

State of North Dakota



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011

STATE OF NORTH DAKOTA

Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED

June 30, 2011



Prepared by the Office of Management and Budget

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

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

Cover: Photos on cover provided by North Dakota Tourism/Water Lillies

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
TABLE OF CONTENTS**

INTRODUCTORY SECTION

	Page
Letter of Transmittal	7
Certificate of Achievement for Excellence in Financial Reporting	12
North Dakota State Government Organization Chart	13
List of Principal State Officials	14

FINANCIAL SECTION

Independent Auditor's Report	16
---	----

Management's Discussion and Analysis	19
---	----

Basic Financial Statements:

Government-wide Financial Statements

Statement of Net Assets	32
Statement of Activities	34

Governmental Fund Financial Statements

Balance Sheet	36
Reconciliation of the Balance Sheet—Governmental Funds to the Statement of Net Assets	37
Statement of Revenues, Expenditures, and Changes in Fund Balances	38
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds to the Statement of Activities	39

Proprietary Fund Financial Statements

Statement of Net Assets	40
Statement of Revenues, Expenses, and Changes in Fund Net Assets	42
Statement of Cash Flows	44

Fiduciary Fund Financial Statements

Statement of Fiduciary Net Assets	48
Statement of Changes in Fiduciary Net Assets	49

Component Unit Financial Statements

Combining Statement of Net Assets - GASB	51
Combining Statement of Activities - GASB.....	52
Combining Statement of Net Assets - FASB	54
Combining Statement of Revenues Expenses and Changes in Fund Net Assets - FASB	55
Notes To The Financial Statements	56

Required Supplementary Information Other Than Management's Discussion and Analysis

Budgetary Comparison Schedule – General Fund	128
Budgetary Comparison Schedule – Budget to GAAP Reconciliation General Fund	129
Budgetary Comparison Schedule – Federal Funds.....	130
Budgetary Comparison Schedule – Budget to GAAP Reconciliation Federal Fund	131
Budgetary Comparison Schedule – State Funds.....	132
Budgetary Comparison Schedule – Budget to GAAP Reconciliation State Fund	133
Note to Required Supplementary Information – Budgetary Reporting	134

Combining and Individual Fund Statements:

Combining Balance Sheet – Nonmajor Governmental Funds	137
Combining Statement of Revenues, Expenses, and Changes in Fund Balance – Nonmajor Governmental Funds.....	138
Combining Statement of Net Assets – Nonmajor Enterprise Funds.....	140
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Nonmajor Enterprise Funds	142
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	144
Combining Statement of Net Assets – Internal Service Funds.....	149
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds	150
Combining Statement of Cash Flows – Internal Service Funds	151
Combining Statement of Fiduciary Net Assets – Pension, Investment, and Private-Purpose Trust Funds	154
Combining Statement of Changes in Fiduciary Net Assets – Pension, Investment, and Private-Purpose Trust Funds	158
Combining Statement of Fiduciary Assets and Liabilities – Agency Funds.....	161
Combining Statement of Changes in Assets and Liabilities – Agency Funds	162

STATISTICAL SECTION

Net Assets by Component	166
Changes in Net Assets	168
Fund Balances, Governmental Funds	170
Changes in Fund Balances, Governmental Funds	172
Taxable Sales by Industry	174
Sales Tax Revenue Payers by Industry	174
Ratios of Outstanding Debt by Type	176
Pledged Revenue Coverage	178
Legal Debt Limit	180
Demographic and Economic Indicators	181
Principal Employers	182
Employment by Industry	182
Education Enrollment	183
State Employees by Agency	184
Operating Indicators by Function	186
Capital Assets by Function	187
Claims Development Information	188
Agricultural Production	192



(This page left blank intentionally.)

Introductory Section



(This page left blank intentionally.)

OFFICE OF MANAGEMENT AND BUDGET

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

December 20, 2011

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, 2011. 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, 2011 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, 2011, 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

Although the North Dakota economy is increasingly diversified, the agricultural industry continues to play a key role in the state's economy. The USDA's National Agricultural Statistics Service reports that for 2010 crop production, North Dakota is the nation's leading producer of durum wheat, spring wheat, barley, sunflowers, canola, flaxseed, dry edible beans, dry edible peas, and lentils. Agricultural commodity and cattle prices remain high by historic standards and contribute to growth in farm income. Moody's Analytics, which prepares a five-year forecast of the state's major economic indicators, reports that "Maintained price appreciation in the state's core commodities will help promote above-average farm income growth throughout the forecast."

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 and has increased over 250 percent from 2001 to 2010. 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. Local economies throughout the western part of the state have seen unprecedented growth with an influx of energy-related jobs and people.

As the flourishing North Dakota economy attracts workers to the state, the state's population continues to grow and, based on the 2010 census, has reached a level not seen since the 1930's. The influx of people, along with a large state investment in infrastructure, has helped to fuel a construction boom. Construction accounts for nearly 6 percent of employment in the state, compared to only around 4 percent for the U.S. average. Manufacturing is also a prominent player in the state's economy, accounting for 6 percent of employment.

Machinery and transportation equipment make up nearly 40 percent of the state's exports. Other major exports are agriculture products, food, and oil and gas. In 2010, exports totaled over \$2.5 billion.

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.

LONG-TERM FINANCIAL PLANNING

The long-term financial plan of the state was summarized by Governor Dalrymple in his budget address to the 2011 legislature. The Governor's financial plan for the state encompassed three main objectives: to fund priorities such as education and human services, build significant financial reserves, and provide tax relief.

For the 2011-13 biennium, the legislature approved a budget that increases general fund appropriations for elementary and secondary education by 12 percent, higher education by 11 percent, and human services by 43 percent. In order to address needs for infrastructure improvements that facilitate continued economic growth in the state, the legislature approved an unprecedented \$371 million general fund investment in roads.

By the end of the 2011-13 biennium, reserves are anticipated to total over \$1.5 billion. Reserves include the budget stabilization fund, legacy fund, foundation aid stabilization fund, and general fund ending balance. The legacy fund was established by the voters in November 2010 as a "savings account" to save a portion of current oil tax revenues. The legacy fund will accumulate 30 percent of the state's share of oil tax revenue. Through a constitutional limitation, moneys in the fund cannot be spent until July 1, 2017. After that time, oil tax collections will continue to add to the principal of the fund and interest will accrue to the state general fund. Beginning July 1, 2017, up to 15 percent of the principal of the fund can be spent each biennium, but only with the approval of two-thirds of the members of both houses of the legislature.

As recommended by the Governor, the legislature continued the property tax relief program with an appropriation of \$342 million. In addition, the legislature approved the reduction of tax rates for individuals, corporations, and financial institutions, providing \$147 million in tax relief over two years.

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 revenue forecast for use in the budgeting process.

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.

MAJOR INITIATIVES

Major initiatives proposed by Governor Jack Dalrymple and approved by the legislature for the 2011-13 biennium include investing in infrastructure and in other priorities, continuing to build the state's reserves, and providing North Dakota's citizens with substantial tax relief.

INFRASTRUCTURE INVESTMENTS

The 2011-13 biennium budget includes funding to rebuild and repair roads throughout the state; to provide impact grants to counties and cities and to fund water supply and flood control projects. Funding for infrastructure improvements includes:

- \$600 million to rebuild and repair state highways in every region of the state.
- \$228.6 million for state highway projects within the 17 oil and gas producing counties in western North Dakota.
- \$142 million for reconstruction and repair projects on county and township roads within the state's oil and gas counties.
- \$83 million dedicated to the repair and rebuilding of city, county and township roads in counties outside the state's oil and gas region.
- \$22 million in matching funds to help local governments cover costs associated with flooding, including the repair of flood-damaged roads.
- \$2.9 million in funding to raise the road to Grahams Island State Park.
- \$135 million in grant funds to help communities in oil country offset direct impacts created by the rapidly developing energy industry.
- \$285 million for state water projects.
- \$110 million state financing commitments to the newly created Western Area Water Supply Authority. The funding will support the development of a water supply system that will transfer water from the Missouri River to communities and industrial users in western North Dakota.

TAX RELIEF

The legislature approved and the Governor signed into law a tax relief package of nearly \$500 million. The package provides:

- \$342 million in property tax relief for homeowners, farmers, ranchers and commercial businesses during the 2011-13 biennium.
- \$147 million in tax relief for individuals, corporations, and financial institutions through a reduction in tax rates.

EDUCATION

K-12 education initiatives include:

- \$997 million in state funding for K-12 schools.
- \$20 million for grants to support and expand career and technical education course offerings.

Higher Education initiatives include:

- \$15.2 million for distribution to campuses to minimize tuition increases and to address funding inequities.
- \$10 million for scholarships for North Dakota students who perform well in high school and attend North Dakota colleges.
- \$20.5 million for a the state University System information technology center on the UND campus.
- \$9.5 million for construction of the third and final phase of the \$34.9 million Research Greenhouse Complex at NDSU. Total state investment in the project is \$27.4 million.
- \$13.7 million for the geothermal energy project at Minot State University.

- \$11 million for major repairs at existing facilities.
- \$10.5 million to build an addition and refurbish the Rhoades Science Center at Valley City State University.
- \$10.5 million for the Bisek Hall diesel technology building at North Dakota State College of Science.
- \$4.3 million to complete the Bismarck State College National Energy Center of Excellence building.

RESERVES

The 2011-13 biennium budget keeps ongoing expenditures in balance with ongoing revenues continues to grow reserve funds. By June 30, 2013, total reserves in the budget stabilization fund, foundation aid stabilization fund, legacy fund, and general fund ending balance are anticipated to exceed \$1.5 billion. The general fund budget for the 2011-13 biennium totals \$4.1 billion.

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, 2010. This was the 20th 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 2011-2013 budget. In order to qualify for the Distinguished Budget Presentation Award, the State's budget document was judged to be proficient in several categories, including policy documentation, financial planning, and organization.

This report was prepared by staff members of the Fiscal Management Division of the Office of Management and Budget. Their dedication and efforts are greatly appreciated. We also extend our gratitude to the numerous individuals from virtually all the state agencies and institutions, especially the Office of the State Auditor, for their assistance.

Sincerely,



Pam Sharp, Director
Office of Management and Budget

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of North Dakota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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.



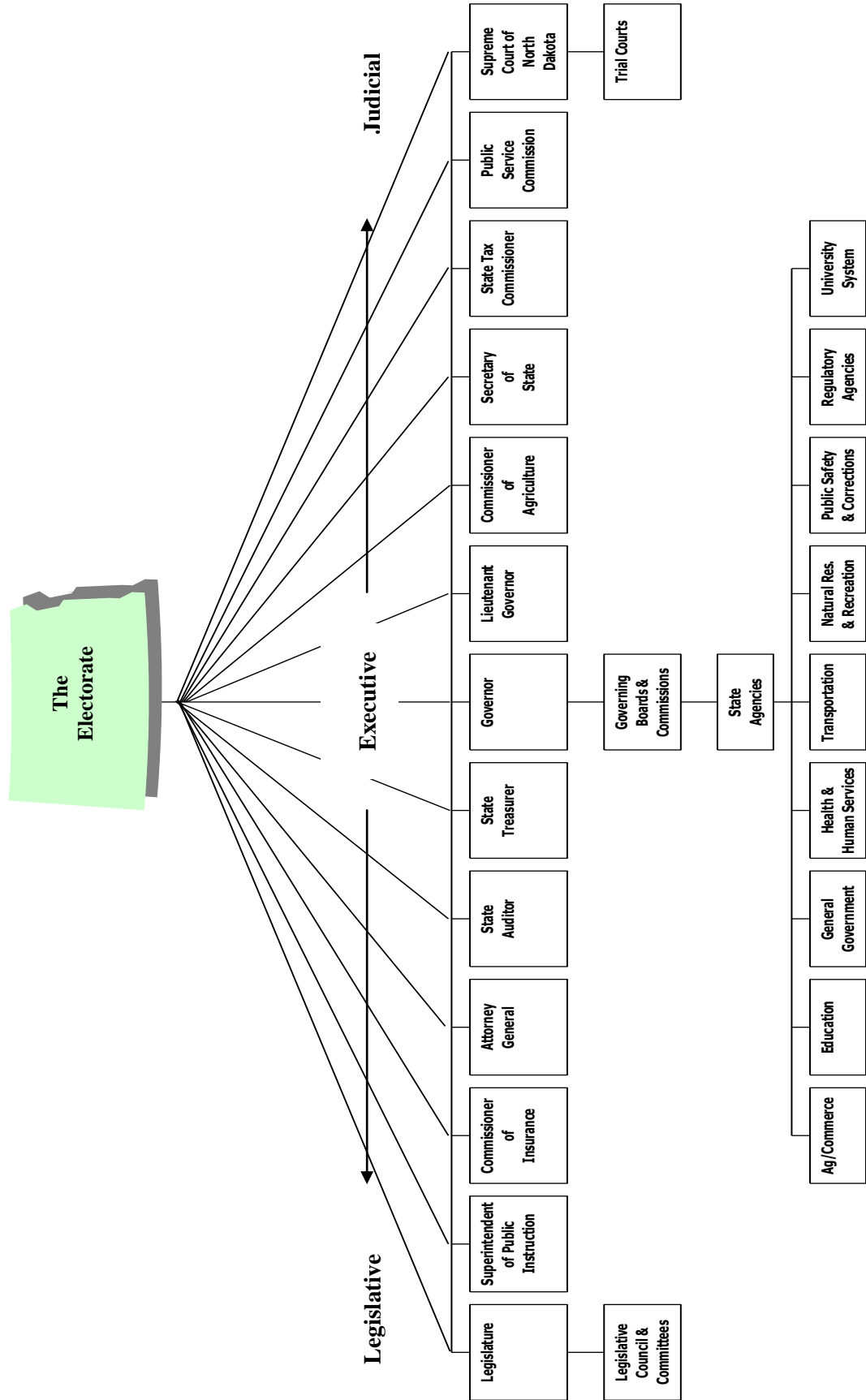
Linda C. Davidson

President

Jeffrey R. Emen

Executive Director

STATE OF NORTH DAKOTA ORGANIZATIONAL CHART



NORTH DAKOTA
PRINCIPAL STATE OFFICIALS
June 30, 2011

ELECTED OFFICIALS

Jack Dalrymple, Governor
Drew Wrigley, 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 Drovdal, Speaker of the House
Al Carlson, House Majority Leader
Jerry Kelsh, House Minority Leader
Lt. Gov. Drew Wrigley, President of the Senate
Bob Stenehjem, Senate Majority Leader
Ryan M. Taylor, 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 OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVE. - DEPT. 117
BISMARCK, ND 58505

INDEPENDENT AUDITOR'S REPORT

The Honorable Jack Dalrymple, 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, 2011, 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	30%	12%
Business-Type Activities	82%	35%
Aggregate Discretely Presented Component Units	100%	100%
<u>Fund Financial Statements</u>		
Major Governmental Funds		
Federal Fund	1%	2%
State Special Revenue Fund	55%	29%
Major Enterprise Funds		
Bank of North Dakota	100%	100%
Housing Finance Agency	100%	100%
Workforce Safety and Insurance	100%	100%
Aggregate Remaining Fund Statements	96%	95%

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 Public Employees Retirement System has determined that the Fund's unfunded actuarial accrued liability is approximately \$689 and \$586 million at June 30, 2011 and 2010, respectively. Also, the actuary for the Highway Patrolmen's Retirement System has determined that the Fund's unfunded actuarial accrued liability is approximately \$17 and \$12 million at June 30, 2011 and 2010. 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. If unchanged, this difference will further increase the actuarial contribution requirement in future valuations.

The actuary for the North Dakota Teachers' Fund for Retirement has determined the Fund's unfunded actuarially accrued liability is approximately \$927 and \$795 million at June 30, 2011 and 2010, respectively. 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. However, the 2011 Legislature has approved increases to member contribution rates and benefit changes. Once fully phased in, these legislative changes are projected to increase TFFR funding over the long term, and there would no longer be a contribution deficiency.

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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

As described in Note 20 to the basic financial statements, the State of North Dakota implemented a new accounting standard for the year ending June 30, 2011. The new standard is GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated December 20, 2011 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 and related reconciliations and notes 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 20, 2011

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, 2011. 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 \$8.7 billion (reported as net assets), an increase of \$1.7 billion from the previous year. The net assets of governmental activities increased by 27.6% while the net assets of the business-type activities showed an increase of 12.7%.

Fund Level:

As of the close of fiscal year 2011 the State's governmental funds reported combined ending fund balances of \$5 billion, an increase of \$1.2 billion. Of this amount, \$86 million is non-spendable, primarily for permanent fund principal. Spendable fund balance consists of \$2.4 billion restricted for specific purposes such as transportation, \$1.7 billion committed and \$124 million assigned for specific functional expenditures such as public safety and regulatory, with the unassigned fund balance making up the remaining amount of \$709 million. At the end of the fiscal year, unassigned fund balance for the General Fund was \$712 million.

The enterprise funds reported net assets at year-end of \$2 billion, an increase of \$235 million during the year.

Long-term Debt:

The State's total debt (bonds and notes payable) decreased approximately 7% during the fiscal year to \$1.8 billion, a decrease of \$140 million, which represents the net difference between new issuances and payments. During the year the State issued \$133 million in bonds and \$15 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 4 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, special revenue, capital project, debt service, and permanent funds. The State has several governmental funds, of which three (3) are considered major individual funds. These three are the General Fund, the Federal Fund, and the State Special Revenue 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, the State Special Revenue Fund and the 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 \$8.7 billion at the end of fiscal year 2011. Net assets increased 23.7% from the prior fiscal year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2011	2010	2011	2010	2011
Current and Other Assets	\$4,425,230	\$5,794,393	\$6,810,240	\$6,877,600	\$9,516,877	\$10,594,148
Capital Assets	1,646,653	1,809,590	919,401	985,908	2,566,054	2,795,498
Total Assets	6,071,883	7,603,983	7,729,641	7,983,508	12,082,931	\$13,389,646
Long-Term Liabilities						
Outstanding	300,423	279,661	2,620,631	2,578,116	2,921,055	2,857,777
Other Liabilities	564,344	676,778	3,270,034	3,329,862	2,115,784	1,808,794
Total Liabilities	864,767	956,439	5,890,665	5,907,978	5,036,839	4,666,571
Net Assets						
Invested in Capital Assets, Net of Related Debt	1,450,350	1,640,081	644,109	706,460	2,094,459	2,346,541
Restricted	1,984,324	2,470,400	445,609	452,311	2,429,933	2,922,711
Unrestricted	1,772,442	2,537,063	749,258	916,759	2,521,700	3,453,822
Total Net Assets	\$5,207,116	\$6,647,544	\$1,838,976	\$2,075,530	\$7,046,092	\$8,723,074

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

The largest component (40%) of the State's net assets 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-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.

Twenty-seven percent (27%) 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 needed 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	
	2010	2011	2010	2011	2010	2011
Revenues:						
Program Revenues:						
Charges for Services	\$ 245,410	\$257,650	\$1,110,240	\$1,220,485	\$1,355,650	\$1,478,135
Operating Grants & Contributions	2,025,395	2,015,950	412,398	449,393	2,437,793	2,465,343
Capital Grants & Contributions	63,035	12,768	19,762	14,258	82,797	27,026
General Revenues:						
Income Taxes	379,938	605,527	-	-	379,938	605,527
Sales Taxes	885,446	1,121,730	-	-	885,446	1,121,730
Other Taxes	695,521	1,129,201	-	-	695,521	1,129,201
Investment Earnings	33,926	21,331	-	-	33,926	21,331
Tobacco Settlement	23,559	30,454	-	-	23,559	30,454
Other	150,819	158,447	-	-	150,819	158,447
Total Revenues	4,503,049	5,353,058	1,542,400	1,684,136	6,045,449	7,037,194
Expenses						
General Government	393,432	507,513	-	-	393,432	507,513
Education	849,337	830,649	-	-	849,337	830,649
Health and Human Services	1,149,202	1,244,163	-	-	1,149,202	1,244,163
Regulatory	26,187	28,420	-	-	26,187	28,420
Public Safety and Corrections	284,846	242,521	-	-	284,846	242,521
Agriculture and Commerce	85,328	98,038	-	-	85,328	98,038
Natural Resources	81,304	117,863	-	-	81,304	117,863
Transportation	463,846	468,696	-	-	463,846	468,696
Interest on Long Term Debt	11,774	10,462	-	-	11,774	10,462
Bank of North Dakota	-	-	80,132	77,557	80,132	77,557
Housing Finance	-	-	62,932	69,824	62,932	69,824
Loan Programs	-	-	6,316	6,898	6,316	6,898
Mill and Elevator	-	-	170,076	212,280	170,076	212,280
State Lottery	-	-	18,178	17,069	18,178	17,069
Unemployment Compensation	-	-	137,474	108,482	137,474	108,482
University System	-	-	963,820	1,008,540	963,820	1,008,540
Workforce Safety and Insurance	-	-	218,186	300,297	218,186	300,297
Other	-	-	18,331	25,093	18,331	25,093
Total Expenses	3,345,256	3,548,325	1,675,446	1,826,040	5,020,701	5,374,365
Increase (decrease) in Net Assets Before Contributions & Transfers	1,157,793	1,804,733	(133,045)	(141,904)	1,024,748	1,662,829
Contributions to Permanent Fund Principal	11,203	999	-	-	11,203	999
Transfers	(350,497)	(365,304)	324,786	376,539	(25,711)	11,235
Increase in Net Assets	818,499	1,440,428	191,741	234,635	1,010,240	1,675,063
Net Assets - Beginning -As Restated	4,388,617	5,207,116	1,647,235	1,840,895	6,035,852	7,048,011
Net Assets- Ending	<u>\$5,207,116</u>	<u>\$6,647,544</u>	<u>\$1,838,976</u>	<u>\$2,075,530</u>	<u>\$7,046,092</u>	<u>\$8,723,074</u>

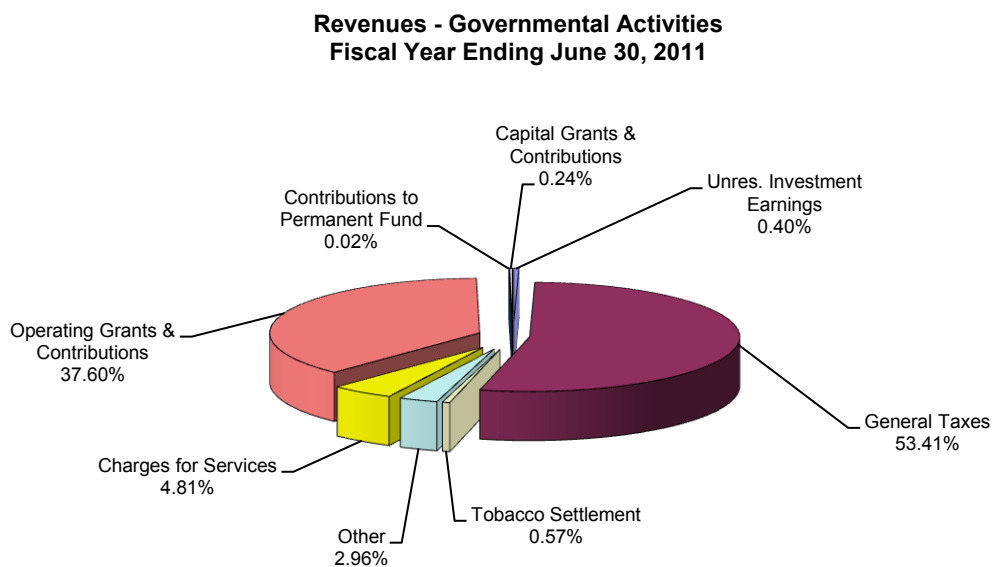
Governmental Activities

Governmental Activities increased the State's net assets by \$1.4 billion. Revenues rose 20%, with the largest dollar increase in the State's revenues for fiscal year 2011 coming from oil, gas and coal tax revenues, an increase of \$426 million. This increase is due to the increased level of oil and gas production in the state and higher world oil prices. Sales tax revenues and income tax revenues each increased over a quarter of a million dollars due to a growth in taxable sales and purchases as a result of strong oil and agricultural sectors, a growing retail trade base, and strong income growth in the state.

Expenses for governmental activities increased only by 7%. General government expenses had the largest percentage increase, 29%, primarily because of an additional \$35 million appropriated by the 2011 Legislative Session for transportation funding to counties, cities, and townships and because of the increased tax revenues that are distributed to political subdivisions. Health and Human Services expenses increased due to the legislature providing a rate increase to all medical providers and an increase in the utilization of Medicaid Services.

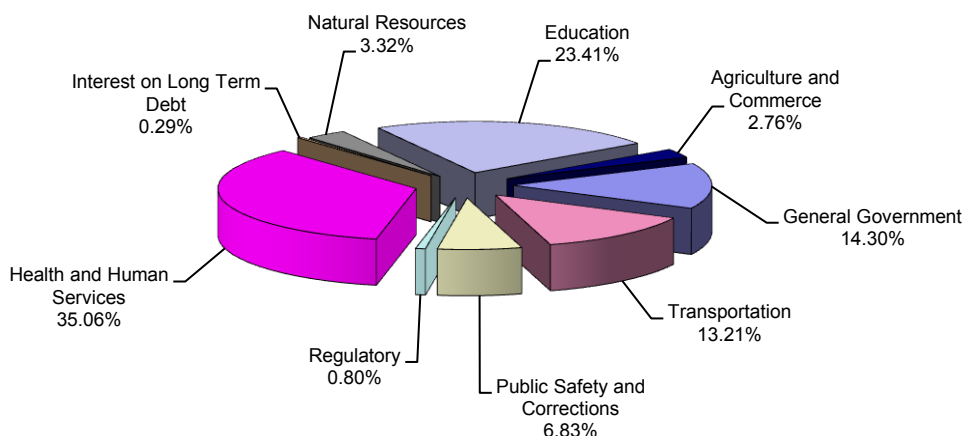
Transportation had a slight increase in spending for the construction and repair of state roads and also for county and city roads through grants and direct expenses. In addition, truck usage and diesel fuels costs increased attributable to the need for greater use of the Department of Transportation trucks during the 2011 winter storms and flooding. Public Safety and Corrections expenses decreased about 15% because of decreased disaster payments.

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, 2011



Business-type Activities

Net assets of the business-type activities increased by \$235 million during the fiscal year.

Workforce Safety and Insurance's (WSI) net assets increased \$57 million. New and increased business activity resulted in an increase of earned premium. WSI's investment portfolio continued to show a comeback from the recession suffered globally in 2007-08. Incurred losses for fiscal year 2011 increased significantly also since active employer accounts have risen due to the oil industry activity and the state's overall strong economic standing.

The Bank of North Dakota net income of \$55.6 million is higher than its net income in the prior fiscal year because of a decrease in transfers. Operating income decreased slightly due to a decrease in the fair value of securities.

The University System's net assets increased \$75 million. Operating revenues increased about 4% as a result of increases in tuition, room and board, and grants and contracts revenues. Operating expenses increased about 4% also. In addition, state appropriations and investment income increased by 6% and 5% so the University System's net income was slightly higher than the prior year.

Housing Finance net asset increase of \$8 million was similar to the prior year's net asset change as revenues and expenses remained fairly consistent.

The Mill and Elevator's net assets were up \$7.6 million. Gross sales and operating costs were both higher than the prior year, but sales increases exceeded the increase in costs. High sales can be attributed to high wheat prices.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

As the State completed the year, its governmental funds reported combined fund balances of \$5 billion, an increase of \$1.2 billion from the prior fiscal year. Of the \$5 billion in net assets, \$86 million is non-

spendable, \$2.4 billion is restricted, \$1.7 billion is committed, \$124 million is assigned and \$709 million is unassigned. These fund balance categories are new as a result of implementation of GASB Statement 54. Note 1S provides definitions for these new categories. The following analysis of funds provides the explanation for the overall change in net assets for governmental funds.

The General Fund is the chief operating fund of the State. At the end of current fiscal year, unassigned fund balance of the General Fund was \$712 million, non-spendable was \$4.6 million and \$683 million was committed for expenditure by various governmental functions.

Total fund balance increased during the fiscal year by \$495 million. Revenues increased approximately 36%, due primarily to increases in income tax revenues and sales use tax revenues of over \$200 each, plus increased oil, gas, and tax revenues of more than \$25 million. Explanations for these increases were explained with the increase in net assets for governmental activities.

