Fund

Used for the construction and maintenance of access roads to and roads within recreational, tourist, and historical areas.

## 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.

## 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.

## **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.

## 380 - Soldiers Home Fund

Accounts for revenues and expenditures associated with the general operation of the department.

## 410 - Veterans Postwar Trust Fund

Fund is utilized for programs of benefit and service to veterans or their dependents.

## 433 - Veterans Cemetery Fund

Funds used for the maintenance and operation of the Veteran's Cemetery.

## 491 - Veterans' Cemetery Trust Fund

Accounts for distinctive motor license plates fees for the operation of the Veterans' Cemetery.

## 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.

**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.

**WATER COMMISSION**

**961 - Water Commission - Capital Projects Fund**

Account for the construction of water related projects, including rural water systems.

**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.

**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.

**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.



# STATE OF NORTH DAKOTA

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2009

	Special Revenue Funds					
	Agriculture	Commodity Promotion	Commerce	Cultural and Natural Resources	Education	Health and Human Services
<b>ASSETS</b>						
Cash Deposits at the Bank of ND	\$ 6,394,042	\$ 6,532,132	\$ 8,946,010	\$ 43,362,348	\$ 69,783,961	\$ 55,927,847
Cash and Cash Equivalents	46,712	419,788	51,823	1,886	335,748	839,881
Restricted Cash and Cash Equivalents	-	-	-	-	-	-
Investments at the Bank of ND	2,787,559	750,000	1,200,000	3,084,414	-	290,000
Investments	134,000	4,806,000	-	198,824	-	184,000
Accounts Receivable - Net	115,162	3,203,727	91,674	5,444,853	1,672,589	13,228,893
Taxes Receivable - Net	21,566	-	35,467	133,808	1,905,124	56,463
Interest Receivable - Net	255	5,640	128,918	-	-	191,252
Intergovernmental Receivable - Net	-	-	-	566,839	-	1,192,091
Due from Other Funds	28,688	24,966	6,692,441	2,246,809	-	7,982,538
Due from Fiduciary Funds	-	-	-	-	-	158,271
Prepaid Items	9,800	-	-	211,834	-	-
Inventory	-	-	34,753	-	175,613	-
Loans and Notes Receivable - Net	-	-	7,939,305	1,620,327	-	8,887,968
Total Assets	\$ 9,537,784	\$ 15,742,253	\$ 25,120,391	\$ 56,871,942	\$ 73,873,035	\$ 88,939,204
<b>LIABILITIES AND FUND BALANCE</b>						
Liabilities:						
Accounts Payable	\$ 2,525,828	\$ 1,263,197	\$ 117,075	\$ 8,102,219	\$ 145,632	\$ 2,215,027
Accrued Payroll	178,011	112,602	42,539	56,685	260,100	692,352
Securities Lending Collateral	-	-	-	-	-	-
Interest Payable	-	-	-	-	-	-
Intergovernmental Payable	-	-	-	-	-	-
Tax Refunds Payable	-	-	-	-	-	-
Due to Other Funds	20,416	124,350	739,958	2,544,227	1,063,543	17,842,979
Contracts Payable	-	-	-	-	-	-
Deferred Revenue	31,300	-	-	-	920,952	-
Total Liabilities	2,755,555	1,500,149	899,572	10,703,131	2,390,227	20,750,358
Fund Balances:						
Reserved For:						
Inventory	-	-	34,753	-	175,613	-
Long - Term Receivables	-	-	6,542,854	1,620,327	-	8,454,472
Capital Projects	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Prepaid Expenditures	9,800	-	-	211,834	-	-
Legal Requirements	-	-	-	-	-	-
Unreserved:						
Designated for:						
Fund Activities	-	-	-	-	-	-
Patients Welfare	-	-	-	-	-	40,237
Other	-	-	-	-	-	3,471
Unreserved, Reported in:						
Special Revenue Funds	6,772,429	14,242,104	17,643,212	44,336,650	71,307,195	59,690,666
Total Fund Balances	6,782,229	14,242,104	24,220,819	46,168,811	71,482,808	68,188,846
Total Liabilities and Fund Balances	\$ 9,537,784	\$ 15,742,253	\$ 25,120,391	\$ 56,871,942	\$ 73,873,035	\$ 88,939,204

Special Revenue Funds							
Judicial and Legal	Land Department Coal and Mineral	Local Government	Oil Tax Resources	Other Special	PACE Fund	Permanent Oil Tax Trust	
\$ 11,752,644	\$ 410,986	\$ 38,011,333	\$ 3,225,269	\$ 3,179,561	\$ 20,541,466	\$ 489,881,444	
159,414	-	505,561	-	32,554	-	-	
-	-	-	-	-	-	-	
18,443	-	-	83,700,000	1,623,551	-	-	
-	64,193,441	-	-	1,329,508	-	-	
675,991	1,319,556	-	-	168,826	-	-	
-	249,111	49,595,212	3,810,250	567,048	-	92,481	
-	203,268	-	27,736	162,033	-	-	
14,839	-	-	522,106	92,104	-	-	
638,334	228,684	-	44,877	183,150	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	1,755,854	-	
-	-	-	-	340,150	-	-	
-	38,662,320	-	3,252,836	-	-	-	
<u>\$ 13,259,665</u>	<u>\$ 105,267,366</u>	<u>\$ 88,112,106</u>	<u>\$ 94,583,074</u>	<u>\$ 7,678,485</u>	<u>\$ 22,297,320</u>	<u>\$ 489,973,925</u>	
\$ 405,139	\$ 7,911	\$ -	\$ -	\$ 425,040	\$ -	\$ 33,987	
81,179	-	-	-	99,529	-	972	
-	11,024,019	-	-	-	-	-	
-	-	-	-	-	290,263	-	
37,099	-	52,247,885	-	-	-	-	
-	-	524	-	567,230	-	-	
7,750	371,777	-	-	101,498	970,000	6,740,009	
-	-	-	-	-	-	-	
295,790	-	31,016,355	-	129,824	-	-	
<u>826,957</u>	<u>11,403,707</u>	<u>83,264,764</u>	<u>-</u>	<u>1,323,121</u>	<u>1,260,263</u>	<u>6,774,968</u>	
-	-	-	-	340,150	-	-	
-	35,452,685	-	2,933,875	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	1,755,854	-	
-	-	-	-	-	14,611,223	-	
18,570	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	4,669,980	-	
12,414,138	58,410,974	4,847,342	91,649,199	6,015,214	-	483,198,957	
<u>12,432,708</u>	<u>93,863,659</u>	<u>4,847,342</u>	<u>94,583,074</u>	<u>6,355,364</u>	<u>21,037,057</u>	<u>483,198,957</u>	
<u>\$ 13,259,665</u>	<u>\$ 105,267,366</u>	<u>\$ 88,112,106</u>	<u>\$ 94,583,074</u>	<u>\$ 7,678,485</u>	<u>\$ 22,297,320</u>	<u>\$ 489,973,925</u>	

# STATE OF NORTH DAKOTA

## Combining Balance Sheet Nonmajor Governmental Funds (Continued) June 30, 2009

	Special Revenue Funds					
	Public Safety and Corrections	Recreation	Regulatory	Transportation	Veterans	Total
<b>ASSETS</b>						
Cash Deposits at the Bank of ND	\$ 48,226,806	\$ 9,200,742	\$ 10,788,100	\$ 173,527,888	\$ 5,025,247	\$ 1,004,717,826
Cash and Cash Equivalents	13,188	164,025	228,329	236,217	472,726	3,507,852
Restricted Cash and Cash Equivalents	-	-	-	49,626	-	49,626
Investments at the Bank of ND	-	24,000,000	-	-	-	117,453,967
Investments	-	377,965	11,658,771	-	3,695,306	86,577,815
Accounts Receivable - Net	1,800,164	238,432	90,157	794,810	255,865	29,100,699
Taxes Receivable - Net	258,380	121,145	597,032	7,883,037	-	65,326,124
Interest Receivable - Net	-	-	76,951	-	17,399	813,452
Intergovernmental Receivable - Net	427,713	-	-	6,923,692	398,594	10,137,978
Due from Other Funds	44,604,628	42,462	668	3,631,893	43,643	66,393,781
Due from Fiduciary Funds	-	-	-	-	-	158,271
Prepaid Items	-	-	-	243,732	-	2,221,220
Inventory	-	131,390	139,065	6,457,957	72,294	7,351,222
Loans and Notes Receivable - Net	-	-	-	7,710,128	271,103	68,343,987
Total Assets	\$ 95,330,879	\$ 34,276,161	\$ 23,579,073	\$ 207,458,980	\$ 10,252,177	\$ 1,462,153,820
<b>LIABILITIES AND FUND BALANCE</b>						
Liabilities:						
Accounts Payable	\$ 4,025,621	\$ 817,170	\$ 181,958	\$ 9,722,463	\$ 1,339,101	\$ 31,327,368
Accrued Payroll	160,144	980,525	376,063	4,663,539	402,768	8,107,008
Securities Lending Collateral	-	-	140,183	-	-	11,164,202
Interest Payable	-	-	-	-	-	290,263
Intergovernmental Payable	2,900,000	-	-	78,233	-	55,263,217
Tax Refunds Payable	-	-	-	235,318	-	803,072
Due to Other Funds	701,495	334,188	2,445,066	1,736,455	25,673	35,769,384
Contracts Payable	-	-	-	1,169,212	-	1,169,212
Deferred Revenue	375,647	-	73,828	307,007	2,897	33,153,600
Total Liabilities	8,162,907	2,131,883	3,217,098	17,912,227	1,770,439	177,047,326
Fund Balances:						
Reserved For:						
Inventory	-	131,390	139,065	6,457,957	72,294	7,351,222
Long - Term Receivables	-	-	-	6,741,870	155,102	61,901,185
Capital Projects	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Prepaid Expenditures	-	-	-	243,732	-	2,221,220
Legal Requirements	-	-	-	-	-	14,611,223
Unreserved:						
Designated for:						
Fund Activities	-	-	-	-	-	18,570
Patients Welfare	-	-	-	-	57,406	97,643
Other	-	-	-	-	-	4,673,451
Unreserved, Reported in:						
Special Revenue Funds	87,167,972	32,012,888	20,222,910	176,103,194	8,196,936	1,194,231,980
Total Fund Balances	87,167,972	32,144,278	20,361,975	189,546,753	8,481,738	1,285,106,494
Total Liabilities and Fund Balances	\$ 95,330,879	\$ 34,276,161	\$ 23,579,073	\$ 207,458,980	\$ 10,252,177	\$ 1,462,153,820

Debt Service Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
Building Authority	Department of Transportation	Water Commission	Total	Building Authority	Water Commission	Total	
\$ 137,000	\$ 88,580	\$ 3,190,569	\$ 3,416,149	\$ 3,795,000	\$ -	\$ 3,795,000	\$ 1,011,928,975
-	-	2,419,094	2,419,094	-	-	-	5,926,946
-	-	-	-	-	-	-	49,626
13,326,000	-	5,826,875	19,152,875	-	-	-	136,606,842
-	-	-	-	-	-	-	86,577,815
-	-	-	-	-	-	-	29,100,699
-	-	-	-	-	-	-	65,326,124
-	-	182,780	182,780	-	-	-	996,232
-	-	-	-	-	-	-	10,137,978
50,000	-	-	50,000	-	-	-	66,443,781
-	-	-	-	-	-	-	158,271
-	-	-	-	-	-	-	2,221,220
-	-	-	-	-	-	-	7,351,222
-	-	-	-	-	-	-	68,343,987
<u>\$ 13,513,000</u>	<u>\$ 88,580</u>	<u>\$ 11,619,318</u>	<u>\$ 25,220,898</u>	<u>\$ 3,795,000</u>	<u>\$ -</u>	<u>\$ 3,795,000</u>	<u>\$ 1,491,169,718</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,327,368
-	-	-	-	-	-	-	8,107,008
-	-	-	-	-	-	-	11,164,202
-	-	-	-	-	-	-	290,263
-	-	-	-	-	-	-	55,263,217
-	-	-	-	-	-	-	803,072
-	-	-	-	455,000	-	455,000	36,224,384
-	-	-	-	-	-	-	1,169,212
-	-	-	-	-	-	-	33,153,600
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>455,000</u>	<u>-</u>	<u>455,000</u>	<u>177,502,326</u>
-	-	-	-	-	-	-	7,351,222
-	-	-	-	-	-	-	61,901,185
-	-	-	-	3,340,000	-	3,340,000	3,340,000
13,513,000	88,580	11,619,318	25,220,898	-	-	-	25,220,898
-	-	-	-	-	-	-	2,221,220
-	-	-	-	-	-	-	14,611,223
-	-	-	-	-	-	-	18,570
-	-	-	-	-	-	-	97,643
-	-	-	-	-	-	-	4,673,451
-	-	-	-	-	-	-	1,194,231,980
<u>13,513,000</u>	<u>88,580</u>	<u>11,619,318</u>	<u>25,220,898</u>	<u>3,340,000</u>	<u>-</u>	<u>3,340,000</u>	<u>1,313,667,392</u>
<u>\$ 13,513,000</u>	<u>\$ 88,580</u>	<u>\$ 11,619,318</u>	<u>\$ 25,220,898</u>	<u>\$ 3,795,000</u>	<u>\$ -</u>	<u>\$ 3,795,000</u>	<u>\$ 1,491,169,718</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, 2009

	Special Revenue Funds					Health and Human Services
	Agriculture	Commodity Promotion	Commerce	Cultural and Natural Resources	Education	
<b>REVENUES</b>						
Individual and Corporate Income Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,088
Sales and Use Taxes	2,102,892	-	945	-	-	-
Oil, Gas, and Coal Taxes	-	-	-	1,806,956	17,732,315	-
Business and Other Taxes	184,673	-	258,934	-	-	3,845,270
Licenses, Permits and Fees	1,426,471	20,438	96,686	1,988,800	6,250	2,335,441
Intergovernmental	15,983	-	250	4,882,723	80,270	2,706,476
Sales and Services	2,509,839	15,136	122,722	292,020	3,889,135	20,669,785
Royalties and Rents	-	1,500	-	-	271,332	204,291
Fines and Forfeits	-	600	-	-	4,533,048	-
Interest and Investment Income	64,033	180,284	308,486	1,344,058	-	249,601
Tobacco Settlement	-	-	-	8,338,820	-	22,651,373
Commodity Assessments	103,148	16,399,716	-	-	-	-
Miscellaneous	161,916	190,012	524,844	130,857	90,660	594,636
<b>Total Revenues</b>	<b>6,568,955</b>	<b>16,807,686</b>	<b>1,312,867</b>	<b>18,784,234</b>	<b>26,603,010</b>	<b>53,270,961</b>
<b>EXPENDITURES</b>						
Current:						
General Government	-	-	-	-	-	-
Education	-	-	-	-	43,990,004	-
Health and Human Services	108,174	-	-	-	-	55,644,946
Regulatory	-	-	-	1,471,834	-	-
Public Safety and Corrections	-	-	-	-	-	-
Agriculture and Commerce	11,706,043	13,488,898	3,429,628	1,025,319	-	-
Natural Resources	-	-	-	16,631,874	-	-
Transportation	-	-	-	-	-	-
Intergovernmental - Revenue Sharing	-	-	-	-	-	-
Capital Outlay	79,498	-	-	8,072,588	-	165,771
Debt Service:						
Principal	1,561	4,750	-	-	-	5,288
Interest and Other Charges	563	942	-	-	2,422	1,146
<b>Total Expenditures</b>	<b>11,895,839</b>	<b>13,494,590</b>	<b>3,429,628</b>	<b>27,201,615</b>	<b>43,992,426</b>	<b>55,817,151</b>
<b>Revenues over (under) Expenditures</b>	<b>(5,326,884)</b>	<b>3,313,096</b>	<b>(2,116,761)</b>	<b>(8,417,381)</b>	<b>(17,389,416)</b>	<b>(2,546,190)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Bonds and Notes Issued	-	-	-	-	-	-
Sale of Capital Assets	-	-	-	-	-	-
Transfers In	382,342	-	7,133,096	14,335,348	33,655,000	14,998,647
Transfers Out	(211,105)	(1,350,188)	(1,160,698)	(11,856,614)	(6,488)	(484,344)
<b>Total Other Financing Sources (Uses)</b>	<b>171,237</b>	<b>(1,350,188)</b>	<b>5,972,398</b>	<b>2,478,734</b>	<b>33,648,512</b>	<b>14,514,303</b>
<b>Net Change in Fund Balances</b>	<b>(5,155,647)</b>	<b>1,962,908</b>	<b>3,855,637</b>	<b>(5,938,647)</b>	<b>16,259,096</b>	<b>11,968,113</b>
Fund Balances - Beginning of Year, as Adjusted	11,937,876	12,279,196	20,365,182	52,107,458	55,223,712	56,220,733
<b>Fund Balances - End of Year</b>	<b>\$ 6,782,229</b>	<b>\$ 14,242,104</b>	<b>\$ 24,220,819</b>	<b>\$ 46,168,811</b>	<b>\$ 71,482,808</b>	<b>\$ 68,188,846</b>

