

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, 2010. 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 \$7 billion (reported as net assets), an increase of \$1 billion from the previous year. The net assets of governmental activities increased by 18.6% while the net assets of the business-type activities showed an increase of 11.6%.

Fund Level:

As of the close of fiscal year 2010 the State's governmental funds reported combined ending fund balances of \$3.8 billion, an increase of \$690 million. Of this amount, \$2.4 billion represents unreserved fund balance, with the remaining amount of \$1.4 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 \$834 million.

The enterprise funds reported net assets at year-end of \$1.8 billion, an increase of \$190 million during the year.

Long-term Debt:

The State's total debt (bonds and notes payable) increased approximately 19% during the fiscal year to \$1.96 billion, an increase of \$317 million, which represents the net difference between new issuances and payments. During the year the State issued \$479 million in bonds and \$116 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 19 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 non-major 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 non-major 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 \$7 billion at the end of fiscal year 2010. Net assets increased 16.8% from the prior fiscal year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2010	2009	2010	2009	2010
Current and Other Assets	\$3,613,541	\$4,425,230	\$6,016,829	\$6,810,240	\$7,928,465	\$9,516,877
Capital Assets	<u>1,542,653</u>	<u>1,646,653</u>	<u>835,095</u>	<u>919,401</u>	<u>2,377,748</u>	<u>2,566,054</u>
Total Assets	<u>5,156,194</u>	<u>6,071,883</u>	<u>6,851,924</u>	<u>7,729,641</u>	<u>10,306,213</u>	<u>12,082,931</u>
Long-Term Liabilities						
Outstanding	326,031	300,423	2,249,525	2,620,631	2,575,556	2,921,055
Other Liabilities	<u>441,479</u>	<u>564,344</u>	<u>2,959,459</u>	<u>3,270,034</u>	<u>1,699,033</u>	<u>2,115,784</u>
Total Liabilities	<u>767,510</u>	<u>864,767</u>	<u>5,208,984</u>	<u>5,890,665</u>	<u>4,274,589</u>	<u>5,036,839</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	1,323,477	1,450,350	578,828	644,109	1,902,305	2,094,459
Restricted	1,502,237	1,984,324	500,433	445,609	2,002,670	2,429,933
Unrestricted	<u>1,562,970</u>	<u>1,772,442</u>	<u>563,679</u>	<u>749,258</u>	<u>2,126,649</u>	<u>2,521,700</u>
Total Net Assets	<u>\$4,388,684</u>	<u>\$5,207,116</u>	<u>\$1,642,940</u>	<u>\$1,838,976</u>	<u>\$6,031,624</u>	<u>\$7,046,092</u>

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

The largest component (36%) of the State's net assets is unrestricted net assets. Unrestricted net assets may be used at the State's discretion, but often have limitations on use based on State statutes. Restricted net assets make up thirty-four percent (34%) 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.