General fund expenditures increased by 11.5%. General government expenditures increased because of the legislative appropriation of \$35 million in payments to political subdivisions, previously explained, and Education expenditures were higher than the previous fiscal year due to higher Foundation Aid payments to school districts.

The State Special Revenue ending fund balance grew by \$756 million to \$3.5 billion. Revenues increased 28% and expenditures increased 27%. Sales and use taxes and oil, gas, and coal taxes were the primary cause of the revenue increase as explained for the increased in governmental activities. In addition, investment income nearly doubled as the result of continued recovery experienced in the financial markets during the fiscal year. Health and Human Services, Intergovernmental (payments to political subdivisions) and Transportation expenditures saw the highest increases. Reasons for these increases were previously explained.

The June 30 Federal Fund balance of \$6.5 million consists of non-spendable items such as prepaids and inventory and deferred revenue for those revenues to be received later than the time period used for revenue recognition.

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, 2011, was the second year of the 2009-11 budget cycle. The original budget increased \$106.3 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 \$9.8 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.

An additional general fund budget appropriation of \$5 million was given to the Department of Public Instruction in March of 2011 as the 2009 Legislature approved this additional amount contingent on the general fund anticipated fund balance exceeding \$30 million at that time.

The 2011 Legislature authorized various general fund adjustments for the 2009-11 budget. In a deficiency bill, \$2.1 million in additional general fund appropriation authority was given to various agencies, including \$1.8 to the Office of the Tax Commissioner for operating costs. In another bill, an additional general fund budget appropriation of \$35 million was given to the State Treasurer for the purpose of providing transportation funding distributions.

There were no expenditures in excess of general fund authority.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: At the end of the fiscal year 2011, the State had invested \$2.3 billion, net of accumulated depreciation, in a broad range of capital assets. Depreciation charges for this fiscal year totaled \$139 million.

(Net of Depreciation, Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2011	2010	2011	2010	2011
Land and Land Improvements	\$ 69,338	\$71,417	\$ 18,764	\$18,790	\$ 88,102	\$90,207
Building & Building Improvements	250,199	314,004	553,664	587,770	803,863	901,774
Equipment	127,392	129,974	164,292	163,610	291,684	293,584
Intangibles						
Software	30,517	34,558	13,853	16,040	44,370	50,598
Other	4,484	6,579	466	324	4,950	6,903
Infrastructure	706,375	756,764	91,402	98,526	797,777	855,290
Construction in Progress	458,348	496,294	76,960	100,848	535,308	597,142
Total	<u>\$1,646,653</u>	<u>\$1,809,590</u>	<u>\$ 919,401</u>	<u>\$985,908</u>	<u>\$2,566,054</u>	<u>\$2,795,498</u>

The total increase in the State's investments in capital assets for the current fiscal year was 9% in terms of net book value. However, actual expenditures to purchase or construct capital assets were approximately \$547 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, 2011.

The State does have a number of revenue bonds outstanding at June 30, 2011. 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 \$396 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	
	2010	2011	2010	2011	2010	2011
Revenue Bonds	\$ 232,101	\$219,221	\$1,301,368	\$1,193,816	\$1,533,469	\$1,413,037
Notes Payable	19,493	8,563	412,095	403,509	431,588	412,072
Total	<u>\$ 251,594</u>	<u>\$227,784</u>	<u>\$1,713,463</u>	<u>\$1,597,325</u>	<u>\$1,965,057</u>	<u>\$1,825,109</u>

The State's total debt decreased approximately 7% during the current fiscal year.

ECONOMIC CONDITION AND OUTLOOK

While many states struggle to recover from the national recession, North Dakota's economy continues to thrive. Moody's Analytics recently completed an analysis of the North Dakota economy for its *Précis U.S. State* October 2011 publication. The report depicts a strong, growing economy, leading the nation in several areas. North Dakota's state gross domestic product (GDP), the value of goods and services produced in the state, has grown by nearly 19 percent from 2007 through 2010. In sharp contrast, GDP nationally has declined by 1 percent during that time. Moody's notes that "North Dakota's economy continues to set the bar in terms of U.S. economic growth and is one of only two states to have transitioned from recovery to expansion."

Moody's predicts that North Dakota's GDP will continue to outpace the nation through 2012 and is expected to grow at double the national average during the current year. The state's unemployment rate, 3.5 percent in October 2011, is only about one-third the U.S. rate of 9.0 percent. The state's unemployment rate is expected to remain well below the national rate, staying below 4 percent in the short-term and potentially falling below 3 percent in the long-term forecast.

The high level of economic activity, combined with the extremely low unemployment rate, has been a source of growth for the state, encouraging migration from states with much weaker labor markets. From 2007 through 2010, employment in North Dakota grew by 4.7 percent; nationally, it has declined by 5.7 percent during that time. According to Moody's "nonfarm payrolls [in North Dakota] have been expanding at more than 4.5 times the national average, a trend that has continued to strengthen in recent months."

Median household income and per capita income for North Dakota have both surpassed the national average. For 2009, median household income in North Dakota was \$51,380 compared to \$49,445 for the U.S. Per capita income was \$42,764 for North Dakota, based on 2010 Census Bureau data, but only \$39,945 for the U.S.

Moody's concludes that with a booming energy sector and strong agricultural commodity prices, "The North Dakota economy will significantly outpace its U.S. counterpart over the near term."

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.



(This page left blank intentionally.)

Basic Financial Statements

STATE OF NORTH DAKOTA

Statement of Net Assets June 30, 2011

	Primary Government			Component
	Governmental	Business-Type	Total	Units
	Activities	Activities		(GASB Based)
ASSETS				
Cash and Cash Equivalents	\$ 14,890,940	\$ 776,332,694	\$ 791,223,634	\$ 9,805,408
Investments	2,285,384,935	1,887,104,758	4,172,489,693	9,236,500
Accounts Receivable - Net	73,995,075	119,882,224	193,877,299	3,471
Taxes Receivable - Net	399,845,442	-	399,845,442	-
Interest Receivable - Net	14,559,206	48,422,680	62,981,886	73,886
Intergovernmental Receivable - Net	268,505,057	49,857,468	318,362,525	-
Internal Receivable	2,611,763,585	-	413,917,581	-
Due from Component Units	-	12,679,484	12,679,484	-
Due from Primary Government	-	-	-	4,833,000
Prepaid Items	6,302,720	2,972,302	9,275,022	-
Inventory	18,798,698	39,733,855	58,532,553	-
Loans and Notes Receivable - Net	97,529,762	2,855,722,154	2,953,251,916	10,444,996
Unamortized Bond Financing Costs	916,597	11,188,657	12,105,254	780,000
Pension Assets	1,900,392	-	1,900,392	-
Other Assets	-	12,056,526	12,056,526	-
Restricted Assets:				
Cash and Cash Equivalents	-	197,518,711	197,518,711	1,310,000
Investments	-	39,832,869	39,832,869	467,711,000
Interest Receivable - Net	-	3,762,000	3,762,000	4,235,000
Loans and Notes Receivable - Net	-	925,374,000	925,374,000	-
Restricted Deferred Outflows	-	15,160,000	15,160,000	-
Capital Assets:				
Nondepreciable	567,710,703	119,637,959	687,348,662	-
Depreciable, Net	1,241,879,658	866,269,914	2,108,149,572	-
Total Assets	<u>7,603,982,770</u>	<u>7,983,508,255</u>	<u>13,389,645,021</u>	<u>508,433,261</u>

* 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, 2011

	Primary Government			Component
	Governmental	Business-Type	Total	Units
	Activities	Activities		(GASB Based)
LIABILITIES				
Accounts Payable	246,286,838	48,872,219	295,159,057	3,088,817
Accrued Payroll	46,321,836	30,427,828	76,749,664	-
Securities Lending Collateral	168,170,329	12,430	168,182,759	-
Interest Payable	2,938,116	19,656,690	22,594,806	1,707,000
Intergovernmental Payable	115,716,041	3,838,821	119,554,862	-
Tax Refunds Payable	74,223,421	-	74,223,421	-
Internal Payable	-	2,197,846,004	-	-
Due to Component Units	-	64,778,968	64,778,968	-
Due to Primary Government	-	-	-	4,918,000
Contracts Payable	12,825,549	1,764,155	14,589,704	-
Federal Funds Purchased	-	240,725,000	240,725,000	-
Other Deposits	-	561,804,207	561,804,207	-
Amounts Held In Custody for Others	-	20,224,286	20,224,286	-
Unearned Revenue	10,295,316	112,403,928	122,699,244	158,109
Financial Derivative Instrument	-	15,160,000	15,160,000	-
Other Liabilities	-	12,346,975	12,346,975	-
Long-Term Liabilities				
Due within one year	24,240,813	323,381,547	347,622,360	10,344,000
Due in more than one year	255,420,504	2,254,734,747	2,510,155,251	142,889,000
Total Liabilities	956,438,763	5,907,977,805	4,666,570,564	163,104,926
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	1,640,080,874	706,459,639	2,346,540,513	-
Restricted for:				
General Government	20,775,153	-	20,775,153	-
Education	1,870,076,361	-	1,870,076,361	-
Health and Human Services	15,983,737	-	15,983,737	-
Regulatory Purposes	33,444,752	-	33,444,752	-
Public Safety & Corrections	717,882	-	717,882	-
Agriculture and Commerce	33,941,780	-	33,941,780	-
Cultural and Natural Resources	190,669,548	-	190,669,548	-
Transportation	211,032,420	-	211,032,420	-
Capital Projects	2,963,000	323,341	3,286,341	-
Debt Service	21,036,217	127,048,483	148,084,700	54,406,000
Loan Purposes	-	45,825,540	45,825,540	262,700,000
Pledged Assets	-	116,344,000	116,344,000	-
Unemployment Compensation	-	113,875,103	113,875,103	-
Permanent Fund and University System - Nonexpendable	63,224,478	15,499,579	78,724,057	-
Permanent Fund and University System - Expendable	-	32,001,365	32,001,365	-
Other	6,535,009	1,394,602	7,929,611	-
Unrestricted	2,537,062,796	916,758,798	3,453,821,594	28,222,335
Total Net Assets	\$ 6,647,544,007	\$ 2,075,530,450	\$ 8,723,074,457	\$ 345,328,335

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, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 507,512,749	\$ 26,863,061	\$ 32,549,040	\$ -
Education	830,649,191	6,985,958	583,910,620	-
Health and Human Services	1,244,163,316	36,563,927	845,050,028	3,465,514
Regulatory	28,419,774	22,122,244	4,330,417	-
Public Safety and Corrections	242,521,440	14,456,950	106,954,296	-
Agriculture and Commerce	98,038,471	29,861,552	47,286,200	-
Natural Resources	117,862,905	24,772,981	20,871,772	9,302,816
Transportation	468,695,689	96,023,474	374,997,532	-
Interest on Long Term Debt	10,461,658	-	-	-
Total Governmental Activities	<u>3,548,325,193</u>	<u>257,650,147</u>	<u>2,015,949,905</u>	<u>12,768,330</u>
Business-Type Activities:				
Bank of North Dakota	77,556,546	140,043,000	(1,645,000)	-
Housing Finance	69,824,036	54,190,469	21,121,000	-
Loan Programs	6,898,226	5,989,229	264,793	-
Mill and Elevator	212,279,549	228,300,446	28,853	-
State Lottery	17,068,826	23,085,242	7,890	-
Unemployment Compensation	108,482,422	119,074,810	3,764,460	-
University System	1,008,539,618	438,741,616	257,171,123	14,258,261
Workforce Safety & Insurance	300,297,491	193,150,136	164,103,773	-
Other	25,093,546	17,910,325	4,575,908	-
Total Business-Type Activities	<u>1,826,040,260</u>	<u>1,220,485,273</u>	<u>449,392,800</u>	<u>14,258,261</u>
Total Primary Government	<u>\$ 5,374,365,453</u>	<u>\$ 1,478,135,420</u>	<u>\$ 2,465,342,705</u>	<u>\$ 27,026,591</u>
Component Units (GASB Based):	<u>\$ 40,444,179</u>	<u>\$ 15,661,829</u>	<u>\$ 42,717,013</u>	<u>\$ -</u>

General Revenues:

Taxes:

Individual and Corporate Income Taxes
 Sales and Use Taxes
 Oil, Gas and Coal Taxes
 Business and Other Taxes

Unrestricted Investment Earnings

Tobacco Settlement

Miscellaneous

Contributions to Perm Fund Principal

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets, Beginning of Year, as Restated

Net Assets, Ending

Net (Expense) Revenue and Change in Net Assets			
Primary Government			Component
Governmental	Business-Type	Total	Units
Activities	Activities		(GASB Based)
\$ (448,100,648)		\$ (448,100,648)	
(239,752,613)		(239,752,613)	
(359,083,847)		(359,083,847)	
(1,967,113)		(1,967,113)	
(121,110,194)		(121,110,194)	
(20,890,719)		(20,890,719)	
(62,915,336)		(62,915,336)	
2,325,317		2,325,317	
(10,461,658)		(10,461,658)	
<u>(1,261,956,811)</u>		<u>(1,261,956,811)</u>	
	60,841,454	60,841,454	
	5,487,433	5,487,433	
	(644,204)	(644,204)	
	16,049,750	16,049,750	
	6,024,306	6,024,306	
	14,356,848	14,356,848	
	(298,368,618)	(298,368,618)	
	56,956,418	56,956,418	
	(2,607,313)	(2,607,313)	
<u>-</u>	<u>(141,903,926)</u>	<u>(141,903,926)</u>	
<u>(1,261,956,811)</u>	<u>(141,903,926)</u>	<u>(1,403,860,737)</u>	
			\$ 17,934,663
605,526,736	-	605,526,736	-
1,121,730,307	-	1,121,730,307	-
1,059,467,528	-	1,059,467,528	-
69,733,806	-	69,733,806	-
21,330,843	-	21,330,843	-
30,453,643	-	30,453,643	-
158,447,125	-	158,447,125	-
999,110	-	999,110	-
<u>(365,304,396)</u>	<u>376,538,823</u>	<u>11,234,427</u>	<u>-</u>
<u>2,702,384,702</u>	<u>376,538,823</u>	<u>3,078,923,525</u>	<u>-</u>
1,440,427,891	234,634,897	1,675,062,788	17,934,663
5,207,116,116	1,840,895,553	7,048,011,669	327,393,672
<u>\$ 6,647,544,007</u>	<u>\$ 2,075,530,450</u>	<u>\$ 8,723,074,457</u>	<u>\$ 345,328,335</u>

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Balance Sheet Governmental Funds June 30, 2011

	Special Revenue			Nonmajor Governmental	
	General	Federal	State	Funds	Total
ASSETS					
Cash Deposits at the Bank of ND	\$ 881,307,289	\$ -	\$ 1,419,759,568	\$ 6,354,995	\$ 2,307,421,852
Cash and Cash Equivalents	8,574,329	-	3,615,572	2,696,205	14,886,106
Investments at the Bank of ND	102,368,288	5,000,000	182,771,082	15,921,875	306,061,245
Investments	177,027,953	-	2,057,207,890	43,483,016	2,277,718,859
Accounts Receivable - Net	5,039,574	8,892,376	59,704,056	-	73,636,006
Taxes Receivable - Net	304,130,960	-	95,483,274	231,208	399,845,442
Interest Receivable - Net	1,104,623	-	13,137,097	262,884	14,504,604
Intergovernmental Receivable - Net	-	261,796,337	6,479,204	-	268,275,541
Due from Other Funds	133,853,330	23,919,558	17,631,798	33,000	175,437,686
Due from Fiduciary Funds	-	-	1,444	-	1,444
Prepaid Items	1,596,018	1,147,148	1,510,665	-	4,253,831
Inventory	2,832,109	8,593,736	7,281,925	-	18,707,770
Loans and Notes Receivable - Net	199,913	195,617	66,311,467	30,822,765	97,529,762
Total Assets	\$ 1,618,034,386	\$ 309,544,772	\$ 3,930,895,042	\$ 99,805,948	\$ 5,958,280,148
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 53,029,504	\$ 136,722,482	\$ 53,767,183	\$ 10,699	\$ 243,529,868
Accrued Payroll	24,553,568	9,684,045	10,149,447	-	44,387,060
Securities Lending Collateral	-	-	156,992,347	11,177,829	168,170,176
Interest Payable	-	-	304,561	-	304,561
Intergovernmental Payable	3,881,676	34,152,639	77,681,143	-	115,715,458
Tax Refunds Payable	68,406,005	-	5,817,416	-	74,223,421
Due to Other Funds	27,700,156	99,224,120	55,098,630	1,168,636	183,191,542
Contracts Payable	1,300,340	7,498,304	4,026,905	-	12,825,549
Deferred Revenue	39,791,715	15,728,173	31,607,526	-	87,127,414
Total Liabilities	218,662,964	303,009,763	395,445,158	12,357,164	929,475,049
Fund Balances:					
Nonspendable	4,628,040	9,740,884	8,792,590	63,224,476	86,385,990
Restricted	-	-	2,347,817,913	23,999,217	2,371,817,130
Committed	682,696,887	-	1,054,787,282	225,091	1,737,709,260
Assigned	-	-	124,052,099	-	124,052,099
Unassigned	712,046,495	(3,205,875)	-	-	708,840,620
Total Fund Balances	1,399,371,422	6,535,009	3,535,449,884	87,448,784	5,028,805,099
Total Liabilities and Fund Balances	\$ 1,618,034,386	\$ 309,544,772	\$ 3,930,895,042	\$ 99,805,948	\$ 5,958,280,148

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, 2011

Total Fund Balances-Governmental Funds \$ 5,028,805,099

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 \$4,613,986,288 and the accumulated depreciation is \$2,888,748,817. 1,725,237,471

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. 76,832,098

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. 85,611,993

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. 890,000

The pension assets resulting from contributions in excess of annual required contribution are not financial resources and, therefore, are not reported in the funds. 1,900,392

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	(216,979,787)	
Notes Payable	(8,563,376)	
Accrued Interest on Long-Term Liabilities	(2,629,683)	
Compensated Absences	(38,892,156)	
Intergovernmental Payable	(114,000)	
Capital Leases	(2,724,862)	
Pension Obligation (Reported as Accounts Payable)	(346,433)	
Claims and Judgments	(1,482,749)	
Total Long-Term Liabilities		(271,733,046)

Net Assets of Governmental Activities \$ 6,647,544,007

STATE OF NORTH DAKOTA

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2011

	Special Revenue			Nonmajor Governmental	
	General	Federal	State	Funds	Total
REVENUES					
Individual and Corporate Income Taxes	\$ 591,984,965	\$ -	\$ 10,200,891	\$ -	\$ 602,185,856
Sales and Use Taxes	842,264,535	-	278,539,043	-	1,120,803,578
Oil, Gas, and Coal Taxes	94,145,117	-	961,216,536	3,158,324	1,058,519,977
Business and Other Taxes	45,512,505	-	24,904,628	-	70,417,133
Licenses, Permits and Fees	15,705,650	-	138,385,294	-	154,090,944
Intergovernmental	1,257,030	1,588,236,953	15,786,921	4,738,559	1,610,019,463
Sales and Services	4,757,013	1,019,836	45,049,251	2,773,556	53,599,656
Royalties and Rents	19,351,707	5,294	308,932,030	-	328,289,031
Fines and Forfeits	3,433,850	-	12,779,991	-	16,213,841
Interest and Investment Income	20,142,301	49,884	248,924,015	1,644,784	270,760,984
Tobacco Settlement	-	-	30,453,643	-	30,453,643
Commodity Assessments	-	-	23,111,279	-	23,111,279
Miscellaneous	1,841,962	1,483,024	4,297,403	-	7,622,389
Total Revenues	1,640,396,635	1,590,794,991	2,102,580,925	12,315,223	5,346,087,774
EXPENDITURES					
Current:					
General Government	142,312,307	3,128,974	29,067,349	51,533	174,560,163
Education	595,122,437	178,463,488	56,793,693	-	830,379,618
Health and Human Services	335,210,566	819,615,585	85,758,506	-	1,240,584,657
Regulatory	12,404,580	3,492,472	9,474,881	-	25,371,933
Public Safety and Corrections	128,659,992	96,559,188	7,889,469	-	233,108,649
Agriculture and Commerce	20,048,185	43,701,007	34,130,966	-	97,880,158
Natural Resources	18,846,572	19,376,745	72,190,096	-	110,413,413
Transportation	-	241,490,142	189,052,014	-	430,542,156
Intergovernmental - Revenue Sharing	1,399,653	-	325,172,614	-	326,572,267
Capital Outlay	38,059,952	154,547,437	40,463,961	-	233,071,350
Debt Service:					
Principal	1,684,877	74,076	174,671	14,935,642	16,869,266
Interest and Other Charges	402,347	8,170	93,089	10,155,629	10,659,235
Total Expenditures	1,294,151,468	1,560,457,284	850,261,309	25,142,804	3,730,012,865
Revenues over (under) Expenditures	346,245,167	30,337,707	1,252,319,616	(12,827,581)	1,616,074,909
OTHER FINANCING SOURCES (USES)					
Bonds and Notes Issued	-	-	-	2,575,000	2,575,000
Refunding Bonds Issued	-	-	-	5,337,000	5,337,000
Payment of Refunded Bonds	-	-	-	(4,940,000)	(4,940,000)
Capital Lease Acquisitions	28,376	1,080,148	293,802	-	1,402,326
Sale of Capital Assets	-	-	539,837	-	539,837
Transfers In	518,166,366	573,028	31,085,296	16,340,346	566,165,036
Transfers Out	(369,505,133)	(29,233,478)	(526,741,995)	(5,988,826)	(931,469,432)
Total Other Financing Sources (Uses)	148,689,609	(27,580,302)	(494,823,060)	13,323,520	(360,390,233)
Net Change in Fund Balances	494,934,776	2,757,405	757,496,556	495,939	1,255,684,676
Fund Balances - Beginning of Year, as Adjusted	904,436,646	3,777,604	2,777,953,328	86,952,845	3,773,120,423
Fund Balances - End of Year	\$ 1,399,371,422	\$ 6,535,009	\$ 3,535,449,884	\$ 87,448,784	\$ 5,028,805,099

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, 2011

Net Change in Fund Balances-Total Governmental Funds \$ 1,255,684,676

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	233,071,350	
Depreciation expense	(66,935,612)	
Excess of capital outlay over depreciation expense		166,135,738

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. (2,471,208)

Some of the assets acquired this year were financed through capital leases. The amount financed is reported in the governmental funds as a source of financing. However, capital leases are reported as long-term liabilities in the statement of net assets. (1,402,326)

Based on receipt dates, some revenues are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased/decreased by this amount this year. 4,675,599

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 5,110,539

Bonds proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. (7,912,000)

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. (198,000)

The pension assets resulting from contributions in excess of annual required contribution are not financial resources and, therefore, are not reported in the funds. (457,364)

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	19,875,642	
Note payments	1,057,653	
Capital lease payments	1,209,087	
Total long-term debt repayment		22,142,382

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	521,808	
Net increase/decrease in compensated absences	(1,349,815)	
Net increase/decrease in net pension obligation (reported as accounts payable)	(62,290)	
Net increase/decrease in claims and judgments	10,152	
Total additional expenditures		(880,145)

Change in Net Assets of Governmental Activities \$ 1,440,427,891

STATE OF NORTH DAKOTA

Statement of Net Assets Proprietary Funds June 30, 2011

	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	
ASSETS							
Current Assets:							
Cash Deposits at the Bank of ND	\$ 1,409,000	\$ 639,829	\$ 82,235,783	\$ 1,668,707	\$ 31,258,009	\$ 117,211,328	\$ 10,962,918
Cash and Cash Equivalents	95,000	-	7,269,848	-	97,767,846	105,132,694	4,833
Investments at the Bank of ND	-	-	39,465,329	24,396,476	15,646,000	79,507,805	-
Investments	-	-	1,820,233	1,319,433,133	24,078,295	1,345,331,661	7,666,076
Accounts Receivable - Net	525,000	45,738,433	16,953,662	29,970,644	26,559,027	119,746,766	357,624
Interest Receivable - Net	271,000	-	-	7,141,600	1,868,080	9,280,680	54,602
Intergovernmental Receivable - Net	164,000	-	46,188,468	-	3,505,000	49,857,468	229,516
Due from Other Funds	27,000	-	22,282,823	-	1,693,149	24,002,972	6,360,461
Due from Fiduciary Funds	-	-	-	-	135,458	135,458	-
Due from Component Units	-	-	9,011,484	-	-	9,011,484	-
Prepaid Items	44,000	450,131	-	1,022,974	1,455,197	2,972,302	2,048,889
Inventory	-	30,568,430	7,845,739	-	1,319,686	39,733,855	90,928
Loans and Notes Receivable - Net	-	966,454	8,248,757	-	9,241,246	18,456,457	-
Other Assets	696,000	-	2,581,717	-	168	3,277,885	-
Restricted Cash at the Bank of ND	10,084,000	-	-	-	3,941,292	14,025,292	-
Restricted Cash and Cash Equivalents	197,501,000	-	-	-	-	197,501,000	-
Restricted Investments at the Bank of ND	-	-	-	-	7,000,000	7,000,000	-
Restricted Interest Receivable - Net	3,762,000	-	-	-	-	3,762,000	-
Restricted Loans Receivable - Net	18,652,000	-	-	-	-	18,652,000	-
Total Current Assets	233,230,000	78,363,277	243,903,843	1,383,633,534	225,468,453	2,164,599,107	27,775,847
Noncurrent Assets:							
Restricted Cash at the Bank of ND	-	-	20,402,782	-	250,871	20,653,653	-
Restricted Cash and Cash Equivalents	-	-	17,711	-	-	17,711	-
Restricted Investments at the Bank of ND	-	-	5,976,294	-	-	5,976,294	-
Restricted Investments	11,988,000	-	27,623,884	-	220,985	39,832,869	-
Investments at the Bank of ND	-	-	94,456,977	-	-	94,456,977	-
Investments	-	-	8,284,097	-	-	8,284,097	-
Loans and Notes Receivable - Net	-	-	32,278,859	-	59,350,838	91,629,697	-
Restricted Loans Receivable - Net	901,522,000	-	-	-	5,200,000	906,722,000	-
Unamortized Bond Issuance Costs	7,140,000	-	4,007,766	-	40,891	11,188,657	26,597
Restricted Deferred Outflows	15,160,000	-	-	-	-	15,160,000	-
Other Noncurrent Assets	3,184,000	302,477	-	-	3,736,164	7,222,641	-
Capital Assets:							
Nondepreciable	-	1,190,918	101,999,518	14,828,690	447,833	118,466,959	-
Depreciable, Net	60,000	34,896,802	782,936,383	9,326,667	27,927,062	855,146,914	84,352,891
Total Noncurrent Assets	939,054,000	36,390,197	1,077,984,271	24,155,357	97,174,644	2,174,758,469	84,379,488
Bank Related Assets:							
Cash and Cash Equivalents	\$ 671,200,000					\$ 671,200,000	
Investments	533,489,000					533,489,000	
Interest Receivable - Net	39,142,000					39,142,000	
Due from Other Funds	22,942,000					22,942,000	
Due from Component Units	3,668,000					3,668,000	
Loans and Notes Receivable - Net	2,745,636,000					2,745,636,000	
Other Assets	1,556,000					1,556,000	
Capital Assets:							
Nondepreciable	1,171,000					1,171,000	
Depreciable, Net	11,123,000					11,123,000	
Total Bank Related Assets	4,029,927,000					4,029,927,000	
Total Assets	4,029,927,000	1,172,284,000	114,753,474	1,321,888,114	1,407,788,891	322,643,097	8,369,284,576
							112,155,335

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Net Assets Proprietary Funds June 30, 2011