Special Revenue Funds						
Judicial and Legal	Land Department Coal and Mineral	Local Government	Oil Tax Resources	Other Special	PACE Fund	Permanent Oil Tax Trust
\$ -	\$ -	\$ 10,660,527	\$ -	\$ 2,211,210	\$ -	\$ -
-	-	110,979,282	-	-	-	-
-	3,426,578	57,664,098	35,464,632	-	-	241,082,362
-	-	14,213,236	-	-	-	-
190,266	-	23,181,971	-	52,346	-	-
-	-	33,840,750	1,589,052	-	-	-
1,503,061	-	-	-	2,029,364	-	-
-	19,997,680	-	4,426	205,281	-	-
3,686,846	-	1,260	-	-	-	-
419	1,948,300	-	1,621,038	339,550	343,003	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
153,060	-	-	-	786,205	-	-
5,533,652	25,372,558	250,541,124	38,679,148	5,623,956	343,003	241,082,362
243,197	429,642	-	-	6,639,138	-	584,825
-	-	-	-	177,508	-	-
-	-	-	-	359,467	-	55,835
691,308	-	-	-	12,010	-	-
2,305,353	-	-	-	108,968	-	-
-	-	-	-	54,122	4,266,980	-
-	-	-	-	535,446	-	-
-	-	-	-	155,050	-	-
-	-	253,363,580	-	-	-	-
2,203,233	465,960	-	-	110,844	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
5,443,091	895,602	253,363,580	-	8,152,553	4,266,980	640,660
90,561	24,476,956	(2,822,456)	38,679,148	(2,528,597)	(3,923,977)	240,441,702
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,755,855	-	-	-	389,805	-	-
(1,980)	(19,244,446)	-	(7,250,000)	(455,701)	(970,000)	(24,407,065)
1,753,875	(19,244,446)	-	(7,250,000)	(65,896)	(970,000)	(24,407,065)
1,844,436	5,232,510	(2,822,456)	31,429,148	(2,594,493)	(4,893,977)	216,034,637
10,588,272	88,631,149	7,669,798	63,153,926	8,949,857	25,931,034	267,164,320
\$ 12,432,708	\$ 93,863,659	\$ 4,847,342	\$ 94,583,074	\$ 6,355,364	\$ 21,037,057	\$ 483,198,957

# STATE OF NORTH DAKOTA

## Combining Statement of Revenues, Expenditures and Changes in Fund Balance Nonmajor Governmental Funds (Continued) For the Fiscal Year Ended June 30, 2009

	Special Revenue Funds					
	Public Safety and Corrections	Recreation	Regulatory	Transportation	Veterans	Total
<b>REVENUES</b>						
Individual and Corporate Income Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,885,825
Sales and Use Taxes	1,012,633	4,453	-	94,537,804	-	208,638,009
Oil, Gas, and Coal Taxes	-	-	597,032	-	-	357,773,973
Business and Other Taxes	-	-	3,341	-	-	18,505,454
Licenses, Permits and Fees	2,247,297	13,840,481	6,154,512	67,608,826	28,600	119,178,385
Intergovernmental	899,524	3,524	53,952	1,023,851	1,712,078	46,808,433
Sales and Services	246,054	2,129,491	2,694,920	640,506	3,003,240	39,745,273
Royalties and Rents	148,455	32,065	-	122,305	800	20,988,135
Fines and Forfeits	55,981	13,741	214,545	-	-	8,506,021
Interest and Investment Income	391,735	5,478	(1,253,013)	1,271,408	(601,975)	6,212,405
Tobacco Settlement	-	-	-	-	-	30,990,193
Commodity Assessments	-	-	-	-	-	16,502,864
Miscellaneous	496,999	72,411	190,710	547,643	-	3,939,953
Total Revenues	5,498,678	16,101,644	8,655,999	165,752,343	4,142,743	890,674,923
<b>EXPENDITURES</b>						
Current:						
General Government	14,644	-	28,372	-	35,092	7,974,910
Education	-	-	-	-	-	44,167,512
Health and Human Services	-	-	-	15,018	5,103,101	61,286,541
Regulatory	-	-	7,779,695	-	-	9,954,847
Public Safety and Corrections	32,585,171	-	87,600	-	156,341	35,243,433
Agriculture and Commerce	-	-	-	-	-	33,970,990
Natural Resources	-	11,562,884	-	-	-	28,730,204
Transportation	-	-	-	140,592,217	-	140,747,267
Intergovernmental - Revenue Sharing	-	-	-	-	-	253,363,580
Capital Outlay	41,192	2,061,058	2,038	12,329,493	3,709,438	29,241,113
Debt Service:						
Principal	-	-	-	144,400	-	155,999
Interest and Other Charges	-	-	-	102,668	-	107,741
Total Expenditures	32,641,007	13,623,942	7,897,705	153,183,796	9,003,972	644,944,137
Revenues over (under) Expenditures	(27,142,329)	2,477,702	758,294	12,568,547	(4,861,229)	245,730,786
<b>OTHER FINANCING SOURCES (USES)</b>						
Bonds and Notes Issued	-	-	-	-	-	-
Sale of Capital Assets	-	245	-	74,580	-	74,825
Transfers In	65,527,038	1,146,021	110,671	13,191,793	6,626,241	159,251,857
Transfers Out	(553,327)	(3,540,014)	(3,237,745)	(2,526,004)	(148,017)	(77,403,736)
Total Other Financing Sources (Uses)	64,973,711	(2,393,748)	(3,127,074)	10,740,369	6,478,224	81,922,946
Net Change in Fund Balances	37,831,382	83,954	(2,368,780)	23,308,916	1,616,995	327,653,732
Fund Balances - Beginning of Year, as Adjusted	49,336,590	32,060,324	22,730,755	166,237,837	6,864,743	957,452,762
Fund Balances - End of Year	\$ 87,167,972	\$ 32,144,278	\$ 20,361,975	\$ 189,546,753	\$ 8,481,738	\$ 1,285,106,494

Debt Service Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
Building Authority	Department of Transportation	Water Commission	Total	Building Authority	Water Commission	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,885,825
-	-	-	-	-	-	-	208,638,009
-	-	-	-	-	-	-	357,773,973
-	-	-	-	-	-	-	18,505,454
-	-	-	-	-	-	-	119,178,385
-	-	-	-	-	-	-	46,808,433
-	-	1,614,594	1,614,594	-	-	-	41,359,867
-	-	-	-	-	-	-	20,988,135
-	-	-	-	-	-	-	8,506,021
547,000	58,576	498,249	1,103,825	251,000	4	251,004	7,567,234
-	-	-	-	-	-	-	30,990,193
-	-	-	-	-	-	-	16,502,864
-	-	-	-	-	-	-	3,939,953
547,000	58,576	2,112,843	2,718,419	251,000	4	251,004	893,644,346
-	-	-	-	-	-	-	7,974,910
-	-	-	-	-	-	-	44,167,512
-	-	-	-	-	-	-	61,286,541
-	-	-	-	-	-	-	9,954,847
-	-	-	-	-	-	-	35,243,433
-	-	-	-	-	-	-	33,970,990
-	-	-	-	-	-	-	28,730,204
-	-	-	-	-	-	-	140,747,267
-	-	-	-	-	-	-	253,363,580
-	-	-	-	-	3,005,000	3,005,000	32,246,113
8,103,000	3,255,000	4,859,000	16,217,000	-	-	-	16,372,999
4,309,000	2,067,750	4,863,040	11,239,790	-	-	-	11,347,531
12,412,000	5,322,750	9,722,040	27,456,790	-	3,005,000	3,005,000	675,405,927
(11,865,000)	(5,264,174)	(7,609,197)	(24,738,371)	251,000	(3,004,996)	(2,753,996)	218,238,419
-	-	-	-	-	3,005,000	3,005,000	3,005,000
-	-	-	-	-	-	-	74,825
12,280,000	5,320,762	7,413,368	25,014,130	-	-	-	184,265,987
-	(6,137,115)	-	(6,137,115)	(5,685,000)	(716)	(5,685,716)	(89,226,567)
12,280,000	(816,353)	7,413,368	18,877,015	(5,685,000)	3,004,284	(2,680,716)	98,119,245
415,000	(6,080,527)	(195,829)	(5,861,356)	(5,434,000)	(712)	(5,434,712)	316,357,664
13,098,000	6,169,107	11,815,147	31,082,254	8,774,000	712	8,774,712	997,309,728
\$ 13,513,000	\$ 88,580	\$ 11,619,318	\$ 25,220,898	\$ 3,340,000	\$ -	\$ 3,340,000	\$ 1,313,667,392





Sorlie Bridge – Grand Forks

# STATE OF NORTH DAKOTA

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## *Nonmajor Enterprise Funds*

*Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises—where the intent of the State is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the State has decided that periodic determination of net income is appropriate for accountability purposes.*

### **BEGINNING FARMER REVOLVING LOAN**

#### 973 - Beginning Farmer Revolving Loan Fund

Fund used to make loans to North Dakota beginning farmers for the purchase of agricultural real estate.

### **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.

### **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.

### **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.

### **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.

### **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.

### **PERS UNIFORM GROUP INSURANCE**

#### 980 - Public Employees Retirement System Group Insurance

Accounts for the administrative revenues and expenses associated with this insurance purchasing pool.

### **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.

### **STATE FAIR**

#### 601 (977) - State Fair

Accounts for revenues and expenditures associated with the operation of the State Fair.

### **STATE LOTTERY FUND**

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

Accounts for operations of the North Dakota lottery.

### **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.

### **UNEMPLOYMENT COMPENSATION FUND**

#### 967 - Job Service-Expendable Trust Fund

Accounts for State unemployment taxes collected from employers for the purpose of paying unemployment benefits.

# STATE OF NORTH DAKOTA

## Combining Statement of Net Assets Nonmajor Enterprise Funds June 30, 2009

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Developmentally Disabled Facility Loan	Fire and Tornado	Guaranteed Student Loan
<b>ASSETS</b>						
Current Assets:						
Cash Deposits at the Bank of ND	\$ 4,487,019	\$ 1,385,573	\$ 4,542,152	\$ 31,924	\$ 2,169,972	\$ 1,809,093
Cash and Cash Equivalents	-	-	-	-	-	-
Investments at the Bank of ND	-	-	-	-	-	7,530,000
Investments	-	1,263,480	-	-	20,460,634	-
Accounts Receivable - Net	-	71,917	-	-	4,948	-
Interest Receivable - Net	271,072	26,317	158,769	7,146	122,601	-
Intergovernmental Receivable - Net	-	-	-	-	-	2,449,958
Due from Other Funds	-	-	-	-	4,057	743,178
Due from Fiduciary Funds	-	-	-	-	-	-
Prepaid Items	927,167	-	-	-	145,509	-
Inventory	-	-	-	-	-	-
Loans and Notes Receivable - Net	1,758,124	-	622,202	305,935	-	-
Restricted Cash at the Bank of ND	-	-	-	-	-	3,279,949
Restricted Investments at the Bank of ND	-	-	-	-	-	3,575,000
Total Current Assets	7,443,382	2,747,287	5,323,123	345,005	22,907,721	19,387,178
Noncurrent Assets:						
Restricted Cash at the Bank of ND	-	-	-	-	-	-
Restricted Investments	-	-	-	-	-	-
Loans and Notes Receivable - Net	6,102,542	-	15,513,578	803,775	-	-
Restricted Loans Receivable - Net	-	-	-	-	-	-
Unamortized Bond Issuance Costs	-	-	-	-	-	-
Other Noncurrent Assets	1,768,796	-	-	-	-	-
Capital Assets:						
Land and Construction in Progress	-	-	-	-	-	-
Infrastructure - Net	-	-	-	-	-	-
Buildings and Equipment - Net	-	-	-	-	-	-
Total Noncurrent Assets	7,871,338	-	15,513,578	803,775	-	-
Total Assets	15,314,720	2,747,287	20,836,701	1,148,780	22,907,721	19,387,178
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable	-	74	-	-	76,294	448,402
Accrued Payroll	-	1,213	-	-	37,521	-
Securities Lending Collateral	-	37,518	-	-	420,060	-
Interest Payable	-	888	-	-	53,304	-
Intergovernmental Payable	-	-	-	-	-	1,021,666
Due to Other Funds	10,828	9	20,339	1,148,780	16,108	1,127,580
Amounts Held in Custody for Others	-	-	-	-	-	-
Claims/Judgments Payable	-	188,850	-	-	679,803	-
Compensated Absences Payable	-	3,682	-	-	2,342	-
Capital Leases Payable	-	-	-	-	-	-
Bonds Payable	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	721,000
Total Current Liabilities	10,828	232,234	20,339	1,148,780	1,285,432	3,318,648
Noncurrent Liabilities:						
Intergovernmental Payable	-	-	-	-	-	4,784,778
Claims/Judgments Payable	-	-	-	-	75,534	-
Compensated Absences Payable	-	-	-	-	41,927	-
Capital Leases Payable	-	-	-	-	-	-
Bonds Payable	-	-	-	-	-	-
Other Noncurrent Liabilities	-	-	-	-	-	5,870,897
Total Noncurrent Liabilities	-	-	-	-	117,461	10,655,675
Total Liabilities	10,828	232,234	20,339	1,148,780	1,402,893	13,974,323
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	-	-	-	-	-	-
Restricted for:						
Debt Service	-	-	-	-	-	-
Loan Purposes	-	-	-	-	-	605,083
Unemployment Compensation	-	-	-	-	-	-
Other	-	-	-	-	-	-
Unrestricted	15,303,892	2,515,053	20,816,362	-	21,504,828	4,807,772
Total Net Assets	\$ 15,303,892	\$ 2,515,053	\$ 20,816,362	\$ -	\$ 21,504,828	\$ 5,412,855

PERS Uniform Group Insurance	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 5,522,964	\$ 637,846	\$ 2,367,132	\$ 6,625,742	\$ 481,000	\$ 3,559	\$ 30,063,976
5,545,635	900	-	-	-	104,139,315	109,685,850
-	-	-	-	3,521,000	-	11,051,000
-	-	-	-	-	-	21,724,114
396,979	685,996	50,270	128,611	-	16,902,395	18,241,116
-	-	-	-	1,104,000	1,230,681	2,920,586
-	-	-	-	70,000	1,778,120	4,298,078
2,165	36,197	217,944	-	3,000	-	1,006,541
69,305	-	-	-	-	-	69,305
-	4,439	33,530	7,749	7,000	-	1,125,394
-	1,012,063	-	-	-	-	1,012,063
-	-	-	-	6,776,000	-	9,462,261
-	-	-	-	-	-	3,279,949
-	-	-	-	1,000,000	-	4,575,000
11,537,048	2,377,441	2,668,876	6,762,102	12,962,000	124,054,070	218,515,233
-	-	260,070	-	-	-	260,070
-	-	215,688	-	-	-	215,688
-	-	-	-	34,680,000	-	57,099,895
-	-	-	-	15,200,000	-	15,200,000
-	-	10,561	-	83,000	-	93,561
-	-	-	997,454	-	-	2,766,250
1,763,016	-	511,016	-	-	-	2,274,032
-	-	987,525	-	-	-	987,525
-	861,425	8,996,091	16,551	-	-	9,874,067
1,763,016	861,425	10,980,951	1,014,005	49,963,000	-	88,771,088
13,300,064	3,238,866	13,649,827	7,776,107	62,925,000	124,054,070	307,286,321
308,351	205,450	225,935	853,282	13,000	1,960,152	4,090,940
50,700	137,789	-	52,653	-	-	279,876
-	-	-	-	-	-	457,578
-	472	14,725	-	45,000	-	114,389
-	-	-	-	-	3,080,583	4,102,249
34,599	171,613	-	5,786,282	211,000	2,067,625	10,594,763
8,380,038	-	-	-	-	-	8,380,038
-	-	-	-	-	-	868,653
2,650	5,050	20,000	-	-	-	33,724
-	24,716	-	-	-	-	24,716
-	-	190,000	-	-	-	190,000
3,467,734	99,214	-	348,102	-	-	4,636,050
12,244,072	644,304	450,660	7,040,319	269,000	7,108,360	33,772,976
-	-	-	-	93,000	-	4,877,778
-	-	-	-	-	-	75,534
47,446	141,386	28,053	41,041	-	-	299,853
-	182,538	-	-	-	-	182,538
-	-	767,277	-	15,200,000	-	15,967,277
-	-	-	-	-	-	5,870,897
47,446	323,924	795,330	41,041	15,293,000	-	27,273,877
12,291,518	968,228	1,245,990	7,081,360	15,562,000	7,108,360	61,046,853
1,763,016	494,282	9,537,355	16,551	-	-	11,811,204
-	-	475,758	-	730,000	-	1,205,758
-	-	-	-	-	-	605,083
-	-	-	-	-	116,945,710	116,945,710
-	-	-	997,454	-	-	997,454
(754,470)	1,776,356	2,390,724	(319,258)	46,633,000	-	114,674,259
\$ 1,008,546	\$ 2,270,638	\$ 12,403,837	\$ 694,747	\$ 47,363,000	\$ 116,945,710	\$ 246,239,468