Thirty percent (30%) 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	
	2009	2010	2009	2010	2009	2010
Revenues:						
Program Revenues:						
Charges for Services	\$ 229,005	\$ 245,410	\$1,116,210	\$1,110,240	\$1,345,215	\$1,355,650
Operating Grants & Contributions	1,131,838	2,025,395	114,158	412,398	1,245,996	2,437,793
Capital Grants & Contributions	57,065	63,035	10,820	19,762	67,885	82,797
General Revenues:						
Income Taxes	503,976	379,938	-	-	503,976	379,938
Sales Taxes	857,771	885,446	-	-	857,771	885,446
Other Taxes	489,484	695,521	-	-	489,484	695,521
Investment Earnings	12,830	33,926	-	-	12,830	33,926
Tobacco Settlement	30,990	23,559	-	-	30,990	23,559
Other	54,637	150,819	-	-	54,637	150,819
Total Revenues	<u>3,367,596</u>	<u>4,503,049</u>	<u>1,241,188</u>	<u>1,542,400</u>	<u>4,608,784</u>	<u>6,045,449</u>
Expenses						
General Government	418,221	393,432	-	-	418,221	393,432
Education	564,819	849,337	-	-	564,819	849,337
Health and Human Services	1,005,299	1,149,202	-	-	1,005,299	1,149,202
Regulatory	26,582	26,187	-	-	26,582	26,187
Public Safety and Corrections	194,264	284,846	-	-	194,264	284,846
Agriculture and Commerce	68,057	85,328	-	-	68,057	85,328
Natural Resources	64,817	81,304	-	-	64,817	81,304
Transportation	382,619	463,846	-	-	382,619	463,846
Interest on Long Term Debt	12,684	11,774	-	-	12,684	11,774
Bank of North Dakota	-	-	99,090	80,132	99,090	80,132
Housing Finance	-	-	59,769	62,932	59,769	62,932
Loan Programs	-	-	6,777	6,316	6,777	6,316
Mill and Elevator	-	-	233,792	170,076	233,792	170,076
State Lottery	-	-	16,123	18,178	16,123	18,178
Unemployment Compensation	-	-	106,475	137,474	106,475	137,474
University System	-	-	894,733	963,820	894,733	963,820
Workforce Safety and Insurance	-	-	168,527	218,186	168,527	218,186
Other	-	-	15,810	18,331	15,810	18,331
Total Expenses	<u>2,737,362</u>	<u>3,345,256</u>	<u>1,601,096</u>	<u>1,675,446</u>	<u>4,338,458</u>	<u>5,020,701</u>
Increase (decrease) in Net Assets Before Contributions & Transfers	630,234	1,157,793	(359,908)	(133,045)	270,326	1,024,748
Contributions to Permanent Fund Principal	11,574	11,203	-	-	11,574	11,203
Special Item-Loss on Discontin. of Computer Project	(3,314)	-	-	-	(3,314)	-
Transfers	<u>(229,268)</u>	<u>(350,497)</u>	<u>270,189</u>	<u>324,786</u>	<u>40,921</u>	<u>(25,711)</u>
Increase in Net Assets	409,226	818,499	(89,719)	191,741	319,507	1,010,240
Net Assets - Beginning -As Restated	<u>3,979,458</u>	<u>4,388,617</u>	<u>1,732,659</u>	<u>1,647,235</u>	<u>5,712,117</u>	<u>6,035,852</u>
Net Assets- Ending	<u>\$4,388,684</u>	<u>\$5,207,116</u>	<u>\$1,642,940</u>	<u>\$1,838,976</u>	<u>\$6,031,624</u>	<u>\$7,046,092</u>

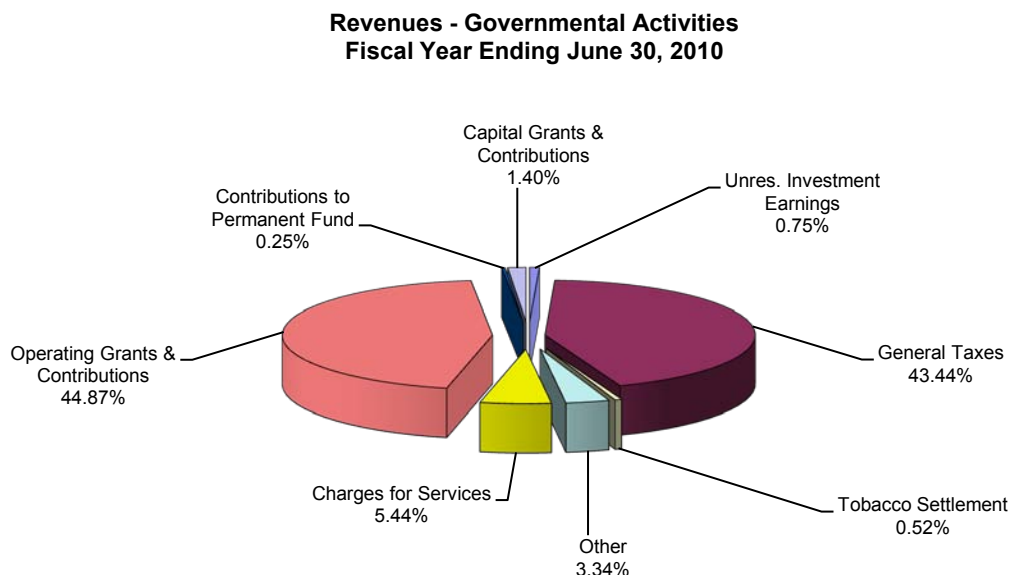
Governmental Activities

Governmental Activities increased the State's net assets by \$818 million. The largest dollar increase in the State's revenues for fiscal year 2010 was from the State's intergovernmental revenue, a 35% increase primarily from increased federal funding through the American Recovery and Reinvestment Act (ARRA) and from federal disaster assistance. Oil and gas tax revenues increased from the prior fiscal year by 47.8% because of the increased level of oil and gas production in the state. Individual and corporate income taxes had a combined decrease of 24.7%. Individual taxes went down primarily because of a rate reduction enacted by the 2009 Legislative Assembly and a decrease in capital gains. Corporate tax decreases were brought on by the national recession. Other general revenues nearly tripled because of the significant increase (225%) in mineral lease royalty income.