June 30, 2011

	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
LIABILITIES								
Current Liabilities:								
Accounts Payable		961,000	14,202,916	23,433,104	5,650,946	4,344,862	48,592,828	2,410,535
Accrued Payroll		-	396,785	29,731,613	-	299,430	30,427,828	1,934,776
Securities Lending Collateral		-	-	-	12,070	360	12,430	153
Interest Payable		19,178,000	-	146,882	-	39,547	19,364,429	3,872
Intergovernmental Payable		959,000	-	231,643	-	3,874,821	5,065,464	583
Due to Other Funds		36,266,000	40,946,212	3,500,901	201,594	8,767,739	89,682,446	3,133,225
Due to Fiduciary Funds		-	-	-	-	279,391	279,391	-
Due to Component Units		-	-	57,405,225	-	-	57,405,225	-
Contracts Payable		-	-	1,764,155	-	-	1,764,155	-
Other Deposits		-	-	6,462,247	-	-	6,462,247	-
Amounts Held in Custody for Others		10,084,000	-	-	-	10,140,286	20,224,286	-
Claims/Judgments Payable		-	-	-	101,750,000	2,160,861	103,910,861	1,634,505
Dividends Payable		-	-	-	102,000,000	-	102,000,000	-
Compensated Absences Payable		164,000	41,428	1,522,198	1,008,875	32,264	2,768,765	93,055
Notes Payable		-	-	982,117	-	-	982,117	-
Capital Leases Payable		-	-	3,839,672	-	-	3,839,672	96,079
Bonds Payable		82,862,000	-	8,943,489	-	185,000	91,990,489	710,658
Deferred Revenue		-	-	14,721,496	91,586,519	6,095,913	112,403,928	-
Other Current Liabilities		-	-	-	-	1,411	1,411	-
Total Current Liabilities		150,474,000	55,587,341	152,684,742	302,210,004	36,221,885	697,177,972	10,017,441
Noncurrent Liabilities:								
Intergovernmental Payable		121,000	-	3,612,121	-	7,256,704	10,989,825	-
Due to Component Units		-	-	2,540,743	-	-	2,540,743	-
Claims/Judgments Payable		-	-	-	712,273,000	1,176,115	713,449,115	4,967,616
Compensated Absences Payable		84,000	787,124	28,266,421	178,037	353,053	29,668,635	1,728,724
Notes Payable		-	-	6,327,647	-	-	6,327,647	-
Capital Leases Payable		-	-	34,890,480	-	-	34,890,480	143,529
Bonds Payable		883,146,000	-	190,186,260	-	5,609,785	1,078,942,045	1,530,222
Financial Derivative Instrument		15,160,000	-	-	-	-	15,160,000	-
Other Noncurrent Liabilities		-	-	1,230,430	-	8,903,134	10,133,564	-
Total Noncurrent Liabilities		898,511,000	787,124	267,054,102	712,451,037	23,298,791	1,902,102,054	8,370,091
Bank Related Liabilities:								
Interest Payable	286,183						286,183	
Due to Other Funds	2,385,817						2,385,817	
Due to Component Units	4,833,000						4,833,000	
Federal Funds Purchased	240,725,000						240,725,000	
Deposits Held for Other Funds	2,536,364,081						2,536,364,081	
Other Deposits	518,693,919						518,693,919	
Other Liabilities	2,212,000						2,212,000	
Long Term Liabilities:								
Due within one year	16,663,000						16,663,000	
Due in more than one year	380,467,000						380,467,000	
Total Bank Related Liabilities	3,702,630,000						3,702,630,000	
Total Liabilities	3,702,630,000	1,048,985,000	56,374,465	419,738,844	1,014,661,041	59,520,676	6,301,910,026	18,387,532
NET ASSETS								
Invested in Capital Assets, Net of Related Debt	12,294,000	60,000	36,087,720	604,642,663	24,155,357	29,219,899	706,459,639	84,113,459
Restricted for:								
Capital Projects	-	-	-	323,341	-	-	323,341	-
Debt Service	-	114,667,000	-	11,485,627	-	895,856	127,048,483	-
Loan Purposes	-	-	-	45,218,647	-	606,893	45,825,540	-
Pledged Assets	116,344,000	-	-	-	-	-	116,344,000	-
Unemployment Compensation	-	-	-	-	-	113,875,103	113,875,103	-
University System-Nonexpendable	-	-	-	15,499,579	-	-	15,499,579	-
University System-Expendable	-	-	-	32,001,365	-	-	32,001,365	-
Other	-	-	-	249,898	-	1,144,704	1,394,602	-
Unrestricted	198,659,000	8,572,000	22,291,289	192,728,150	368,972,493	117,379,966	908,602,898	9,654,344
Total Net Assets	\$ 327,297,000	\$ 123,299,000	\$ 58,379,009	\$ 902,149,270	\$ 393,127,850	\$ 263,122,421	\$ 2,067,374,550	\$ 93,767,803

Reconciliation of the Proprietary Funds Statement of Net Assets to the Statement of Net Assets June 30, 2011

Total Net Assets - Enterprise Funds	\$ 2,067,374,550
Amounts reported for business-type activities in the statement of net assets are different because:	
Prior year net assets restatement and reduction of current year expenses based on the allocation of internal service fund's net income	8,155,900
Net Assets of Business-Type Activities	\$ 2,075,530,450

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, 2011

	Business-Type Activities - Enterprise Funds							Governmental Activities
	Bank of North Dakota	Housing Finance	Mill and Elevator	University System	Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES								
Sales and Services	\$ 6,113,000	\$ 1,744,000	\$ 228,212,429	\$ 67,828,827	\$ 190,758,801	\$ 163,695,325	\$ 658,352,382	\$ 89,804,486
Auxiliary Sales Pledges for Bonds	-	-	-	104,661,502	-	-	104,661,502	-
Tuition and Fees	-	-	-	261,959,599	-	-	261,959,599	-
Grants and Contributions	-	-	-	167,654,056	-	-	167,654,056	-
Royalties and Rents	-	-	-	-	710,286	56,642	766,928	-
Fines and Forfeits	-	-	-	-	1,681,049	-	1,681,049	-
Interest and Investment Income	132,285,000	52,446,469	-	-	-	2,258,848	186,990,317	-
Miscellaneous	-	-	-	1,630,447	-	54,508	1,684,955	173,816
Total Operating Revenues	138,398,000	54,190,469	228,212,429	603,734,431	193,150,136	166,065,323	1,383,750,788	89,978,302
OPERATING EXPENSES								
Cost of Sales and Services	-	-	205,542,394	38,628,451	-	4,254,080	248,424,925	1,345,576
Salaries and Benefits	11,188,000	2,850,000	2,318,486	643,481,007	16,668,282	4,912,748	681,418,523	23,340,946
Operating	20,156,000	6,279,000	803,177	215,075,871	1,751,989	31,504,116	275,570,153	41,784,807
Claims	-	-	-	-	168,548,565	114,683,132	283,231,697	6,007,666
Scholarships and Fellowships	-	-	-	40,068,377	-	-	40,068,377	-
Interest	45,188,000	36,891,000	-	-	-	321,667	82,400,667	-
Depreciation	1,130,000	25,000	3,020,712	53,050,551	256,816	1,411,133	58,894,212	13,395,075
Miscellaneous	-	-	-	-	-	4,404	4,404	-
Total Operating Expenses	77,662,000	46,045,000	211,684,769	990,304,257	187,225,652	157,091,280	1,670,012,958	85,874,070
Operating Income (Loss)	60,736,000	8,145,469	16,527,660	(386,569,826)	5,924,484	8,974,043	(286,262,170)	4,104,232
NONOPERATING REVENUES (EXPENSES)								
Grants and Contracts	-	20,564,000	-	54,012,656	-	633,582	75,210,238	-
Gifts	-	-	-	24,889,758	-	-	24,889,758	-
Interest and Investment Income	-	557,000	28,853	10,614,653	164,103,773	7,973,662	183,277,941	1,101,365
Interest Expense	-	-	(531,852)	(14,814,081)	(5,105,379)	(124,297)	(20,575,609)	(340,151)
Dividends Expense	-	-	-	-	(108,006,196)	-	(108,006,196)	-
Gain (Loss) on Sale of Capital Assets	-	-	-	176,958	-	(61,474)	115,484	177,074
Tax Revenue	-	-	-	2,661,241	-	-	2,661,241	-
Grant Expense	-	(23,782,000)	-	-	-	-	(23,782,000)	-
Other	-	-	63,363	(3,526,809)	-	(273,956)	(3,737,402)	16,108
Total Nonoperating Revenues (Expenses)	-	(2,661,000)	(439,636)	74,014,376	50,992,198	8,147,517	130,053,455	954,396
Income (Loss) Before Contributions and Transfers	60,736,000	5,484,469	16,088,024	(312,555,450)	56,916,682	17,121,560	(156,208,715)	5,058,628
Capital Grants and Contributions	-	-	-	14,258,261	-	-	14,258,261	98,249
Transfers In	-	2,713,531	-	380,324,210	-	19,744,198	402,781,939	-
Transfer Out	(5,088,000)	(30,000)	(8,480,616)	(6,722,000)	-	(5,922,500)	(26,243,116)	-
Changes in Net Assets	55,648,000	8,168,000	7,607,408	75,305,021	56,916,682	30,943,258	234,588,369	5,156,877
Total Net Assets - Beginning of Year, as Adjusted	271,649,000	115,131,000	50,771,601	826,844,249	336,211,168	232,179,163	1,832,786,181	88,610,926
Total Net Assets - End of Year	\$ 327,297,000	\$ 123,299,000	\$ 58,379,009	\$ 902,149,270	\$ 393,127,850	\$ 263,122,421	\$ 2,067,374,550	\$ 93,767,803

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, 2011

Net Change in Net Assets-Total Enterprise Funds	\$ 234,588,369
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	46,528
Change in Net Assets of Business-Type Activities	\$ 234,634,897

The Accompanying Notes are an Integral Part of the Financial Statements



(This page left blank intentionally.)

STATE OF NORTH DAKOTA

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2011

	Business-Type Activities - Enterprise Funds		
	Bank of North Dakota	Housing Finance	Mill and Elevator
Cash Flows from Operating Activities:			
Receipts from Customers and Users	\$ 6,114,000	\$ 198,300,469	\$ 255,193,605
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	-	-	-
Payments to Other Funds	-	(195,000)	-
Payments for Scholarships and Fellowships	-	-	-
Payments to Suppliers	(8,602,000)	(147,315,000)	(251,543,376)
Payments to Employees	(11,198,000)	(2,845,000)	(11,206,856)
Claim Payments	-	-	-
Payments to Others	-	(937,000)	-
Other	-	-	-
Net Cash Provided by (Used for) Operating Activities	(13,686,000)	47,008,469	(7,556,627)
Cash Flows from Noncapital Financing Activities:			
Proceeds from Bonds	-	112,594,000	-
Proceeds from Sale of Notes and Other Borrowings	15,131,000	-	36,900,000
Principal Payments - Bonds	-	(213,335,000)	-
Principal Payments - Notes and Other Borrowings	(22,771,000)	-	(18,909,940)
Interest Payments - Bonds	-	(36,352,000)	-
Interest Payments - Notes and Other Borrowings	(19,835,000)	-	(531,852)
Payment of Bond Issue Costs	-	(1,088,000)	-
Transfers In	-	2,713,531	-
Transfers Out	(5,044,000)	(30,000)	(6,953,857)
Tax Revenue	-	-	-
Net Decrease in Non-Interest Bearing Deposits	(55,826,000)	-	-
Net Increase in Interest Bearing Deposits	175,493,000	-	-
Payments of Interest on Deposits	(24,567,000)	-	-
Interest Paid on Federal Funds and Reverse Repurchase Agreements	(913,000)	-	-
Net Decrease in Federal Funds and Reverse Repurchase Agreements	(96,902,000)	-	-
Collection of Advances Made	-	-	-
Loan Proceeds from Due To Other Funds	-	69,929,000	-
Principal Payments on Due To Other Funds	-	(33,764,000)	-
Grants and Gifts Received for Other than Capital Purposes	-	20,564,000	-
Agency Fund Cash Increase	-	-	-
Grants Given for Other than Capital Purposes	-	(23,782,000)	-
Other	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(35,234,000)	(102,550,469)	10,504,351
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(507,000)	-	(2,351,295)
Proceeds from Sale of Capital Assets	-	-	-
Proceeds from Bonds	-	-	-
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	-	-	-
Operating Transfers In from Other Funds	-	-	-
Operating Transfers Out to Other Funds	-	-	-
Capital Grants and Gifts Received	-	-	-
Insurance Proceeds	-	-	-
Other	-	-	-
Net Cash Used for Capital and Related Financing Activities	(507,000)	-	(2,351,295)
Cash Flows from Investing Activities:			
Proceeds from Sale and Maturities of Investment Securities	107,648,000	-	-
Purchase of Investment Securities	(249,080,000)	-	-
Interest and Dividends on Investments	11,786,000	860,000	9,786
Proceeds from Sale of Other Real Estate	818,000	-	-
Net Decrease in Loans	(110,454,000)	-	-
Receipt of Loan Principal Repayments	-	-	-
Proceeds from Collection of Loans and Notes Receivable	1,122,000	-	-
Loan Income Received	117,548,000	-	-
Net Cash Provided by (Used for) Investing Activities	(120,612,000)	860,000	9,786

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
\$ 170,355,690	\$ 137,735,088	\$ 348,383,326	\$ 1,116,082,178	\$ 89,563,015
262,446,638	-	-	262,446,638	-
-	-	391,970	391,970	-
5,221,476	-	12,621,116	17,842,592	-
-	-	(8,912)	(8,912)	-
162,730,805	-	-	162,730,805	-
2,971,893	3,871,927	105,123	6,948,943	-
(5,772,819)	-	(11,956,613)	(17,729,432)	-
-	(1,870,640)	(69,060)	(2,134,700)	(178,504)
(40,068,377)	-	-	(40,068,377)	-
(250,387,050)	-	(249,722,210)	(907,569,636)	(43,322,857)
(639,876,670)	(12,283,255)	(9,520,958)	(686,930,739)	(23,151,647)
-	(129,406,175)	(69,964,103)	(199,370,278)	(110,535)
-	(13,415,845)	(375,807)	(14,728,652)	(4,597,234)
-	-	(261,531)	(261,531)	-
(332,378,414)	(15,368,900)	19,622,341	(302,359,131)	18,202,238
-	-	-	112,594,000	-
-	-	-	52,031,000	-
-	-	(9,000,000)	(222,335,000)	-
-	-	-	(41,680,940)	-
-	-	(288,000)	(36,640,000)	-
-	-	(30,469)	(20,397,321)	-
-	-	-	(1,088,000)	(2,100)
334,938,846	-	18,534,636	356,187,013	-
(183,000)	-	(6,560,875)	(18,771,732)	-
2,661,241	-	-	2,661,241	-
-	-	-	(55,826,000)	-
-	-	-	175,493,000	-
-	-	-	(24,567,000)	-
-	-	-	(913,000)	-
-	-	-	(96,902,000)	-
-	-	-	-	(4,000,000)
-	-	-	69,929,000	-
-	-	(182,148)	(33,946,148)	-
72,188,184	-	633,582	93,385,766	-
(1,773,665)	-	-	(1,773,665)	-
(1,156,657)	-	-	(24,938,657)	-
790,994	-	-	790,994	-
407,465,943	-	3,106,726	283,292,551	(4,002,100)
(101,184,875)	(4,559,873)	(15,425,864)	(124,028,907)	-
1,751,394	-	(8,498)	1,742,896	(14,710,868)
-	-	-	-	2,373,383
20,274,874	-	100,000	20,374,874	-
-	-	(190,000)	(190,000)	-
(19,944,629)	-	(175,352)	(20,119,981)	-
-	-	(31,999)	(31,999)	(10,537,178)
(14,390,104)	-	(9,950)	(14,400,054)	-
35,022,443	-	-	35,022,443	(324,831)
-	-	(182,538)	(182,538)	-
-	-	(4,504)	(4,504)	(133,514)
9,753,773	-	-	9,753,773	-
(6,539,000)	-	-	(6,539,000)	(19,773)
13,617,133	-	-	13,617,133	-
239,810	-	(68)	239,742	-
-	-	-	-	-
(61,399,181)	(4,559,873)	(15,928,773)	(84,746,122)	(23,352,781)
61,809,339	28,500,000	29,675,633	227,632,972	-
(53,932,773)	(8,266,936)	(30,083,011)	(341,362,720)	(577,631)
6,859,936	-	5,956,725	25,472,447	634,211
-	-	-	818,000	-
-	-	(738,000)	(111,192,000)	-
-	-	1,338,684	1,338,684	-
-	-	2,693,053	3,815,053	-
-	-	(1,714,966)	115,833,034	-
14,736,502	20,233,064	7,128,118	(77,644,530)	56,580

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, 2011

	Business-Type Activities - Enterprise Funds		
	Bank of North Dakota	Housing Finance	Mill and Elevator
Net Change in Cash:			
Net Increase (Decrease) in Cash and Cash Equivalents	(170,039,000)	(54,682,000)	606,215
Cash and Cash Equivalents at June 30, 2010	841,239,000	263,771,000	33,614
Cash and Cash Equivalents at June 30, 2011	<u>\$ 671,200,000</u>	<u>\$ 209,089,000</u>	<u>\$ 639,829</u>
Reconciliation:			
Current:			
Cash Deposits at the Bank of North Dakota	\$ -	\$ 1,409,000	\$ 639,829
Cash and Cash Equivalents	671,200,000	95,000	-
Restricted Cash Deposits at the Bank of North Dakota	-	10,084,000	-
Restricted Cash and Cash Equivalents	-	197,501,000	-
Noncurrent:			
Restricted Cash Deposits At The Bank of North Dakota	-	-	-
Restricted Cash and Cash Equivalents	-	-	-
Cash and Cash Equivalents	<u>\$ 671,200,000</u>	<u>\$ 209,089,000</u>	<u>\$ 639,829</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:			
Operating Income (Loss)	\$ 60,736,000	\$ 8,145,469	\$ 16,527,660
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	1,130,000	25,000	3,020,712
Amortization\Accretion	-	1,856,000	-
Reclassification of Interest Revenue\Expense	(88,742,000)	37,055,000	-
Gain on Sale of Student Loans	(13,000)	-	-
Gain on Sale of Real Estate	(5,000)	-	-
Net Decrease in Fair Value of Investments	1,645,000	-	-
Interest Received on Program Loans	-	-	-
Dividend Credit Applied to Receivable	-	-	-
Receipt of Loan Principal Repayments	-	-	-
Provision for Losses	12,100,000	-	424,444
Other	-	-	57,054
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	-	2,047,000	(17,755,066)
(Increase) Decrease in Interest Receivable	-	(19,000)	-
(Increase) Decrease in Due From	(4,000)	90,000	-
Increase in Due From Fiduciary Funds	-	-	-
(Increase) Decrease in Intergovernmental Receivable	-	10,000	-
(Increase) Decrease in Notes Receivable	-	-	-
(Increase) Decrease in Prepaid Items	-	6,000	209,791
(Increase) Decrease in Inventories	-	-	(15,327,740)
(Increase) Decrease in Other Assets	(101,000)	(845,000)	(11,255)
Increase (Decrease) in Accounts Payable	-	-	5,792,655
Decrease in Interest Payable	-	-	-
Increase in Claims\Judgments Payable	-	-	-
Increase (Decrease) in Intergovernmental Payable	-	(494,000)	-
Increase in Accrued Payroll	-	-	1,013,570
Increase in Compensated Absences Payable	-	25,000	34,314
Increase (Decrease) in Amounts Held for Others	-	(690,000)	-
Increase in Other Deposits	-	-	-
Increase (Decrease) in Due To Other Funds	(55,000)	83,000	-
Increase in Deferred Revenue	-	-	-
Increase (Decrease) in Other Liabilities	(377,000)	(286,000)	(1,542,766)
Increase in Dividends Payable	-	-	-
Total Adjustments	<u>(74,422,000)</u>	<u>38,863,000</u>	<u>(24,084,287)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (13,686,000)</u>	<u>\$ 47,008,469</u>	<u>\$ (7,556,627)</u>
Noncash Transactions:			
Net Increase (Decrease) in Fair Value of Investments	\$ (1,645,000)	\$ (303,000)	\$ -
Transfers from Net Assets to Transfers Payable	5,088,000	-	-
Change in Securities Lending Collateral	-	-	-
Interest on Investments	-	-	-
Amortization of Bond Discount	-	-	-
Amortization of Bond Issuance Costs	-	-	-
Assets Acquired Through Capital Lease	-	-	-
Expenses Paid by Capital Lease	-	-	-
Gifts of Capital Assets	-	-	-
Interest Revenue on Prize Reserves	-	-	-
Total Noncash Transactions	<u>\$ 3,443,000</u>	<u>\$ (303,000)</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
28,424,850	304,291	13,928,412	(181,457,232)		(9,096,063)
81,501,272	1,364,416	119,289,606	1,307,198,908		20,063,814
<u>\$ 109,926,122</u>	<u>\$ 1,668,707</u>	<u>\$ 133,218,018</u>	<u>\$ 1,125,741,676</u>		<u>\$ 10,967,751</u>
\$ 82,235,783	\$ 1,668,707	\$ 31,258,009	\$ 117,211,328	\$	10,962,918
7,269,848	-	97,767,846	776,332,694		4,833
-	-	3,941,292	14,025,292		-
-	-	-	197,501,000		-
20,402,780	-	-	20,402,780		-
17,711	-	-	17,711		-
<u>\$ 109,926,122</u>	<u>\$ 1,668,707</u>	<u>\$ 132,967,147</u>	<u>\$ 1,125,490,805</u>		<u>\$ 10,967,751</u>
\$ (386,569,826)	\$ 5,924,484	\$ 8,974,042	\$ (286,262,171)	\$	4,104,233
53,050,551	256,816	1,202,489	58,685,568		13,388,426
-	-	337,644	2,193,644		6,649
-	-	(221,682)	(51,908,682)		-
-	-	-	(13,000)		-
-	-	-	(5,000)		-
-	-	-	1,645,000		-
-	-	254,000	254,000		-
-	(108,006,196)	-	(108,006,196)		-
-	-	6,111,000	6,111,000		-
-	-	1,302,000	13,826,444		-
739,471	-	(175,531)	620,994		-
(5,505,311)	4,306,180	(1,857,957)	(18,765,154)		(17,484)
-	-	47,125	28,125		-
-	10,606	(55,975)	40,631		(413,672)
-	-	(66,104)	(66,104)		-
-	-	829,209	839,209		(156,275)
(29,977)	-	(3,988,888)	(4,018,865)		-
-	(425,914)	(467,514)	(677,637)		158,474
512,153	-	81,983	(14,733,604)		3,158
208,695	-	(98,131)	(846,691)		14,968
1,214,210	1,636,541	1,463,960	10,107,366		(627,987)
-	-	(40,000)	(40,000)		-
-	41,928,000	1,741,031	43,669,031		1,524,036
-	-	648,264	154,264		(14,451)
1,986,425	-	3,085	3,003,080		93,526
1,617,912	111,453	13,490	1,802,169		95,776
-	-	1,609,886	919,886		-
189,805	-	-	189,805		-
-	122,720	352,996	503,716		42,861
207,478	13,266,410	1,621,072	15,094,960		-
-	-	847	(2,204,919)		-
-	25,500,000	-	25,500,000		-
<u>54,191,412</u>	<u>(21,293,384)</u>	<u>10,648,299</u>	<u>(16,096,960)</u>		<u>14,098,005</u>
<u>\$ (332,378,414)</u>	<u>\$ (15,368,900)</u>	<u>\$ 19,622,341</u>	<u>\$ (302,359,131)</u>		<u>\$ 18,202,238</u>
\$ 3,319,046	\$ 96,688,500	\$ 1,940,047	\$ 99,999,593	\$	440,050
-	-	-	5,088,000		-
-	(20,828,822)	360	(20,828,462)		(52,310)
-	62,229,231	-	62,229,231		-
-	-	8,754	8,754		-
-	-	3,335	3,335		-
4,195,891	-	-	4,195,891		47,859
2,911,560	-	-	2,911,560		-
768,087	-	-	768,087		-
-	-	159	159		-
<u>\$ 11,194,584</u>	<u>\$ 138,088,909</u>	<u>\$ 1,952,655</u>	<u>\$ 154,376,148</u>		<u>\$ 435,599</u>

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Fiduciary Net Assets Fiduciary Funds June 30, 2011

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Agency Funds
ASSETS				
Cash Deposits at the Bank of ND	\$ 15,574,113	\$ 463,122	\$ 688,973	\$ 16,213,423
Cash and Cash Equivalents	-	-	679,217	9,273,724
Receivables:				
Contributions Receivable	17,251,687	-	-	-
Accounts Receivable - Net	-	-	83,664	8,777,568
Taxes Receivable - Net	-	-	-	21,447,653
Interest Receivable - Net	10,403,190	103,352	3,093	135
Due from Other Funds	282,741	-	-	-
Due from Fiduciary Funds	504,881	-	-	-
Total Receivables	28,442,499	103,352	86,757	30,225,356
Investments, at Fair Value:				
Investments at the Bank of ND	-	-	21,449	23,061,993
Equity Pool	2,112,850,380	93,435,234	-	-
Fixed Income	2,476,058	-	-	-
Fixed Income Pool	1,082,638,171	76,223,355	9,945,019	376,384
Cash and Cash Pool	42,141,707	4,092,148	-	-
Real Estate Pool	276,813,724	11,595,246	-	-
Alternative Investments	126,157,608	4,446,583	-	-
Annuities	81,156	-	-	-
Mutual Funds	56,085,903	-	304,962,566	-
Total Investments	3,699,244,707	189,792,566	314,929,034	23,438,377
Invested Securities Lending Collateral	-	968	63,457	-
Inventory	-	-	-	-
Prepaid Items	490,798	-	-	-
Capital Assets (Net of Depreciation)	6,525,498	-	-	-
Other Assets	-	-	-	-
Total Assets	3,750,277,615	190,360,008	316,447,438	\$ 79,150,880
LIABILITIES				
Accounts Payable	5,883,294	246,069	561,011	\$ -
Accrued Payroll	134,336	-	-	-
Securities Lending Collateral	-	968	63,457	-
Intergovernmental Payable	-	-	-	43,619,647
Tax Refunds Payable	-	-	-	7,581
Due to Other Funds	177,052	-	-	-
Due to Fiduciary Funds	505,083	-	-	-
Amounts Held in Custody for Others	-	-	-	35,523,652
Deferred Revenue	23,966	-	-	-
Compensated Absences Payable	156,083	-	-	-
Total Liabilities	6,879,814	247,037	624,468	\$ 79,150,880
NET ASSETS				
Net Assets Held in Trust for:				
Pension Benefits	3,741,859,215	-	-	-
Other Employee Benefits	1,538,586	-	-	-
External Investment Pool Participants	-	190,112,971	-	-
Other Purposes	-	-	315,822,970	-
Total Net Assets Held in Trust	\$ 3,743,397,801	\$ 190,112,971	\$ 315,822,970	

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, 2011

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds
ADDITIONS			
Contributions:			
Employer	\$ 87,713,034	\$ -	\$ -
Employee	87,312,296	-	-
From Participants	-	-	24,084,071
Transfers from Other Funds	671,625	-	-
Transfers from Other Plans	174,281	-	-
Donations	-	-	5,920
Total Contributions	<u>175,871,236</u>	<u>-</u>	<u>24,089,991</u>
Investment Income:			
Net Change in Fair Value of Investments	622,752,054	28,525,418	21,309,985
Interest and Dividends	<u>76,090,188</u>	<u>4,212,612</u>	<u>7,598,953</u>
Less Investment Expense	<u>13,855,750</u>	<u>692,768</u>	<u>-</u>
Net Investment Income	<u>684,986,492</u>	<u>32,045,262</u>	<u>28,908,938</u>
Securities Lending Activity:			
Securities Lending Income	311,274	16,005	-
Less Securities Lending Expense	<u>(75,916)</u>	<u>(4,576)</u>	<u>-</u>
Net Securities Lending Income	<u>387,190</u>	<u>20,581</u>	<u>-</u>
Repurchase Service Credit	5,510,887	-	-
Miscellaneous Income	<u>947,058</u>	<u>-</u>	<u>2,693</u>
Total Additions	<u>867,702,863</u>	<u>32,065,843</u>	<u>53,001,622</u>
DEDUCTIONS			
Benefits Paid to Participants	233,633,143	-	-
Refunds	6,918,711	-	-
Prefunded Credit Applied	5,789,371	-	-
Transfer to Other Plans	671,625	-	-
Payments in Accordance with Trust Agreements	-	-	31,381,130
Administrative Expenses	<u>5,055,473</u>	<u>-</u>	<u>2,179,225</u>
Total Deductions	<u>252,068,323</u>	<u>-</u>	<u>33,560,355</u>
Purchase (Redemption) of Units at Net Asset Value of \$1.00 Per Unit	<u>-</u>	<u>2,427,798</u>	<u>-</u>
Change in Net Assets Held in Trust for:			
Pension Benefits	615,487,513	-	-
Other Employee Benefits	147,027	-	-
External Investment Pool Participants	-	34,493,641	-
Other Purposes	<u>-</u>	<u>-</u>	<u>19,441,267</u>
Total Change in Net Assets	<u>615,634,540</u>	<u>34,493,641</u>	<u>19,441,267</u>
Net Assets - Beginning of Year	<u>3,127,763,261</u>	<u>155,619,330</u>	<u>296,381,703</u>
Net Assets - End of Year	<u>\$ 3,743,397,801</u>	<u>\$ 190,112,971</u>	<u>\$ 315,822,970</u>

The Accompanying Notes are an Integral Part of the Financial Statements



(This page left blank intentionally.)