# 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, 2009

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Developmentally Disabled Facility Loan	Fire and Tornado	Guaranteed Student Loan
<b>OPERATING REVENUES</b>						
Sales and Services	\$ -	\$ 41,409	\$ -	\$ -	\$ 4,282,449	\$ 3,309,810
Royalties and Rents	-	-	-	-	-	-
Interest and Investment Income	453,848	-	463,619	69,325	-	-
Miscellaneous	-	-	-	-	-	-
Total Operating Revenues	453,848	41,409	463,619	69,325	4,282,449	3,309,810
<b>OPERATING EXPENSES</b>						
Cost of Sales and Services	-	-	-	-	-	-
Salaries and Benefits	-	13,127	-	-	438,911	-
Operating	948,194	5,454	84,229	10,503	2,306,550	3,403,563
Claims	-	128,173	-	-	1,744,391	-
Interest	-	-	-	59,444	-	-
Depreciation	-	-	-	-	-	-
Miscellaneous	3,800	-	-	-	-	-
Total Operating Expenses	951,994	146,754	84,229	69,947	4,489,852	3,403,563
Operating Income (Loss)	(498,146)	(105,345)	379,390	(622)	(207,403)	(93,753)
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Grants and Contracts	-	-	-	-	-	-
Interest and Investment Income	75,192	(385,260)	71,926	622	(2,765,623)	375,273
Interest Expense	-	(6,244)	-	-	(104,033)	-
Gain on Sale of Capital Assets	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	75,192	(391,504)	71,926	622	(2,869,656)	375,273
Income (Loss) Before Contributions and Transfers	(422,954)	(496,849)	451,316	-	(3,077,059)	281,520
Transfers In	-	500,000	-	-	63,079	-
Transfer Out	-	-	-	-	-	(411,504)
Change in Net Assets	(422,954)	3,151	451,316	-	(3,013,980)	(129,984)
Total Net Assets - Beginning of Year	15,726,846	2,511,902	20,365,046	-	24,518,808	5,542,839
Total Net Assets - End of Year	\$ 15,303,892	\$ 2,515,053	\$ 20,816,362	\$ -	\$ 21,504,828	\$ 5,412,855

<b>PERS Uniform Group Insurance</b>	<b>Roughrider Industries</b>	<b>State Fair</b>	<b>State Lottery Fund</b>	<b>Student Loan</b>	<b>Unemployment Compensation</b>	<b>Total</b>
\$ 929,289	\$ 4,784,673	\$ 4,188,174	\$ 21,815,381	\$ -	\$ 75,137,232	\$ 114,488,417
-	71,608	-	-	-	-	71,608
-	-	-	-	2,645,000	-	3,631,792
-	1,384	-	-	-	-	1,384
929,289	4,857,665	4,188,174	21,815,381	2,645,000	75,137,232	118,193,201
-	2,726,946	-	-	-	-	2,726,946
498,340	1,494,352	1,173,858	601,851	-	-	4,220,439
369,961	236,751	3,094,777	15,510,822	1,492,000	-	27,462,804
-	-	-	-	-	106,475,262	108,347,826
-	-	-	-	775,000	-	834,444
-	78,462	911,404	10,323	-	-	1,000,189
-	-	-	-	-	-	3,800
868,301	4,536,511	5,180,039	16,122,996	2,267,000	106,475,262	144,596,448
60,988	321,154	(991,865)	5,692,385	378,000	(31,338,030)	(26,403,247)
-	-	516,860	-	-	-	516,860
74,138	-	33,257	38,239	69,000	6,023,243	3,610,007
-	(15,582)	(40,856)	-	-	-	(166,715)
-	-	4,500	-	-	-	4,500
(454,323)	-	(12,089)	-	-	-	(466,412)
(380,185)	(15,582)	501,672	38,239	69,000	6,023,243	3,498,240
(319,197)	305,572	(490,193)	5,730,624	447,000	(25,314,787)	(22,905,007)
-	-	561,296	-	36,000	-	1,160,375
-	-	-	(6,377,500)	-	-	(6,789,004)
(319,197)	305,572	71,103	(646,876)	483,000	(25,314,787)	(28,533,636)
1,327,743	1,965,066	12,332,734	1,341,623	46,880,000	142,260,497	274,773,104
\$ 1,008,546	\$ 2,270,638	\$ 12,403,837	\$ 694,747	\$ 47,363,000	\$ 116,945,710	\$ 246,239,468

# STATE OF NORTH DAKOTA

## Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Fiscal Year Ended June 30, 2009

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Develop- mentally Disabled Facility Loan	Fire and Tornado	Guaranteed Student Loan
<b>Cash Flows from Operating Activities:</b>						
Receipts from Customers and Users	\$ 374	\$ 39,822	\$ -	\$ -	\$ 4,284,836	\$ 3,201,481
Interest Income on Loans	488,788	-	-	-	-	-
Receipts from Loan Principal Repayments	2,496,610	-	-	-	-	9,467,128
Receipts from Other Funds	-	-	-	-	(4,057)	-
Receipts from Others	-	-	-	-	-	-
Payments to Other Funds	-	-	-	-	(787)	-
Payments for Loan Funds	(2,319,303)	-	-	-	-	(8,344,485)
Payments to Suppliers	(1,267,006)	(5,466)	(84,130)	(11,027)	(2,332,395)	(2,379,772)
Payments to Employees	-	(12,723)	-	-	(431,221)	-
Claim Payments	-	(88,500)	-	-	(2,103,138)	-
Payments to Others	(3,800)	-	-	-	-	-
Other	-	-	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	(604,337)	(66,867)	(84,130)	(11,027)	(586,762)	1,944,352
<b>Cash Flows from Noncapital Financing Activities:</b>						
Principal Payments - Bonds	-	-	-	-	-	-
Interest Payments - Bonds	-	-	-	-	-	-
Interest Payments - Notes and Other Borrowings	-	-	-	(61,122)	-	-
Transfers In	-	500,000	-	-	63,079	-
Transfers Out	-	-	-	-	-	(411,504)
Principal Payments on Due To Other Funds	-	-	-	(443,486)	-	-
Grants Received	-	-	-	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	-	500,000	-	(504,608)	63,079	(411,504)
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Acquisition and Construction of Capital Assets	-	-	-	-	-	-
Proceeds from Sale of Notes and Other Borrowings	-	-	-	-	-	-
Principal Payments - Bonds	-	-	-	-	-	-
Principal Payments - Notes and Other Borrowings	-	-	-	-	-	-
Interest Payments - Bonds	-	-	-	-	-	-
Interest Payments - Notes and Other Borrowings	-	-	-	-	-	-
Payment on Capital Leases	-	-	-	-	-	-
Other	-	-	-	-	-	-
Net Cash Used for Capital and Related Financing Activities	-	-	-	-	-	-
<b>Cash Flows from Investing Activities:</b>						
Proceeds from Sale and Maturities of Investment Securities	-	743,957	-	-	1,059,876	9,167,300
Purchase of Investment Securities	-	-	-	-	-	(10,975,000)
Interest and Dividends on Investments	75,192	(108,765)	71,926	622	(1,035,963)	518,529
Net Increase In Loans	-	-	(1,085,000)	-	-	-
Receipt of Loan Principal Repayments	-	-	584,815	391,611	-	-
Loan Income Received	-	-	446,329	71,244	-	-
Net Cash Provided by (Used for) Investing Activities	75,192	635,192	18,070	463,477	23,913	(1,289,171)
<b>Net Change in Cash:</b>						
Net Increase (Decrease) in Cash and Cash Equivalents	(529,145)	1,068,325	(66,060)	(52,158)	(499,770)	243,677
Cash and Cash Equivalents at June 30, 2008	5,016,164	317,248	4,608,212	84,082	2,669,742	4,845,365
Cash and Cash Equivalents at June 30, 2009	\$ 4,487,019	\$ 1,385,573	\$ 4,542,152	\$ 31,924	\$ 2,169,972	\$ 5,089,042
<b>Reconciliation:</b>						
Current:						
Cash Deposits at the Bank of North Dakota	\$ 4,487,019	\$ 1,385,573	\$ 4,542,152	\$ 31,924	\$ 2,169,972	\$ 1,809,093
Cash and Cash Equivalents	-	-	-	-	-	-
Restricted Cash Deposits at the Bank of North Dakota	-	-	-	-	-	3,279,949
Noncurrent:						
Restricted Cash and Cash Equivalents	-	-	-	-	-	-
Cash and Cash Equivalents	\$ 4,487,019	\$ 1,385,573	\$ 4,542,152	\$ 31,924	\$ 2,169,972	\$ 5,089,042

PERS Uniform Group Insurance	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 170,460,431	\$ 4,658,759	\$ 4,213,922	\$ 15,789,292	\$ 27,253,000	\$ 53,829,803	\$ 283,731,720
-	-	-	-	-	-	488,788
-	-	-	-	-	-	11,963,738
-	10,437	-	-	-	-	6,380
-	-	-	-	-	92,097	92,097
-	1,012	-	-	-	-	225
-	-	-	-	-	-	(10,663,788)
(165,515,204)	(2,845,261)	(2,908,694)	(8,385,389)	(1,500,000)	(8,587,635)	(195,821,979)
(490,769)	(1,449,684)	(1,167,641)	(586,070)	-	-	(4,138,108)
-	-	-	-	-	(75,482,648)	(77,674,286)
-	-	-	(59,878)	-	-	(63,678)
(454,323)	-	-	-	-	-	(454,323)
4,000,135	375,263	137,587	6,757,955	25,753,000	(30,148,383)	7,466,786
-	-	-	-	(59,400,000)	-	(59,400,000)
-	-	-	-	(929,000)	-	(929,000)
-	-	-	-	-	-	(61,122)
-	-	343,352	-	-	-	906,431
-	-	-	(5,922,500)	(3,409,000)	-	(9,743,004)
-	-	-	-	-	-	(443,486)
-	-	516,860	-	-	-	516,860
-	-	860,212	(5,922,500)	(63,738,000)	-	(69,153,321)
(774,324)	(93,833)	(410,818)	-	-	-	(1,278,975)
-	73,150	-	-	-	-	73,150
-	-	(195,000)	-	-	-	(195,000)
-	(25,950)	-	-	-	-	(25,950)
-	-	(43,586)	-	-	-	(43,586)
-	(15,582)	-	-	-	-	(15,582)
-	(41,108)	-	-	-	-	(41,108)
-	220	-	-	-	-	220
(774,324)	(103,103)	(649,404)	-	-	-	(1,526,831)
-	-	217,906	-	13,103,000	-	24,292,039
-	-	(217,452)	-	(9,336,000)	-	(20,528,452)
74,138	-	32,349	42,493	203,000	6,332,690	6,206,211
-	-	-	-	-	-	(1,085,000)
-	-	-	-	-	-	976,426
-	-	-	-	-	-	517,573
74,138	-	32,803	42,493	3,970,000	6,332,690	10,378,797
3,299,949	272,160	381,198	877,948	(34,015,000)	(23,815,693)	(52,834,569)
7,768,650	366,586	2,246,004	5,747,794	34,496,000	127,958,567	196,124,414
\$ 11,068,599	\$ 638,746	\$ 2,627,202	\$ 6,625,742	\$ 481,000	\$ 104,142,874	\$ 143,289,845
\$ 5,522,964	\$ 637,846	\$ 2,367,132	\$ 6,625,742	\$ 481,000	\$ 3,559	\$ 30,063,976
5,545,635	900	-	-	-	104,139,315	109,685,850
-	-	-	-	-	-	3,279,949
-	-	260,070	-	-	-	260,070
\$ 11,068,599	\$ 638,746	\$ 2,627,202	\$ 6,625,742	\$ 481,000	\$ 104,142,874	\$ 143,289,845



# STATE OF NORTH DAKOTA

## Combining Statement of Cash Flows Nonmajor Enterprise Funds (Continued) For the Fiscal Year Ended June 30, 2009

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Develop- mentally Disabled Facility Loan	Fire and Tornado	Guaranteed Student Loan
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:</b>						
Operating Income (Loss)	\$ (498,146)	\$ (105,345)	\$ 379,390	\$ (622)	\$ (207,403)	\$ (93,753)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation	-	-	-	-	-	-
Amortization\Accretion	-	-	-	-	-	-
Reclassification of Interest Revenue\Expense	-	-	(463,619)	(9,881)	-	-
Interest Received on Program Loans	-	-	-	-	-	-
Disbursements for Loans and Loan Purchases	-	-	-	-	-	-
Receipt of Loan Principal Repayments	-	-	-	-	-	-
Provision for Losses	-	-	-	-	-	926,000
Other	-	-	-	-	-	76,000
Change in Assets and Liabilities:						
(Increase) Decrease in Accounts Receivable	-	-	-	-	2,387	(73,527)
Decrease in Interest Receivable	35,314	-	-	-	-	-
(Increase) Decrease in Due From	-	-	-	-	(4,057)	(137)
Decrease in Due From Fiduciary Funds	-	-	-	-	-	-
(Increase) Decrease in Intergovernmental Receivable	-	-	-	-	-	41,209
Decrease in Notes Receivable	177,307	-	-	-	-	-
Increase in Prepaid Items	(318,580)	-	-	-	(13,009)	-
Decrease in inventories	-	-	-	-	-	-
Increase in Other Assets	-	-	-	-	-	-
Increase (Decrease) in Accounts Payable	-	(12)	-	-	(12,836)	(302,290)
Increase (Decrease) in Claims\Judgments Payable	-	38,086	-	-	(358,747)	-
Increase (Decrease) in Intergovernmental Payable	-	-	-	-	-	1,112,625
Increase in Accrued Payroll	-	192	-	-	3,061	-
Increase in Compensated Absences Payable	-	212	-	-	4,629	-
Increase in Amounts Held for Others	-	-	-	-	-	-
Increase (Decrease) in Due To	(232)	-	99	(524)	(787)	15,089
Increase in Deferred Revenue	-	-	-	-	-	251,956
Decrease in Other Liabilities	-	-	-	-	-	(8,820)
<b>Total Adjustments</b>	<b>(106,191)</b>	<b>38,478</b>	<b>(463,520)</b>	<b>(10,405)</b>	<b>(379,359)</b>	<b>2,038,105</b>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ (604,337)</b>	<b>\$ (66,867)</b>	<b>\$ (84,130)</b>	<b>\$ (11,027)</b>	<b>\$ (586,762)</b>	<b>\$ 1,944,352</b>
<b>Noncash Transactions:</b>						
Net Decrease in Fair Value of investments	\$ -	\$ (283,540)	\$ -	\$ -	\$ (1,826,310)	\$ -
Change in Securities Lending Collateral	-	(43,797)	-	-	(401,094)	-
Amortization of Bond Discount	-	-	-	-	-	-
Amortization of Bond Issuance Costs	-	-	-	-	-	-
Interest Revenue on Prize Reserves	-	-	-	-	-	-
<b>Total Noncash Transactions</b>	<b>\$ -</b>	<b>\$ (327,337)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,227,404)</b>	<b>\$ -</b>

PERS Uniform Group Insurance	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 60,988	\$ 321,154	\$ (991,865)	\$ 5,692,385	\$ 378,000	\$ (31,338,030)	\$ (26,403,247)
-	78,462	911,404	10,323	-	-	1,000,189
-	-	-	-	539,000	-	539,000
-	-	-	-	(1,887,000)	-	(2,360,500)
-	-	-	-	2,495,000	-	2,495,000
-	-	-	-	(178,000)	-	(178,000)
-	-	-	-	24,758,000	-	24,758,000
-	-	-	-	(29,000)	-	897,000
(454,323)	-	-	-	-	-	(378,323)
(385,838)	(298,120)	25,748	889,163	-	(1,661,141)	(1,501,328)
-	-	-	-	-	-	35,314
-	10,437	-	-	-	-	6,243
4,476	-	-	-	-	-	4,476
(2,165)	-	-	-	-	(1,503,688)	(1,464,644)
-	-	-	-	-	-	177,307
-	(2,307)	(6,971)	(2,285)	-	-	(343,152)
-	51,299	-	-	-	-	51,299
-	-	-	(59,878)	-	-	(59,878)
7,114	69,444	193,054	232,884	-	1,070,815	1,258,173
-	-	-	-	-	-	(320,661)
21,444	-	-	-	(107,000)	1,757,316	2,784,385
3,355	18,287	-	8,274	-	-	33,169
4,216	26,381	6,217	7,507	-	-	49,162
3,907,823	1,012	-	-	-	-	3,908,835
-	-	-	(44,617)	(216,000)	1,526,345	1,279,373
833,045	99,214	-	24,199	-	-	1,208,414
-	-	-	-	-	-	(8,820)
3,939,147	54,109	1,129,452	1,065,570	25,375,000	1,189,647	33,870,033
\$ 4,000,135	\$ 375,263	\$ 137,587	\$ 6,757,955	\$ 25,753,000	\$ (30,148,383)	\$ 7,466,786
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,109,850)
-	-	-	-	-	-	(444,891)
-	-	8,754	-	-	-	8,754
-	-	3,335	-	-	-	3,335
-	-	-	591	-	-	591
\$ -	\$ -	\$ 12,089	\$ 591	\$ -	\$ -	\$ (2,542,061)