Expenses for total governmental activities increased by 22% from the prior fiscal year. Education expenses rose significantly (50%) for various reasons. The 2009 Legislature elected to fund the primary education formula at the prior year's level, but then awarded school districts with increased general state aid funding over the amount funded by the primary formula. The Legislature also awarded school districts one-time supplemental grants for infrastructure projects. In addition, the state enacted major legislation providing funding for statewide school district mill levy reductions and then provided grants to school districts in exchange for reducing school district property tax levies. The state was also awarded ARRA education stabilization funds, which were spent on school funding.

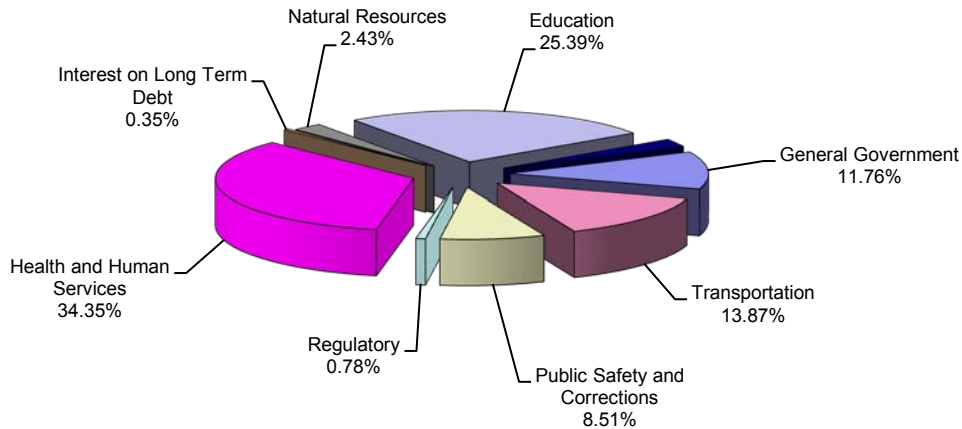
Public Safety and Corrections expenditures show a 47% increase in expenditures primarily due to costs relating to the 2009 spring flood disaster in the state. Transportation expenses increased about 21% because of an increase in highway construction made possible by ARRA funding. Health and Human Services expenditures went up \$144 million (a 14.4% increase) because of an increase in rates for medical providers.

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, 2010**



Business-type Activities

Net assets of the business-type activities increased by \$192 million during the fiscal year.

Workforce Safety and Insurance's (WSI) net assets increased \$71 million because of underwriting and investment income.

The Bank of North Dakota had an increase of \$47 million, which 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 University System's net assets increased \$70 million. The University System's net asset change is from increases in tuition, housing, and grants and contracts revenue.

Housing Finance had a \$9.7 million increase from program operations and financing activities.

The Mill and Elevator's net assets increased \$6 million because their short term borrowing from the Bank of North Dakota was down from prior years.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

As the State completed the year, its governmental funds reported combined fund balances of \$3.8 billion, an increase of \$690 million from the prior fiscal year. Approximately \$2.4 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 \$834 million and reserved fund balance was \$5 million.

Total fund balance decreased during the fiscal year by \$28 million, due primarily to a \$121 million decrease in income tax revenues. There was a \$295 million legislatively mandated transfer from the Permanent Oil Tax trust fund to the general fund in fiscal year 2010, but general fund expenditures increased approximately \$195 million, of which more than \$150 million was from education expenditures.

The School Permanent Trust Fund balance at June 30, increased \$397 million because of increased royalty revenues of nearly \$200 million, increased investment income of more than \$200 million and additional oil and gas tax revenues of \$10 million. Transfers out also increased about \$6 million.

The Federal Fund balance at June 30, showed an increase of \$.9 million primarily because of prepaid items.

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 ending June 30, 2010, was the first year of the 2009-11 budget cycle. The original budget increased \$63.2 million.