STATE OF NORTH DAKOTA

Combining Statement of Net Assets Component Units - Proprietary Funds (Excludes FASB Based Component Units) June 30, 2011

	CHAND	Public Finance Authority	ND Development Fund	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 5,155,043	\$ -	\$ 4,650,365	\$ 9,805,408
Investments	-	-	9,236,500	9,236,500
Accounts Receivable - Net	3,471	-	-	3,471
Interest Receivable - Net	-	-	73,886	73,886
Due from Primary Government	-	171,000	-	171,000
Loans and Notes Receivable - Net	-	-	2,603,133	2,603,133
Restricted Cash and Cash Equivalents	-	1,310,000	-	1,310,000
Restricted Investments	-	36,146,000	-	36,146,000
Restricted Interest Receivable - Net	-	4,235,000	-	4,235,000
Restricted Loans Receivable - Net	-	-	-	-
Total Current Assets	5,158,514	41,862,000	16,563,884	63,584,398
Noncurrent Assets:				
Restricted Investments	-	431,565,000	-	431,565,000
Due from Primary Government	-	4,662,000	-	4,662,000
Loans and Notes Receivable - Net	-	-	7,841,863	7,841,863
Unamortized Bond Issuance Costs	-	780,000	-	780,000
Total Noncurrent Assets	-	437,007,000	7,841,863	444,848,863
Total Assets	5,158,514	478,869,000	24,405,747	508,433,261
LIABILITIES				
Current Liabilities:				
Accounts Payable	3,062,164	13,000	13,653	3,088,817
Interest Payable	-	1,707,000	-	1,707,000
Intergovernmental Payable	-	194,000	-	194,000
Due to Primary Government	-	-	1,250,000	1,250,000
Bonds Payable	-	10,150,000	-	10,150,000
Deferred Revenue	158,109	-	-	158,109
Total Current Liabilities	3,220,273	12,064,000	1,263,653	16,547,926
Noncurrent Liabilities:				
Intergovernmental Payable	-	338,000	-	338,000
Due to Primary Government	-	3,668,000	-	3,668,000
Bonds Payable	-	142,551,000	-	142,551,000
Total Noncurrent Liabilities	-	146,557,000	-	146,557,000
Total Liabilities	3,220,273	158,621,000	1,263,653	163,104,926
Net Assets				
Restricted for:				
Debt Service	-	54,406,000	-	54,406,000
Loan Purposes	-	262,700,000	-	262,700,000
Unrestricted	1,938,241	3,142,000	23,142,094	28,222,335
Total Net Assets	\$ 1,938,241	\$ 320,248,000	\$ 23,142,094	\$ 345,328,335

STATE OF NORTH DAKOTA

Combining Statement of Activities Component Units - Proprietary Funds (Excludes FASB Based Component Units) For the Fiscal Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		Net Revenue
		Charges for Services	Operating Grants and Contributions	
CHAND	12,976,504	13,054,165	1,775,609	\$ 1,853,270
Public Finance Authority	26,554,000	1,710,000	40,862,000	16,018,000
ND Development Fund	913,675	897,664	79,404	63,393
Total Component Units	\$ 40,444,179	\$ 15,661,829	\$ 42,717,013	\$ 17,934,663

The Accompanying Notes are an Integral Part of the Financial Statements

Change in Net Assets	Net Assets Beginning of Year, as Adjusted	Net Assets End of Year
\$ 1,853,270	\$ 84,971	\$ 1,938,241
16,018,000	304,230,000	320,248,000
63,393	23,078,701	23,142,094
<u>\$ 17,934,663</u>	<u>\$ 327,393,672</u>	<u>\$ 345,328,335</u>

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Net Assets Component Units - University System Foundation FASB Basis June 30, 2011

	University System Foundation
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 42,382,083
Receivable from Primary Institution - Current	2,504,743
Distributable Managed Funds	2,137,206
Investments	58,810,999
Accounts Receivable - Net	8,765,581
Unconditional Promises to Give - Net	19,800,700
Assets Limited As to Use	17,627,957
Inventory	929,087
Other Assets - Current	1,087,273
Total Current Assets	<u>154,045,629</u>
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	4,979,685
Investments:	
Investments, Net of Current Portion	252,635,685
Investments, Restricted	3,070,289
Investments, Temporarily Restricted	1,360,581
Investments, Permanently Restricted	3,955,871
Investments Held In Trust	7,036,256
Beneficial Interest In Trust	2,750,697
Charitable Gift Annuity Investments	5,003,460
Investments Held Under Split-Interest Agreement	2,354,743
Charitable Remainder Trust Account Investments	21,714,022
Endowment Investments	5,868,691
Real Estate and Equipment Held for Investment - Net	25,865,987
Other Long-Term Investments	1,993,526
Contracts for Deed & Notes Receivable, Net of Current Portion	1,176,723
Long-Term Pledges Receivable	45,413,906
Receivable from Primary Institution - Noncurrent	57,180,045
Other Receivables	241,315
Notes Receivable - Net	4,639,496
Other Assets - Noncurrent	2,169,152
Capital Assets - Net	143,026,539
Total Noncurrent Assets	<u>592,436,669</u>
Total Assets	<u>746,482,298</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	3,818,784
Payable to University	8,570,670
Accrued Payroll	802,598
Distributable Managed Funds	2,137,205
Gift Annuities & Life Income Agreements - Current	990,622
Deferred Revenue - Current	8,325,653
Other Liabilities - Current	1,619,339
Long-Term Liabilities - Current	28,901,342
Total Current Liabilities	<u>55,166,213</u>
Noncurrent Liabilities:	
Deferred Revenue - Noncurrent	3,596,804
Deposits	3,108,656
Gift Annuities & Life Income Agreements - Noncurrent	26,069,036
Obligations Under Split-Interest Agreement	1,169,624
Other Liabilities - Noncurrent	2,020,128
Long-Term Liabilities - Noncurrent	90,557,778
Total Noncurrent Liabilities	<u>126,522,026</u>
Total Liabilities	<u>181,688,239</u>
Net Assets	
Temporarily Restricted	124,006,296
Permanently Restricted	280,739,074
Net Investment in Property & Equipment	72,738,709
Unrestricted	87,309,980
Total Net Asset	<u>564,794,059</u>
Total Liabilities and Net Assets	<u>\$ 746,482,298</u>

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Revenues, Expenses and Changes in Fund Net Assets Component Units - University System Foundation FASB Basis For the Fiscal Year Ended June 30, 2011

	University System Foundation
Support and Revenue	
Gifts and Contributions	\$ 65,166,438
Investment Income	23,816,450
Net Realized and Unrealized Gains on Investment Securities	25,292,303
Program and Event Income	55,334,851
Other Income	11,605,215
Total Support and Revenue	<u>181,215,257</u>
EXPENSES	
Program Services	29,164,507
Supporting Services	67,198,212
Fund Raising Expense	3,352,855
Total Expenses	<u>99,715,574</u>
Change in Split-Interest Agreement	5,673,068
Change in Value of Split-Interest Agreement	(103,796)
Changes in Net Assets	87,068,955
Total Net Assets - Beginning of Year	<u>477,725,104</u>
Total Net Assets - End of Year	<u>\$ 564,794,059</u>

The Accompanying Notes are an Integral Part of the Financial Statements

Index

	<u>Page</u>
Note 1 - Summary of Significant Accounting Policies	58
A. Reporting Entity	58
B. Government-wide and Fund Financial Statements	59
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	59
D. General Budgetary Policies and Procedures	61
E. Cash and Cash Equivalents	61
F. Investments	62
G. Securities Lending	62
H. Interfund Activity and Balances	63
I. Inventories and Prepaid Items	63
J. Unamortized Bond Issuance Costs	63
K. Capital Assets	64
L. Lease Commitments	64
M. Federal Funds Purchased	64
N. Claims/Judgments Payable	64
O. Compensated Absences	65
P. Deposits	65
Q. Deferred Revenue	65
R. Revenues and Expenditures/Expenses	65
S. Net Assets/Fund Balance	66
Note 2 - Restatements	67
Note 3 - Detailed Notes on Account Balances	67
A. Deposits	67
B. Investments	68
C. Securities Lending	78
D. Endowment Funds	78
E. Reverse Repurchase Agreements	79
F. Receivables	80
G. Interfund Accounts and Transfers	81
H. Capital Assets	83
I. Operating Leases	85
J. Capital Leases	86
K. Long-Term Debt	87
L. Arbitrage Rebate Payable	93
Note 4 - Net Assets	93
Note 5 - Major Purpose Presentation	94
Note 6 - Retirement Systems	97
A. Description of Plans	97
B. Summary of Significant Accounting Policies and Plan Asset Matters	101
C. Funding Status and Progress	101
D. Contributions Required and Contributions Made	103
E. Defined Contribution Plan	105
F. Teachers Insurance Annuity Association	105

	<u>Page</u>
Note 7 - Post-Retirement Benefits	105
Note 8 - Deferred Compensation Plan	109
Note 9 - PERS Uniform Group Insurance Program	109
Note 10 - Segment Information	110
Note 11 - Major Component Unit Transactions	111
Note 12 - Financial Instruments With Off-Balance-Sheet Risk	115
Note 13 - Interest Rate Swap	115
Note 14 - Significant Concentrations of Credit Risk	118
Note 15 - Risk Management	118
Note 16 - Public Entity Risk Pools	120
A. General	120
B. Reconciliation of Claims Liabilities	121
Note 17- Bank of North Dakota	121
Note 18 - Commitments and Contingencies	121
A. Long-Term Commitments	121
B. Litigation	124
C. Questioned Costs	124
Note 19 - Subsequent Events	124
Note 20 - New Pronouncements	125

STATE OF NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2011

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, 2011, 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, 2010, 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, 2010, and their report has been previously issued under a separate cover.

North Dakota Development Fund, Inc. (Proprietary Fund Type) - The Development Fund was established as a statewide nonprofit development corporation with the authority to take equity positions in; to provide loans to; or to use other innovative financing mechanisms to provide capital for new or expanding businesses in North Dakota or relocating businesses to North Dakota. A board of directors consisting of eight members, all of whom are appointed by the governor, manages the corporation. The deputy director of the Department of Commerce (a State agency) is the corporation's chief executive officer. The director of the Department of Commerce (governor-appointed cabinet position) is responsible for developing rules, subject to the approval of the board of directors, necessary to implement the administration of the corporation. The Fund was audited by other independent auditors for the fiscal year ended

STATE OF NORTH DAKOTA

June 30, 2011, and their report has been previously issued under a separate cover.

University System Foundation (Proprietary Fund Type) – The foundation is a legally separate, tax-exempt organization providing support and recognition to the respective colleges and universities through a variety of programs and activities. The foundation is normally managed by a board of directors made up primarily of alumni, friends or leading members of the communities. The component unit financial statements are presented under Financial Accounting Standards Board (FASB) standards. As such, certain disclosures are not reflected for University System Foundation in the major component unit disclosures. A complete set of financial statements can be obtained at the North Dakota University System office at 600 E. Boulevard Avenue, Dept. 215, Bismarck, ND 58505-0230.

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

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

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

Public Finance Authority
700 East Main Avenue
Bismarck, ND 58501

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

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 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

STATE OF NORTH DAKOTA

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.

The Federal Fund accounts for all the financial resources from the federal government.

The State Special Revenue Fund accounts for activities from state sources, which are restricted legally or administratively for the particular costs of an agency or program.

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

General Fund accounts for all governmental financial resources, except for those required to be accounted for in other funds.

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude those types of capital related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

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.

STATE OF NORTH DAKOTA

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 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 2009-2011 biennium, there were general, federal and other funds supplemental appropriations totaling \$661,474,458.

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

STATE OF NORTH DAKOTA

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, 2011.

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 fair value for securities that have no quoted market price represent estimated fair value. Many factors are considered in arriving at that value. International securities are valued based upon quoted foreign market prices and translated into U.S. dollars at the exchange rate in effect at June 30. In general, corporate debt securities have been valued at quoted market prices or, if not available, values are based on yields currently available on comparable securities of issuers with similar credit ratings. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments. The fair value of real estate investment securities, including timberland, is based on appraisals plus fiscal year-to-date capital transactions. Publicly traded alternative investments are valued based on quoted market prices. When not readily available, alternative investment securities are valued using current estimates of fair value from the investment manager. Such valuations consider variables such as financial performance of the issuer, comparison of

comparable companies' earnings multiples, cash flow analysis, recent sales prices of investments, withdrawal restrictions, and other pertinent information. Because of the inherent uncertainty of the valuation for these other alternative investments, the estimated fair value may differ from the values that would have been used had a ready market existed. The net change in fair value of investments consists of the realized gains or losses and the unrealized increase or decrease in fair value of investments during the year. Realized gains and losses on sales of investments are computed based on the difference between the sales price and the original cost of the investment sold.

Unrealized increases or decreases are computed based on changes in the fair value of investments between years. Security transactions are currently accounted for on a trade date basis. Interest income is recorded when earned. Dividend income is recorded on the ex-dividend date. 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

STATE OF NORTH DAKOTA

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 contracted with a third party securities lending agent (Agent) to lend the State's securities portfolio. This relationship was terminated by the State May 20, 2011. The Agent was requested to call back all securities on loan and liquidate the collateral in a timely yet orderly fashion. All but one loan was recalled and collateral liquidated as of June 30, 2011.

The Agent lends securities of the type on loan at June 30, 2011, for collateral in the form of cash or other securities at 102% of the loaned securities fair value plus accrued interest for domestic securities and 105% of the loaned securities fair value plus accrued interest for international securities. The collateral for the loans is maintained at 100% per the contractual requirements. As of June 30, 2011, 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, 2011, was one day. The Average Weighted Maturity of collateral investments as of June 30, 2011, was one day. (Land Department was 60 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 21 days.

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

H. INTERFUND ACTIVITY AND BALANCES

INTERFUND ACTIVITY

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between 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

STATE OF NORTH DAKOTA

revenues, expenses and changes in fund balance as interest expense.

K. CAPITAL ASSETS

Capital assets, which include land, buildings, equipment, intangibles (software, easements and other), 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 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. Exceptions include: infrastructure reported by the Department of Transportation, the threshold is \$100,000; intangible assets such as easements, water rights, patents and trademarks, the threshold is \$25,000; and software internally developed, the threshold is \$50,000. Capital asset costs include the purchase price or construction cost, plus the costs necessary to place the asset in its intended location and condition for use. In governmental activities, interest costs on self-constructed assets are not capitalized. In business-type activities, interest costs (if material) on self-constructed assets are also included in the cost. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. Normal maintenance and repair costs that do not materially add to the value or extend the life of the asset are not capitalized.

Collections of works of art and historical treasures are not capitalized if the following three criteria are met: (1) Held for public exhibition, education, or research in furtherance of public service, rather than financial gain; (2) Protected, kept unencumbered, cared for, and preserved; (3) Subject to organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. The State's non-capitalized collections include the historical artifacts at the various state museums and historical sites, and monuments and other art throughout the capital grounds. Assets that do not meet all three criteria, or that were capitalized as of June 30, 1999, are capitalized and included in the government-wide financial statements.

Infrastructure consists of major statewide public systems and items attached thereto such as freeways, freeway lighting systems, freeway drainage systems, freeway

signs, bridges, bridge lighting systems, and sewer systems, including those infrastructure assets acquired prior to June 30, 1980. Infrastructure is reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Department of Transportation uses the first-in first-out method to remove the capitalized cost of a replaced road along with corresponding accumulated depreciation.

Fixed assets in Governmental Funds are recorded as expenditures in the funds used to acquire or construct them in the governmental fund financial statements. Capital assets, along with accumulated depreciation and depreciation expense, which includes amortization of intangible assets, 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
Intangibles	3-99

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.

STATE OF NORTH DAKOTA

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. This normally occurs only if an employee has unused reimbursable leave still outstanding at the time of their retirement or resignation. 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.

Differences on the fund balance sheets between the liability "Deposits Held for Other Funds" and the assets "Cash Deposits and Investments at the Bank of North Dakota" are attributable to timing differences resulting

from the Bank of North Dakota having a different accounting year end than many other state agencies.

Q. DEFERRED REVENUE

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

R. REVENUES AND EXPENDITURES/EXPENSES

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

In the government-wide financial statements, revenues are reported by source and are further classified as either "general purpose" or "restricted". General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by State law or by outside restriction (e.g., federal grants), available only for specified purposes. Unused restricted revenues at year-end are recorded as reservations of fund balance. When both general purpose and restricted funds are available for use, it is the State's policy to use restricted resources first.

In the governmental fund financial statements, expenditures are reported by character: "Current," "Intergovernmental-revenue Sharing," "Capital Outlay," or "Debt Service." Current expenditures are sub-classified 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 sub-classified 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

STATE OF NORTH DAKOTA

activities that are considered to be operating activities of the grantor, receipts from other agencies for reimbursement of operating transactions, and other miscellaneous revenue that should be classified as operating. Grants that would qualify as an operating activity are those that do not subsidize an existing program, rather they finance a program the agency would otherwise not undertake. For certain loan and investment programs, revenue that would normally be classified as non-operating should be classified as operating. Examples of this would include interest and investment income. All other revenues that do not meet the above criteria should be classified as non-operating.

S. NET ASSETS/FUND BALANCE

The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary, and fiduciary fund statements, and "Fund Balance" on governmental fund statements.

CLASSIFICATIONS

Fund balance classifications for governmental funds are reported in two general classifications, nonspendable and spendable. Nonspendable represents the portion of fund balance that is not in spendable form such as inventories and prepaids. Spendable fund balance is further categorized as restricted, committed, assigned, and unassigned.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by the State constitution and external parties, such as the federal government, or through enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, the state's legislature, through legislation, that is not considered as enabling legislation, passed into law.

Assigned fund balance classifications are used when the amounts are to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. The assignment of fund balance is generally initiated by the executive branch and later appropriated by the Legislature for a specific purpose. In governmental funds other than the general fund, assigned fund balance also represents the remaining amount that is not restricted or committed.

Unassigned fund balance is the residual classification for the government's general fund and includes all

spendable amounts not contained in the other classifications. In other funds, the unassigned classification would only be used to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The State generally segregates restricted, committed, and assigned resources by individual funds within the governmental funds. When resources meeting more than one of these classifications are comingled within an individual fund, the assumed order of spending is restricted first, committed second, assigned third, and finally, unassigned.

MINIMUM FUND BALANCE

The State does not have a minimum fund balance policy but does maintain a stabilization fund. North Dakota Century Code (NDCC) section 54-27.2-02 requires any amount in the state general fund in excess of sixty-five million dollars at the end of any biennium to be deposited in the Budget Stabilization Fund. Any interest or earnings of the fund must be deposited in the fund per NDCC section 54-27.2-01. However, any amounts provided by law for deposit in the fund and any interest or earning of the fund which would bring the balance in the fund to an amount greater than nine and half percent of the current biennial state general fund budget, as finally approved by the most recently adjourned special or regular session of the legislative assembly, may not be deposited or retained in the fund but must be deposited instead in the state general fund.

NDCC section 54-27.2-03 states that if general fund revenue projections for the biennium will be at least two and one-half percent less than estimated by the most recently adjourned special or regular session of the legislative assembly, and if the governor orders a transfer, which must be reported to the budget section of the legislative management, the state treasurer shall transfer the appropriate funds from the budget stabilization fund to the state general fund to offset the decrease in general fund revenues. The amount transferred upon order of the governor may not exceed the difference between an amount two and on-half percent below the general fund revenue projections for the biennium.

The Budget Stabilization Fund, fund balance at June 30, 2011 was \$325,727,297.

STATE OF NORTH DAKOTA

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 Business Activities	General Fund	Federal Special Revenue Fund	State Special Revenue Fund
June 30, 2010, fund balance/net assets, as previously reported	\$ 1,838,976	\$ 839,011	\$ 4,586	\$ -
Prior period adjustment:				
Change in accounting policy due to GASB 54	-	65,426	-	1,480,163
Law change	-	-	-	1,296,982
Correction of errors	1,920	-	(808)	808
June 30, 2010, fund balance/net assets, as restated	<u>\$ 1,840,896</u>	<u>\$ 904,437</u>	<u>\$ 3,778</u>	<u>\$ 2,777,953</u>

	School Permanent Trust Fund	Nonmajor Governmental Funds	University System
June 30, 2010, fund balance/net assets, as previously reported	\$ 1,296,982	\$ 1,632,542	\$ 824,924
Prior period adjustment:			
Change in accounting policy due to GASB 54	-	(1,545,589)	-
Law change	(1,296,982)	-	-
Correction of errors	-	-	1,920
June 30, 2010, fund balance/net assets, as restated	<u>\$ -</u>	<u>\$ 86,953</u>	<u>\$ 826,844</u>

CORRECTION OF ERRORS

The beginning net assets of the Government-wide Business Activities \$1,919,478 and University System were restated for various corrections of errors. Federal and State Special Revenue funds beginning fund balances were restated by \$808,638, due to the Health Department reporting vaccine inventory in the wrong funds.

of the State shall be deposited in the Bank of North Dakota. Also, NDCC 6-09-07 states, "[a]ll state funds . . . must be deposited in the Bank of North Dakota" or must be deposited in accordance with constitutional and statutory provisions. The State does not have a formal policy that addresses custodial credit risk for deposits.

At June 30, 2011, the bank balance of the primary government's deposits was \$661,436,115. Of the bank amount, \$554,695,024 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, 2011. Their uninsured and uncollateralized deposits totaled \$547.9 million and \$4.1 million, and their bank deposits totaled \$548.7 million and \$6.9 million, respectively.

At June 30, 2011, the bank balance of the major component units' deposits was \$38,165,908. The major component units' had no uninsured and uncollateralized deposits at June 30, 2011.

The internal receivable amount in the governmental activities column in the Statement of Net Assets includes Cash and Investments at the Bank of North Dakota for governmental activities. The internal payable amount in

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

STATE OF NORTH DAKOTA

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 employees' retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives.

The State Investment Board's investment policy allows investment managers to use derivative securities. Managers are specifically permitted to use treasury futures and options, S&P 500 index future options, and currency forwards and futures to hedge or replicate portfolio risk, but not to speculate or to leverage the portfolio.

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. The investment policies of the Board allow the use of derivative securities to hedge or replicate underlying exposures but not for speculation.
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. Such proceeds must be invested in the Bank of North Dakota, in a separate fund in the State Treasury or in a duly authorized depository for the state funds that is a member of the FDIC. NDUS may invest such funds in direct obligation of, or in obligations where the United States of America guarantees the principal and interest, or obligations of the State of North Dakota or any municipality as defined in NDCC Section 21-03-01.

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, 2011, 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	\$ 36,421	\$ 4,089	\$ 5,243	\$ 3,667	\$ 23,422
Commercial Mortgage-Backed	39,449	3,654	702	-	35,093
Corporate Bonds	1,066,147	180,292	507,384	198,270	180,201
Corporate Convertible Bonds	185,163	1,836	162,931	4,166	16,230
Government Agencies	251,535	24,600	196,877	18,225	11,833
Government Bonds	706,369	324,703	237,957	65,582	78,127
Government Mortgage-Backed	452,251	554	288,838	16,954	145,905
Index-Linked Government Bonds	124,966	2,563	118,994	-	3,409
Municipal/Provincial Bonds	35,754	2,147	13,147	629	19,831
Non-Government-Backed CMOs	67,598	17,862	-	11,875	37,861
Short Term Bills and Notes	23,781	23,781	-	-	-
Short Term Investment Funds	16,244	16,244	-	-	-
Pooled Investments	669,361	14,324	223,634	431,403	-
Total Debt Securities	\$ 3,675,039	\$ 616,649	\$ 1,755,707	\$ 750,771	\$ 551,912

The fair 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	\$ 368	\$ 15	\$ 105	\$ 57	\$ 191
Money Market Funds	1,134	1,134	-	-	-
Corporate Bonds	2,249	78	848	486	837
Mutual Bond Funds	47,078	-	32,445	-	14,633
Total Debt Securities	\$ 50,829	\$ 1,227	\$ 33,398	\$ 543	\$ 15,661

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, however the Bank of North Dakota has established a minimum credit quality rating for its investment in debt securities. 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

As of June 30, 2011, the following tables present the debt securities of the primary government and major

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

	Total Market Value	AAA	AA	A	BBB
Asset Backed Securities	\$ 36,421	\$ 13,281	\$ 5,347	\$ 2,923	\$ 5,118
Commercial Mortgage-Backed	39,083	27,881	3,764	4,647	1,651
Corporate Bonds	1,042,814	27,263	45,741	200,058	359,725
Corporate Convertible Bonds	185,165	4,928	7,270	30,767	38,458
Government Agencies	242,009	225,094	4,870	8,416	3,457
Government Bonds	244,121	155,316	3,389	33,637	12,287
Government Mortgage Backed	245,944	245,944	-	-	-
Index Linked Government Bonds	124,966	2,223	-	-	-
Municipal/Provincial Bonds	26,885	7,853	6,419	9,531	1,002
Non-Government Backed CMOs	66,888	31,107	3,980	3,903	3,246
Pooled Investments	685,603	212,500	330,311	1,872	105,338
Total Credit Risk Debt Securities	2,939,899	<u>\$ 953,390</u>	<u>\$ 411,091</u>	<u>\$ 295,754</u>	<u>\$ 530,282</u>
US Gov't & Agencies	<u>735,140</u>				
Total Debt Securities	<u>\$ 3,675,039</u>				

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

STATE OF NORTH DAKOTA

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

BB	B	CCC	CC	C	D	Not Rated
\$ 333	\$ 3,872	\$ 2,991	\$ 184	\$ -	\$ 174	\$ 2,198
69	-	-	-	-	-	1,071
151,448	114,828	17,628	2,237	210	3,215	120,461
42,199	28,993	11,764	-	-	-	20,786
-	172	-	-	-	-	-
6,068	326	83	-	-	-	33,015
-	-	-	-	-	-	-
1,187	-	-	-	-	-	121,556
2,072	-	-	-	-	-	8
3,433	3,004	11,770	1,535	1	1,727	3,182
6,474	12,414	-	-	-	-	16,694
<u>\$ 213,283</u>	<u>\$ 163,609</u>	<u>\$ 44,236</u>	<u>\$ 3,956</u>	<u>\$ 211</u>	<u>\$ 5,116</u>	<u>\$ 318,971</u>

STATE OF NORTH DAKOTA

Component Units

S & P Credit Rating*	Total Market Value	Money Market Funds	Corporate Bonds	Mutual Bond Funds
AAA	\$ 83	\$ -	\$ 83	\$ -
AA	33,409	-	964	32,445
A	1,136	-	1,136	-
BBB	845	-	-	845
BB	-	-	-	-
B	60	-	60	-
C	-	-	-	-
NR	14,927	1,134	5	13,788
Total Credit Risk				
Debt Securities	50,460	\$ 1,134	\$ 2,248	\$ 47,078
US Treasuries	369			
Total Debt Securities	\$ 50,829			

*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, however the Bank of North Dakota has established asset allocation ranges for investments as a percentage of their total portfolio.

The Bank of North Dakota had the following concentrations at June 30, 2011 (expressed in thousands):

	Amount	Percent
Federal Agency		
Federal Home Loan Bank	\$ 134,096	24.9%
Mortgage-backed		
Fannie Mae	113,889	21.2%
Freddie Mac	87,326	16.3%
Ginnie Mae	29,326	5.5%

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.

STATE OF NORTH DAKOTA

At June 30, 2011, foreign currency risk exposure on investments managed by the Board of University and School Lands and State Investment Board were as follows (expressed in thousands).