## ***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.

### 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.

### 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.

### 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.

# STATE OF NORTH DAKOTA

## Combining Statement of Net Assets Internal Service Funds June 30, 2009

	Central Services	Fleet Services	Information Technology Department	Risk Management	Total
<b>ASSETS</b>					
Current Assets:					
Cash Deposits at the Bank of ND	\$ 395,843	\$ 5,318,433	\$ 4,204,336	\$ 3,903,824	\$ 13,822,436
Cash and Cash Equivalents	26,453	-	-	-	26,453
Investments	-	-	-	4,971,458	4,971,458
Accounts Receivable - Net	45,732	245,207	235,146	-	526,085
Interest Receivable - Net	-	-	-	54,053	54,053
Intergovernmental Receivable - Net	16,281	-	155,547	-	171,828
Due from Other Funds	238,407	1,473,907	4,805,759	21,549	6,539,622
Prepaid Items	6,312	-	1,524,408	80,394	1,611,114
Inventory	106,305	-	-	-	106,305
Restricted Cash at the Bank of ND	-	-	191,977	-	191,977
Total Current Assets	835,333	7,037,547	11,117,173	9,031,278	28,021,331
Noncurrent Assets:					
Unamortized Bond Issuance Costs	-	-	39,897	-	39,897
Capital Assets:					
Land and Construction in Progress	-	58,904	-	-	58,904
Buildings and Equipment - Net	478,391	61,102,820	13,623,626	82,540	75,287,377
Total Noncurrent Assets	478,391	61,161,724	13,663,523	82,540	75,386,178
Total Assets	1,313,724	68,199,271	24,780,696	9,113,818	103,407,509
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable	59,547	739,781	920,261	16,082	1,735,671
Accrued Payroll	64,071	143,101	1,573,932	29,388	1,810,492
Securities Lending Collateral	-	-	-	109,963	109,963
Interest Payable	-	-	302,959	5,783	308,742
Intergovernmental Payable	-	-	35	-	35
Due to Other Funds	11,439	82,798	18,062	17,096	129,395
Claims/Judgments Payable	-	-	-	1,896,767	1,896,767
Compensated Absences Payable	3,054	39,988	79,768	-	122,810
Notes Payable	-	-	1,049,917	-	1,049,917
Capital Leases Payable	160,037	-	-	1,352	161,389
Bonds Payable	-	-	654,108	-	654,108
Total Current Liabilities	298,148	1,005,668	4,599,042	2,076,431	7,979,289
Noncurrent Liabilities:					
Claims/Judgments Payable	-	-	-	4,174,325	4,174,325
Compensated Absences Payable	58,028	-	1,386,551	32,692	1,477,271
Notes Payable	-	-	4,950,083	-	4,950,083
Capital Leases Payable	293,670	-	-	3,251	296,921
Bonds Payable	-	-	2,922,538	-	2,922,538
Total Noncurrent Liabilities	351,698	-	9,259,172	4,210,268	13,821,138
Total Liabilities	649,846	1,005,668	13,858,214	6,286,699	21,800,427
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	24,684	61,102,820	7,623,626	78,073	68,829,203
Unrestricted	639,194	6,090,783	3,298,856	2,749,046	12,777,879
Total Net Assets	\$ 663,878	\$ 67,193,603	\$ 10,922,482	\$ 2,827,119	\$ 81,607,082

# 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, 2009

	Central Services	Fleet Services	Information Technology Department	Risk Management	Total
<b>OPERATING REVENUES</b>					
Sales and Services	\$ 2,581,376	\$ 30,650,370	\$ 44,992,103	\$ 5,570,697	\$ 83,794,546
Miscellaneous	-	296,821	-	-	296,821
Total Operating Revenues	2,581,376	30,947,191	44,992,103	5,570,697	84,091,367
<b>OPERATING EXPENSES</b>					
Cost of Sales and Services	1,179,284	-	-	-	1,179,284
Salaries and Benefits	773,112	1,730,713	18,154,771	371,086	21,029,682
Operating	410,918	15,157,477	20,881,523	590,662	37,040,580
Claims	-	-	-	3,378,476	3,378,476
Depreciation	170,003	7,126,264	4,206,325	17,350	11,519,942
Total Operating Expenses	2,533,317	24,014,454	43,242,619	4,357,574	74,147,964
Operating Income	48,059	6,932,737	1,749,484	1,213,123	9,943,403
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest and Investment Income	-	-	233,038	(638,882)	(405,844)
Interest Expense	(43,941)	-	(717,817)	(25,940)	(787,698)
Loss on Sale of Capital Assets	(2,821)	(62,212)	(14,442)	-	(79,475)
Other	2,953	-	16,108	-	19,061
Total Nonoperating Revenues (Expenses)	(43,809)	(62,212)	(483,113)	(664,822)	(1,253,956)
Income Before Contributions and Transfers	4,250	6,870,525	1,266,371	548,301	8,689,447
Capital Grants and Contributions	-	142,096	-	-	142,096
Changes in Net Assets	4,250	7,012,621	1,266,371	548,301	8,831,543
Total Net Assets - Beginning of Year	659,628	60,180,982	9,656,111	2,278,818	72,775,539
Total Net Assets - End of Year	\$ 663,878	\$ 67,193,603	\$ 10,922,482	\$ 2,827,119	\$ 81,607,082

# STATE OF NORTH DAKOTA

## Combining Statement of Cash Flows Internal Service Funds For the Fiscal Year Ended June 30, 2009

	Central Services	Fleet Services	Information Technology	Risk Management	Total
<b>Cash Flows from Operating Activities:</b>					
Receipts from Customers and Users	\$ 2,542,826	\$ 30,727,090	\$ 43,693,947	\$ 5,570,697	\$ 82,534,560
Receipts from Other Funds	-	231,145	-	-	231,145
Payments to Other Funds	-	(186,793)	-	-	(186,793)
Payments to Suppliers	(1,561,564)	(15,366,819)	(19,914,106)	(619,860)	(37,462,349)
Payments to Employees	(783,279)	(1,686,122)	(17,955,299)	(362,170)	(20,786,870)
Claim Payments	-	-	-	(484,313)	(484,313)
Payments to Others	-	-	-	(2,745,908)	(2,745,908)
Other	2,953	-	-	-	2,953
Net Cash Provided by (Used for) Operating Activities	200,936	13,718,501	5,824,542	1,358,446	21,102,425
<b>Cash Flows from Noncapital Financing Activities:</b>					
Interest Payments - Notes and Other Borrowings	(2,449)	-	-	-	(2,449)
Proceeds from Advances from Other Funds	-	(5,500,000)	-	-	(5,500,000)
Net Cash Provided by (Used for) Noncapital Financing Activities	(2,449)	(5,500,000)	-	-	(5,502,449)
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Acquisition and Construction of Capital Assets	(14,401)	(8,397,375)	(5,588,946)	-	(14,000,722)
Proceeds from Sale of Capital Assets	-	1,953,653	-	-	1,953,653
Principal Payments - Notes and Other Borrowings	-	-	(6,613,350)	-	(6,613,350)
Interest Payments - Notes and Other Borrowings	-	-	(935,650)	-	(935,650)
Payment on Capital Leases	(149,026)	-	-	(1,183)	(150,209)
Interest Payments - Capital Leases	(41,491)	-	-	(418)	(41,909)
Net Cash Used for Capital and Related Financing Activities	(204,918)	(6,443,722)	(13,137,946)	(1,601)	(19,788,187)
<b>Cash Flows from Investing Activities:</b>					
Proceeds from Sale and Maturities of Investment Securities	-	-	-	1,060,300	1,060,300
Interest and Dividends on Investments	-	-	233,038	(260,560)	(27,522)
Net Cash Provided by Investing Activities	-	-	233,038	799,740	1,032,778
<b>Net Change in Cash:</b>					
Net Increase (Decrease) in Cash and Cash Equivalents	(6,431)	1,774,779	(7,080,366)	2,156,585	(3,155,433)
Cash and Cash Equivalents at June 30, 2008	428,727	3,543,654	11,476,679	1,747,239	17,196,299
Cash and Cash Equivalents at June 30, 2009	\$ 422,296	\$ 5,318,433	\$ 4,396,313	\$ 3,903,824	\$ 14,040,866
<b>Reconciliation:</b>					
Cash Deposits at the Bank of North Dakota	\$ 395,843	\$ 5,318,433	\$ 4,204,336	\$ 3,903,824	\$ 13,822,436
Cash and Cash Equivalents	26,453	-	-	-	26,453
Restricted Cash Deposits at the Bank of North Dakota	-	-	191,977	-	191,977
Cash and Cash Equivalents	\$ 422,296	\$ 5,318,433	\$ 4,396,313	\$ 3,903,824	\$ 14,040,866
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:</b>					
Operating Income	\$ 48,059	\$ 6,932,737	\$ 1,749,484	\$ 1,213,123	\$ 9,943,403
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	170,003	7,126,264	4,199,675	17,350	11,513,292
Amortization/Accretion	-	-	6,650	-	6,650
Change in Assets and Liabilities:					
Increase in Accounts Receivable	(26,262)	(220,102)	(128,805)	-	(375,169)
Increase in Due From	(15,078)	-	(1,166,030)	(14,386)	(1,195,494)
(Increase) Decrease in Intergovernmental Receivable	2,790	231,145	(3,321)	-	230,614
(Increase) Decrease in Prepaid Items	(2,951)	-	728,297	(30,396)	694,950
Decrease in Inventories	6,225	-	-	-	6,225
Increase In Other Assets	2,953	-	-	-	2,953
Increase (Decrease) in Accounts Payable	24,333	(209,341)	254,272	7,765	77,029
Increase in Claims/Judgments Payable	-	-	-	160,603	160,603
Decrease In Intergovernmental Payable	-	(186,793)	(4,774)	-	(191,567)
Increase (Decrease) in Accrued Payroll	(603)	50,613	140,278	2,349	192,637
Increase (Decrease) in Compensated Absences Payable	(9,566)	(6,022)	59,195	6,567	50,174
Increase (Decrease) in Due To	1,033	-	(10,379)	(3,990)	(13,336)
Decrease In Deferred Revenue	-	-	-	(539)	(539)
Total Adjustments	152,877	6,785,764	4,075,058	145,323	11,159,022
<b>Net Cash Provided by (Used For) Operating Activities</b>	<b>\$ 200,936</b>	<b>\$ 13,718,501</b>	<b>\$ 5,824,542</b>	<b>\$ 1,358,446</b>	<b>\$ 21,102,425</b>
<b>Noncash Transactions:</b>					
Net Decrease in Fair Value of investments	\$ -	\$ -	\$ -	\$ (409,517)	\$ (409,517)
Change in Securities Lending Collateral	-	-	-	(127,261)	(127,261)
Total Noncash Transactions	\$ -	\$ -	\$ -	\$ (536,778)	\$ (536,778)

# STATE OF NORTH DAKOTA

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## ***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.

#### **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.

#### **HIGHWAY PATROLMEN'S RETIREMENT**

##### 982 - Highway Patrolmen's Retirement Fund

A single employer defined benefit pension plan covering officers of the State Highway Patrol.

#### **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.

#### **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.

#### **PUBLIC EMPLOYEES' RETIREMENT**

##### 470 (983) - Public Employees Retirement System

Accounts for the financial resources associated with the Public Employees Retirement System.

#### **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.

#### **TEACHERS' RETIREMENT**

##### 964 - North Dakota Teachers' Fund For Retirement

Accounts for the financial resources of the Teachers' Retirement Fund.

### **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.

##### 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.

##### 936 - City of Grand Forks RIO Investments

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

##### 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.

### **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.

##### 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.

##### 988 - School for the Deaf Scholarship Trust Fund

Account for funds donated to provide scholarships to deaf students.

##### 989 - School for the Deaf Student Trust Funds

Accounts for funds donated to the School for the Deaf for the benefit of the students.

**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.

**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.

403 - Motor Fuel Cash Bond Deposit Fund

Accounts for cash received in lieu of a surety bond for motor vehicle fuel dealers.

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.

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.

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.

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.

947 - District Court Bond Fund

Accounts for bail bonds posted for civil and criminal court cases.

**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.

**CHILD SUPPORT**463 - Child Support Disbursement Unit Fund

Accounts for all child support payments received by the state disbursement unit.

**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.

946 - District Court Collection Fund

Accounts for collections for third parties.

986 - Developmental Center Residents' Funds

Accounts for funds belonging to patients of the State Developmental Center.

990 - Veteran's Home-Custodial

Accounts for resident's personal funds.

991 - State Hospital Patients

Accounts for patient's personal funds.

992 - Prisoner Accounts

Accounts for prisoner's personal fund.

993 - Youth Correctional Center Student Accounts

Account for the student's personal funds.

994 - School for the Deaf Students

Account for the students personal funds.

**TAX COLLECTION**434 - City Lodging Tax Suspense

Accounts for city lodging tax collected by the State Tax Commissioner.

435 - City Sales Tax Suspense

Accounts for city sales and use taxes collected by the State Tax Commission.

437 - City Motor Vehicle Rental Tax

Accounts for city motor vehicle rental tax collected by the state tax commissioner.

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.



# STATE OF NORTH DAKOTA

## Combining Statement of Fiduciary Net Assets Pension, Investment and Private-Purpose Trust Funds June 30, 2009

	Pension and Other Employee Benefit Trust Funds					
	Deferred Compensation	Defined Contribution Retirement	Highway Patrolmen's Retirement	Job Service Retirement	PERS Flexcomp	Prefunded Retiree Health Program
<b>ASSETS</b>						
Cash Deposits at the Bank of ND	\$ 147,190	\$ 1,703	\$ -	\$ 3,044	\$ 328,895	\$ 107,970
Cash and Cash Equivalents	-	-	-	-	-	-
Receivables:						
Contributions Receivable	-	100,601	157,740	9,452	506,287	492,061
Accounts Receivable - Net	-	-	-	-	-	-
Interest Receivable - Net	-	-	80,157	190,846	-	156,873
Due from Other Funds	-	-	-	-	-	-
Due from Fiduciary Funds	37,534	-	-	-	20,775	-
Total Receivables	37,534	100,601	237,897	200,298	527,062	648,934
Investments, at Fair Value:						
Investments at the Bank of ND	-	-	-	5,500	-	-
Equity Pool	-	-	18,118,886	23,375,481	-	18,879,086
Fixed Income	-	2,399,637	-	-	-	-
Fixed Income Pool	-	-	17,904,036	48,647,686	-	16,519,433
Cash and Cash Pool	-	-	249,835	3,796	-	-
Real Estate Pool	-	-	2,336,339	-	-	-
Alternative Investments	-	-	2,112,852	-	-	-
Annuities	88,888	-	-	-	-	-
Mutual Funds	21,590,246	11,517,294	-	-	-	-
Total Investments	21,679,134	13,916,931	40,721,948	72,032,463	-	35,398,519
Invested Securities Lending Collateral	-	-	221,375	373,560	-	-
Capital Assets (Net of Depreciation)	1,175,344	16,563	19,308	14,443	587,672	223,957
Total Assets	23,039,202	14,035,798	41,200,528	72,623,808	1,443,629	36,379,380
<b>LIABILITIES</b>						
Accounts Payable	198,660	-	-	75,890	103,140	23,224
Accrued Payroll	29,459	-	-	-	18,676	-
Securities Lending Collateral	-	-	221,375	373,560	-	-
Due to Other Funds	8,408	10,741	-	3,753	3,936	61,147
Due to Fiduciary Funds	-	-	5,226	8,555	-	120,824
Deferred Revenue	18,744	-	-	-	-	-
Compensated Absences Payable	35,908	-	-	-	22,235	-
Total Liabilities	291,179	10,741	226,601	461,758	147,987	205,195
<b>NET ASSETS</b>						
Net Assets Held in Trust for:						
Pension Benefits	22,748,023	14,025,057	40,973,927	72,162,050	-	36,174,185
Other Employee Benefits	-	-	-	-	1,295,642	-
External Investment Pool Participants	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-
Total Net Assets	\$ 22,748,023	\$ 14,025,057	\$ 40,973,927	\$ 72,162,050	\$ 1,295,642	\$ 36,174,185

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 Grand Forks	City of Fargo	Total
\$ 7,369,039	\$ 20,005,393	\$ 27,963,234	\$ 271,882	\$ 79,470	\$ 138,810	\$ 226,379	\$ 716,541
-	-	-	-	-	-	-	-
3,895,409	8,719,828	13,881,378	-	-	-	-	-
4,717	-	4,717	-	-	-	-	-
2,581,191	6,704,685	9,713,752	72,035	1,692	397	-	74,124
14,278	12	14,290	-	-	-	-	-
82,411	-	140,720	-	-	-	-	-
6,578,006	15,424,525	23,754,857	72,035	1,692	397	-	74,124
-	-	5,500	-	-	-	-	-
583,459,715	662,283,920	1,306,117,088	22,377,050	818,448	16,690,779	19,712,831	59,599,108
-	-	2,399,637	-	-	-	-	-
576,541,179	394,873,080	1,054,485,414	30,020,131	725,076	10,246,899	17,476,004	58,468,110
2,822,816	5,055,851	8,132,298	135,783	-	81,834	32,540	250,157
75,234,215	142,870,481	220,441,035	4,906,031	-	1,364,998	1,067,103	7,338,132
68,037,513	71,114,309	141,264,674	738,907	-	1,518,285	1,050,762	3,307,954
-	-	88,888	-	-	-	-	-
-	-	33,107,540	-	-	-	-	-
1,306,095,438	1,276,197,641	2,766,042,074	58,177,902	1,543,524	29,902,795	39,339,240	128,963,461
7,128,669	6,829,276	14,552,880	300,210	26,110	225,502	437,120	988,942
2,336,287	311,001	4,684,575	-	-	-	-	-
1,329,507,439	1,318,767,836	2,836,997,620	58,822,029	1,650,796	30,267,504	40,002,739	130,743,068
2,197,385	2,211,590	4,809,889	70,019	5,938	35,041	115,166	226,164
65,491	-	113,626	-	-	-	-	-
7,128,669	6,829,276	14,552,880	300,210	26,110	225,502	437,120	988,942
40,478	10,240	138,703	-	-	-	-	-
-	-	134,605	-	-	-	-	-
-	-	18,744	-	-	-	-	-
72,130	-	130,273	-	-	-	-	-
9,504,153	9,051,106	19,898,720	370,229	32,048	260,543	552,286	1,215,106
1,320,003,286	1,309,716,730	2,815,803,258	-	-	-	-	-
-	-	1,295,642	-	-	-	-	-
-	-	-	58,451,800	1,618,748	30,006,961	39,450,453	129,527,962
-	-	-	-	-	-	-	-
\$ 1,320,003,286	\$ 1,309,716,730	\$ 2,817,098,900	\$ 58,451,800	\$ 1,618,748	\$ 30,006,961	\$ 39,450,453	\$ 129,527,962