At the beginning of the 2009-11 budget cycle, there was an increase in the original budget of \$65.7 million due to the authorized carryover of general fund appropriation authority from the 2007-09 biennium, a \$6.8 million increase for capital construction carryover, and reductions of \$9.2 million.

The reductions were for appropriations that were authorized to start a few months prior to the beginning of the 2009-11 biennium but to continue through the 2009-11 biennium. The beginning appropriations needed to be reduced for the expenditures made prior to the start of the biennium.

The increases to the beginning appropriated budget are from authorized carryover of general fund appropriation authority and the larger ones 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 Adjutant General, \$3.1 million, Office of Management and Budget, \$38.5 million, the University System, \$18.9 million, Legislative Council, \$2.2 million and Legislative Assembly, \$1.6 million. \$37 million of the \$38.5 million for the Office of Management and Budget was for a transfer to the Adjutant General for flood and snow disaster relief.

Of the \$6.1 million in capital construction carryover dollars, \$1.2 million was for the Office of Management and Budget; \$2.4 million was for the Department of Human Services and various smaller amounts for several other state agencies.

There were no expenditures in excess of general fund authority.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: At the end of the fiscal year 2010, the State had invested \$2.6 billion, net of accumulated depreciation, in a broad range of capital assets. Depreciation charges for this fiscal year totaled \$128 million.

(Net of Depreciation, Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2010	2009	2010	2009	2010
Land and Land Improvements	\$ 68,120	\$ 69,338	\$ 18,764	\$ 18,764	\$ 86,884	\$ 88,102
Building & Building Improvements	250,634	250,199	520,272	553,664	770,906	803,863
Equipment	112,663	127,392	151,100	164,292	263,763	291,684
Intangibles						
Software	30,536	30,517	14,546	13,853	45,082	44,370
Other	4,106	4,484	328	466	4,434	4,950
Infrastructure	635,706	706,375	89,477	91,402	725,183	797,777
Construction in Progress	442,892	458,348	42,869	76,960	485,761	535,308
Total	\$1,544,657	\$1,646,653	\$ 837,356	\$ 919,401	\$2,382,013	\$2,566,054

The total increase in the State's investments in capital assets for the current fiscal year was 7% in terms of net book value. However, actual expenditures to purchase or construct capital assets were approximately \$429 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, 2010.

The State does have a number of revenue bonds outstanding at June 30, 2010. 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 \$403.8 million. The advances have a fixed rate of interest, ranging from 3.01 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	
	2009	2010	2009	2010	2009	2010
Revenue Bonds	\$ 251,526	\$ 232,101	\$1,051,542	\$1,301,368	\$1,303,068	\$1,533,469
Notes Payable	26,523	19,493	318,847	412,095	345,370	431,588
Total	<u>\$ 278,049</u>	<u>\$ 251,594</u>	<u>\$1,370,389</u>	<u>\$1,713,463</u>	<u>\$1,648,438</u>	<u>\$1,965,057</u>

The State's total debt increased approximately 19% during the current fiscal year.

ECONOMIC CONDITION AND OUTLOOK

In the midst of a lingering national recession, the North Dakota economy continues to thrive. The state's diversified economy has seen growth in various sectors, including manufacturing, agriculture, and energy. Moody's Analytics, formerly Moody's Economy.com, recently completed its analysis of the North Dakota economy for its Précis U.S. State October 2010 publication. The report depicts a strong, growing economy, leading the nation in several areas. Moody's notes that "North Dakota is one of the few states where payroll employment has already surpassed its prerecession peak. The state's unemployment rate is also the lowest in the nation."

As the rest of the nation recovers from recession, the outlook for North Dakota continues to be positive. "Increases in global business investment and favorable exchange rates will provide a boost to manufacturers and other export-related industries. Commodity prices will increase as the global recovery accelerates, supporting gains in state income." Gross state product, which was \$24.6 billion in 2009, is projected to grow by \$5.0 billion by 2014, a 20.3 percent increase. Total employment is expected to grow from 366,000 in 2009 to 395,000 in 2014, an increase of 29,000 jobs, or 7.9 percent. Personal income is expected to grow by 4.0 to 5.2 percent each year from 2011 through 2014.

Median household income and per capita income for North Dakota have both surpassed the national average. For 2008, median household income was \$50,075 in North Dakota and \$49,777 for the U.S. Per capita income was \$40,727 for North Dakota, based on 2009 Bureau of Economic Analysis data, but only \$39,626 for the U.S.

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.