Primary Government (includes Pension and Investment Trust Funds)

Currency	Short-Term	Debt	Equity	Total
Australian dollar	\$ (9,878)	\$ 11,100	\$ 30,531	\$ 31,753
Brazilian real	(3,802)	6,877	62	3,137
British pound sterling	10,553	8,645	103,659	122,857
Canadian dollar	(1,525)	7,521	5,252	11,248
Chinese yuan renminbi	4,033	-	-	4,033
Czech koruna	381	63	1,019	1,463
Danish krone	47	(74)	5,077	5,050
Euro	1,608	1,038	157,759	160,405
Hong Kong dollar	6	-	12,772	12,778
Hungarian forint	527	2,626	-	3,153
Iceland krona	33	-	-	33
Indian rupee	-	745	-	745
Indonesian rupiah	-	8,915	-	8,915
Israeli shekel	6	-	1,997	2,003
Japanese yen	(1,703)	-	87,874	86,171
Malaysian ringgit	-	4,718	57	4,775
Mexican peso	194	7,638	-	7,832
New Zealand dollar	(2,930)	3,754	199	1,023
Norwegian krone	639	4,158	10,455	15,252
Philippine peso	-	2,101	-	2,101
Polish zloty	234	6,297	137	6,668
Singapore dollar	2,969	-	5,328	8,297
South African rand	282	3,140	1,019	4,441
South Korean won	-	7,369	966	8,335
Swedish krona	587	(53)	11,012	11,546
Swiss franc	385	-	29,659	30,044
Turkish lira	3,681	423	-	4,104
International commingled funds (various currencies)	-	-	182,464	182,464
Total international investment securities	\$ 6,327	\$ 87,001	\$ 647,298	\$ 740,626

Derivative Securities – Derivatives are financial arrangements between two parties whose payments are based on, or "derived" from, the performance of some agreed upon benchmark. The investment policies of the States' clients allow the use of derivative securities to hedge or replicate underlying exposures but not for speculation. All derivatives are considered investment derivative instruments. The fair value of all derivative securities is reported in the Statements of Net Assets. At June 30, 2011, the State had four types of derivative securities: futures, options, swaps and currency forwards.

Futures – Futures represent commitments to purchase (asset) or sell (liability) securities at a future date and at a specific price. Futures contracts are traded on organized exchanges (exchange traded) thereby minimizing the States' counterparty risk. The net change in the futures contracts' value is settled daily in cash with the exchanges. Net gains or losses resulting from the daily settlements are included in net change in fair value of investments in the Statement of Changes in Net Assets and totaled \$156.5 million. At June 30, 2011, the State investment portfolio had the notional futures shown below (expressed in thousands).

STATE OF NORTH DAKOTA

Futures	Notional Value
Cash and cash equivalent derivative futures	
Long	\$140,245
Short	(130,777)
Equity derivative futures	
Long	529,063
Short	-
Fixed income derivative futures	
Long	13,821
Short	(94,484)
Total futures	<u>\$457,868</u>

Options – Options represent or give buyers the right, but not the obligation, to buy (call) or sell (put) an asset at a preset price over a specified period. Options are traded on organized exchanges (exchange traded) thereby minimizing the States' counterparty risk. The option's price is usually a small percentage of the underlying asset's value. As a seller of a financial option, the State, through its investment manager, receives a premium at the beginning of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. As a buyer of a financial option, the State, through its investment manager, pays a premium at the beginning of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option. Gains and losses on options are determined based on fair values and recorded with the net change in fair value of investments in the Statement of Changes in Net Assets and totaled \$(1.8) million. At June 30, 2011, the State investment portfolio had no outstanding option balances.

Swaps – A swap is a derivative in which counterparties exchange certain benefits of one party's financial instrument for those of the other party's financial instrument. Specifically, the two counterparties agree to exchange one stream of cash flows for another stream. The State, through its investment managers, has entered into various swap agreements in an attempt to manage its exposure to interest rate and credit risk.

Interest rate risk represents the exposure to fair value losses arising from future changes in prevailing market interest rates. In the most common type of interest rate swap arrangement, one party agrees to pay fixed interest payments on designated dates to a counterparty, who in turn agrees to make return interest payments that float with some reference rate.

Credit risk represents the exposure to fair value losses arising from a credit event such as default, failure to pay, restructuring or bankruptcy. In a credit default swap (CDS) contract, the protection buyer of the CDS makes a series of payments to the protection seller and, in exchange, receives a payoff if the credit instrument experiences a credit event. CDS contracts are also used to establish exposure to a desired credit instrument.

Gains and losses on swaps are determined based on fair values and are recorded with the net change in fair value of investments in the Statement of Changes in Net Assets and totaled \$(201) thousand. The maximum loss that would be recognized at June 30, 2011, if all counterparties failed to perform as contracted is \$1.25 million. Swap fair values are determined by a third party pricing source. At June 30, 2011, the States' investment portfolio had the swap fair value balances as shown below (expressed in thousands).

Credit Default Swaps

Counterparty/Moody's Rating	Notional Amount	Expiration Date	Fair Value
Deutsche Bank AG New York/Aa3	\$ 45	3-20-2014	\$ (8)
Deutsche Bank AG New York/Aa3	120	9-20-2013	1
Deutsche Bank AG New York/Aa3	75	3-20-2012	(2)
Barclays Capital Securities London/Aa3	105	6-20-2011	-
Total credit default swaps	<u>\$ 345</u>		<u>\$ (9)</u>

STATE OF NORTH DAKOTA

Interest Rate Swaps

Counterparty	Notional Amount	Rate Range	Counterparty Rate	Expiration Date Range	Counterparty Rating (Moody's)	Fair Value
Barclays Bank PLC London	\$ 1,376	4.25%	Various overnight bank rates depending on currency	4/27/2013	Aa3	\$ -
Barclays Bank PLC London	(3,348)	0.283% to 7.130%		12/2011 - 01/2021	Aa3	(19)
Barclays Capital Securities London	(1,229)	0.329% to 5.065%		01/2012 - 08/2020	Aa3	(5)
Citibank N.A. New York	(2,193)	0.430% to 3.763%		01/2012 - 02/2021	A1	(138)
Morgan Stanley Capital Services	504	2.510% to 5.110%		02/2012 - 06/2021	A2	(115)
Total Interest Rate Swaps	<u>\$ (4,890)</u>					<u>\$ (277)</u>

Currency Forwards – Currency forwards represent forward exchange contracts that are entered into in order to manage the exposure to changes in currency exchange rates on the currency denominated portfolio holdings. A forward exchange contract is a commitment to purchase or sell a currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the closing

of such contracts is included in the net change in fair value of investments in the Statement of Changes in Net Assets and totaled \$(12.9) million. At June 30, 2011, the States' investment portfolio included the currency forwards balances shown below (expressed in thousands).

Currency	Cost	Purchases	Sales	Fair Value
Australian dollar	\$ (18,162)	\$ 417	\$ (18,713)	\$ (18,644)
Brazilian real	(3,667)	-	(3,667)	(3,802)
British pound sterling	5,658	10,272	(4,603)	5,573
Canadian dollar	(5,812)	608	(6,480)	(5,851)
Chinese yuan renminbi	4,052	4,052	-	4,033
Czech koruna	(1,941)	478	(2,489)	(2,009)
Danish krone	(6,004)	-	(6,129)	(6,129)
Euro	(46,199)	1,397	(48,344)	(46,952)
Hungarian forint	(1,800)	528	(2,397)	(1,857)
Japanese yen	(494)	217	(711)	(492)
Mexican peso	(2,422)	192	(2,604)	(2,409)
New Zealand dollar	(6,857)	552	(7,525)	(7,012)
Norwegian krone	(3,019)	723	(3,804)	(3,063)
Polish zloty	(1,929)	470	(2,410)	(1,943)
Singapore dollar	2,504	2,504	-	2,519
South African rand	(1,170)	278	(1,479)	(1,197)
Swedish krona	(3,416)	488	(3,959)	(3,465)
Swiss franc	83	482	(399)	83
Turkish lira	3,854	4,278	(424)	3,681
United States dollar	86,740	114,658	(27,918)	86,740
Total forwards subject to currency risk				<u>\$ (2,196)</u>

STATE OF NORTH DAKOTA

Derivative Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the value of an interest rate-based derivative investment. The State does not have a formal investment policy

regarding such derivative investments. At June 30, 2011, the tables below show the States' derivative investments subject to interest rate risk (expressed in thousands).

	Total Notional Value	3 Months or Less	3 to 6 Months	6 to 12 Months	1-5 Years	Greater Than 5 Years
Futures-interest rate contracts	\$ (212,302)	\$ (123,551)	\$ (88,751)	\$ -	\$ -	\$ -
	Total Fair Value	3 Months or Less	3 to 6 Months	6 to 12 Months	1-5 Years	Greater Than 5 Years
Swaps-interest rate contracts	\$ (277)	\$ -	\$ (7)	\$ (14)	\$ (11)	\$ (245)

Mill and Elevator Derivative Financial Instruments – The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2011, and the changes in fair value of such derivative instruments for the year then ended as reported in the State's financial statements are \$(702,058), classified as derivative-grain futures contract (one contract equals 5,000 bushels) and \$(702,058), classified as deferred outflow of resources. The fair value of the grain futures contracts was determined on the Minneapolis Grain

Exchange. The margin requirement is \$.60 per bushel, unless the market price changes the limit for two consecutive days, then the margin requirement is \$.90 per bushel. 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 fluctuation of the commodity. The price protection is needed to cover any long or short positions compared to flour sales.

Futures	Brokerage Firm	Number of Contracts	Average Cost	Fair Value	Effective Date
Sept 2011	ADM Investor Services	10	\$ 8.4530	\$ 7.9500	June 2011
Sept 2011	MF Global	79	8.1430	7.9500	June 2011
Dec 2011	ADM Investor Services	37	8.4050	7.9225	June 2011
Dec 2011	MF Global	92	8.4430	7.9225	June 2011
March 2012	ADM Investor Services	13	8.9230	8.0020	March, June 2011
March 2012	MF Global	37	8.7560	8.0025	June 2011
May 2012	ADM Investor Services	10	8.6000	8.0000	June 2011
May 2012	MF Global	6	9.0450	8.0000	June 2011
July 2012	ADM Investor Services	5	8.4460	7.9900	June 2011

The Mill is exposed to credit risk on hedging derivative instruments that are in asset positions. All grain futures trades are completed using two different national brokerage firms on the Minneapolis Grain Exchange. The firms are rated A and BBB by the Standard & Poors Rating Service.

The Mill is exposed to rollover risk on grain futures trades whenever the hedge ratio (defined in aggregate of the size across all futures months relative to the underlying net cash position) does not equal 1.0. At June 30, 2011, the table below shows the hedge ratio by futures month going forward:

STATE OF NORTH DAKOTA

Period	Hedge Ratio
Sept 2011	0.9
Dec 2011	0.9
Mar 2012	0.9
May 2012	1.0
July 2012	1.1
Net Position	0.9

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 Debt - 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 allocation by "porting" various types of fixed income-based portfolios over S&P 500 or Russell 2000 beta futures contracts.

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:

STATE OF NORTH DAKOTA

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

Timberland – includes investments in limited liability companies that have an ownership interest in properties where the value of the property is derived mainly from income-producing timber but also from the "higher and better use" value of the underlying land. The State has analyzed this type of investment and determined that its

risk and return profile is very similar to bonds. Therefore, they have chosen to include timberland in fixed income asset allocations to provide additional diversification and return options.

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

C. SECURITIES LENDING

The following represents the balances relating to the securities lending transactions at June 30, 2011 (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	\$ 6,028	\$ -	\$ 6,156
US government securities	9,270	-	9,486
US corporate fixed income securities	96,649	-	98,562
Global government fixed income securities	5,373	-	5,534
US equities	47,646	-	48,510
Lent for non-cash collateral:			
US agency securities	-	-	-
US government securities	-	-	-
US corporate fixed income securities	805	822	-
US equities	-	-	-
Total	<u>\$ 165,771</u>	<u>\$ 822</u>	<u>\$ 168,248</u>

D. ENDOWMENT FUNDS

The endowment funds reported herein are donor-restricted funds in the custody of the University System. NDCC Section 59-21 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 59-21-02.5a(7) applies to standard of conduct in the administration of powers to make and retain investments. It states that in managing and investing an institutional fund, the needs of the institution and the fund to make distributions and to preserve capital must be considered. Given the flexibility in NDCC 59-21-02, 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 earning 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, 2011:

STATE OF NORTH DAKOTA

Mayville State University	\$	802	Reflected in net assets as:
Minot State University		53,638	Expendable scholarships & fellowships
University of North Dakota		465,000	Expendable scholarships & fellowships
Williston State College		2,885	Non –expendable scholarships & fellowships
Total NDUS	\$	<u>522,325</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, 2011 are \$74.1 million and \$1.65 million respectively.

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, 2011, the State had no reverse repurchase agreements outstanding. The highest month end balance for the previous year was \$8,127,000, with an average daily balance of \$5,829,000. The weighted average interest rate as of year-end was 0.25 percent. The weighted average interest rate paid during the year was 0.25 percent.

STATE OF NORTH DAKOTA

F. RECEIVABLES

Receivables at June 30, 2011, consist of the following (expressed in thousands):

	General	Federal	State	Other Governmental Funds	Bank of North Dakota	Housing Finance	Mill & Elevator	University System
Receivables:								
Accounts	\$ 9,275	\$ 8,892	\$ 73,042	\$ -	\$ -	\$ 525	\$ 48,007	\$ 20,261
Less Allowance	(4,235)	-	(13,338)	-	-	-	(2,269)	(3,307)
Taxes	327,597	-	96,745	231	-	-	-	-
Less Allowance	(23,466)	-	(1,262)	-	-	-	-	-
Interest	1,105	-	14,282	263	39,142	4,033	-	-
Less Allowance	-	-	(1,145)	-	-	-	-	-
Current Loans and Notes	226	196	69,749	30,823	390,463	18,652	966	9,674
Less Allowance	(26)	-	(3,438)	-	-	-	-	(1,425)
Noncurrent Loans and Notes	-	-	-	-	2,401,786	901,522	-	37,969
Less Allowance	-	-	-	-	(46,613)	-	-	(5,690)
Net Receivables	\$ 310,476	\$ 9,088	\$ 234,635	\$ 31,317	\$ 2,784,778	\$ 924,732	\$ 46,704	\$ 57,482

	Workforce Safety & Insurance	Other Enterprise Funds	Internal Service Funds	Fiduciary Funds	Major Component Units	Total
Receivables:						
Accounts	\$ 34,471	\$ 32,508	\$ 358	\$ 8,861	\$ 3	\$ 236,203
Less Allowance	(4,500)	(5,949)	-	-	-	(33,598)
Taxes	-	-	-	23,868	-	448,441
Less Allowance	-	-	-	(2,420)	-	(27,148)
Interest	7,142	1,868	55	10,510	4,309	82,709
Less Allowance	-	-	-	-	-	(1,145)
Current Loans and Notes	-	9,241	-	-	2,603	532,593
Less Allowance	-	-	-	-	-	(4,889)
Noncurrent Loans and Notes	-	65,650	-	-	12,850	3,419,777
Less Allowance	-	(1,099)	-	-	(5,008)	(58,410)
Net Receivables	\$ 37,113	\$ 102,219	\$ 413	\$ 40,819	\$ 14,757	\$ 4,594,533

STATE OF NORTH DAKOTA

G. INTERFUND ACCOUNTS AND TRANSFERS

DUE FROM OTHER FUNDS/DUE TO OTHER FUNDS

Interfund balances at June 30, 2011, consist of the following (expressed in thousands):

Due To General Fund From:	
Federal Fund	\$ 85,665
State Fund	33,365
Bank of North Dakota	1,727
Mill and Elevator	7,642
Nonmajor Enterprise Funds	5,308
All Others	146
Total Due To General Fund	<u>\$ 133,853</u>

Due To Federal Fund From:	
General Fund	\$ 4,393
State Fund	19,263
All Others	264
Total Due To Federal Fund	<u>\$ 23,920</u>

Due To State Fund From:	
General Fund	\$ 2,605
Federal Fund	8,851
Nonmajor Governmental Funds	737
Internal Service Funds	3,026
Nonmajor Enterprise Funds	1,303
Mill and Elevator	804
All Others	307
Total Due To Internal Service Funds	<u>\$ 17,633</u>

Included in the Nonmajor Enterprise Funds is an advance from the Developmentally Disabled Fund for \$505,825. This is not expected to be repaid within one year.

Due To Internal Service Funds From:	
General Fund	\$ 3,609
Federal Fund	705
State Fund	794
University System	753
All Others	499
Total Due To School Permanent Trust Fund	<u>\$ 6,360</u>

Due To Bank of North Dakota From:	
Housing Finance	\$ 1,802
Mill and Elevator	20,100
Nonmajor Enterprise Funds	833
All Others	207
Total Due To Bank of North Dakota	<u>\$ 22,942</u>

Included in the Nonmajor Enterprise Funds amount is a loan to Roughrider Industries for \$359,610. Of this, \$263,610 is not expected to be repaid within one year.

Due To University System From:	
General Fund	\$ 18,045
Federal Fund	3,378
All Others	860
Total Due To University System	<u>\$ 22,283</u>

Due To All Other Funds From:	
All Other	<u>\$ 2,676</u>

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, 2011.

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

Due From's	\$ 229,667
Differences:	
General Fund/Bank of ND	(1,727)
Bank of ND/Housing Finance	34,423
Bank of ND/Mill & Elevator	12,400
Bank of ND/University System	2,526
Bank of ND/Student Loan Trust	(25)
Common School Trust Fund/	
Developmentally Disabled Loan Fund	(617)
Bank of ND/Guaranteed Student Loan	1,557
Governmental Agencies/Bank of ND	1,267
Bank of ND/Enterprise Funds	(117)
Total Differences	49,687
Due To's	<u>\$ 279,354</u>

STATE OF NORTH DAKOTA

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

INTERFUND TRANSFERS

A summary of interfund transfers for the fiscal year ended June 30, 2011, follows (expressed in thousands):

	Transfers In							Total
	General	Special Revenue Federal	Special Revenue State	Non-major Governmental	Housing Finance	University System	Non-major Enterprise	
Transfers Out								
General	\$ -	\$ 41	\$ 17,869	\$ -	\$ 25	\$ 347,835	\$ 3,735	\$ 369,505
Special Revenue - Federal	12,461	-	6,356	-	2,649	7,767	-	29,233
Special Revenue - State	491,764	540	-	9,801	40	24,519	78	526,742
Non-major Governmental	1,000	-	4,786	-	-	203	-	5,989
Bank of North Dakota	-	-	-	-	-	-	5,088	5,088
Mill & Elevator	7,641	-	840	-	-	-	-	8,481
Housing Finance	-	-	30	-	-	-	-	30
University System	-	-	-	6,539	-	-	183	6,722
Non-major Enterprise	5,300	-	623	-	-	-	-	5,923
Total	\$ 518,166	\$ 581	\$ 30,504	\$ 16,340	\$ 2,714	\$ 380,324	\$ 9,084	\$ 957,713

(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, 2011, legislatively-mandated transfers were made to the general fund of \$140.0 million and \$5.3 million from the Permanent Oil Tax and the State Lottery respectively.

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

Transfers In	\$ 968,947
Differences:	
Special Rev - State/Bank of ND	(500)
Special Rev - State/Bank of ND	(82)
Bank of ND/HIT Loan Fund	88
State Fair/Bank of ND	(10,748)
Bank of ND/Federal	8
Total Differences	(11,234)
Transfers Out	\$ 957,713

The above timing differences of \$11,234,000 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, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2011</u>
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 69,370	\$ 2,096	\$ (49)	\$ 71,417
Construction in Progress	458,348	171,963	(134,017)	496,294
Total Capital Assets Not Being Depreciated	527,718	174,059	(134,066)	567,711
Capital Assets Being Depreciated:				
Buildings and Improvements	445,631	76,474	(2,520)	519,585
Equipment	236,046	24,721	(15,301)	245,466
Intangibles				
Software	67,207	10,490	-	77,697
Other	5,794	1,992	-	7,786
Infrastructure	3,256,720	94,364	(153)	3,350,931
Total Capital Assets Being Depreciated	4,011,398	208,041	(17,974)	4,201,465
Less Accumulated Depreciation for:				
Buildings and Improvements	(195,432)	(10,959)	810	(205,581)
Equipment	(108,654)	(19,139)	12,301	(115,492)
Intangibles				
Software	(36,690)	(6,449)	-	(43,139)
Other	(862)	(345)	-	(1,207)
Infrastructure	(2,550,345)	(43,880)	58	(2,594,167)
Total Accumulated Depreciation	(2,891,983)	(80,772)	13,169	(2,959,586)
Total Capital Assets Being Depreciated, Net	1,119,415	127,269	(4,805)	1,241,879
Governmental Activities Capital Assets, Net	\$ 1,647,133	\$ 301,328	\$ (138,871)	\$ 1,809,590

Infrastructure assets of the State Water Commission, with a carrying value of \$30,516,290 are considered temporarily impaired at June 30, 2011.

STATE OF NORTH DAKOTA

<u>Description</u>	<u>Balance July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2011</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 18,764	\$ 26	\$ -	\$ 18,790
Construction in Progress	76,960	64,169	(40,281)	100,848
Total Capital Assets Not Being Depreciated	95,724	64,195	(40,281)	119,638
Capital Assets Being Depreciated:				
Buildings and Improvements	973,033	54,848	(1,846)	1,026,035
Equipment	417,130	29,065	(14,401)	431,794
Intangibles				
Software	31,964	4,825	(1,491)	35,298
Other	450	17	(54)	413
Infrastructure	166,077	11,644	-	177,721
Total Capital Assets Being Depreciated	1,588,654	100,399	(17,792)	1,671,261
Less Accumulated Depreciation for:				
Buildings and Improvements	(416,178)	(23,869)	1,782	(438,265)
Equipment	(252,838)	(27,835)	12,489	(268,184)
Intangibles				
Software	(18,111)	(2,638)	1,491	(19,258)
Other	(50)	(39)	-	(89)
Infrastructure	(74,675)	(4,520)	-	(79,195)
Total Accumulated Depreciation	(761,852)	(58,901)	15,762	(804,991)
Total Capital Assets Being Depreciated, Net	826,802	41,498	(2,030)	866,270
Business-Type Activities Capital Assets, Net	\$ 922,526	\$ 105,693	\$ (42,311)	\$ 985,908

<u>Description</u>	<u>Balance July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2011</u>
Major Component Units:				
Capital Assets Not Being Depreciated				
Land	\$ 3,464	\$ 61	\$ -	\$ 3,525
Construction in Progress	306	2,265	(1,860)	711
Total Capital Assets Not Being Depreciated	3,770	2,326	(1,860)	4,236
Capital Assets Being Depreciated:				
Buildings and Improvements	157,593	4,117	-	161,710
Equipment	37,183	4,690	(1,485)	40,388
Infrastructure	1,248	-	-	1,248
Total Capital Assets Being Depreciated	221,134	8,807	(1,485)	203,346
Less Accumulated Depreciation for:				
Buildings and Improvements	(42,202)	(5,778)	-	(47,980)
Equipment	(12,819)	(3,576)	318	(16,077)
Infrastructure	(445)	(54)	-	(499)
Total Accumulated Depreciation	(55,466)	(9,408)	318	(64,556)
Total Capital Assets Being Depreciated, Net	165,668	(601)	(1,167)	138,790
Major Component Unit Capital Assets, Net	\$ 169,438	\$ 1,725	\$ (3,027)	\$ 143,026

Beginning capital asset balances were adjusted for certain reclassifications.

STATE OF NORTH DAKOTA

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

Governmental Activities:		
General Government	\$	18,784
Education		357
Health and Human Services		4,394
Regulatory		275
Public Safety & Corrections		9,004
Agriculture and Commerce		155
Natural Resources		7,932
Transportation		39,871
Total Governmental Activities Depreciation Expense	\$	<u>80,772</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, 2011</u>	<u>Balance Authorized</u>
Office of Management and Budget	\$ 3,447	\$ 1,561	\$ 1,886
State Courts	1,948	1,713	235
Legislative Assembly	155	155	-
School for the Deaf	193	74	119
State Historical Society	51,700	5,327	46,373
Secretary of State	1,682	1,682	-
Department of Human Services	324	264	60
Adjutant General	20,567	2,933	17,634
Department of Corrections	64,707	17,541	47,166
Job Service North Dakota	5,606	300	5,306
Department of Transportation	757,226	464,505	292,721
Seed Department	375	239	136
Total Governmental Activities	<u>\$ 907,930</u>	<u>\$ 496,294</u>	<u>\$ 411,636</u>

<u>Business-Type Activities</u>	<u>Amount Authorized</u>	<u>Amount Expended Through June 30, 2011</u>	<u>Balance Authorized</u>
Workforce Safety and Insurance	\$ 17,700	\$ 13,927	\$ 3,773
Mill and Elevator	4,095	969	3,126
PERS Group Insurance	57	57	-
University System	188,409	85,895	102,514
Total Business-Type Activities	<u>\$ 210,261</u>	<u>\$ 100,848</u>	<u>\$ 109,413</u>

<u>Major Component Units</u>	<u>Amount Authorized</u>	<u>Amount Expended Through June 30, 2011</u>	<u>Balance Authorized</u>
University System Foundation	<u>\$ 12,000</u>	<u>\$ 711</u>	<u>\$ 11,289</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, 2011, amounted to \$13,910,301 for governmental activities and \$11,399,531 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, 2010, for all fund types are as follows (expressed in thousands):

STATE OF NORTH DAKOTA

Year Ending June 30	Governmental Activities	Business-type Activities
2012	\$ 7,409	\$ 8,686
2013	5,100	6,083
2014	1,653	4,810
2015	1,339	3,948
2016	960	2,924
2017-2021	2,681	6,681
2022-2026	270	-
Total Minimum Lease Payments	<u>\$ 19,412</u>	<u>\$ 33,132</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, 2010 (expressed in thousands):

Year Ending June 30	Governmental Activities	Business- type Activities	Major Component Units
2012	\$ 1,269	\$ 8,805	\$ 255
2013	1,200	9,122	250
2014	345	8,425	206
2015	265	7,935	176
2016	82	7,392	155
2017-2021	-	30,481	632
2022-2026	-	18,355	632
2027-2031	-	9,786	632
2032-2036	-	6,059	316
2037-2041	-	1,604	-
Total Minimum Lease Payments	<u>3,161</u>	<u>107,964</u>	<u>3,254</u>
Less: Amount Representing Interest	<u>(197)</u>	<u>(32,315)</u>	<u>(1,150)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 2,964</u>	<u>\$ 75,649</u>	<u>\$ 2,104</u>

The historical costs of assets acquired under capital leases, and included as capital assets on the government-wide statement of net assets at June 30, 2011, is as follows (expressed in thousands):

	Governmental Activities	Business- Type Activities	Major Component Units
Infrastructure	\$ -	\$ 560	\$ -
Buildings	-	70,095	2,223
Equipment	9,886	34,349	574
Less: Accumulated Depreciation	<u>(5,596)</u>	<u>(36,851)</u>	<u>(824)</u>
Total	<u>\$ 4,290</u>	<u>\$ 68,153</u>	<u>\$ 1,973</u>

STATE OF NORTH DAKOTA

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, 2011, 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 2002 Series A and D Bonds, the 2003 Series B and C Bonds, the 2005 Series A Bonds, the 2006 Series A and B Bonds, and the 2010 Series A and B bonds have interest payable semiannually on June 1 and December 1 of each year. The bonds of each series are subject to optional and/or extraordinary optional redemption prior to maturity upon the occurrence of certain events. The bonds are independently secured by the funds, certain mortgaged property, and all rights, titles, and interests of the Building Authority as lessor, including all basic rent payments, investment earnings on the funds and any other income derived by the Building Authority with respect to the lease.

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

Water Commission

The Water Commission was granted authority to issue bonds to finance various flood control and pipeline projects throughout the state of North Dakota.

Interest is payable semiannually on January 1 and July 1 of each year for the Series 2000 A Term Bonds and Series 2007 B, and February 1 and August 1 for the Series 2000 A, 2005 A, 2005 B and 2007 B Serial Bonds. Interest is payable annually on July 1 of each year for all other series bonds. The bonds of each series are subject to optional and/or extraordinary optional redemption prior to maturity at the option of the Water Commission or the occurrence of certain events. All redemption prices are at par plus accrued interest.

Department of Transportation

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

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

State Fair

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

Student Loan Trust

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%. The maximum rate of interest is 12% per annum. Details of the terms and provisions of the variable rate bonds are outlined in Section 2.1 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 and are Federally Taxable Bonds. The rate of interest is determined based

STATE OF NORTH DAKOTA

on the lesser of either the one-month LIBOR plus .7% or Federal Home Loan Bank plus .7%. The maximum rate of interest is 12% per annum. Details of the terms and provisions of the variable rate bonds are outlined in Section 2.1 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.