# STATE OF NORTH DAKOTA

## Combining Statement of Fiduciary Net Assets Pension, Investment and Private-Purpose Trust Funds (Continued) June 30, 2009

	Private-Purpose Trust Funds			
	Student and Cultural Donations	Mandan Remediation Trust	College SAVE	Total
<b>ASSETS</b>				
Cash Deposits at the Bank of ND	\$ 115,279	\$ 7,906,684	\$ -	\$ 8,021,963
Cash and Cash Equivalents	11,174	1,431,170	364,353	1,806,697
Receivables:				
Contributions Receivable	-	-	-	-
Accounts Receivable - Net	-	-	54,630	54,630
Interest Receivable - Net	204	4,892	-	5,096
Due from Other Funds	26	-	-	26
Due from Fiduciary Funds	-	-	-	-
Total Receivables	230	4,892	54,630	59,752
Investments, at Fair Value:				
Investments at the Bank of ND	21,103	-	-	21,103
Equity Pool	-	-	-	-
Fixed Income	-	-	-	-
Fixed Income Pool	570,966	1,509,376	-	2,080,342
Cash and Cash Pool	-	-	-	-
Real Estate Pool	-	-	-	-
Alternative Investments	-	-	-	-
Annuities	-	-	-	-
Mutual Funds	-	-	263,169,979	263,169,979
Total Investments	592,069	1,509,376	263,169,979	265,271,424
Invested Securities Lending Collateral	34,178	-	-	34,178
Capital Assets (Net of Depreciation)	-	-	-	-
Total Assets	752,930	10,852,122	263,588,962	275,194,014
<b>LIABILITIES</b>				
Accounts Payable	351	103,970	667,022	771,343
Accrued Payroll	-	-	-	-
Securities Lending Collateral	34,178	-	-	34,178
Due to Other Funds	-	-	-	-
Due to Fiduciary Funds	-	-	-	-
Deferred Revenue	-	-	-	-
Compensated Absences Payable	-	-	-	-
Total Liabilities	34,529	103,970	667,022	805,521
<b>NET ASSETS</b>				
Net Assets Held in Trust for:				
Pension Benefits	-	-	-	-
Other Employee Benefits	-	-	-	-
External Investment Pool Participants	-	-	-	-
Other Purposes	718,401	10,748,152	262,921,940	274,388,493
Total Net Assets	\$ 718,401	\$ 10,748,152	\$ 262,921,940	\$ 274,388,493



East Park Bridge – Valley City

# 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, 2009

### Pension and Other Employee Benefit Trust Funds

	Deferred Compensation	Defined Contribution Retirement	Highway Patrolmen's Retirement	Job Service Retirement	PERS Flexcomp	Prefunded Retiree Health Program
<b>ADDITIONS</b>						
Contributions:						
Employer	\$ -	\$ 594,402	\$ 1,122,720	\$ -	\$ -	\$ 6,771,699
Employee	3,356,071	577,142	692,320	119,115	5,627,371	5,851,707
From Participants	-	-	-	-	-	-
Transfers from Other Funds	522,329	41,749	-	-	-	-
Transfers from Other Plans	150,734	-	-	-	-	-
Donations	-	-	-	-	-	-
Total Contributions	4,029,134	1,213,293	1,815,040	119,115	5,627,371	12,623,406
Investment Income:						
Net Change in Fair Value of Investments	(5,775,660)	(3,931,969)	(14,105,619)	(15,799,734)	-	(7,986,495)
Interest and Dividends	704,942	392,265	1,087,319	1,998,233	3,075	1,810,041
Less Investment Expense	72,477	11,330	202,405	301,287	-	75,032
Net Investment Income	(5,143,195)	(3,551,034)	(13,220,705)	(14,102,788)	3,075	(6,251,486)
Securities Lending Activity:						
Securities Lending Income	-	-	9,486	30,249	-	-
Less Securities Lending Expense	-	-	4,681	19,899	-	-
Net Securities Lending Income	-	-	4,805	10,350	-	-
Repurchase Service Credit	-	-	-	-	-	169,242
Miscellaneous Income	454,543	8,553	14	-	586,969	-
Total Additions	(659,518)	(2,329,188)	(11,400,846)	(13,973,323)	6,217,415	6,541,162
<b>DEDUCTIONS</b>						
Benefits Paid to Participants	510,829	767,652	3,176,258	3,768,883	5,511,629	5,845,036
Refunds	-	-	17,911	-	-	2,846
Prefunded Credit Applied	-	-	-	-	-	4,854,724
Transfer to Other Plans	-	-	-	-	68,006	-
Payments in Accordance with Trust Agreements	-	-	-	-	-	-
Administrative Expenses	391,950	8,068	18,834	25,101	257,508	115,207
Total Deductions	902,779	775,720	3,213,003	3,793,984	5,837,143	10,817,813
Purchase of Units at Net Asset Value of \$1.00 Per Unit	-	-	-	-	-	-
Change in Net Assets Held in Trust for:						
Pension Benefits	(1,562,297)	(3,104,908)	(14,613,849)	(17,767,307)	-	(4,276,651)
Other Employee Benefits	-	-	-	-	380,272	-
External Investment Pool Participants	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-
Net Assets - Beginning of Year	24,310,320	17,129,965	55,587,776	89,929,357	915,370	40,450,836
Net Assets - End of Year	\$ 22,748,023	\$ 14,025,057	\$ 40,973,927	\$ 72,162,050	\$ 1,295,642	\$ 36,174,185

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 Grand Forks	City of Fargo	Total
\$ 27,705,267	\$ 37,487,655	\$ 73,681,743	\$ -	\$ -	\$ -	\$ -	\$ -
26,237,554	34,712,846	77,174,126	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	564,078	-	-	-	-	-
-	-	150,734	-	-	-	-	-
-	-	-	-	-	-	-	-
53,942,821	72,200,501	151,570,681	-	-	-	-	-
(449,418,059)	(522,732,735)	(1,019,750,271)	(16,456,623)	(360,150)	1,238,569	(10,479,722)	(26,057,926)
34,649,834	36,518,910	77,164,619	1,752,489	63,880	122,529	1,161,740	3,100,638
6,434,310	6,677,763	13,774,604	288,962	10,674	51,129	206,210	556,975
(421,202,535)	(492,891,588)	(956,360,256)	(14,993,096)	(306,944)	1,309,969	(9,524,192)	(23,514,263)
302,256	201,782	543,773	14,267	941	1,502	14,099	30,809
149,142	52,019	225,741	7,736	270	-	5,044	13,050
153,114	149,763	318,032	6,531	671	1,502	9,055	17,759
3,732,801	2,176,734	6,078,777	-	-	-	-	-
1,983	3,745	1,055,807	-	-	-	-	-
(363,371,816)	(418,360,845)	(797,336,959)	(14,986,565)	(306,273)	1,311,471	(9,515,137)	(23,496,504)
71,169,574	113,966,079	204,715,940	-	-	-	-	-
4,921,163	2,362,251	7,304,171	-	-	-	-	-
-	-	4,854,724	-	-	-	-	-
496,072	-	564,078	-	-	-	-	-
-	-	-	-	-	-	-	-
1,261,120	1,707,506	3,785,294	-	-	-	-	-
77,847,929	118,035,836	221,224,207	-	-	-	-	-
-	-	-	-	-	28,695,490	3,275,000	31,970,490
(441,219,745)	(536,396,681)	(1,018,941,438)	-	-	-	-	-
-	-	380,272	-	-	-	-	-
-	-	-	(14,986,565)	(306,273)	30,006,961	(6,240,137)	8,473,986
-	-	-	-	-	-	-	-
1,761,223,031	1,846,113,411	3,835,660,066	73,438,365	1,925,021	-	45,690,590	121,053,976
\$ 1,320,003,286	\$ 1,309,716,730	\$ 2,817,098,900	\$ 58,451,800	\$ 1,618,748	\$ 30,006,961	\$ 39,450,453	\$ 129,527,962

# STATE OF NORTH DAKOTA

## Combining Statement of Changes in Fiduciary Net Assets Pension, Investment and Private-Purpose Trust Funds (Continued) For the Fiscal Year Ended June 30, 2009

	Private-Purpose Trust Funds			
	Student and Cultural Donations	Mandan Remediation Trust	College SAVE	Total
<b>ADDITIONS</b>				
Contributions:				
Employer	\$ -	\$ -	\$ -	\$ -
Employee	-	-	-	-
From Participants	-	-	27,420,196	27,420,196
Transfers from Other Funds	-	-	-	-
Transfers from Other Plans	-	-	-	-
Donations	3,359	-	-	3,359
Total Contributions	3,359	-	27,420,196	27,423,555
Investment Income:				
Net Change in Fair Value of Investments	-	-	(69,463,525)	(69,463,525)
Interest and Dividends	(74,422)	213,377	9,837,249	9,976,204
Less Investment Expense	-	-	-	-
Net Investment Income	(74,422)	213,377	(59,626,276)	(59,487,321)
Securities Lending Activity:				
Securities Lending Income	-	-	-	-
Less Securities Lending Expense	-	-	-	-
Net Securities Lending Income	-	-	-	-
Repurchase Service Credit	-	-	-	-
Miscellaneous Income	3,900	-	-	3,900
Total Additions	(67,163)	213,377	(32,206,080)	(32,059,866)
<b>DEDUCTIONS</b>				
Benefits Paid to Participants	371	-	-	371
Refunds	-	-	-	-
Prefunded Credit Applied	-	-	-	-
Transfer to Other Plans	-	-	-	-
Payments in Accordance with Trust Agreements	697	880,151	32,653,549	33,534,397
Administrative Expenses	1,907	31,360	2,373,215	2,406,482
Total Deductions	2,975	911,511	35,026,764	35,941,250
Purchase of Units at Net Asset Value of \$1.00 Per Unit	-	-	-	-
Change in Net Assets Held in Trust for:				
Pension Benefits	-	-	-	-
Other Employee Benefits	-	-	-	-
External Investment Pool Participants	-	-	-	-
Other Purposes	(70,138)	(698,134)	(67,232,844)	(68,001,116)
Net Assets - Beginning of Year	788,539	11,446,286	330,154,784	342,389,609
Net Assets - End of Year	\$ 718,401	\$ 10,748,152	\$ 262,921,940	\$ 274,388,493

**STATE OF NORTH DAKOTA**

**Combining Statement of Fiduciary Assets and Liabilities**

**Agency Funds**

June 30, 2009

	Bonding	Payroll	Child Support	Student and Other	Tax Collection	Total
<b>ASSETS</b>						
Cash Deposits at the Bank of ND	\$ 1,955,179	\$ 185,853	\$ 3,160,124	\$ 1,007,394	\$ 8,940,610	\$ 15,249,160
Cash and Cash Equivalents	1,772,602	-	262,231	335,727	1,524,279	3,894,839
Investments at the Bank of ND	19,807,655	-	-	50,000	-	19,857,655
Investments	214,755	-	-	16,019	-	230,774
Accounts Receivable - Net	-	6,223,561	-	-	-	6,223,561
Taxes Receivable - Net	19,500	-	-	-	14,160,061	14,179,561
Interest Receivable - Net	99	-	-	310	-	409
Total Assets	<u>\$ 23,769,790</u>	<u>\$ 6,409,414</u>	<u>\$ 3,422,355</u>	<u>\$ 1,409,450</u>	<u>\$ 24,624,950</u>	<u>\$ 59,635,959</u>
<b>LIABILITIES</b>						
Intergovernmental Payable	\$ -	\$ 6,409,414	\$ -	\$ -	\$ 24,624,085	\$ 31,033,499
Tax Refunds Payable	41,800	-	-	-	865	42,665
Amounts Held in Custody for Others	23,727,990	-	3,422,355	1,409,450	-	28,559,795
Total Liabilities	<u>\$ 23,769,790</u>	<u>\$ 6,409,414</u>	<u>\$ 3,422,355</u>	<u>\$ 1,409,450</u>	<u>\$ 24,624,950</u>	<u>\$ 59,635,959</u>



# STATE OF NORTH DAKOTA

## Combining Statement of Changes in Assets and Liabilities Agency Funds For the Fiscal Year Ended June 30, 2009

	June 30 2008	Additions	Deductions	June 30 2009
<b>Bonding</b>				
<b>ASSETS</b>				
Cash Deposits at the Bank of ND	\$ 1,727,260	\$ 449,624	\$ 221,706	\$ 1,955,178
Cash and Cash Equivalents	2,379,782	4,745,995	5,353,175	1,772,602
Investments at the Bank of ND	13,693,561	6,381,482	267,388	19,807,655
Investments	2,326,894	169,755	2,281,894	214,755
Taxes Receivable - Net	10,500	19,599	10,500	19,599
Total Assets	<u>\$ 20,137,997</u>	<u>\$ 11,766,455</u>	<u>\$ 8,134,663</u>	<u>\$ 23,769,789</u>
<b>LIABILITIES</b>				
Tax Refunds Payable	\$ 2,500	\$ 41,800	\$ 2,500	\$ 41,800
Amounts Held in Custody for Others	20,135,497	11,755,955	8,163,463	23,727,989
Total Liabilities	<u>\$ 20,137,997</u>	<u>\$ 11,797,755</u>	<u>\$ 8,165,963</u>	<u>\$ 23,769,789</u>
<b>Payroll</b>				
<b>ASSETS</b>				
Cash Deposits at the Bank of ND	\$ 183,690	\$ 85,986,362	\$ 85,984,199	\$ 185,853
Accounts Receivable - Net	6,916,912	6,223,561	6,916,912	6,223,561
Total Assets	<u>\$ 7,100,602</u>	<u>\$ 92,209,923</u>	<u>\$ 92,901,111</u>	<u>\$ 6,409,414</u>
<b>LIABILITIES</b>				
Intergovernmental Payable	\$ 6,969,016	\$ 7,252,999	\$ 7,812,601	\$ 6,409,414
Amounts Held in Custody for Others	131,586	85,300,283	85,431,869	-
Total Liabilities	<u>\$ 7,100,602</u>	<u>\$ 92,553,282</u>	<u>\$ 93,244,470</u>	<u>\$ 6,409,414</u>
<b>Child Support</b>				
<b>ASSETS</b>				
Cash Deposits at the Bank of ND	\$ 3,743,033	\$ 106,973,246	\$ 107,556,155	\$ 3,160,124
Cash and Cash Equivalents	616,433	-	354,202	262,231
Total Assets	<u>\$ 4,359,466</u>	<u>\$ 106,973,246</u>	<u>\$ 107,910,357</u>	<u>\$ 3,422,355</u>
<b>LIABILITIES</b>				
Amounts Held in Custody for Others	\$ 4,359,466	\$ 110,892,109	\$ 111,829,220	\$ 3,422,355
Total Liabilities	<u>\$ 4,359,466</u>	<u>\$ 110,892,109</u>	<u>\$ 111,829,220</u>	<u>\$ 3,422,355</u>

	June 30 2008	Additions	Deductions	June 30 2009
<b>Student and Other</b>				
<b>ASSETS</b>				
Cash Deposits at the Bank of ND	\$ 915,267	\$ 1,747,826	\$ 1,655,699	\$ 1,007,394
Cash and Cash Equivalents	517,384	3,141,175	3,322,832	335,727
Investments at the Bank of ND	50,000	-	-	50,000
Investments	16,019	-	-	16,019
Interest Receivable - Net	823	310	823	310
Other Assets	12,868	765,247	778,115	-
Total Assets	<u>\$ 1,512,361</u>	<u>\$ 5,654,558</u>	<u>\$ 5,757,469</u>	<u>\$ 1,409,450</u>
<b>LIABILITIES</b>				
Amounts Held in Custody for Others	\$ 1,512,361	\$ 5,654,558	\$ 5,757,469	\$ 1,409,450
Total Liabilities	<u>\$ 1,512,361</u>	<u>\$ 5,654,558</u>	<u>\$ 5,757,469</u>	<u>\$ 1,409,450</u>
<b>Tax Collection</b>				
<b>ASSETS</b>				
Cash Deposits at the Bank of ND	\$ 9,162,580	\$ 125,652,525	\$ 125,874,494	\$ 8,940,611
Cash and Cash Equivalents	848	1,524,279	848	1,524,279
Taxes Receivable - Net	14,342,072	18,516,850	18,698,861	14,160,061
Total Assets	<u>\$ 23,505,500</u>	<u>\$ 145,693,654</u>	<u>\$ 144,574,203</u>	<u>\$ 24,624,951</u>
<b>LIABILITIES</b>				
Tax Refunds Payable	\$ 207	\$ 865	\$ 207	\$ 865
Intergovernmental Payable	23,505,293	134,780,164	133,661,371	24,624,086
Total Liabilities	<u>\$ 23,505,500</u>	<u>\$ 134,781,029</u>	<u>\$ 133,661,578</u>	<u>\$ 24,624,951</u>
<b>Total -All Agency Funds</b>				
<b>ASSETS</b>				
Cash Deposits at the Bank of ND	\$ 15,731,830	\$ 320,809,583	\$ 321,292,253	\$ 15,249,160
Cash and Cash Equivalents	3,514,447	9,411,449	9,031,057	3,894,839
Investments at the Bank of ND	13,743,561	6,381,482	267,388	19,857,655
Investments	2,342,913	169,755	2,281,894	230,774
Accounts Receivable - Net	6,916,912	6,223,561	6,916,912	6,223,561
Taxes Receivable - Net	14,352,572	18,536,449	18,709,361	14,179,660
Interest Receivable - Net	823	310	823	310
Other Assets	12,868	765,247	778,115	-
Total Assets	<u>\$ 56,615,926</u>	<u>\$ 362,297,836</u>	<u>\$ 359,277,803</u>	<u>\$ 59,635,959</u>
<b>LIABILITIES</b>				
Intergovernmental Payable	\$ 30,474,309	\$ 142,033,163	\$ 141,473,972	\$ 31,033,500
Tax Refunds Payable	2,707	42,665	2,707	42,665
Amounts Held in Custody for Others	26,138,910	213,602,905	211,182,021	28,559,794
Total Liabilities	<u>\$ 56,615,926</u>	<u>\$ 355,678,733</u>	<u>\$ 352,658,700</u>	<u>\$ 59,635,959</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, 2009

	Lake Region Community College Foundation	MaSU Alumni Foundation	MISU-B Development Foundation	NDSCS Development Foundation	NDSU Research Foundation	VCSU Foundation	WSC Foundation	Total
<b>ASSETS</b>								
Current Assets								
Cash and Cash Equivalents	\$ -	\$ -	\$ 63,787	\$ 3,145,420	\$ 275,884	\$ 857,588	\$ 3,471,662	\$ 7,814,341
Accounts Receivable - Net	12,875	23,030	-	-	-	161,707	48,984	246,596
Due from Primary Government	-	-	-	-	-	-	229,619	229,619
Other Assets	-	89,573	-	-	9,361	3,952	2,108	104,994
Total Current Assets	12,875	112,603	63,787	3,145,420	285,245	1,023,247	3,752,373	8,395,550
Noncurrent Assets:								
Restricted Cash and Cash Equivalents	-	319,097	-	-	1,643,851	3,482,271	4,265,304	9,710,523
Restricted Investments	3,389,250	2,234,511	1,719,171	5,279,129	2,284,896	-	1,542,369	16,449,326
Other Noncurrent Assets	-	35,904	-	-	-	206,615	14,587	257,106
Capital Assets:								
Land and Construction in Progress	-	-	-	198,670	-	-	7,890	206,560
Buildings and Equipment - Net	-	78,696	-	-	6,877	623	238,149	324,345
Total Noncurrent Assets	3,389,250	2,668,208	1,719,171	5,477,799	3,935,624	3,689,509	6,068,299	26,947,860
Total Assets	3,402,125	2,780,811	1,782,958	8,623,219	4,220,869	4,712,756	9,820,672	35,343,410
<b>LIABILITIES</b>								
Current Liabilities:								
Accounts Payable	-	5,061	10,000	9,812	17,439	11,523	24,915	78,750
Due to Primary Government	-	-	-	-	1,466,172	31,185	203,586	1,700,943
Notes Payable	-	29,734	-	4,000	-	-	-	33,734
Other Current Liabilities	-	-	-	-	20,000	-	-	20,000
Total Current Liabilities	-	34,795	10,000	13,812	1,503,611	42,708	228,501	1,833,427
Noncurrent Liabilities:								
Notes Payable	-	29,881	-	8,000	-	-	-	37,881
Other Noncurrent Liabilities	-	-	-	-	20,000	43,536	19,795	83,331
Total Noncurrent Liabilities	-	29,881	-	8,000	20,000	43,536	19,795	121,212
Total Liabilities	-	64,676	10,000	21,812	1,523,611	86,244	248,296	1,954,639
<b>NET ASSETS</b>								
Invested in Capital Assets, Net of Related Debt	-	19,081	-	186,670	6,877	623	246,039	459,290
Restricted for:								
Other	3,064,660	3,282,823	1,718,794	8,002,745	1,466,172	4,649,299	9,326,337	31,510,830
Unrestricted	337,465	(585,769)	54,164	411,992	1,224,209	(23,410)	-	1,418,651
Total Net Assets	\$ 3,402,125	\$ 2,716,135	\$ 1,772,958	\$ 8,601,407	\$ 2,697,258	\$ 4,626,512	\$ 9,572,376	\$ 33,388,771

## STATE OF NORTH DAKOTA

### Combining Statement of Activities Nonmajor Component Units - Proprietary Funds For the Fiscal Year Ended June 30, 2009

Functions/Programs	Program Revenues			Net (Expense) Revenue	Adds (Deletes) 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	\$ 454,173	\$ 102,302	\$ (74,981)	\$ (426,852)	\$ (48,194)	\$ (475,046)	\$ 3,877,171	\$ 3,402,125
MaSU Alumni Foundation	824,077	334,574	199,537	(289,966)	-	(289,966)	3,006,101	2,716,135
MISU-B Development Foundation	203,403	73,430	131,597	1,624	15,471	17,095	1,755,865	1,772,960
NDSCS Development Foundation	958,788	136,485	221,907	(600,396)	-	(600,396)	9,201,803	8,601,407
NDSU Research Foundation	1,810,556	1,540,795	(694,545)	(964,306)	-	(964,306)	3,661,564	2,697,258
VCSU Foundation	1,084,150	21,108	(288,438)	(1,351,480)	197,090	(1,154,390)	5,780,901	4,626,511
WSC Foundation	6,842,191	5,932,459	40,855	(868,877)	426,371	(442,506)	10,014,881	9,572,375
Total Nonmajor Component Units	\$ 12,177,338	\$ 8,141,153	\$ (464,068)	\$ (4,500,253)	\$ 590,738	\$ (3,909,515)	\$ 37,298,286	\$ 33,388,771

# Statistical Information



Four Bears Bridge – New Town

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# STATE OF NORTH DAKOTA

## Schedule 1 -- Net Assets by Component Last Eight Fiscal Years

(accrual basis of accounting)

	2002	2003	2004
<b>Governmental Activities</b>			
Invested in Capital Assets, Net of Related Debt	\$ 1,066,084,756	\$ 1,049,297,664	\$ 1,027,252,008
Restricted	833,944,103	856,159,519	927,324,320
Unrestricted	318,778,093	291,089,526	353,193,506
<b>Total Governmental Activities Net Assets</b>	<b>\$ 2,218,806,952</b>	<b>\$ 2,196,546,709</b>	<b>\$ 2,307,769,834</b>
<b>Business-Type Activities</b>			
Invested in Capital Assets, Net of Related Debt	\$ 459,592,422	\$ 462,653,314	\$ 499,222,000
Restricted	310,456,870	336,630,733	366,936,437
Unrestricted	688,828,021	670,890,468	711,777,176
<b>Total Business-Type Activities Net Assets</b>	<b>\$ 1,458,877,313</b>	<b>\$ 1,470,174,515</b>	<b>\$ 1,577,935,613</b>
<b>Primary Government</b>			
Invested in Capital Assets, Net of Related Debt	\$ 1,525,677,178	\$ 1,511,950,978	\$ 1,526,474,008
Restricted	1,144,400,973	1,192,790,252	1,294,260,757
Unrestricted	1,007,606,114	961,979,994	1,064,970,682
<b>Total Primary Government Net Assets</b>	<b>\$ 3,677,684,265</b>	<b>\$ 3,666,721,224</b>	<b>\$ 3,885,705,447</b>

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.

2005	2006	2007	2008	2009
\$ 1,094,550,779	\$ 1,077,843,107	\$ 1,151,716,486	\$ 1,400,535,033	\$ 1,323,476,716
1,046,115,113	1,281,416,598	1,384,212,299	1,458,565,511	1,502,237,251
437,010,686	538,891,416	894,967,295	1,119,875,688	1,562,969,653
<b>\$ 2,577,676,578</b>	<b>\$ 2,898,151,121</b>	<b>\$ 3,430,896,080</b>	<b>\$ 3,978,976,232</b>	<b>\$ 4,388,683,620</b>
\$ 505,915,735	\$ 516,243,464	\$ 527,402,572	\$ 546,699,435	\$ 578,827,822
393,237,729	391,312,218	478,219,512	532,954,637	500,433,232
737,348,941	820,268,283	745,972,838	653,004,847	563,679,410
<b>\$ 1,636,502,405</b>	<b>\$ 1,727,823,965</b>	<b>\$ 1,751,594,922</b>	<b>\$ 1,732,658,919</b>	<b>\$ 1,642,940,464</b>
\$ 1,600,466,514	\$ 1,594,086,571	\$ 1,679,119,058	\$ 1,947,234,468	\$ 1,902,304,538
1,439,352,842	1,672,728,816	1,862,431,811	1,991,520,148	2,011,110,394
1,174,359,627	1,359,159,699	1,640,940,133	1,772,880,535	2,118,209,152
<b>\$ 4,214,178,983</b>	<b>\$ 4,625,975,086</b>	<b>\$ 5,182,491,002</b>	<b>\$ 5,711,635,151</b>	<b>\$ 6,031,624,084</b>

# STATE OF NORTH DAKOTA

## Schedule 2 -- Changes in Net Assets

### Last Eight Fiscal Years

(accrual basis of accounting)

	2002	2003	2004
<b>Expenses</b>			
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
<b>Total Primary Government Expenses</b>	<b>\$ 2,909,853,766</b>	<b>\$ 3,127,641,150</b>	<b>\$ 3,181,555,812</b>
<b>Program Revenues</b>			
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
<b>Total Primary Government Program Revenues</b>	<b>\$ 1,929,994,858</b>	<b>\$ 2,120,069,020</b>	<b>\$ 2,313,463,979</b>
<b>Net (Expense)/Revenue</b>			
Governmental Activities	\$ (841,549,984)	\$ (874,292,469)	\$ (820,324,869)
Business-Type Activities	(138,308,924)	(133,279,661)	(47,766,964)
<b>Total Primary Government Net Expense</b>	<b>\$ (979,858,908)</b>	<b>\$ (1,007,572,130)</b>	<b>\$ (868,091,833)</b>
<b>General Revenues and Other Changes in Net Assets</b>			
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
Special Item - Loss on Discontinuance of Computer Project	-	-	-
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
<b>Change in Net Assets</b>			
Governmental Activities	(19,866,574)	(24,869,022)	101,956,032
Business-Type Activities	50,000,971	22,026,352	107,575,822
<b>Total Primary Government</b>	<b>\$ 30,134,397</b>	<b>\$ (2,842,670)</b>	<b>\$ 209,531,854</b>

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	2009
\$ 243,437,116	\$ 264,911,163	\$ 275,242,149	\$ 313,329,720	\$ 418,220,944
486,221,447	496,821,495	507,384,841	537,756,698	564,818,600
826,832,059	854,450,025	874,003,750	960,439,610	1,005,299,226
17,966,367	19,676,826	21,180,817	28,265,610	26,581,606
132,996,669	145,479,620	135,581,887	135,067,907	194,263,845
55,795,473	54,457,817	58,591,473	67,941,955	68,057,495
53,440,349	62,430,892	57,850,544	64,090,113	64,816,773
300,321,693	372,245,432	321,278,940	318,241,207	382,619,328
8,103,849	12,880,933	14,438,858	13,293,248	12,683,901
2,125,115,022	2,283,354,203	2,265,553,259	2,438,426,068	2,737,361,718
57,501,500	\$ 71,263,587	\$ 91,261,449	\$ 108,077,704	\$ 99,089,692
45,922,148	46,579,809	51,178,023	58,815,920	59,769,233
13,889,079	17,235,546	9,453,454	9,657,603	6,776,733
95,222,870	101,198,217	126,968,527	242,924,564	233,792,242
18,917,023	15,622,027	16,068,060	16,205,287	16,122,996
43,393,675	43,314,505	47,524,928	46,911,958	106,475,262
696,918,168	743,271,216	775,600,118	835,873,088	894,733,624
183,465,747	116,020,938	231,787,346	246,581,569	168,527,183
6,436,187	14,922,322	16,621,718	23,268,976	15,809,783
1,161,666,397	1,169,428,167	1,366,463,623	1,588,316,669	1,601,096,748
\$ 3,286,781,419	\$ 3,452,782,370	\$ 3,632,016,882	\$ 4,026,742,737	\$ 4,338,458,466
\$ 24,128,539	\$ 23,186,427	\$ 22,288,219	\$ 18,874,082	\$ 24,085,311
4,082,785	3,675,283	3,616,003	3,994,400	4,325,036
18,744,551	29,134,050	24,970,751	31,576,197	34,200,110
16,700,094	17,072,857	20,267,416	21,266,588	19,418,470
6,931,898	7,189,302	7,307,975	9,451,217	10,572,514
16,234,145	22,935,699	19,593,774	28,180,590	22,749,832
23,899,425	20,685,820	22,678,382	26,030,413	26,553,195
61,057,805	77,967,969	74,146,958	71,469,872	87,100,993
1,084,731,432	1,144,749,200	1,148,061,678	1,041,410,981	1,131,838,131
81,850,194	56,556,872	71,115,382	68,471,590	57,064,724
1,338,360,868	1,403,153,479	1,414,046,538	1,320,725,930	1,417,908,316
90,838,000	107,518,000	135,843,000	158,993,000	155,951,000
36,643,000	39,209,000	45,137,000	53,106,863	53,438,021
17,051,963	17,406,328	12,535,071	10,522,025	6,941,602
101,050,302	107,379,916	132,056,652	242,025,576	224,127,818
19,283,424	22,413,359	22,772,976	22,219,058	21,815,381
60,969,669	60,709,015	56,855,823	51,993,327	75,137,232
296,896,978	331,584,391	351,789,074	369,469,634	400,638,083
106,195,254	94,383,040	130,586,004	145,487,917	163,857,781
12,242,970	13,467,869	13,370,412	19,959,736	14,303,486
304,001,326	283,315,181	368,697,788	258,218,249	114,158,181
5,997,781	577,251	7,314,326	9,244,575	10,820,227
1,051,170,667	1,077,963,350	1,276,958,126	1,341,239,960	1,241,188,812
\$ 2,389,531,535	\$ 2,481,116,829	\$ 2,691,004,664	\$ 2,661,965,890	\$ 2,659,097,128
\$ (786,754,154)	\$ (880,200,724)	\$ (851,506,721)	\$ (1,117,700,138)	\$ (1,319,453,402)
(110,495,730)	(91,464,817)	(89,505,497)	(247,076,709)	(359,907,936)
\$ (897,249,884)	\$ (971,665,541)	\$ (941,012,218)	\$ (1,364,776,847)	\$ (1,679,361,338)
\$ 320,048,741	\$ 432,071,872	\$ 449,064,105	\$ 473,235,378	\$ 503,975,529
630,178,563	678,820,618	726,913,003	797,614,476	857,770,891
162,919,498	210,169,616	230,118,178	469,244,783	428,669,882
57,831,733	66,601,785	54,780,147	65,487,361	60,813,632
4,105,864	12,408,573	25,822,610	25,149,527	12,830,321
12,829,714	11,712,175	16,097,938	20,062,331	30,990,193
22,337,630	23,696,003	27,836,295	42,051,636	54,636,981
13,635,693	11,156,063	15,995,440	19,181,247	11,573,541
-	-	-	-	(3,314,057)
(170,925,314)	(215,088,572)	(167,116,902)	(254,648,266)	(229,267,859)
1,052,962,122	1,231,548,133	1,379,510,814	1,657,378,473	1,728,679,054
167,349,759	188,108,694	185,840,985	228,140,706	270,189,481
1,220,311,881	1,419,656,827	1,565,351,799	1,885,519,179	1,998,868,535
266,207,968	351,347,409	528,004,093	539,678,335	409,225,652
56,854,029	96,643,877	96,335,488	(18,936,003)	(89,718,455)
\$ 323,061,997	\$ 447,991,286	\$ 624,339,581	\$ 520,742,332	\$ 319,507,197

# STATE OF NORTH DAKOTA

## Schedule 3 -- Fund Balances, Governmental Funds Last Eight Fiscal Years

(modified accrual basis of accounting)

	2002	2003	2004
<b>General Fund</b>			
Reserved	\$ 770,922	\$ 1,202,632	\$ 1,108,857
Unreserved	114,717,188	125,713,572	195,646,056
<b>Total General Fund</b>	<b>115,488,110</b>	<b>126,916,204</b>	<b>196,754,913</b>
<b>All Other Governmental Funds</b>			
Reserved	675,669,784	699,229,225	772,703,412
Unreserved, Reported in:			
Special Revenue Funds	392,936,521	365,135,360	344,890,456
<b>Total All Other Governmental Funds</b>	<b>1,068,606,305</b>	<b>1,064,364,585</b>	<b>1,117,593,868</b>
<b>Total Fund Balances, Governmental Funds</b>	<b>\$ 1,184,094,415</b>	<b>\$ 1,191,280,789</b>	<b>\$ 1,314,348,781</b>

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		2009	
\$	1,532,133	\$	2,050,599	\$	1,690,187	\$	2,479,613	\$	4,123,554
	280,287,601		412,886,296		636,773,228		785,459,751		863,093,388
	<b>281,819,734</b>		<b>414,936,895</b>		<b>638,463,415</b>		<b>787,939,364</b>		<b>867,216,942</b>
	846,154,741		999,818,758		1,094,599,293		1,102,476,731		1,021,911,207
	440,941,175		475,496,357		576,408,347		870,164,282		1,195,606,640
	<b>1,287,095,916</b>		<b>1,475,315,115</b>		<b>1,671,007,640</b>		<b>1,972,641,013</b>		<b>2,217,517,847</b>
\$	<b>1,568,915,650</b>	\$	<b>1,890,252,010</b>	\$	<b>2,309,471,055</b>	\$	<b>2,760,580,377</b>	\$	<b>3,084,734,789</b>

# STATE OF NORTH DAKOTA

## Schedule 4 -- Changes in Fund Balances, Governmental Funds

### Last Eight Fiscal Years

(modified accrual basis of accounting)