Revenues Pledged – The agency has homeownership bonds outstanding in the amount of \$966,008,000 maturing at various times from July 1, 2011, through July 1, 2041. The bonds have been issued to provide financing to purchase mortgage loans. Annual principal and interest payments on the bonds are expected to require 98 percent of net revenues. Principal and interest paid for the current year and total customer net revenues were \$249,523,000 and \$142,177,000, respectively. Bond principal was reduced through customer revenues and the refunding of older bonds with proceeds from new bond issues.

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):

Fund Type/Fund	Maturities	Interest Rates	Balance 6/30/11
Primary Government			
<u>Governmental:</u>			
Building Authority	2012-2031	2.00-5.25	\$ 81,128
Water Commission	2012-2049	2.50-5.00	96,541 ¹⁾
Department of Transportation	2012-2020	3.00-5.00	39,311
Information Technology Department	2012-2014	4.00-5.25	2,241
<u>Proprietary:</u>			
State Fair	2012-2012	3.50-4.60	595
Student Loan Trust	2012-2029	0.89-5.85	5,200 ²⁾
Housing Finance:			
Homeownership	2012-2042	0.00-5.80	966,008 ²⁾
University System:			
VCSU—Valley City	2012-2033	2.80-7.25	6,405
Williston State College	2012-2019	3.00-6.90	9,461
Lake Region State College	2012-2017	3.00-5.125	605
UND—Grand Forks	2012-2036	1.00-5.00	67,137
NDSU—Fargo	2012-2037	1.5-6.50	107,670
NDSCS—Wahpeton	2012-2016	4.0-5.50	520
MiSU—Minot	2012-2030	0-6.60	14,892
Dakota College of Bottineau	2012-2012	4.00-5.50	29
MaSU—Mayville	2012-2018	1.55-6.63	5,635
DSU—Dickinson	2012-2020	3.75-5.00	525
BSC—Bismarck	2012-2030	3.4-5.35	3,805
NDUS – Univ. Sys. State Office	2012-2014	4.28	5,329
Total Revenue Bonds Payable— Primary Government			<u>\$ 1,413,037</u>
Major Component Units			
<u>Proprietary:</u>			
Public Finance Authority	2012-2034	2.00-10.00	\$ 152,701
University System Foundation	2012-2039	1.00-6.50	95,244
Total Revenue Bonds Payable— Major Component Units			<u>\$ 247,945</u>

- ¹⁾ Approximately \$57 million of the Water Commission's bonds payable is not associated with fixed assets of the State.
²⁾ 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>
2012	\$ 16,874	\$ 9,395
2013	16,891	8,732
2014	17,794	8,031
2015	17,458	7,301
2016	17,221	6,574
2017-2021	74,732	21,309
2022-2026	43,773	7,444
2027-2031	5,799	1,904
2032-2036	1,923	848
2037-2041	1,252	596
2042-2046	1,541	320
2047-2051	591	49
Bond Premium	3,372	(3,372)
Total	<u>\$ 219,221</u>	<u>\$ 69,131</u>

Business-type Activities

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 92,550	\$ 49,325
2013	32,209	48,772
2014	35,702	47,606
2015	30,863	46,329
2016	32,335	45,126
2017-2021	166,617	204,772
2022-2026	180,793	166,511
2027-2031	213,914	121,988
2032-2036	251,615	67,138
2037-2041	143,650	16,118
2042-2046	6,395	127
Bond Premium	7,173	(7,173)
Total	<u>\$ 1,193,816</u>	<u>\$ 806,639</u>

Major Component Units

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 32,708	\$ 10,239
2013	15,244	9,580
2014	15,628	8,928
2015	15,740	8,232
2016	14,252	7,508
2017-2021	76,632	27,231
2022-2026	45,370	13,367
2027-2031	25,939	3,782
2032-2036	4,579	473
2037-2041	477	29
Bond Premium	1,376	(1,376)
Total	<u>\$ 247,945</u>	<u>\$ 87,993</u>

STATE OF NORTH DAKOTA

2. NOTES PAYABLE

The following is a schedule of notes payable outstanding at June 30, 2010 (expressed in thousands):

Fund Type/Fund	Maturities	Interest Rates	Balance 6/30/11
Primary Government			
<u>Governmental:</u>			
Department of Corrections	2012-2015	4.59	\$ 319
Department of Human Services	2012-2015	4.24	2,139
Department of Transportation	2012-2022	4.18	2,069
Office of Management and Budget	2012-2022	4.18	3,818
School for the Deaf	2012-2021	4.8408	218
<u>Proprietary:</u>			
Bank of North Dakota	2012-2025	3.01-7.35	396,199
University System	2012-2025	4.22-9.90	7,310
Major Component Units			
University System Foundation	2012-2019	0.00-7.00	21,576

(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
2012	\$ 1,134	\$ 346
2013	1,215	295
2014	1,241	240
2015	563	201
2016	520	180
2017-2021	3,265	525
2022-2026	626	18
Total	<u>\$ 8,564</u>	<u>\$ 1,805</u>

Business-type Activities

Fiscal Year	Principal	Interest
2012	\$ 16,854	\$ 18,437
2013	3,737	17,507
2014	65,494	15,788
2015	18,590	14,044
2016	13,692	13,627
2017-2021	246,224	37,009
2022-2026	38,918	3,515
Total	<u>\$ 403,509</u>	<u>\$ 119,927</u>

STATE OF NORTH DAKOTA

Major Component Units

Fiscal Year	Principal	Interest
2012	\$ 7,906	\$ 829
2013	1,902	463
2014	3,163	300
2015	1,469	235
2016	1,936	183
2017-2021	5,200	359
Total	<u>\$ 21,576</u>	<u>\$ 2,369</u>

Changes in General Long-Term Liabilities

Changes in Long-Term Liabilities for the year ended June 30, 2011, are summarized as follows (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Notes Payable	\$ 19,493	\$ -	\$ (10,930)	\$ 8,563	\$ 1,135
Bonds Payable	232,101	7,977	(20,857)	219,221	17,008
Capital Leases Payable	2,842	1,373	(1,251)	2,964	1,157
Intergovernmental Payable	144	27	(57)	114	114
Compensated Absences	39,268	26,573	(25,127)	40,714	2,141
Claims/Judgments Payable	6,575	6,859	(5,349)	8,085	2,686
Total Long-Term Liabilities	<u>\$ 300,423</u>	<u>\$ 42,809</u>	<u>\$ (63,571)</u>	<u>\$ 279,661</u>	<u>\$ 24,241</u>
Business-Type Activities:					
Short-Term Notes Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Notes Payable	412,095	15,000	(23,586)	403,509	16,854
Bonds Payable	1,301,368	125,399	(232,951)	1,193,816	92,942 *
Capital Leases Payable	72,461	17,933	(14,745)	75,649	5,429 *
Intergovernmental Payable	9,286	16,272	(13,342)	12,216	1,226
Compensated Absences	31,580	4,039	(2,252)	33,367	3,560
Dividends Payable	76,500	108,006	(82,506)	102,000	102,000
Claims/Judgments Payable	773,691	177,456	(133,787)	817,360	103,911
Total Long-Term Liabilities	<u>\$ 2,676,981</u>	<u>\$ 464,105</u>	<u>\$ (503,169)</u>	<u>\$ 2,637,917</u>	<u>\$ 325,922</u>
Major Component Units:					
Notes Payable	\$ 17,818	\$ 7,163	\$ (3,405)	\$ 21,576	\$ 7,906
Bonds Payable	245,197	30,030	(27,282)	247,945	30,911
Capital Leases Payable	2,020	133	(49)	2,104	153
Intergovernmental Payable	943	120	(98)	965	223
Total Long-Term Liabilities	<u>\$ 265,978</u>	<u>\$ 37,446</u>	<u>\$ (30,834)</u>	<u>\$ 272,590</u>	<u>\$ 39,193</u>

*Bonds Payable and Capital Leases Payable includes \$22,882,977 and \$36,918,809 respectively, classified as Due to Component Units in the Statement of Net Assets for the University System. Of the above amounts, \$951,500 and \$1,589,243 are shown as current.

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

STATE OF NORTH DAKOTA

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, \$1,821,779 of internal service fund compensated absences and \$6,602,121 of claims and judgments are included in the above amounts. Other governmental activities compensated absences generally have been liquidated by the General Fund (51%), the Highway Fund (16%), the Federal Fund (22%), and other various funds. Other governmental activities claims and judgments have all been liquidated by the Petroleum Release Compensation Fund.

3. DEFEASED DEBT

Primary Government

Building Authority

On December 28, 2010, the Authority issued \$4,910,000 Facilities Improvement Bonds, 2010B. Part of the proceeds of the issue was for an advance refunding of a portion of the 2002 Series A. Proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$300,000. 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 twelve years by \$509,000 and resulted in an economic gain of \$317,000. As of June 30, 2011, there were bonds of \$4,195,000 outstanding.

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, 2011, of the original bonds refunded by the advance refunding total \$125,000.

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, 2011, of the original bonds refunded is \$90,000.

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, 2010, \$11,005,000 of bonds outstanding is considered defeased, and the liability has been removed from the balance sheet.

L. ARBITRAGE REBATE PAYABLE

Arbitrage as it applies to government financing refers to the ability of state governments to obtain funds at a tax-exempt rate of interest and to then invest those funds in investments which earn a higher yield, resulting in a profit to the issuer.

The arbitrage rebate rules require that any earnings from the investment of the tax-exempt bond proceeds which exceed the yield on the bonds be remitted to the federal government.

The State has an arbitrage rebate payable to the federal government of approximately \$1,695,000 at June 30, 2011. These amounts are reported in the Government-wide and Proprietary Fund Type financial statements as an intergovernmental payable.

NOTE 4 – NET ASSETS

The government-wide statement of net assets reports \$2,470,400,337 of restricted net assets, of which \$427,926,438 is restricted by enabling legislation.

STATE OF NORTH DAKOTA

NOTE 5 – Major Purpose Presentation

Fund Balances Classifications and Special Revenue by Purpose – The Governmental Accounting Standards Board, in Statement No. 54, requires presentation of governmental fund balances and special revenue fund revenues by specific purpose. In the basic financial statements, the fund balance classifications are presented in the aggregate. The tables presented below further display the fund balances by major purpose.

Federal Special Revenue Fund by Source

	General Government	Education	Health & Human Services	Regulatory
Intergovernmental	\$ 24,271,059	\$ 164,090,837	\$ 848,788,551	\$ 3,558,404
Sales and Services	-	7,180	967,552	-
Royalties and Rents	-	-	(324)	-
Interest and Investment Income	48,391	-	127	-
Miscellaneous	-	77,706	579,530	470
Transfers In	-	-	27,396	-
Total State Special Revenue	<u>\$ 24,319,450</u>	<u>\$ 164,175,723</u>	<u>\$ 850,362,832</u>	<u>\$ 3,558,874</u>

State Special Revenue Fund by Source

	General Government	Education	Health & Human Services	Regulatory
Individual and Corporate Income Taxes	\$ 10,200,891	\$ -	\$ -	\$ -
Sales and Use Taxes	146,492,699	-	-	-
Oil, Gas, and Coal Taxes	910,203,107	49,391,903	-	-
Business and Other Taxes	20,407,215	-	-	3,819,101
Licenses, Permits and Fees	(44,886,599)	4,099,594	2,490,100	7,976,150
Intergovernmental	5,846,924	2,000	4,714,958	9,274
Sales and Services	3,298,522	2,315,191	27,706,311	3,661,404
Royalties and Rents	135,300,225	172,948,883	332,180	-
Fines and Forfeits	3,603,433	8,744,878	60,000	169,730
Interest and Investment Income	3,034,838	242,753,247	742,281	695,478
Tobacco Settlement	-	8,821,831	12,809,983	-
Commodity Assessments	-	-	-	-
Miscellaneous	563,890	376,292	1,103,837	65,037
Transfers In	817,195	-	18,668,829	223,027
Total State Special Revenue	<u>\$ 1,194,882,340</u>	<u>\$ 489,453,819</u>	<u>\$ 68,628,479</u>	<u>\$ 16,619,201</u>

STATE OF NORTH DAKOTA

Public Safety & Corrections	Agriculture & Commerce	Natural Resources	Transportation	Total
\$ 104,549,247	\$ 45,361,513	\$ 27,883,683	\$ 369,733,659	\$ 1,588,236,953
45,104	-	-	-	1,019,836
5,618	-	-	-	5,294
33	-	-	1,333	49,884
804,803	5,597	14,918	-	1,483,024
8,771	171,481	2,841,574	(2,476,194)	573,028
<u>\$ 105,413,576</u>	<u>\$ 45,538,591</u>	<u>\$ 30,740,175</u>	<u>\$ 367,258,798</u>	<u>\$ 1,591,368,019</u>

Public Safety & Corrections	Agriculture & Commerce	Natural Resources	Transportation	Total
\$ -	\$ -	\$ -	\$ -	\$ 10,200,891
1,169,684	2,132,498	3,317	128,740,845	278,539,043
-	1,621,526	-	-	961,216,536
-	678,312	-	-	24,904,628
12,071,091	2,304,403	15,553,640	138,776,915	138,385,294
903,275	15,000	3,023,739	1,271,751	15,786,921
714,041	3,095,599	3,192,587	1,065,596	45,049,251
175,051	7,500	62,079	106,112	308,932,030
175,709	1,045	25,196	-	12,779,991
103,606	612,154	342,810	639,601	248,924,015
-	-	8,821,829	-	30,453,643
-	23,111,279	-	-	23,111,279
74,359	1,155,981	290,219	667,788	4,297,403
4,034,684	3,313,899	2,452,266	1,575,396	31,085,296
<u>\$ 19,421,500</u>	<u>\$ 38,049,196</u>	<u>\$ 33,767,682</u>	<u>\$ 272,844,004</u>	<u>\$ 2,133,666,221</u>

STATE OF NORTH DAKOTA

Governmental Fund Balance By Function

	General	Special Revenue		Nonmajor Governmental Funds	Total
		Federal	State		
Fund Balances:					
Nonspendable					
Inventory	\$ 2,832,109	\$ 8,593,736	\$ 7,281,925	\$ -	\$ 18,707,770
Long – Term Receivables	199,913	-	-	-	199,913
Prepaid Expenditures	1,596,018	1,147,148	1,510,665	-	4,253,831
Permanent Trust Fund	-	-	-	63,224,476	63,224,476
Total Nonspendable	<u>4,628,040</u>	<u>9,740,884</u>	<u>8,792,590</u>	<u>63,224,476</u>	<u>86,385,990</u>
Restricted					
General Government	-	-	(339,215,140)	-	(339,215,140)
Education	-	-	1,725,113,816	-	1,725,113,816
Health & Human Services	-	-	(57,651,378)	-	(57,651,378)
Regulatory	-	-	(17,771,393)	13,205,000	(4,566,393)
Public Safety & Corrections	-	-	(65,461,680)	-	(65,461,680)
Agriculture & Commerce	-	-	26,686,812	-	26,686,812
Natural Resources	-	-	40,691,706	10,755,715	51,447,421
Transportation	-	-	1,035,425,170	38,502	1,035,463,672
Total Restricted	<u>-</u>	<u>-</u>	<u>2,347,817,913</u>	<u>23,999,217</u>	<u>2,371,817,130</u>
Committed					
General Government	624,961,621	-	812,276,004	225,091	1,437,462,716
Education	(3,731,559)	-	6,438,515	-	2,706,956
Health & Human Services	-	-	(9,743,953)	-	(9,743,953)
Regulatory	3,355,358	-	6,261,495	-	9,616,853
Public Safety & Corrections	34,714,567	-	44,024,241	-	78,738,808
Agriculture & Commerce	23,368,315	-	41,814,185	-	65,182,500
Natural Resources	28,585	-	38,633,834	-	38,662,419
Transportation	-	-	115,082,961	-	115,082,961
Total Committed	<u>682,696,887</u>	<u>-</u>	<u>1,054,787,282</u>	<u>225,091</u>	<u>1,737,709,260</u>
Assigned					
General Government	-	-	82,876,713	-	82,876,713
Education	-	-	1,389,040	-	1,389,040
Health & Human Services	-	-	31,845,933	-	31,845,933
Regulatory	-	-	1,394,109	-	1,394,109
Public Safety & Corrections	-	-	5,015,596	-	5,015,596
Agriculture & Commerce	-	-	853,717	-	853,717
Natural Resources	-	-	676,991	-	676,991
Total Assigned	<u>-</u>	<u>-</u>	<u>124,052,099</u>	<u>-</u>	<u>124,052,099</u>
Unassigned	712,046,495	(3,205,875)	-	-	708,840,620
Total Fund Balances	<u>\$ 1,399,371,422</u>	<u>\$ 6,535,009</u>	<u>\$ 3,535,449,884</u>	<u>\$ 87,448,784</u>	<u>\$ 5,028,805,099</u>

STATE OF NORTH DAKOTA

NOTE 6 – RETIREMENT SYSTEMS

A. DESCRIPTION OF PLANS

The State of North Dakota administers four major retirement systems: North Dakota Public Employees' Retirement System, North Dakota Highway Patrolmen's Retirement System, Retirement Plan for the Employees of Job Service North Dakota and the Teachers' Fund for Retirement. The State also administers the North Dakota Defined Contribution Retirement Plan, which was established January 1, 2000. These retirement systems have implemented Governmental Accounting Standards Boards Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and Statement No. 27, Accounting for Pensions by State and Local Governmental Employers. Certain state employees may also participate in a privately administered retirement system: Teachers' Insurance Annuity Association. The following is a brief description of each plan. More detailed information can be found in the plan agreements and the related legislation.

NORTH DAKOTA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

The North Dakota Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan covering substantially all employees of the State of North Dakota, its agencies, and various participating political subdivisions (Main System). It also covers Supreme and district court judges, the National Guard Security Officers and Firefighters, and as of August 1, 2003, peace officers and correctional officers employed by political subdivisions. It is not subject to the provisions of the Employee Retirement Security Act of 1974. PERS issues a publicly available financial report that may be obtained by writing to North Dakota Public Employees Retirement System, 400 East Broadway, Suite 505, Bismarck, North Dakota 58501.

At June 30, 2011, the number of participating local political subdivisions in PERS was:

Cities and Park Districts	81
Counties	49
School Districts	114
Other	70
Total Participating Local Political Subdivisions	314

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 five or more years of service for the Supreme and district court judges. The monthly pension benefit for Supreme and district court judges at normal retirement age (65) or the rule of 85 is equal to a percentage of average monthly salary using the highest 36 consecutive months out of the last 120 months of service. The percentage is equal to 3.5% of final average monthly salary multiplied by the first 10 years of service, plus 2.80% of final average monthly salary times the second 10 years of service, plus 1.25% of final average monthly salary times years of service in excess of 20 years. The judicial retirement formula is only applied to eligible judicial service. Non-judicial service benefits are calculated using the 2.00% multiplier. The monthly pension benefit for National Guard at normal retirement age (55), and Law Enforcement, normal retirement age (55) or the rule of 85, is equal to 2.00 percent of their average monthly salary, using the highest 36 months out of the last 120

STATE OF NORTH DAKOTA

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.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members 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 members' accumulated contributions plus interest.

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.

STATE OF NORTH DAKOTA

REFUNDS OF MEMBER CONTRIBUTIONS

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

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

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

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

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

The plan provides retirement, disability and death benefits. If the death of a participant occurs prior to their annuity starting date, the surviving spouse who has been married at least two years prior to the participant's death or, if married less than two years is a parent of a child of this marriage, then the spouse shall receive monthly benefits. The amount is the greater of the benefit had the participant retired on the day before they died and elected the Contingent Annuity Option with 55% of their retirement benefit continued to their spouse or 55% of the smaller of 40% of the deceased participant's average monthly earnings or the deceased participant's normal retirement benefit obtained by increasing their credited service by the period of time between their date of death, and the date they would have attained age 60. Upon remarriage of the surviving spouse before age 60, the death benefit will cease.

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

Benefits are established through the plan document, as amended. The System provides a post-retirement cost-of living adjustment each year based on the Consumer Price Index. 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 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.

At June 30, 2011, the number of participating employer units in TFFR was:

STATE OF NORTH DAKOTA

Type	Number
Special Education Units	21
Vocational Education Units	5
Public School Districts	181
County Superintendents	9
Other	10
Total	226

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). (Note: Legislation approved in 2011 will modify pension eligibility requirements for certain non-grandfathered Tier 1 member and Tier 2 members effective July 1, 2013.)

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.

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.

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. (Note: Legislation approved in 2011 will modify disability eligibility requirements and benefit calculations effective July 1, 2013.)

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 8.75% of the teacher's salary. Member contributions will increase to 9.75% on July 1, 2012 and 11.75% on July 1, 2014. Employer contributions will increase to 10.75% on July 1, 201 and 12.75% on July 1, 2014. Member and employer contributions will be reduced to 7.75% each when 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 70½. 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

	PERS	NDHPRS	JSND	TFFR
Retirees and Beneficiaries				
Currently Receiving Benefits:	7,821	115	213	6,933
Special Prior Service Retirees:	14	-	-	-
Terminated Employees:				
Vested	3,558	5	4	1,463
Nonvested	3,138	4	-	407
Total Terminated Employees	6,696	9	4	1,870
Active Employees:				
Vested	15,478	65	23	8,013
Nonvested	5,217	68	-	1,991
Total Active Employees	20,695	133	23	10,004
Date of Annual Valuation	July 1, 2011	July 1, 2011	July 1, 2011	July 1, 2011

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, 2011	July 1, 2011	July 1, 2011
Actuarial Cost Method	Entry Age Normal	Aggregate Cost**	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 14.75%
Includes inflation at	3.5%	5.0%	3.0%
Post retirement cost-of-living adjustment	None	5.0%	None

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

** As of July 1, 2011, the actuarial value of assets exceeds the present value of projected benefits; therefore, the unfunded actuarial accrued liability is currently zero. The aggregate cost method does not identify or separately amortize unfunded liabilities, therefore, information about funded status and funding progress is presented using the entry age actuarial cost method and information presented is intended to serve as a surrogate for the funded status and funding progress of the plan.

*** The ARC is defined as the contribution rate required to pay the employer normal cost and to amortize the unfunded actuarial accrued liability over a 30-year period as a level percentage of payroll, but not less than the statutory contribution rate.

STATE OF NORTH DAKOTA

Schedule Of Funding Progress (Dollars In Millions)

Actuarial Valuation Date	Actuarial Value Of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (Funded Excess)	Funded Ratio	Annual Covered Payroll	UAAL (Funded Excess) As A Percentage Of Annual Covered Payroll
PERS						
July 1, 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%
July 1, 2010	1,621.7	2,208.4	586.7	73.4%	769.7	76.2%
July 1, 2011	1,650.4	2,339.8	689.4	70.5%	804.2	85.7%
NDHPRS						
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%
July 1, 2010	49.3	61.8	12.5	79.8%	7.7	161.0%
July 1, 2011	49.5	67.1	17.6	73.7%	8.0	220.0%
JSND						
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%
July 1, 2010	73.5	70.1	(3.4)	104.8%	1.6	0.0%
July 1, 2011	74.1	67.4	(6.7)	110.0%	1.2	0.0%
TFFR						
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	1,900.3	2,445.9	545.6	77.7%	440.0	124.0%
July 1, 2010	1,824.0	2,637.2	795.2	69.8%	465.0	171.0%
July 1, 2011	1,822.6	2,749.8	927.2	66.3%	488.8	189.7%

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

D. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

Employer contribution rates for PERS and NDHPRS are set by state statute using the entry age normal actuarial cost method. This method produces an employer contribution rate consisting of (1) an amount for normal cost, (2) an amount for amortization of the unfunded accrued liability over a period of 20 years for PERS and NDHPRS, and (3) the amount necessary to provide for operating expenses. Contribution rates for the Job Service Retirement Plan are established in the plan document, as amended, actuarially determined using the aggregate cost method.

In 2011, the Legislative Assembly passed an increase in the employee and employer contribution rates for the PERS, Judges, Law Enforcement, Highway Patrol and Defined Contribution plans. Effective January 2012, the employee

STATE OF NORTH DAKOTA

contribution rate will be increased by 1% and the employer contribution rate will be increased by 1%. Effective January 2013, both the employee and employer contribution rates will be increased by an additional 1%.

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 8.75 percent of the teacher's salary, until the fund reaches 90% funded ratio on an actuarial basis. Employer and member contributions will be reset to 7.75% once the Fund reaches a 90% funded ratio, measured using the actuarial value of assets.

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

Schedule of Employer Contributions

	Annual Required Contribution	Percentage Contributed
PERS		
2009	\$ 40,327,067	69.0%
2010	54,157,866	56.0%
2011	82,909,840	39.0%
TFFR		
2009	\$ 41,986,174	89.3%
2010	52,053,217	76.5%
2011	65,112,696	68.4%

For NDHPRS and JSND, sole employer plans, the following schedule represents the annual pension costs and net pension obligations for the year ended June 30, 2011:

	NDHPRS	JSND
Annual required contributions	\$ 1,744,270	\$ -
Interest on net pension obligations	(57,723)	(122,716)
Adjustment to annual required contributions	50,357	128,875
Annual pension costs	1,736,904	6,159
Contributions made	1,285,699	-
Increase in net pension obligations	451,205	6,159
Net pension obligations, beginning of year	(721,539)	(1,636,217)
(Assets in excess of) net pension obligations, end of year	\$ (270,334)	\$ (1,630,058)

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			
2009	\$ 1,025,737	109%	\$ (829,104)
2010	1,312,591	91%	(721,539)
2011	1,744,270	74%	(270,334)
JSND			
2009	\$ 6,205	0%	\$ (1,642,398)
2010	6,181	0%	(1,636,217)
2011	6,159	0%	(1,630,058)

STATE OF NORTH DAKOTA

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 287 participants as of June 30, 2011.

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 \$673,943 and \$654,386 respectively, for the fiscal year ended June 30, 2011.

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 \$28,862,608 to TIAA-CREF during the fiscal year ending June 30, 2011.

NOTE 7 - POST-RETIREMENT BENEFITS

The Retiree Health Insurance Credit Fund, a cost-sharing multiple-employer plan, is administered by the North Dakota Retirement Board (the Board) to provide members receiving retirement benefits from the Public Employees Retirement System (which includes judges retired under NDCC 27-17), and the Highway Patrolmen's Retirement System a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

The employer contribution for the Public Employees Retirement System, the Highway Patrolmen's

STATE OF NORTH DAKOTA

Retirement System, and the Defined Contribution Retirement Plan is set by state statute on an actuarially determined basis at 1.14 percent of covered compensation. The employer contribution for non-teaching employees of the Office of the Superintendent of Public Instruction is 3.24 percent of covered compensation beginning in the month following the transfer under chapter 54-52-02.13 of the North Dakota Century Code and continuing thereafter for a period of eight years. The employer contribution for employees of the State Board of Career and Technical Education is 2.99 percent of covered compensation beginning in the month following the transfer under NDCC 54-52-02.14 and continuing thereafter for a period of eight years. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14 percent of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund.

Retiree health benefits are set by state statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the Public Employees Retirement System (which includes judges retired under NDCC 27-17), the Highway Patrolmen's Retirement System, or the Defined Contribution Retirement Plan, are eligible to receive credit toward their monthly health insurance premium under the state health plan. The benefits are equal to \$5.00 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 \$5.00 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, 2011. 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 RP-2000 Combined Healthy Mortality, (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 \$97,000 per year. Plan assets are valued, for actuarial purposes, using a five-year smoothed market method.

The following are the changes in actuarial assumptions, asset method and plan experience and the effect on the employee's contribution rates expressed as a percent of covered payroll, and the dollar effect on the actuarial accrued liability:

	As a Percentage of Covered Payroll	Dollar Effect
Net effect of changes in actuarial assumptions	0.00%	\$ -
Changes in plan experience during the year	0.01%	82,897
	0.01%	\$ 82,897

Employer contributions totaling \$8,929,903 were made for the year ended June 30, 2011. The actuarially required employer contribution of \$7,053,215 for the year ended June 30, 2011, is 0.85 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, 2011, the cost of benefits incurred for the fund was \$5,789,371.

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:

STATE OF NORTH DAKOTA

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, 2009	\$ 44.8	\$ 102.2	\$ 57.4	43.9%	\$ 719.8	8.0%
June 30, 2010	48.7	102.8	54.1	47.4%	793.6	6.8%
June 30, 2011	53.7	108.3	54.6	49.6%	828.9	6.6%

Employee membership is as follows:

Retirees receiving benefit	4,242
Active participants	21,062
Total Membership	<u>25,304</u>

The fair value of the net assets available for benefits at June 30, 2011, is \$58,737,636.

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 2011-13 biennium will continue in the future. In the event the legislature does not fund the subsidy beyond the current biennium, the coverage would discontinue and the unfunded actuarial accrued

liability displayed in the table below for the retiree health implicit subsidy would be reduced to zero.

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 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; health care cost trends of 9.5% 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
2009	\$ -	\$ 53.7	\$ 53.7	0.0%

STATE OF NORTH DAKOTA

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, 2011. The actuary determined the obligation the agency has to record as of June 30, 2011 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 \$5.00 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 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. Job Service has authority to change the funding and benefit policy of this plan.

Membership of the Other Post Retirement Benefit plans consisted of the following at July 1, 2010, the date of the latest actuarial valuation:

	Retiree Health Benefits Fund	Met Life Insurance Benefit
Retirees and beneficiaries currently receiving benefits	209	177
Terminated employees entitled to benefits but not yet receiving them	4	-
Current vested employees	32	56
Total	<u>245</u>	<u>233</u>

The funding policy of the plans thru June 30, 2011 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 Segal Company.

Valuation Date	June 30, 2010
Actuarial Cost Method	Projected Unit Credit
Amortization Method	30-Year Amortization Open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
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:

STATE OF NORTH DAKOTA

	Retiree Health Benefits Fund	Insurance Benefit	Total
Annual required contributions	\$ 251,756	\$ 104,761	\$ 356,517
Interest on OPEB obligation	6,810	2,837	9,647
Adjustment to annual required contributions	(8,780)	(4,118)	(12,898)
Annual OPEB costs	249,786	103,480	353,266
Contributions made	240,307	50,669	290,976
Increase in net OPEB obligation	9,479	52,811	62,290
Net OPEB obligations, beginning of year	146,949	137,194	284,143
Net OPEB obligations, end of year	\$ 156,428	\$ 190,005	\$ 346,433

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
2009	\$ 282,723	\$ 93,786	\$ 212,698	\$ 51,055	\$ 112,756	70.1%
2010	249,460	103,806	232,784	50,725	69,757	80.3%
2011	249,460	103,806	240,307	50,669	62,290	82.4%

Funded Status and Funding Progress – As of July 1, 2010 the most recent actuarial valuation date, the plans were unfunded. The actuarial liability for benefits was \$5,482,756, and the actuarial value of assets was \$0.00 resulting in an unfunded actuarial accrued liability (UAAL) of \$5,482,756. The covered payroll (annual payroll of active employees covered by the plans) was \$3,199,800 and the ratio of the UAAL to the covered payroll was 171.34 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.

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

NOTE 8 - DEFERRED COMPENSATION PLAN

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

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

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

Plan Participation By:	
State of North Dakota	\$ 32,620
Other Jurisdictions	4,715
Total Value	\$ 37,335

NOTE 9 - PERS UNIFORM GROUP INSURANCE PROGRAM

The PERS Uniform Group Insurance Program, an enterprise fund, contracts with Blue Cross Blue Shield of North Dakota (BCBS) to provide health care insurance to the employees of the State of North Dakota, or any of its political subdivisions, institutions, departments or agencies. The contract provides for an accounting of

STATE OF NORTH DAKOTA

premiums paid and claims incurred during the biennium. The contract for the 2007-09 biennium provides for an accounting of premiums paid and claims incurred during the biennium, with a gain sharing provision, with the final accounting taking place two years after the end of the biennium. The final accounting for the 2007-09 biennium occurred on June 30, 2011. Claims exceeded premiums, therefore, there was no surplus returned to the State. The State has entered into a similar contract with BCBS for the 2009-11 biennium. The final accounting for this biennium will occur on June 30, 2013. The accumulated surplus and other invested funds in the amount of \$5.9 million are shown as cash on the State's financial statements. These funds are being held by BCBS.

The federal health care reform bill provides for a pre-Medicare retiree reinsurance provision for employer plans that will reimburse employers by providing reinsurance for 80% of retiree claims between \$15,000 and \$90,000. This program became effective on June 1, 2010, and employer eligibility is determined from an application submitted by the employer to the Department of Health and Human Services. The program requires that the funds be used to (1) reduce the sponsor's health benefit premiums or health benefits costs, (2) reduce health benefit premium contributions, copayment,

deductibles, coinsurance, or other out-of-pocket costs, or any combination of these costs, for plan participants, or (3) reduce any combination of the costs in (1) and (2). The System Board determined that any reimbursements received under this program be used to help reduce health care costs for members of the Uniform Group Insurance Program. The System submitted an application and determined to be an eligible employer. The State received a reimbursement of \$1.7 million during the fiscal year which is included in Cash on the State's financial statements.

NOTE 10 - SEGMENT INFORMATION

North Dakota Housing Finance Agency maintains two separate funds which account for general agency operations and provide loans to finance construction of rental residential housing and single-family ownership. The two funds are accounted for in a single fund, but investors in home ownership bonds rely solely on the revenue generated by the mortgage loans and assets acquired for repayment. Segment information for the year ended June 30, 2011, was as follows (expressed in thousands):

	Home-Ownership Bond Funds
Condensed Statement of Net Assets	
Current assets – other	\$ 220,648
Noncurrent assets – other	898,179
Total Assets	1,118,827
Current liabilities – other	105,733
Noncurrent liabilities – other	898,427
Total Liabilities	1,004,160
Net assets – restricted	114,667
Total Net Assets	\$ 114,667
Condensed Statement of Revenues, Expenses and Change in Fund Net Assets	
Operating revenues	\$ 50,757
Operating expenses	44,076
Operating income	6,681
Change in net assets	
Total net assets, beginning of year	99,937
Equity transfer in	8,049
Total net assets, end of year	\$ 114,667
Condensed Statement of Cash Flows	
Net cash from operating activities	\$ 83,192
Net cash used for noncapital financing activities	(136,297)
Net change in cash and cash equivalents	(53,105)
Cash and cash equivalents, beginning of year	250,606
Cash and cash equivalents, end of year	197,501

STATE OF NORTH DAKOTA

NOTE 11 - MAJOR COMPONENT UNIT TRANSACTIONS

NORTH DAKOTA DEVELOPMENT FUND

In 2010, the State appropriated funds to the North Dakota Development Fund to develop a child care loan program for the purpose of providing loans to new and expanding child care facilities within the State of North Dakota. The program was extended in the last legislative session through June 30, 2013, at which time it expires. On that date, the appropriation amount is set to be returned to the State. As of June 30, 2011, \$1,250,000 is due back to the State.

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

From July 1, 2010, through December 31, 2010, DSU provided one-half of the salary of foundation employees and other services to the foundation at no charge, as in-kind reimbursement for services provided by the foundation, including postage, utilities and buildings and ground services. For the year ended June 30, 2011, DSU has valued these services at approximately \$96,631.

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 20th. The payments in 2011 will

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 re-priced every six months and has payments each January and July. 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.

On January 25, 2007, the city of Fargo, on behalf of the NDSU Research & Technology Park, issued \$4,735,000 of Series 2007A (Research 1) and \$18,100,000 of Series 2007B (Research 2) Lease Revenue Refunding Bonds. These bonds are used to advance refund the callable maturities of both the Series 2000 (Research 1) and Series 2002 (Research 2) bonds and to pay the costs of issuance (including the insurance premium for the insurance policy and the reserve fund surety bond) relating to bonds for both Series A and 2B bonds. For the Series 2000 bonds, there is a principal amount of \$4,365,000 of callable maturities on October 1 in years 2011 through 2021. For the Series 2002 bonds, there is a principal amount of \$17,215,000 of callable maturities on October 1 in years 2013 through 2032. On the original bonds refunded, the principal amounts outstanding as of June 30, 2011, are as follows: Series 2000 bonds \$4,365,000 and Series 2002 bonds \$17,730,000.

The audited financial statements of RTP for fiscal year 2011 report these transactions as an operating lease and report the related capital assets and related debt as assets and debt of RTP.

NDSU and RTP have entered into an operating agreement, whereby NDSU leases Research Building #1

STATE OF NORTH DAKOTA

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 2011 were approximately \$2.3 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 \$4.355 million debt service retirement plus necessary insurance and taxes incurred by the Development Foundation. NDSU paid the Development Foundation \$385,941 in fiscal year 2011 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 \$3,245,000 as of June 30, 2011. 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 2011 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 \$2,498,866 as of June 30, 2011. 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.

RENAISSANCE HALL

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. The Development Foundation transferred nearly the entire ownership of the building to 650 NP Avenue, LLC and Kilbourne Design Group, LLC, for a five-year period in order to achieve tax credits that would ultimately reduce the cost of the building to NDSU. During the five-year tax credit period, NDSU leased the building from the two LLCs, with lease payments composed of interest and fees. With the five-year tax credit period ending December 31, 2010 (as extended), and the ownership was transferred back to the Development Foundation, permanent financing was put in place on December 17, 2010, with the issuance of \$5,650,000 of 20-year University Facilities Revenue bonds, Series 2010 (Renaissance Hall Project). The financing structure involving the five-year temporary ownership transfer resulted in achieving tax credits of \$4.9 million which directly lowered the leasing cost to NDSU.

Under this refinanced debt issuance and lease agreement, as approved by the State Board of Higher Education on December 16, 2010, the property is leased to NDSU for rent equal to the semi-annual principal and interest on the bonds, plus all costs incurred by the Development Foundation incident to ownership of the property. Ownership of the property will transfer the NDSU when the bonds are repaid in full. As of June 30, 2011, the outstanding balance on the bonds, reflected as "Due to Component Units" by NDSU, is \$5,580,000.

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. During fiscal year 2011, NDSU made \$322,919 of debt service to the NDSU Development Foundation on the aircraft lease. 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

STATE OF NORTH DAKOTA

balances in the component unit consolidating financial statements to show the appropriate due from primary institution.

BARRY HALL BUSINESS BUILDING AND KLAH HALL ARCHITECTURE BUILDING

Effective November 28, 2007, NDSU and the NDSU Development Foundation entered into a lease agreements for two buildings in downtown Fargo, formerly known as the "Pioneer Mutual Building" and "Lincoln Mutual Building". The Foundation financed the construction of the Barry Hall business building and Klai Hall architecture building projects through the sale of \$18.52 million of 20-year University Facilities Revenue Bonds issue by the City of Fargo, North Dakota. The City has loaned the bond proceeds to the Foundation for payments equal to the sum of the semi-annual interest payments and installments of varying principal amounts on the variable rate bonds and the semi-annual principal and interest payment on the fixed-rate bonds. The principal payments on the variable rate bonds will be funded from payments on donor pledges restricted for the project. Under the terms of the loan, the Foundation is responsible for the real estate taxes, insurance, repairs and maintenance, and other costs incident to ownership of the property. The property is included with property in the financial statements and the bonds have been recorded as a direct obligation of the Foundation. Ownership of the property will transfer to NDSU when the bonds are repaid in full. The bonds are guaranteed by the Foundation. This property is leased to NDSU for rental equal to the sum of the semi-annual interest only payments on the variable term bonds plus the semi-annual principal and interest payments on the fixed-rate bonds for the term of the bonds, plus all the costs incurred by the Foundation incident to ownership of the property. During fiscal year 2011, NDSU paid \$766,171 to the NDSU Development Foundation under the leases for debt service, property taxes and insurance on Barry Hall and Klai Hall. NDSU has an option to acquire the property upon full payment of the bonds. The bonds payable have a balance of \$10,702,977 at June 30, 2011.

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 \$855,274 at June 30, 2011. During fiscal year 2010, the President's House was capitalized on NDSU's books for the sum of the Foundation & NDSU costs, plus the donated services (\$2,605,983).

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 2011 were \$522,725. 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 \$19.0 million in fiscal year 2011. This operating agreement has no specific term and is intended to memorialize various operating agreements, rate structures, duties, and obligations each party has to the other. UND reimbursed the foundation for air service and hangar, CRJ, 360-degree tower, and aircraft rental of \$1.1 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, 2011, the Foundation has recorded accounts payable to UND of \$726,108 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 know as the Ralph Engelstad 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

STATE OF NORTH DAKOTA

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. received approximately \$1,953,805 in fiscal year 2011 in ticket revenue and \$352,970 in sponsorship revenue from UND athletic events. Additionally, under the agreement, to the extent funds are available, RE Arena, Inc. and UND determine an amount to fund a reserve for extraordinary repairs, maintenance, and building improvements. The amount reserved in fiscal year 2011 was \$700,000. On an annual basis, RE Arena, Inc. will remit to UND its net income after adding back depreciation and amortization, and deducting the funded reserve, capital expenditure, additional principal reduction on Betty Engelstad Sioux Center debt and an amount mutually agreed to be retained by RE Arena Inc. for the fiscal year. RE Arena, Inc. paid UND \$500,000 under this agreement in fiscal year 2011.

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, 2011, RE Arena, Inc. has a payable to UND of \$244,919 for these expenditures.

UNIVERSITY OF NORTH DAKOTA AND UNIVERSITY OF NORTH DAKOTA FOUNDATION

The University of North Dakota Foundation issued, 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. The interest rate is fixed at 4.15 percent until 2018. Principal balance outstanding at June 30, 2011, is \$3,224,472. Payments of \$136,000 are required semi-annually through 2018. 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, 2011.

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 5.13 percent and mature in 2027. The lease revenue bond has a balance of \$6,600,000 at June 30, 2011. 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 was \$1,300,000. The bonds had an original maturity date of 2038 but were repaid in fiscal year 2011 and there was no outstanding balance at June 30, 2011.

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 \$744,612 at June 30, 2011.

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. At June 30, 2011, the Foundation estimated the fair rental value reflected in the audited financial statements at \$129,000.

NORTH DAKOTA STATE UNIVERSITY AND NORTH DAKOTA STATE UNIVERSITY RESEARCH FOUNDATION

Revenues from research fees & royalties received from patents and other intellectual property or know-how are first used to cover expenses incurred in patenting, licensing, collection, and other expenses related to technology. After these expenses have been paid, the net research fee (royalty) income is divided so that at least 30% of the net proceeds will be paid to those responsible for the invention, and 70% is distributed by negotiation between the department, college, and the Foundation. The portion distributable to an NDSU department is credited to a liability account called Distributable Managed Funds and recognized as an expense at the Foundation. NDSU reports an offsetting revenue and receivable (Due from Component Units) in its financial statements. A summary of the fiscal 2011 activity in the Distributable Managed Funds liability account at the Foundation is as follows: Beginning balance of \$1,785,957, plus royalties transferred of \$788,735, less royalties distributed to NDSU Departments of \$255,487 and other payments on account to NDSU Departments of \$182,000, leaving an ending balance of \$2,137,205.

STATE OF NORTH DAKOTA

VALLEY CITY STATE UNIVERSITY AND VALLEY CITY STATE UNIVERSITY FOUNDATION

The foundation has a Memorandum of Agreement with VCSU for administrative services. Under this agreement, the foundation paid VCSU approximately \$91,081 during fiscal year 2011.

NOTE 12 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

BANK OF NORTH DAKOTA

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

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

	Contract Amount (in thousands)
Commitments to extend credit	\$ 497,044
Financial standby letters of credit	360,878
	<u>\$ 857,922</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 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. The State generally holds collateral supporting those commitments it deemed necessary.

Financial standby letters of credit include letters of credit pledged for public deposits by North Dakota banks for \$257,270,000 at December 31, 2010. These letters of credit are an authorized form of collateral for public deposits per NDCC 21-04-09.

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 \$1,818,400 at December 31, 2010.

NORTH DAKOTA HOUSING FINANCE AGENCY

In the normal course of business, the Agency makes various commitments that are not reflected in the financial statements. These include commitments to extend credit and the debt reduction required when related loan acquisition funds are not drawn down within prescribed time frames set by the specific bond resolution.

Commitments to extend credit are agreements to fund loans as long as there is no violation of any condition established in the contracts. Commitments require the payment of a reservation fee and generally have a fixed expiration date. Commitments to extend credit total \$35,225,000 at June 30, 2011. 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 \$164,000 at June 30, 2011.

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 \$90,389,000 at December 31, 2010.

NOTE 13 - INTEREST RATE SWAP

NORTH DAKOTA HOUSING FINANCE AGENCY

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, the Agency entered into several cash flow hedges or swaps in connection with various variable-rate housing bond series. The Agency cash flow hedges are pay-fixed. The intention of these swaps was to

STATE OF NORTH DAKOTA

effectively change the Agency's interest rate on the bonds to a fixed rate. The Agency also has cash flow hedges that were entered into in connection with variable-rate housing bond series that no longer have bonds outstanding as those bonds have been called. The cash flow hedges that are not connected to a specific bond series hedge the risk related to the Agency's other variable-rate housing bonds that are unhedged.

The bonds and the related swap agreements have a stated issuance and maturity date. Some of the swaps have optional termination dates. Under the swaps, the authority 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 swap notional amount. 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 Index plus 0.25% or (ii) the Maximum Rate as defined within the applicable series resolution.

As of June 30, 2011, the Agency did not have any swaps that had a positive fair value. As of June 30, 2011, the Agency is exposed to credit risk on the swaps that have a positive fair value, which total \$5,039,000. Of the swaps with negative fair value, the Agency is not exposed to credit risk. However, the swap exposes the Agency to basis risk should the relationship between LIBOR and TBMA converge, changing the synthetic rate on 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.

The Agency has entered into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements netting provisions permit each party to net the transactions' fair values so that a single sum will be owed by, or owed to, the other party. At June 30, 2011, the Agency owed the swap providers a fixed rate on the notional amount of the swaps of \$3,351,000 and the swap providers owed the Agency a variable rate on the notional amounts of \$392,000 making the net payment that the Agency owed the swap providers \$2,959,000.

Due to the difference in the variable rate indices, the swaps had a net negative fair value of \$15,160,000 as of June 30, 2011. Accordingly, the financial derivative

instrument is reported as a liability and the accumulated changes in fair value of the swaps are reported as a deferred outflow at June 30, 2011. The coupon 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.

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, 2011. 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 terminations 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.

The Agency is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to maturity of the hedged debt. When these hedging derivative instruments terminate, or in the case of a termination option, if the counterparty exercises its option, the Agency will be re-exposed to the risks being hedged by the hedging derivative instrument. The Agency also is exposed to rollover risk on the swaps that mature and the Agency does not call the related variable rate debt.

STATE OF NORTH DAKOTA

1.	Bond Series	2002 B	Bonds Called
2.	Issuance Date	8/28/2002	5/14/2003
3.	Maturity Date	7/1/2011	1/1/2012
4.	Notional Amount	\$75,000	\$ 1,020,000
5.	Variable-rate Bonds	\$ 75,000	N/A
6.	Fixed Rate	2.940%	2.463%
7.	LIBOR Percentage	70.60%	62.50%
8.	Additional Percentage	0.00%	0.44%
9.	Bonds Variable-rate	0.09000%	N/A
10.	Fair Value	\$ (1,000)	\$ (14,000)
11.	Percentage of LIBOR	0.13100%	0.55597%
12.	Synthetic Rate	2.89900%	1.90703%
13.	Actual Synthetic Rate	3.17681%	N/A
14.	Change in Fair Value	\$ 19,000	\$ 30,000
15.	Optional Termination Date	N/A	N/A

1.	Bond Series	2003 B	Bonds Called	Bonds Called
2.	Issuance Date	8/27/2003	4/1/2004	4/1/2004
3.	Maturity Date	1/1/2012	1/1/2013	7/1/2035
4.	Notional Amount	\$ 975,000	\$ 2,405,000	\$12,990,000
5.	Variable-rate Bonds	\$ 975,000	N/A	N/A
6.	Fixed Rate	3.155%	2.620%	3.980%
7.	LIBOR Percentage	64.00%	63.00%	63.00%
8.	Additional Percentage	0.37%	0.34%	0.34%
9.	Bonds Variable-rate	0.11000%	N/A	N/A
10.	Fair Value	\$ (18,000)	\$ (52,000)	\$ (840,000)
11.	Percentage of LIBOR	0.48375%	0.45690%	0.45690%
12.	Synthetic Rate	2.78125%	2.16310%	3.52310%
13.	Actual Synthetic Rate	3.07816%	N/A	N/A
14.	Change in Fair Value	\$ 46,000	\$ 65,000	\$ 206,000
15.	Optional Termination Date	N/A	N/A	7/1/2013

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	7/1/2014	7/1/2024	1/1/2036	7/1/2016
4.	Notional Amount	\$3,145,000	\$23,100,000	\$12,000,000	\$30,210,000
5.	Variable-rate Bonds	\$3,145,000	\$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	0.14000%	0.10000%	0.14000%	0.09000%
10.	Fair Value	\$ (188,000)	\$ (1,147,000)	\$ (1,006,000)	\$ (4,027,000)
11.	Percentage of LIBOR	0.45690%	0.43671%	0.42690%	0.42690%
12.	Synthetic Rate	3.77810%	3.53329%	3.60210%	3.61810%
13.	Actual Synthetic Rate	4.04021%	3.80394%	3.83089%	3.89177%
14.	Change in Fair Value	\$ 1,118,000	\$ 520,000	\$ 201,000	\$ 314,000
15.	Optional Termination Date	N/A	7/1/2012	1/1/2016	7/1/2016

STATE OF NORTH DAKOTA

1.	Bond Series	2008 A	2008 B	2008 D	2009 B
2.	Issuance Date	2/26/2008	2/26/2008	8/5/2008	7/30/2009
3.	Maturity Date	1/1/2017	7/1/2038	7/1/2039	1/1/2025
4.	Notional Amount	\$13,700,000	\$12,735,000	\$21,850,000	\$47,745,000
5.	Variable-rate Bonds	\$13,700,000	\$12,735,000	\$21,850,000	\$47,745,000
6.	Fixed Rate	3.198%	4.725%	3.919%	3.108%
7.	LIBOR Percentage	63.00%	100.00%	63.70%	64.70%
8.	Additional Percentage	0.32%	0.00%	0.20%	0.23%
9.	Bonds Variable-rate	0.11000%	0.13000%	0.06000%	0.11000%
10.	Fair Value	\$ (1,278,000)	\$ (1,415,000)	\$ (2,269,000)	\$ (2,905,000)
11.	Percentage of LIBOR	0.43690%	0.18555%	0.31820%	0.35005%
12.	Synthetic Rate	2.87110%	4.66945%	3.66080%	2.86795%
13.	Actual Synthetic Rate	3.09977%	5.28156%	3.84102%	2.93998%
14.	Change in Fair Value	\$ 60,000	\$ 349,000	\$ 481,000	\$ 444,000
15.	Optional Termination Date	1/1/2017	1/1/2020	7/1/2018	7/1/2016

Using rates as of June 30, 2011, 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, 2011. 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		
2012	\$ 6,765	\$ 164	\$ 6,014	\$ 12,943
2013	5,945	156	5,776	11,877
2014	5,305	150	5,590	11,045
2014	4,305	145	5,434	9,884
2015	4,845	140	5,290	10,275
2017-2021	74,480	405	16,282	91,167
2022-2026	27,675	211	10,456	38,342
2027-2031	4,850	154	8,009	13,013
2032-2036	16,180	90	5,014	21,284
2037-2041	15,185	17	1,024	16,226
	<u>\$ 165,535</u>	<u>\$ 1,632</u>	<u>\$ 68,889</u>	<u>\$ 236,056</u>

NOTE 14 – SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

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

NOTE 15 – RISK MANAGEMENT

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

THE STATE FIRE AND TORNADO FUND

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

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

STATE BONDING FUND

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

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 2011, a total of \$168,548,565 in claims was recognized. Incurred but not reported claims of \$814,023,000 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, 2010, and June 30, 2011:

Fiscal Year	Beginning Balance	Current Year Claims and Changes In Estimates	Claims Payments	Ending Balance
2010	\$ 1,966,078	\$ 728,583	\$ 858,680	\$ 1,835,981
2011	1,835,981	220,854	101,581	1,955,254

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, fifteen claims exceeded coverage by \$3,257,059.

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.

STATE OF NORTH DAKOTA

The following table presents the changes in claims liabilities balance for the fiscal year ending June 30, 2011:

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2010	\$ 4,104,384	\$ 3,330,692	\$ 4,189,013	\$ 3,246,063
2011	3,246,063	5,786,812	4,386,008	4,646,867

NOTE 16 – PUBLIC ENTITY RISK POOLS

A. GENERAL

FIRE AND TORNADO AND BONDING FUND

The Fire and Tornado Fund provides property insurance to state agencies, political subdivisions, the International Peace Garden and the winter show. The Fire and Tornado Fund has issued 1,094 policies to participating entities for a total building and content coverage of \$10.2 billion. The Bonding Fund is used to provide fidelity bonding of public employees and officials. The Fund has issued 2,972 policies to participating entities. The total coverage for the Bonding Fund is \$621.5 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, 2011, coverage extended to the following employers:

Annual Premium	
\$250 - \$5,000	16,105
\$5,001 - \$50,000	4,574
\$50,001 - \$100,000	380
Over \$100,000	316
Total Employers	21,375

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, 2011, 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)	\$1,299,767	\$ 1,360,619	\$ 1,493,369
Present Value Basis (discounted at 5% rate)	\$ 776,081	\$ 814,023	\$ 892,190

STATE OF NORTH DAKOTA

WSI has adjusted the estimated liability for unpaid loss and loss adjustment expense to the actuary's five percent discounted expected value of \$814,023,000 at June 30, 2011.

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, 2011.

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	
	2011	2010	2011	2010	2011	2010
Unpaid claims and claims adjustment expenses at the beginning of the year	\$ 1,399	\$ 755	\$ 197	\$ 189	\$ 772,095	\$ 771,900
Incurred claims and claims adjustment expenses:						
Provision for current fiscal year	6,178	3,075	22	49	191,795	160,265
Change in provision for prior fiscal year	-	-	-	-	(20,540)	(26,657)
Payments and claims and adjustment expenses attributable to:						
Current fiscal year insured events	(3,043)	(1,676)	180	148	(38,596)	(30,861)
Prior fiscal years' insured events	(1,399)	(755)	(197)	(189)	(85,686)	(82,601)
Total Payments	(4,442)	(2,431)	(17)	(41)	(124,282)	(113,462)
Change in provision for discount	-	-	-	-	(5,045)	(19,951)
Total unpaid claims and claims adjustment expenses at the end of the year	<u>\$ 3,135</u>	<u>\$ 1,399</u>	<u>\$ 202</u>	<u>\$ 197</u>	<u>\$ 814,023</u>	<u>\$ 772,095</u>

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.

North Dakota to transfer up to \$8,000,000 to the Health Information Technology Loan Fund to meet any required match for federal funds or to the Electronic Health Information Exchange Fund to meet any required match for federal funds or as directed, a portion to both funds to meet any required match for federal funds. The Health Information Technology Office Director shall request fund transfers from the Bank only as necessary to comply with federal requirements and to meet cash flow needs of the funds. The Health Information Technology Office Director may request the Bank of North Dakota to transfer up to \$5,000,000 to the Health Information Technology Planning Loan Fund. The Health Information Technology Office Director shall request transfers from the Bank only as necessary to meet cash flow needs of the fund. For the year ended December 31, 2010, the Bank had transferred \$5,000,000 to this fund.

NOTE 18 - COMMITMENTS AND CONTINGENCIES

A. LONG-TERM COMMITMENTS

BANK OF NORTH DAKOTA

S.B. 2332, Sections 8 and 9 – The Health Information Technology Office Director may request the Bank of

Under chapter 61-02.1-04 of North Dakota Century Code, principal and interest on State Water Commission bonds issued are payable from transfers to be made and appropriated by the legislative assembly from the water development trust fund as provided in section 61-02.1-05, then from transfers to be made and appropriated by the legislative assembly from revenues in the resources trust fund other than revenues from state taxes, then from appropriations of other available revenues in the then current biennium, and then from any other

STATE OF NORTH DAKOTA

revenues the State Water Commission makes available during the then current biennium for that purpose, including any federal moneys received by the state for the construction of flood control or reduction projects to pay bonds issued for that project. If sufficient funds from these sources are not available, then from transfers to be made and appropriated by the legislative assembly from the first available current biennial earnings of the Bank of North Dakota not to exceed \$6,500,000 per biennium prorated with any other bonds payable from transfers to be made and appropriated by the legislative assembly from the available current biennial earnings of the Bank of North Dakota, to be credited by the trustee to the fund established for paying principal and interest on the bonds under a trust indenture. If the bank has to provide a transfer to the State Water Commission to make principal and interest payments on these bonds, the State Water Commission would then have to request from the next legislative assembly funding to repay the transfer made by the bank.