	2002	2003	2004
<b>Revenues</b>			
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	<u>2,073,480,348</u>	<u>2,172,334,551</u>	<u>2,360,853,404</u>
<b>Expenditures</b>			
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	<u>1,951,098,978</u>	<u>2,024,095,234</u>	<u>2,101,372,897</u>
Revenue over (under) Expenditures	122,381,370	148,239,317	259,480,507
<b>Other Financing Sources (Uses)</b>			
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)	<u>(158,861,251)</u>	<u>(142,223,226)</u>	<u>(146,226,518)</u>
<b>Net Changes in Fund Balances</b>	<u><b>\$ (36,479,881)</b></u>	<u><b>\$ 6,016,091</b></u>	<u><b>\$ 113,253,989</b></u>

Debt Service as a Percentage of Noncapital Expenditures

<1%

<1%

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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	2009
\$ 319,862,263	\$ 409,691,305	\$ 443,215,760	\$ 469,177,140	\$ 505,011,491
630,178,563	674,235,802	725,523,596	795,575,768	857,400,779
162,919,498	210,157,778	230,124,520	469,231,373	428,629,782
57,286,643	57,386,606	54,742,121	63,575,524	61,017,632
99,655,471	122,528,304	116,236,397	123,469,151	133,219,868
1,060,896,574	1,079,689,531	1,061,075,404	1,088,706,508	1,252,165,449
39,036,704	45,603,895	41,134,852	49,459,036	48,871,700
54,937,603	64,279,399	64,580,931	96,037,810	125,251,686
14,460,365	12,396,632	14,834,336	10,903,234	15,774,414
69,224,302	82,674,439	147,584,215	(1,522,383)	(110,353,157)
23,326,753	21,348,506	29,215,336	36,478,816	39,327,032
10,820,676	12,673,677	13,801,240	18,152,847	16,502,864
5,728,587	6,115,395	10,327,474	10,178,935	5,863,644
2,548,334,002	2,798,781,269	2,952,396,182	3,229,423,759	3,378,683,184
84,287,121	92,726,091	94,139,748	93,444,373	165,062,399
478,725,082	489,130,108	506,528,869	536,359,840	564,579,714
822,941,681	843,779,436	873,992,858	956,031,462	1,002,699,816
15,364,493	16,039,593	16,987,513	19,696,747	22,284,389
128,185,075	139,043,860	129,458,229	127,347,181	187,059,227
55,747,507	54,658,099	58,249,503	67,675,838	67,987,832
49,843,758	55,557,993	52,990,134	58,128,187	58,433,165
234,262,747	342,590,896	290,317,792	283,717,240	353,240,413
157,867,895	171,942,576	181,498,302	224,406,911	253,363,580
156,323,725	121,433,926	143,672,671	139,215,060	113,879,585
9,586,080	11,235,110	10,215,343	16,215,727	20,207,193
7,836,683	11,799,333	13,341,252	13,264,977	12,280,656
2,200,971,847	2,349,937,021	2,371,392,214	2,535,503,543	2,821,077,969
347,362,155	448,844,248	581,003,968	693,920,216	557,605,215
69,013,223	115,130,668	1,828,225	1,426,000	3,005,000
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	88,245
1,313,753	1,248,797	230,528	1,052,750	86,625
-	-	-	-	-
303,157,108	195,454,840	241,687,946	302,221,706	278,233,887
(474,082,423)	(410,543,412)	(408,804,848)	(556,869,970)	(507,501,746)
(96,037,888)	(96,635,021)	(165,668,345)	(251,798,626)	(226,087,989)
<b>\$ 251,324,267</b>	<b>\$ 352,209,227</b>	<b>\$ 415,335,623</b>	<b>\$ 442,121,590</b>	<b>\$ 331,517,226</b>

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# STATE OF NORTH DAKOTA

## Schedule 5 Taxable Sales by Industry Last Ten Calendar Years

	Calendar Year			
	1999	2000	2001	2002
Mining and Oil Extraction	\$ 31,086,570	\$ 43,752,876	\$ 47,349,516	\$ 50,329,809
Construction	410,728,462	223,613,918	178,134,203	180,975,424
Manufacturing	341,365,107	312,269,137	324,493,651	301,919,383
Transportation, Communications, And Public Utilities	515,035,737	557,613,208	663,599,972	597,154,517
Wholesale	1,327,812,333	1,395,500,133	1,486,187,871	1,338,621,392
Retail	3,519,004,905	3,562,239,018	3,678,040,583	3,804,865,413
Services	673,331,758	686,301,315	709,196,225	709,805,170
Accommodation and Food Service (1)	-	-	-	-
Miscellaneous (1)	45,492,709	45,098,067	60,126,069	61,072,167
Total	<u>\$6,863,857,581</u>	<u>\$ 6,826,387,672</u>	<u>\$ 7,147,128,090</u>	<u>\$ 7,044,743,275</u>
Effective Tax Rate	4.86%	4.91%	4.84%	4.98%

(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 1999 and 2008 (Dollars are in Millions)

	Calendar Year 1999			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Retail Trade	12,413	46.3%	186.51	54.1%
Wholesale Trade	4,912	18.3%	57.10	16.6%
Services	6,031	22.5%	33.67	9.8%
Transportation, Communications, And Public Utilities	419	1.6%	25.75	7.5%
Manufacturing	1,103	4.1%	17.07	5.0%
Construction	1,382	5.2%	20.54	6.0%
Miscellaneous	412	1.5%	2.27	0.7%
Mining and Oil Extraction	161	0.6%	1.55	0.5%
Total	26,833	100.0%	344.46	100.0%

Source: ND State Tax Department

Calendar Year					
2003	2004	2005	2006	2007	2008
\$ 58,538,788	\$ 97,973,056	\$ 131,849,866	\$ 191,615,942	\$ 374,201,247	\$ 951,773,654
193,399,184	240,018,916	294,678,543	352,454,828	401,485,208	452,093,539
307,802,595	341,688,027	494,987,751	543,692,333	589,463,741	697,482,110
721,601,734	790,441,560	915,437,434	954,523,004	442,079,107	654,070,303
1,293,684,071	1,455,025,213	1,446,044,209	1,612,369,604	1,844,174,252	2,645,755,217
3,963,823,988	4,221,825,146	3,677,485,817	3,892,914,208	4,128,221,158	4,366,831,911
744,082,659	787,170,817	1,558,601,437	1,688,764,982	1,413,161,243	1,479,230,174
-	-	-	-	1,058,245,321	1,149,837,849
64,525,223	66,126,921	47,865,825	47,955,072	-	-
<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>	<u>\$ 12,397,074,757</u>
4.95%	4.84%	4.92%	4.95%	4.95%	4.97%

Calendar Year 2008			
Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
9,053	30.8%	240.18	38.9%
4,861	16.5%	111.12	18.0%
6,115	20.8%	58.64	9.5%
354	1.2%	32.70	5.3%
2,161	7.4%	34.87	5.7%
1,477	5.0%	22.60	3.7%
4,987	17.0%	68.99	11.2%
366	1.2%	47.59	7.7%
29,374	100.0%	616.70	100.0%

# STATE OF NORTH DAKOTA

## Schedule 7

### Ratios of Outstanding Debt by Type

#### Last Ten Fiscal Years

(dollars in thousands)

	Fiscal Year			
	2000	2001	2002	2003
<b>Governmental Activities</b>				
Revenue bonds	\$ 126,782	\$ 135,167	\$ 140,161	\$ 146,795
Capital leases	6,145	3,275	1,403	2,240
Notes Payable	827	2,987	507	5,671
<b>Total Governmental Activities</b>	<u>133,754</u>	<u>141,429</u>	<u>142,071</u>	<u>154,706</u>
<b>Business-type Activities</b>				
Revenue bonds	997,551	1,117,828	965,243	886,185
Capital leases	24,375	24,291	30,341	31,798
Notes payable	366,656	264,744	403,860	427,683
<b>Total Business-Type Activities</b>	<u>1,388,582</u>	<u>1,406,863</u>	<u>1,399,444</u>	<u>1,345,666</u>
<b>Total Primary Government</b>	<u>\$ 1,522,336</u>	<u>\$ 1,548,292</u>	<u>\$ 1,541,515</u>	<u>\$ 1,500,372</u>
<b>Debt as a Percentage of Personal Income <sup>1</sup></b>	10.2%	9.6%	9.4%	9.0%
<b>Amount of Debt per Capita <sup>1</sup></b>	\$ 2,402	\$ 2,411	\$ 2,422	\$ 2,367

<sup>1</sup> 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					
2004	2005	2006	2007	2008	2009
\$ 146,384	\$ 204,240	\$ 287,016	\$ 277,932	\$ 265,665	\$ 251,526
1,132	5,941	6,361	5,418	5,236	4,056
5,455	5,613	32,314	32,384	35,726	26,523
152,971	215,794	325,691	315,734	306,627	282,105
835,535	887,350	1,038,233	1,073,545	1,197,845	1,051,542
34,130	38,746	45,088	46,131	50,046	68,097
535,253	445,080	283,509	263,820	250,645	318,847
1,404,918	1,371,176	1,366,830	1,383,496	1,498,536	1,438,486
\$ 1,557,889	\$ 1,586,970	\$ 1,692,521	\$ 1,699,230	\$ 1,805,163	\$ 1,720,591
8.6%	8.5%	8.4%	8.1%	8.1%	6.8%
\$ 2,461	\$ 2,492	\$ 2,661	\$ 2,666	\$ 2,822	\$ 2,682

# STATE OF NORTH DAKOTA

## Schedule 8 Pledged-Revenue Coverage Last Ten Fiscal Years

Fiscal Year	Less:		Net	Debt Service Requirements		
	Gross Revenues	Operating Expenses (1)	Available Revenues	Principal	Interest	Coverage
BUILDING AUTHORITY BONDS						
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
2009	12,827,000	-	12,827,000	8,103,000	4,309,000	1.03

*Pledged revenues include interest and lease payments.*

<b>LIGNITE RESEARCH BONDS (4)</b>						
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.*

<b>WATER COMMISSION BONDS</b>						
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
2009	9,526,211	-	9,526,211	4,859,000	4,863,040	0.98

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

<b>INFORMATION TECHNOLOGY BONDS (1)</b>						
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
2009	45,225,141	39,036,294	6,188,847	6,613,350	935,650	0.82

*Pledged revenues include user fees.*

<b>DEPARTMENT OF TRANSPORTATION BONDS (1)</b>						
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
2009	58,576	-	58,576	3,255,000	2,067,750	0.01

*Pledged revenues include interest and federal and highway fund appropriations.*

Fiscal Year			Less:	Net	Debt Service Requirements							
	Gross Revenues		Operating Expenses	Available Revenues	Principal	Interest	Coverage					
STUDENT LOAN TRUST												
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		8,900,000		3,790,000		0.46
2009		2,714,000		1,492,000		1,222,000		59,400,000		929,000		0.02

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

**HOUSING FINANCE AGENCY**

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
2009	67,073,021		35,458,000	31,615,021	254,020,000	40,733,000	0.11

*Pledged revenues include income and proceeds from mortgage loan activity.*

**STATE FAIR ASSOCIATION (2)**

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)
2009	615,327,588		768,207,013	(152,879,425)	31,757,754	13,848,295	(3.35)

*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, 2009**

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 (a)</u>	<u>Total Personal Income (b) (000's)</u>	<u>Per Capita Personal Income (b)</u>	<u>ND Unemployment Rate (c)</u>	<u>Annual Average UI Covered Employment (d)</u>
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	636,211	16,465,318	25,880	2.8%	311,632
2002	633,521	16,743,211	26,429	3.5%	311,808
2003	632,689	18,179,042	28,733	3.6%	314,273
2004	636,196	18,645,054	29,307	3.5%	321,108
2005	635,222	20,054,803	31,571	3.4%	328,121
2006	636,453	20,514,819	32,233	3.2%	335,718
2007	637,904	23,016,715	36,082	3.1%	341,705
2008	641,481	25,223,958	39,321	3.2%	350,442

Source:

- (a) Census Bureau
- (b) Bureau of Economic Analysis
- (c) Local Area Unemployment Statistics program
- (d) Quarterly Census of Employment and Wages program



### 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	2008			1999		
	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	76,100	1	20.74%	72,150	1	22.28%
Educational and Health Services	52,000	2	14.17%	44,550	2	13.76%
Retail Trade	43,200	3	11.77%	41,050	3	12.68%
Leisure and Hospitality	33,500	4	9.13%	29,050	4	8.97%
Professional and Business Services	30,300	5	8.26%	23,950	5	7.40%
Manufacturing	26,400	6	7.19%	22,800	6	7.04%
Construction	20,800	7	5.67%	16,800	8	5.19%
Financial Activities	20,300	8	5.53%	16,250	9	5.02%
Wholesale Trade	19,900	9	5.42%	18,500	7	5.71%
Other Services	15,400	10	4.20%	15,400	10	4.76%
Transportation, Warehousing and Utilities	15,000	11	4.09%	12,000	11	3.71%
Information	7,400	12	2.02%	8,200	12	2.53%
Natural Resources and Mining	6,700	13	1.83%	3,150	13	0.97%
Total	367,000		100%	323,850		100%

Source: Job Service North Dakota: Current Employment Statistics Program.

**Schedule 13**  
**Education Enrollment**  
**Last Ten Academic Years**

**Public School Enrollment**

	<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>	<u>2009-10</u>
Kindergarten	7,144	7,057	7,012	6,890	6,641	6,578	6,648	6,661	7,197	6,442
Grades 1-3	22,999	22,108	21,473	21,229	21,115	20,736	20,358	20,126	20,030	20,594
Grades 4-6	24,289	23,652	23,241	22,645	22,109	21,390	21,060	20,951	20,847	20,429
Grades 7-8	17,099	16,880	16,514	16,287	16,148	15,864	15,333	14,759	14,573	14,498
Grades 9-12	36,563	35,517	34,773	34,086	33,311	32,552	32,201	31,483	30,727	30,373
Total Enrollment	108,094	105,214	103,013	101,137	99,324	97,120	95,600	93,980	93,374	92,336
Special Education Students	13,650	13,630	13,901	13,868	14,681	13,883	13,825	13,606	13,278	NA

Source: Department of Public Instruction

**University System Full-Time Equivalent Student Enrollment**

	<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>	<u>2009-10</u>
Bismarck State College	2,267	2,473	2,543	2,747	2,800	2,603	2,651	2,793	2,937	3,160
Dakota College at Bottineau	419	416	477	473	447	386	399	401	440	490
Dickinson State University	1,698	1,746	1,939	1,991	2,034	2,031	2,059	2,158	2,294	2,187
Lake Region State College	524	664	683	739	738	738	750	764	784	868
Mayville State University	686	662	657	701	761	722	652	586	563	662
Minot State University	2,647	2,911	2,975	3,029	3,034	3,011	2,928	2,729	2,720	2,832
ND State College Of Science	2,428	2,247	2,253	2,322	2,271	2,223	2,171	2,097	2,041	2,076
North Dakota State University	9,003	9,621	9,993	10,348	10,745	10,807	10,890	11,221	11,794	12,577
University of North Dakota	9,837	10,466	11,155	11,811	11,931	11,155	11,381	10,967	11,137	11,306
Valley City State University	969	896	922	879	956	899	844	807	823	833
Williston State College	585	614	652	703	709	702	648	551	562	573
Total	31,063	32,716	34,249	35,743	36,426	35,277	35,373	35,074	36,095	37,564

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 recalculated 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**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>EXECUTIVE BRANCH</b>										
Adjutant General	122	127	128	125	133	132	158	169	171	174
Aeronautics Commission	5	5	5	5	5	5	5	5	5	5
Bank of North Dakota	173	173	172	170	171	169	167	181	179	179
Barley Council	2	2	3	4	4	2	2	5	6	6
Beef Commission	2	2	2	2	2	2	2	2	2	2
Career and Technical Education	27	28	28	25	26	26	25	33	33	34
Corn Council	1	1	1	1	1	2	1	2	2	3
Council on the Arts	4	6	5	5	5	4	5	5	5	5
Department of Agriculture	49	54	56	57	56	54	58	64	67	68
Department of Commerce	29	33	55	55	54	54	56	67	68	68
Department of Corrections and Rehabilitation	513	531	553	581	590	602	627	664	681	703
Department of Emergency Services	21	20	20	20	22	19	53	54	56	57
Department of Financial Institutions	22	20	21	21	21	23	24	26	26	26
Department of Human Services	2,153	2,156	2,145	2,095	1,951	1,946	1,938	2,133	2,297	2,275
Department of Public Instruction	129	130	85	90	90	88	89	95	95	98
Department of Transportation	1,014	1,010	1,027	1,017	1,015	1,014	1,021	1,054	1,061	1,056
Game and Fish Department	128	129	137	140	138	139	139	154	154	156
Highway Patrol	190	191	190	187	192	171	176	186	193	193
Historical Society	51	53	54	55	56	56	56	58	61	63
Indian Affairs Commission	3	4	4	4	3	3	3	3	4	4
Industrial Commission	57	58	59	58	55	48	48	53	55	58
Information Technology Department	166	168	243	243	245	244	240	313	316	338
Job Service North Dakota	387	379	371	357	357	333	286	352	309	309
Milk Marketing Board	5	5	5	4	4	4	4	6	6	6
ND Department of Health	298	294	303	316	318	295	292	324	335	343
ND Horse Racing Commission	0	0	0	0	0	0	2	2	2	2
ND Housing Finance Agency	32	33	36	38	38	40	37	38	43	42
ND Mill and Elevator Association	117	114	116	117	118	117	121	127	125	126
ND Vision Services/School for the Blind	28	26	26	28	30	26	26	30	30	32
North Dakota University System	6,393	6,378	6,858	7,093	7,351	7,543	7,336	6,015	7,171	7,261
Office of Administrative Hearings	5	6	5	5	5	6	7	7	7	7
Office of Management and Budget	147	148	128	129	129	129	120	133	133	133
Office of the Attorney General	143	138	145	143	139	164	174	177	185	188

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>EXECUTIVE BRANCH, Continued</b>										
Office of the Governor	16	17	18	18	17	18	16	18	18	18
Office of the Insurance Commissioner	43	42	40	38	43	40	40	46	46	46
Office of the Labor Commissioner	9	9	10	10	10	10	10	12	11	12
Office of the State Auditor	53	53	52	52	51	50	53	56	56	56
Office of the State Tax Commissioner	136	134	132	133	129	125	123	133	133	133
Office of the State Treasurer	7	7	6	6	6	6	5	7	7	7
Oilseed Council	1	1	1	1	1	1	1	1	1	1
Parks and Recreation Department	39	38	43	44	44	44	42	50	49	49
Protection and Advocacy	22	21	22	25	26	24	24	25	27	28
Public Employees Retirement System	26	26	27	25	28	27	28	33	33	33
Public Service Commission	41	40	41	41	41	41	39	43	44	44
Retirement and Investment Office	16	17	17	17	18	17	16	17	17	17
School for the Deaf	63	61	60	60	55	50	49	49	44	44
Secretary of State	26	24	26	26	26	26	26	27	27	28
Securities Department	8	8	8	8	8	8	8	9	9	9
Seed Department	23	25	25	24	25	23	22	32	31	30
Soybean Council	3	3	3	3	3	3	3	5	5	5
State Fair Association	12	13	12	12	16	15	15	24	26	26
State Land Department	18	16	18	18	19	17	17	21	21	20
State Library	28	27	27	27	27	29	28	30	30	30
State Radio	31	30	31	29	28	28	0	0	0	0
Veteran's Affairs Department	6	6	6	6	6	6	6	6	7	7
Veterans Home	83	84	86	84	84	82	86	88	92	98
Water Commission	79	79	81	82	80	77	77	84	84	84
Wheat Commission	7	7	6	6	6	6	5	8	8	8
Workforce Safety and Insurance	173	187	229	226	223	219	216	239	239	240
<b>LEGISLATIVE BRANCH</b>										
Legislative Council	32	30	31	31	30	31	31	33	33	33
<b>JUDICIAL BRANCH</b>										
Judiciary Branch	235	327	335	329	323	323	339	352	367	368
<b>Total State Employees</b>	<b>13,652</b>	<b>13,754</b>	<b>14,379</b>	<b>14,571</b>	<b>14,697</b>	<b>14,806</b>	<b>14,623</b>	<b>13,985</b>	<b>15,348</b>	<b>15,494</b>

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**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>General Government</b>										
<b>Office of the Tax Commissioner</b>										
Number of returns filed electronically <sup>1</sup>	28,589	50,685	78,932	103,910	129,509	147,683	166,733	186,329	203,279	222,254
<b>Education</b>										
<b>Department of Public Instruction</b>										
Public School Enrollment <sup>2</sup>	108,094	105,214	103,013	101,137	99,324	97,120	95,600	93,980	93,374	92,336
<b>North Dakota University System</b>										
Full Time Equivalent Student Enrollment <sup>3</sup>	31,063	32,716	34,249	35,743	36,426	35,277	35,373	35,074	36,095	37,564
<b>Health and Human Services</b>										
<b>North Dakota Department of Health</b>										
Number of Autopsies Performed in ND <sup>4</sup>	196	172	225	226	195	221	240	237	274	NA
Air Quality - Percent of Facilities in Compliance <sup>4</sup>	99	99	100	99	100	100	100	98	99	NA
Public Water Systems - Percent of Facilities in Compliance <sup>4</sup>	94	94	96	97	92	92	94	95	95	NA
<b>Department of Human Services</b>										
Number of TANF Caseloads	5,581	5,612	NA	5,988	5,887	5,524	5,259	5,112	4,927	4,733
Number of Medicaid Recipients	61,781	62,492	NA	76,377	77,378	77,018	77,799	75,470	75,732	77,637
<b>Regulatory</b>										
<b>Office of the Insurance Commissioner</b>										
Licensed Insurance Agents <sup>4</sup>	17,680	20,905	23,372	25,856	31,645	33,323	39,230	47,437	47,399	48,308
<b>Public Service Commission</b>										
Weighing and Measuring Devices Inspected	12,407	15,321	13,853	14,971	14,605	13,944	12,414	13,183	11,476	11,395
Gas Pipeline Safety Inspections	59	47	63	62	50	54	68	65	61	67
<b>Public Safety and Corrections</b>										
<b>Department of Corrections and Rehabilitation</b>										
Average Daily Adult Prison Population <sup>4</sup>	1,016	1,099	1,160	1,198	1,299	1,366	1,409	1,429	1,447	NA
<b>Office of the Attorney General-Bureau of Investigations</b>										
Criminal Cases Opened <sup>4</sup>	222	296	302	302	286	319	351	299	369	NA
Drug Cases Opened <sup>3</sup>	313	363	573	549	623	553	472	425	380	NA
<b>Office of the Attorney General-Crime Laboratory</b>										
Toxicology Alcohol Blood and Breath Analyses <sup>4</sup>	4,434	4,552	4,847	5,646	6,411	6,378	6,517	6,915	6,007	NA
Methamphetamine/Amphetamine Samples Processed <sup>4</sup>	1,218	1,505	2,419	1,990	2,813	2,779	1,552	1,009	636	NA
<b>Office of the Adjutant General</b>										
Assigned National Guard <sup>5</sup>	4,363	4,366	4,269	4,241	4,106	4,043	4,243	4,211	4,262	4,299
<b>Agriculture and Commerce</b>										
<b>Department of Agriculture</b>										
Pounds of Pesticide Waste Collected	158,938	166,949	147,857	190,759	155,158	129,994	172,791	170,817	215,521	205,021
<b>Department of Commerce</b>										
Net Job Growth from Nonfarm Employment <sup>4</sup>	3,900	1,950	150	2,800	5,250	6,850	7,500	6,200	8,600	NA
New Private Sector Businesses <sup>4</sup>	203	-29	206	332	458	558	429	-324	395	NA
<b>Natural Resources</b>										
<b>Game and Fish Department</b>										
Registered Boats <sup>4</sup>	46,819	51,483	45,076	49,249	52,961	44,499	49,641	53,519	46,067	NA
Hunting and Fishing Licenses Issued	294,967	312,853	322,728	321,304	323,479	314,465	332,644	324,770	330,524	NA
<b>Department of Parks and Recreation</b>										
Park Visitations <sup>4</sup>	1,091,257	1,052,399	1,051,752	1,045,390	972,151	923,181	940,113	898,235	889,231	NA
Camping Nights <sup>4</sup>	43,046	44,168	47,489	49,533	47,484	48,599	51,945	52,904	51,529	NA
Snowmobile Registrations <sup>4</sup>	17,563	4,134	17,459	2,649	15,961	2,223	14,198	11,322	3,845	NA
OHV Registrations <sup>4</sup>	NA	NA	NA	NA	NA	NA	NA	9,200	18,237	NA
<b>Transportation</b>										
<b>Department of Transportation</b>										
Registered Vehicles <sup>4</sup>	NA	790,933	809,459	815,042	836,927	843,054	878,443	902,581	934,502	NA
Licensed Drivers	457,890	456,055	455,921	457,743	459,566	466,701	468,711	470,731	473,019	476,561
<b>Unemployment Compensation</b>										
<b>Job Service North Dakota</b>										
Number of Covered Workers <sup>4</sup>	309,223	311,632	311,808	314,273	321,108	328,121	335,718	341,705	350,442	NA
<b>Workforce Safety and Insurance</b>										
Number of Claims Filed	20,045	20,320	19,950	18,753	19,184	19,887	21,588	21,309	21,061	20,543
Number of Covered Workers	296,663	299,714	301,913	301,777	304,287	311,200	318,240	326,100	332,170	340,915

NA-Not Available

<sup>1</sup> Calendar Year Received<sup>2</sup> Academic Year End Enrollment<sup>3</sup> Academic Year Enrollment<sup>4</sup> Statistics on a Calendar Year Basis<sup>5</sup> 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**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b><u>General Government</u></b>										
<b>Office of Management and Budget</b>										
Capitol Complex Buildings	7	7	7	7	7	7	7	7	7	7
<b><u>Education</u></b>										
<b>Department of Land</b>										
Common Schools Trust										
Land Acreage	635,682	635,695	635,703	635,534	635,529	635,574	632,408	632,248	632,248	597,426
<b>ND University System</b>										
Buildings	501	501	512	512	527	527	516	516	516	516
Buildings Square Footage	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	14,003,445
<b><u>Health and Human Services</u></b>										
<b>Dept. of Human Services</b>										
Buildings	78	77	77	74	74	74	74	74	74	74
<b><u>Public Safety and Corrections</u></b>										
<b>Department of Corrections and Rehabilitation</b>										
Buildings	NA	NA	64	70	70	71	71	71	71	72
<b>Office of the Adjutant General</b>										
Headquarters, Camp and Armory Buildings	524	524	528	530	539	551	567	475	475	421
<b><u>Natural Resources</u></b>										
<b>Game and Fish Department</b>										
Wildlife Management Areas	NA	NA	NA	183	183	185	186	186	186	189
Boats, ATV's, Snowmobiles, Tractors, Other	NA	NA	NA	NA	344	364	393	397	417	425
<b>Dept. of Parks and Recreation</b>										
Park/Recreational Sites	16	16	16	16	15	15	15	15	15	15
Park Maintenance Vehicles/Equipment	NA	NA	NA	NA	196	207	222	230	235	255
<b><u>Transportation</u></b>										
<b>Department of Transportation</b>										
Lane Miles Maintained	8,394	8,402	8,410	8,412	8,414	8,450	8,469	8,479	8,511	8,515
Fleet Vehicles	2,933	2,879	2,943	2,988	3,097	3,137	3,220	3,316	3,307	3,273
Heavy Equipment	598	593	589	577	565	552	527	359	340	341
Buildings	77	77	77	77	77	77	77	79	80	81

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>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>	<u>2009</u>
1 Net Earned Required Contribution and Investment Revenues	\$ 637	\$ 116	\$ (50)	\$ 405	\$ 448	\$ 319	\$ 179	\$ 401	\$ 22	\$ 157
2 Unallocated Expenses	84	93	46	58	42	53	51	57	37	25
3 Estimated Incurred Claims and Expense, End of Policy Year	60	71	26	259	253	64	392	173	(268)	128
4 Paid (Cumulative) as of:										
End of Policy Year	(22)	(32)	(100)	(107)	(85)	(226)	(254)	(328)	(417)	(61)
One Year Later	(22)	(32)	(100)	(107)	(85)	(226)	(254)	(328)	(417)	
Two Years Later	(22)	(32)	(100)	(107)	(85)	(226)	(254)	(328)		
Three Years Later	(22)	(32)	(100)	(107)	(85)	(226)	(254)			
Four Years Later	(22)	(32)	(100)	(107)	(85)	(226)				
Five Years Later	(22)	(32)	(100)	(107)	(85)					
Six Years Later	(22)	(32)	(100)	(107)						
Seven Years Later	(22)	(32)	(100)							
Eight Years Later	(22)	(32)								
Nine Years Later	(22)									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	60	71	26	259	253	64	392	173	(268)	128
One Year Later	60	71	26	259	253	64	392	173	(268)	
Two Years Later	60	71	26	259	253	64	392	173		
Three Years Later	60	71	26	259	253	64	392			
Four Years Later	60	71	26	259	253	64				
Five Years Later	60	71	26	259	253					
Six Years Later	60	71	26	259						
Seven Years Later	60	71	26							
Eight Years Later	60	71								
Nine Years Later	60									
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>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>	<u>2009</u>
1 Net Earned Required Contribution and Investment Revenues	\$ 5,482	\$ 4,540	\$ 2,437	\$ 6,646	\$ 4,864	\$ 5,073	\$ 5,193	\$ 6,934	\$ 7,849	\$ (492)
2 Unallocated Expenses	1,026	812	991	613	621	552	986	847	979	819
3 Estimated Incurred Claims and Expense, End of Policy Year	2,104	6,828	5,481	2,523	1,135	1,775	2,852	1,536	10,548	1,744
4 Paid (Cumulative) as of:										
End of Policy Year	303	269	(1,589)	(3,974)	(227)	986	1,660	1,133	9,434	989
One Year Later	303	269	(1,589)	(3,974)	(227)	986	1,660	1,133	9,434	
Two Years Later	303	269	(1,589)	(3,974)	(227)	986	1,660	1,133		
Three Years Later	303	269	(1,589)	(3,974)	(227)	986	1,660			
Four Years Later	303	269	(1,589)	(3,974)	(227)	986				
Five Years Later	303	269	(1,589)	(3,974)	(277)					
Six Years Later	303	269	(1,589)	(3,974)						
Seven Years Later	303	269	(1,589)							
Eight Years Later	303	269								
Nine Years Later	303									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	2,104	6,828	5,481	2,523	1,135	1,775	2,852	1,536	10,548	1,744
One Year Later	2,104	6,828	5,481	2,523	1,135	1,775	2,852	1,536	10,548	
Two Years Later	2,104	6,828	5,481	2,523	1,135	1,775	2,852	1,536		
Three Years Later	2,104	6,828	5,481	2,523	1,135	1,775	2,852			
Four Years Later	2,104	6,828	5,481	2,523	1,135	1,775				
Five Years Later	2,104	6,828	5,481	2,523	1,135					
Six Years Later	2,104	6,828	5,481	2,523						
Seven Years Later	2,104	6,828	5,481							
Eight Years Later	2,104	6,828								
Nine Years Later	2,104									
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>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>	<u>2009</u>
1 Net Earned Required Contribution and Investment Revenues	\$ 210	\$ 117	\$ 86	\$ 175	\$ 194	\$ 193	\$ 148	\$ 221	\$ 166	\$ 48
2 Unallocated Expenses	25	28	23	22	21	25	33	40	41	31
3 Estimated Incurred Claims and Expense, End Of Policy Year	81	83	81	93	103	111	105	120	131	169
4 Paid (Cumulative) as of:										
End of Policy Year	16	17	17	19	20	22	21	21	27	32
One Year Later	30	29	30	33	36	34	36	37	47	
Two Years Later	35	35	37	38	42	39	41	43		
Three Years Later	40	40	41	41	46	42	46			
Four Years Later	43	42	43	44	49	45				
Five Years Later	47	45	47	46	52					
Six Years Later	48	47	48	48						
Seven Years Later	50	49	52							
Eight Years Later	52	51								
Nine Years Later	56									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	81	83	81	93	103	111	105	120	131	169
One Year Later	80	81	84	94	103	104	112	119	140	
Two Years Later	79	83	83	93	99	100	113	120		
Three Years Later	81	83	88	89	100	101	116			
Four Years Later	79	79	86	90	106	101				
Five Years Later	82	77	90	91	105					
Six Years Later	82	85	91	92						
Seven Years Later	89	87	98							
Eight Years Later	89	89								
Nine Years Later	94									
6 Increase in Estimated Incurred Claims and Expense From End of Policy Year	13	6	18	0	2	(10)	11	0	9	0

**Schedule 18**  
**Agricultural Production**

**Value of Export Shares of Agricultural Commodities - 2007-2008**

	<u>2007</u> <u>Dollars</u> (Mil.)	<u>2007</u> <u>% of U.S.</u>	<u>2008</u> <u>Dollars</u> (Mil.)	<u>2008</u> <u>% of U.S.</u>
Wheat and Products	1,066.0	12.28	1,663.2	11.21
Soybeans and Products	447.5	4.06	687.8	3.56
Vegetables and Preparations	242.5	5.64	332.6	6.45
Feed Grains and Products	312.9	2.64	559.4	3.08
Sunflower Seed and Oil	102.7	52.34	100.2	44.18
Feeds and Fodders	136.9	4.74	341.7	8.57
Seeds	72.4	7.76	78.9	6.60
Live Animals and Meats Excluding Poultry	5.9	0.09	9.0	0.10
Dairy Products	0.0	0.00	0.0	0.00
Poultry and Products	2.5	0.07	0.0	0.00
Hides and Skins	0.7	0.03	0.7	0.03
Fats, Oils and Greases	0.3	0.04	0.5	0.05
Other (1)	187.1	1.67	175.5	1.38
Total (2)	<u>\$ 2,577.5</u>	3.13	<u>\$ 3,949.5</u>	3.42

Source: Compiled by ERS using data from USDA, National Agricultural Service and U.S. Department of Commerce, Census Bureau.

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

**2008 Crop Rank Among States**

<u>North Dakota</u> <u>Ranks</u>	<u>Crop Description</u>	<u>North Dakota</u> <u>Produces</u>
1st	Flaxseed	96%
	Canola	90%
	Pinto Beans	65%
	Dry Edible Peas	64%
	Durum Wheat	50%
	Navy Beans	46%
	Spring Wheat	45%
	Oil Sunflowers	44%
	All Sunflowers	44%
	Non-oil Sunflowers	42%
	All Dry Edible Beans	39%
	Barley	36%
	Lentils	35%
2nd	Sugarbeets	19%
	All Wheat	12%

Source: North Dakota Agricultural Statistics June 2009