Chapter 6-09.7-09 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 may have no more than \$8,000,000 in outstanding loan guarantees under this program. The Bank may guarantee up to 75% of the amount of principal due the lender. The guarantee term may not exceed 5 years. As of December 31, 2010, the Bank has guarantees outstanding totaling \$1,116,000. The Bank had no guarantee commitments outstanding as of December 31, 2010.

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 that in the event 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 loans that the Bank may guarantee cannot exceed 5% of the Bank's tier one capital as defined by the Department of Financial Institutions. 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, 2010, the Bank has guarantees outstanding totaling \$4,045,000 and had guarantee commitments outstanding of \$38,000 included in commitments to extend credit.

Chapter 6-09-41 of the North Dakota Century Code provides that the Bank of North Dakota establish and administer a loan guarantee program that is designed to expand livestock feeding and dairy farming in this state. This program was 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, 2010, the Bank has guarantees outstanding totaling \$850,000.

PUBLIC EMPLOYEE RETIREMENT SYSTEM

In 2007, the System 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 was anticipated to be fully completed by June 2011. As of June 30, 2011, the System had paid \$8.5 million towards these contracts. The System delayed implementation of the member self service functionality to 2012, therefore, the final payment to Sagitec will be made during the 2011-13 biennium upon completion of the warranty period.

RETIREMENT AND INVESTMENT OFFICE (RIO)

The State Investment Board has at June 30, 2011, committed to fund certain alternative private equity partnerships for an amount of \$957.5 million. Funding of \$831.1 million has been provided leaving an unfunded commitment of \$126.4 million.

WORKFORCE SAFETY & INSURANCE

WSI has entered into contracts with multiple companies for a software replacement project. The estimated total cost for these contracts is \$17.7 million, of which \$13.9 million has been expended as of June 30, 2011. The original project budget through the biennium ending June 30, 2011, was \$14 million. It was expected that another \$800,000 would be spent during the 2009-11 biennium for a project total of \$14.8 million. WSI planned to find these funds within the budget for the biennium.

MANDAN REMEDIATION TRUST

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

STATE OF NORTH DAKOTA

reimbursed \$340,785 during 2010 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, 2011, is \$8,649,998. In addition, the Commission has entered into a contract for conducting pre-FEED and FEED studies with Great Northern Power Development. The balance outstanding at June 30, 2011, is \$4,251,717.

The Commission also has various significant commitments at June 30, 2011, for the purchase of various types of research, services and other goods totaling \$5,017,260.

MILL AND ELEVATOR

As of June 30, 2011, the Mill had commitments to purchase (3,848,090) bushels of spring wheat and 219,142 bushels of durum.

BUILDING AUTHORITY

The Authority has committed funds to complete various construction and modernization programs at June 30, 2011, totaling \$1,211,000.

PUBLIC FINANCE AUTHORITY

On April 1, 1997, a Standby Bond Purchase Agreement was executed with the Central Dakota Irrigation District, a political subdivision. Should the District experience financial difficulties, the Finance Authority will purchase Central Dakota Irrigation District's Refunding Improvement Bonds (warrants) in an aggregate principal amount not less than the outstanding principal amount of the warrants plus accrued interest on the warrants. The original amount of the warrants issued April 1, 1997, was \$3,270,000.

The Finance Authority purchased letters of credit from the Bank of North Dakota in order to fund the reserves for the Capital Financing Program Bonds. As of December 31, 2010, \$4,271,000 of credit was available through these letters of credit and no funds have been advanced.

JOB SERVICE NORTH DAKOTA

As of June 30, 2011, Job Service has commitments to pay \$953,770 for purchase orders and contracts awarded for goods, services, software licenses, software support, and software server hosting to be provided in future periods.

DEPARTMENT OF HUMAN SERVICES

As of June 30, 2011, the Department of Human Services had significant commitments for the purchase of various types of services totaling \$30,908,054.

AERONAUTICS COMMISSION

As of June 30, 2011, the Aeronautics Commission had significant commitments of \$1,251,645. This amount consists of grants to political subdivisions for maintenance and improvements of their airports.

DAIRY PRODUCTS PROMOTION COMMISSION

As of June 30, 2011, the Dairy Products Commission had significant commitments of \$180,000. 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, 2011, the North Dakota Soybean Council had significant commitments of \$1,654,275. This amount mainly consists of grants for the research and development of soybeans.

STATE WATER COMMISSION

As of June 30, 2011, the State Water Commission had long-term commitments of \$107,607,650 for various water projects.

NORTH DAKOTA DEPARTMENT OF TRANSPORTATION

At June 30, 2011, the North Dakota Department of Transportation (Special Revenue Fund) had non-construction contract commitments of approximately \$24.9 million of which \$17.9 million represents federal programs which are cost reimbursable.

Construction commitments at June 30, 2011, totaled approximately \$471.7 million, of which \$322.6 million represents federal programs which are cost reimbursable. These commitments will be funded with future appropriations as work is performed.

STATE OF NORTH DAKOTA

UNIVERSITY SYSTEMS

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

	Original Issue	Paid To Date	Amount To Be Paid
BSC	\$ 2,635	\$ 2,340	\$ 295
DCB	797	784	13
MASU	8,807	7,729	1,078
MiSU	16,836	3,359	13,477
NDSCS	1,179	594	585
NDSU	79,078	56,871	22,207
UND	22,352	13,269	9,083
VCSU	5,329	3,161	2,168
WSC	16,643	10,225	6,418

NORTH DAKOTA DEVELOPMENT FUND

The board of directors has approved equity investments, loans, grants, and guaranty of collections at June 30, 2011, for which funds have not been disbursed or written agreements entered into in the amount of \$4,526,112.

OTHER CONSTRUCTION COMMITMENTS

Legislative Assembly	\$ 373
School for the Deaf	119
Department of Human Services	60
Department of Corrections	47,166
Adjutant General	17,634
Seed Department	137
Historical Society	29,163
Transportation	271,987

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 \$1,520,000.

The estimated gain in all the litigation brought by the State in which a gain is probable is estimated at \$1,414,000 to \$3,414,000.

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, 2011, in which the settlement had not been paid as of June 30, 2011.

C. QUESTIONED COSTS

The State receives federal financial assistance which is subject to review and audit by the Office of the State Auditor and the federal government. This assistance is generally conditioned upon compliance with certain laws and regulations. Disallowed and questioned costs relating to federal assistance could become a liability to the State. The State estimates that the ultimate disallowances pertaining to federal assistance, if any, will be immaterial to its overall financial condition.

The single audit of the State of North Dakota for the two-year period ending June 30, 2010, was completed and issued in March of 2011. As a result of this audit, approximately \$18,377 of identifiable questioned costs was noted. Also, there were several findings which had potentially significant, unknown, questioned costs. The State is cooperating with the federal government to resolve the findings and is optimistic these findings will not have a material impact on the State.

NOTE 19 - SUBSEQUENT EVENTS

In November 2011, the State held a special session of the Legislature. As a result, additional appropriations were passed for the 2011-13 biennium totaling approximately \$170 million for the general fund and \$505 million for other funds.

STATE INVESTMENT BOARD

In February 2009, the State was notified of legal action being taken against one of its investment advisors. The principals of WG Trading Company (WGTC), 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 pension funds. Investors had been offered two options: invest directly in WGTC by purchasing a limited partnership interest in it; or lend money to WG Trading Inc. (WGTI). WGTC was subject to SEC regulation, capital requirements, reporting and oversight, whereas WGTI was an unregulated and unaudited entity. The State chose to invest directly in the regulated, audited WGTC.

At the time the Commodity Futures Trading Commission (CFTC) and SEC charges were filed, the court appointed a receiver to take control of any recoverable assets. The receiver recommended the court distribute the recovered assets as follows: pool the assets of WGTC and WGTI, and distribute those assets pro rata to all investors. The receiver's method did not take into consideration the terms in which each investor entered into the investment

STATE OF NORTH DAKOTA

(i.e. limited partnership interest versus note holder agreement), even though the majority of the WGTC assets were intact and the fraud predominantly occurred with WGTI. The court agreed with the receiver and in April, 2011, the recovered assets were distributed to all investors in a pro rata distribution based on net investment balances. The State received a total distribution of \$63.9 million, which represented approximately 85% of its remaining cost basis with WGTC. The total realized loss included in the June 30, 2011, financial statements attributable to the fraud is \$11.3 million.

The State does not agree with the method used to distribute the assets, and along with the other limited partners is appealing the District Courts' ruling. It is the State's position that the District Court incorrectly determined the amount of the distribution; and that the audited limited partners are entitled to a greater share of the recovered assets than the unaudited note holders. At this time it is difficult to estimate the potential additional distribution that could be received if the appeal is successful, therefore, no amount has been included on the balance sheet as of June 30, 2011.

STATE FAIR

The State Fair was cancelled in July 2011, due to the historic flooding experienced by Minot, the site of the annual state fair. The impact estimated by the State Fair is approximately \$7.0 million, which includes \$2.8 million in lost revenue, \$1.1 million of expenses incurred and remaining contracted expenses of \$3.1 million. Financing of the expenditures is through the Bank of North Dakota with FEMA assistance pending.

DEVELOPMENTALLY DISABLED LOAN FUND

As a result of the 2011 Legislative Session, the Loan Fund was dissolved on July 27, 2011, with Bank of North Dakota purchasing the outstanding loan balance of \$1,156,570 of principal and \$3,120 of interest. The proceeds were then transferred to the Common Schools Trust Fund per the legislative direction.

STUDENT LOAN TRUST

Subsequent to June 30, 2011, the Trust called \$1,000,000 2004 Subordinate Series bonds.

MANDAN REMEDIATION TRUST

Subsequent contracts with Morton County and Leggette, Brashears and Graham, Inc. for various remediation efforts have been signed totaling \$409,404.

MINOT STATE UNIVERSITY

Subsequent to June 30, 2011, the University purchased two new housing units totaling \$2 million. In addition, the flood that occurred in Minot caused significant damage to the University's infrastructure. Preliminary estimates to repair damage are in excess of \$2.6 million.

WILLISTON STATE COLLEGE

The College received a promissory note from Williston State College Foundation in the amount of \$500,000, for the term of eleven years, on September 1, 2011. Proceeds were used to fund geothermal heating for a dorm.

HOUSING FINANCE

Subsequent to June 30, 2011, the agency issued the Homeownership Revenue Bonds Home Mortgage Finance Program 2011 Series A and B Bonds totaling \$90,000,000. In addition, the agency issued Series C and D totaling \$31,835,000.

PUBLIC FINANCE AUTHORITY

Subsequent to June 30, 2011, the authority issued \$3,730,000 of Capital Financing Program Bonds, Series 2011A, and \$101,210,000 of State Revolving Fund Program Bonds, Series 2011A. In addition, the Industrial Commission adopted a resolution authorizing the authority to issue up to five series of bonds in the aggregate amount of up to \$100,000,000 to provide moneys to lend to Political Subdivisions requesting loans to provide temporary financing for disaster relief projects.

NOTE 20 – NEW PRONOUNCEMENTS

The State implemented the following new pronouncement for fiscal year 2011:

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. The new fund balance classifications and the minimum fund balance disclosure provided in Statement 54 are discussed in detail in Note 1S. Statement 54 requires the disclosure of the purpose of every major special revenue fund in the financial statement notes. Disclosures are found in Note 5.

GASB Statement No. 59, "Financial Instruments Omnibus", was issued in June 2010. The statement's objective is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The provisions of this statement are effective for periods beginning after June 15, 2010.

The State will implement the following new pronouncements for fiscal years ending after 2011:

STATE OF NORTH DAKOTA

GASB Statement No. 57, "OPEB measurements by Agent Employers and Agent Multiple-Employer Plans" – the provisions related to the use and reporting of alternative measurement method was effective on issuance, December 2009. The provisions related to the frequency and timing of measurements for actuarial valuations first used to report funded status information in financial statements of other postemployment benefit plans is effective for periods beginning after June 15, 2011. This statement addresses issues related to the use of alternative measurement method and the frequency and timing of measurements by employer that participate in agent multiple-employer other postemployment benefit plans (agent employers). This Statement amends Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", and Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans".

GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements" will be effective for financial statement periods beginning after December 15, 2011 and generally would be required to be applied retroactively for all periods presented. This statement aims to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. A SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which a) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration, and b) the operator collects and is compensated by fees from third parties.

GASB Statement No. 61, "The Financial Reporting Entity: Omnibus" will be effective for financial statement periods beginning after June 15, 2012 with earlier application encouraged. The statement will improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, "The Financial Reporting Entity", and the requirements of Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments", were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" will be effective for financial statement periods beginning after December 15, 2011 with early application encouraged. The Statement brings the authoritative accounting and financial reporting literature together in one place, with the guidance modified as necessary to appropriately recognize the governmental environment

and the needs of governmental financial users. It will eliminate the need to financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, resulting in a more consistent application of applicable guidance in financial statements of state and local governments.

GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", is effective for periods beginning after December 15, 2011. This statement is intended to improve the financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position.

GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53", is effective for financial statements for periods beginning after June 15, 2011. The requirements of this statement enhance comparability and improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced.

Required Supplementary Information - Budgetary Schedule

STATE OF NORTH DAKOTA

Required Supplemental Information Budgetary Comparison Schedule General Fund For the Biennium Ended June 30, 2011

	Approved Budget 2009-2011 Biennium	Appropriation Adjustments 2009-2011 Biennium	Adjusted Budget 2009-2011 Biennium	Actual Biennium To Date Thru 6-30-11	Difference Uncollected/ Unspent Thru 6-30-11
Budgetary Fund Balance, July 1	\$ 321,091,738	\$ -	\$ 321,091,738	\$ 480,422,048	\$ 159,330,310
Resources (Inflows):					
Sales and Use Tax	1,109,974,800	111,824,226	1,221,799,026	1,267,211,331	45,412,305
Income Tax	894,618,000	(92,587,073)	802,030,927	963,620,191	161,589,264
Financial Institutions Tax	9,500,000	(3,169,335)	6,330,665	6,748,753	418,088
Oil And Gas Production Tax	39,309,315	(6,590,982)	32,718,333	32,718,333	-
Oil Extraction Tax	31,690,685	6,590,982	38,281,667	38,281,667	-
Insurance Premium Tax	66,000,000	(1,847,685)	64,152,315	63,150,948	(1,001,367)
Cigarette, Cigar and Tobacco Tax	45,428,000	(546,685)	44,881,315	46,253,470	1,372,155
Wholesale Liquor Tax	13,644,000	1,240,872	14,884,872	15,163,855	278,983
Coal Conversion Tax	45,005,000	(6,230,131)	38,774,869	39,064,299	289,430
Gaming Tax	16,799,316	(634,121)	16,165,195	16,189,991	24,796
Lottery	11,155,000	(155,000)	11,000,000	10,400,000	(600,000)
Department Fees and Collections	60,961,920	6,037,734	66,999,654	68,577,582	1,577,928
Mineral Leasing Fees	22,715,000	(6,181,096)	16,533,904	17,521,635	987,731
Motor Vehicle Excise Tax	86,978,250	34,457,649	121,435,899	124,425,401	2,989,502
Interest on Public Funds	27,000,000	15,200,448	42,200,448	43,684,825	1,484,377
Gas Tax Administration	1,288,000	-	1,288,000	5,406,273	4,118,273
Transfers In	475,735,836	621,082,297	1,096,818,133	484,340,645	(612,477,488)
Total Revenue Inflows	2,957,803,122	678,492,100	3,636,295,222	3,242,759,199	(393,536,023)
Amounts Available for Appropriation	3,278,894,860	678,492,100	3,957,386,960	3,723,181,247	234,205,713
Charges to Appropriations (Outflows):					
General Government:					
Governor's Office	3,447,358	27,000	3,474,358	3,217,038	257,320
Secretary of State	5,774,588	68,421	5,843,009	5,685,137	157,872
Secretary of State Public Printing	337,000	-	337,000	292,201	44,799
Office of Management and Budget	41,107,196	30,457,305	71,564,501	27,764,640	43,799,861
Information Technology	19,105,785	564,958	19,670,743	17,018,481	2,652,262
State Auditor	6,662,229	100,000	6,762,229	6,696,318	65,911
State Treasurer	2,228,985	35,089,000	37,317,985	37,031,020	286,965
Attorney General	28,060,432	992,000	29,052,432	28,913,463	138,969
Tax Department	44,046,586	2,283,520	46,330,106	45,471,936	858,170
Legislative Assembly	16,014,554	2,182,417	18,196,971	15,542,104	2,654,867
Legislative Council	10,439,503	1,568,176	12,007,679	8,517,924	3,489,755
Supreme Court	82,590,015	-	82,590,015	78,123,812	4,466,203
Legal Counsel for Indigents	9,470,148	-	9,470,148	9,428,522	41,626
Public Employees Retirement System	13,000	-	13,000	-	13,000
Education:					
Public Instruction	1,109,405,590	5,261,264	1,114,666,854	1,103,788,426	10,878,428
Education Practices & Standards Board	-	-	-	-	-
State Library	4,601,028	50,000	4,651,028	4,650,110	918
School for the Deaf	7,099,896	305,219	7,405,115	6,426,268	978,847
School for the Blind	3,492,068	18,000	3,510,068	3,503,594	6,474
Vocational Education	25,941,008	40,000	25,981,008	25,981,008	-
Health & Human Services:					
Dept. of Health	27,081,665	652,600	27,734,265	24,746,544	2,987,721
Veteran's Home	16,751,722	91,901	16,843,623	14,970,358	1,873,265
Indian Affairs Commission	682,585	6,000	688,585	648,540	40,045
Veteran's Affairs	1,031,487	9,350	1,040,837	1,033,442	7,395
Dept. of Human Services-Management	26,332,259	1,265,355	27,597,614	26,441,604	1,156,010
Dept. of Human Services-Program and Policy	489,166,022	99,773	489,265,795	461,246,565	28,019,230
Dept. of Human Services-Centers	135,147,533	2,735,957	137,883,490	135,662,770	2,220,720
Protection and Advocacy	1,555,815	170,000	1,725,815	1,725,650	165
Job Service	1,565,442	2,090	1,567,532	1,347,615	219,917
Regulatory:					
Insurance Commission	-	-	-	-	-
Industrial Commission	13,800,254	1,157,000	14,957,254	14,146,682	810,572
Labor Commission	1,401,583	20,000	1,421,583	1,321,993	99,590
Public Service Commission	5,603,165	73,850	5,677,015	5,172,968	504,047
Securities Commissioner	1,788,362	10,000	1,798,362	1,637,200	161,162
Public Safety and Corrections:					
Highway Patrol	31,007,985	350,000	31,357,985	30,843,025	514,960
Division of Emergency Management	-	-	-	-	-
Corrections & Rehab	164,090,829	4,002,084	168,092,913	163,480,519	4,612,394
Adjutant General	40,725,214	(4,508,125)	36,217,089	30,924,240	5,292,849
Agriculture & Commerce:					
Department of Commerce	58,476,303	994,238	59,470,541	51,164,706	8,305,835
Department of Agriculture	7,467,383	90,000	7,557,383	7,489,773	67,610
State Fair	15,697,150	-	15,697,150	15,697,150	-
Racing Commission	295,000	-	295,000	291,419	3,581
Natural Resources:					
Historical Society	52,174,252	819,361	52,993,613	18,223,970	34,769,643
Council on the Arts	1,368,734	-	1,368,734	1,277,781	90,953
Parks and Recreation	15,333,959	1,071,159	16,405,118	15,221,149	1,183,969
Water Commission	13,823,899	300,324	14,124,223	13,328,190	796,033
Transportation:					
Aeronautics Commission	550,000	-	550,000	550,000	-
Department of Transportation	4,600,000	-	4,600,000	4,600,000	-
Transfers Out	702,009,910	17,832,155	719,842,065	686,986,790	32,855,275
Total Charges to Appropriations	3,249,365,481	106,252,352	3,355,617,833	3,158,232,645	197,385,188
Ending Budgetary Fund Balance	\$ 29,529,379	\$ 572,239,748	\$ 601,769,127	\$ 564,948,602	\$ (36,820,525)

STATE OF NORTH DAKOTA

Required Supplemental Information
Budgetary Comparison Schedule
Budget to GAAP Reconciliation
General Fund
For the Biennium Ended June 30, 2011

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	3,242,759,199
Back out Revenue from FY2010	(1,536,195,818)
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	448,819,691
Certain due from other funds are recorded under GAAP, but not Budget	3,179,929
Proceeds are recorded for new capital leases on GAAP, but not for Budget	28,376
Total revenues and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u><u>\$ 2,158,591,377</u></u>

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	3,158,232,645
Back out Expenditures from FY2010	(1,546,186,665)
Differences-Budget to GAAP:	
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	55,451,438
New capital leases are recorded as expenditures for GAAP, but not for Budget	28,376
Certain due to other funds are recorded under GAAP, but not for Budget	(3,869,193)
Total expenditures and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u><u>\$ 1,663,656,601</u></u>

STATE OF NORTH DAKOTA

Required Supplemental Information Budgetary Comparison Schedule Federal Fund For the Biennium Ended June 30, 2011

	Approved Budget 2009-2011 Biennium	Appropriation Adjustments 2009-2011 Biennium	Adjusted Budget 2009-2011 Biennium	Actual Biennium To Date Thru 6-30-11	Difference Uncollected/ Unspent Thru 6-30-11
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):					
Other Budgeted Income	3,630,796,397	429,145,308	4,059,941,705	3,334,769,305	(725,172,400)
Total Revenue Inflows	3,630,796,397	429,145,308	4,059,941,705	3,334,769,305	(725,172,400)
Amounts Available for Appropriation	3,630,796,397	429,145,308	4,059,941,705	3,334,769,305	725,172,400
Charges to Appropriations (Outflows):					
General Government:					
Governor's Office	104,699,679	21,517,716	126,217,395	113,691,950	12,525,445
Secretary of State	8,344,107	200,000	8,544,107	2,454,158	6,089,949
Office of Management & Budget	689,494	114,187	803,681	402,131	401,550
Information Technology	83,699,524	13,000,000	96,699,524	2,103,093	94,596,431
State Auditor	974,678	-	974,678	786,133	188,545
Attorney General	12,800,511	269,877	13,070,388	7,008,229	6,062,159
Tax Department	10,000	-	10,000	4,361	5,639
Administrative Hearings	-	-	-	-	-
Legislative Assembly	-	-	-	-	-
Supreme Court	1,730,461	-	1,730,461	1,676,747	53,714
Legal Counsel for Indigents	-	-	-	-	-
Public Employees Retirement System	-	-	-	-	-
Education:					
Public Instruction	426,011,096	51,284,224	477,295,320	410,630,941	66,664,379
State Library	1,835,984	207,500	2,043,484	1,868,919	174,565
School for the Deaf	268,534	50,000	318,534	288,363	30,171
School for the Blind	-	-	-	-	-
Vocational Education	10,557,908	-	10,557,908	9,172,118	1,385,790
Health & Human Services:					
Dept. of Health	138,272,849	13,081,608	151,354,457	118,674,523	32,679,934
Tobacco Prevention & Control	-	-	-	-	-
Veteran's Home	5,801,909	12,040,278	17,842,187	14,851,653	2,990,534
Indian Affairs	18,000	-	18,000	18,000	-
Dept. of Human Services-Management	31,860,622	27,160,894	59,021,516	38,875,330	20,146,186
Dept. of Human Services-Program and Policy	1,382,964,066	30,295,927	1,413,259,993	1,321,263,038	91,996,955
Dept. of Human Services-Centers	106,557,107	(1,463,199)	105,093,908	100,414,213	4,679,695
Protection and Advocacy	2,987,503	-	2,987,503	2,500,790	486,713
Job Service	69,288,066	(512,913)	68,775,153	54,682,773	14,092,380
Regulatory:					
Insurance Department	635,820	475	636,295	487,197	149,098
Industrial Commission	238,284	20,268	258,552	258,552	(0)
Labor Commission	412,751	-	412,751	380,514	32,237
Public Service Commission	9,602,242	801,350	10,403,592	6,127,781	4,275,811
Financial Institutions	-	-	-	-	-
Securities Commission	-	-	-	-	-
Public Safety and Corrections:					
Highway Patrol	6,343,005	-	6,343,005	5,335,345	1,007,660
Division of Emergency Management	-	-	-	-	-
Corrections & Rehab	9,136,612	430,781	9,567,393	8,678,690	888,703
Adjutant General	188,017,349	159,333,898	347,351,247	264,700,870	82,650,377
Agriculture & Commerce:					
Department of Commerce	129,384,631	873,858	130,258,489	79,879,445	50,379,044
Department of Agriculture	8,157,358	74,359	8,231,717	5,834,768	2,396,949
State Fair	-	-	-	-	-
Racing Commission	-	-	-	-	-
Natural Resources:					
Historical Society	4,285,505	126,931	4,412,436	1,632,432	2,780,004
Council on the Arts	1,671,971	209,029	1,881,000	1,878,790	2,210
Game and Fish	23,785,575	2,576,167	26,361,742	26,067,420	294,322
Parks and Recreation	6,986,214	-	6,986,214	2,954,338	4,031,876
Water Commission	67,054,287	16,071	67,070,358	25,451,032	41,619,326
Transportation:					
Aeronautics Commission	5,247,000	-	5,247,000	1,553,497	3,693,503
Department of Transportation	780,465,695	97,436,023	877,901,718	702,181,171	175,720,547
Total Charges to Appropriations	3,630,796,397	429,145,308	4,059,941,705	3,334,769,305	725,172,400
Ending Budgetary Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -

STATE OF NORTH DAKOTA

Required Supplemental Information
Budgetary Comparison Schedule
Budget to GAAP Reconciliation
Federal Fund
For the Biennium ended June 30, 2011

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	3,334,769,305
Back Out Revenues from 2010	(1,721,662,873)
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	(20,658,265)
Total revenues and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u><u>\$ 1,592,448,167</u></u>

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	3,334,769,305
Back Out Expenditures from 2010	(1,721,662,873)
Differences-Budget to GAAP:	
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	(907,712)
New Loans issued are expenditures for Budget but not for GAAP	(2,332,705)
GAAP, but not Budget expenditures are reduced by year end inventory balances	4,596,202
Intrafund activity eliminated for GAAP	(24,771,455)
Total expenditures and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u><u>\$ 1,589,690,762</u></u>

STATE OF NORTH DAKOTA

Required Supplemental Information Budgetary Comparison Schedule State Fund For the Biennium Ended June 30, 2011

	Approved Budget 2009-2011 Biennium	Appropriation Adjustments 2009-2011 Biennium	Adjusted Budget 2009-2011 Biennium	Actual Biennium To Date Thru 6-30-11	Difference Uncollected/ Unspent Thru 6-30-11
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):					
Other Budgeted Income	1,414,153,792	126,076,798	1,540,230,590	1,174,087,975	(366,142,615)
Total Revenue Inflows	1,414,153,792	126,076,798	1,540,230,590	1,174,087,975	(366,142,615)
Amounts Available for Appropriation	1,414,153,792	126,076,798	1,540,230,590	1,174,087,975	366,142,615
Charges to Appropriations (Outflows):					
General Government:					
Governor's Office	-	-	-	-	-
Secretary of State	3,971,569	299,129	4,270,698	502,281	3,768,417
Office of Management & Budget	15,822,920	15,686,354	31,509,274	30,391,562	1,117,712
Information Technology	125,471,530	1,250,000	126,721,530	109,749,195	16,972,335
State Auditor	1,338,124	-	1,338,124	1,088,473	249,651
Attorney General	12,260,898	465,265	12,726,163	8,357,204	4,368,959
Tax Department	186,000	24,574	210,574	210,574	0
Administrative Hearings	1,498,712	200,000	1,698,712	1,677,425	21,287
Legislative Assembly	70,000	-	70,000	38,214	31,786
Supreme Court	314,346	40,000	354,346	335,181	19,165
Legal Counsel for Indigents	1,950,217	-	1,950,217	1,253,320	696,897
Public Employees Retirement System	6,133,488	4,734,726	10,868,214	10,016,506	851,708
Education:					
Public Instruction	87,610,058	5,056,809	92,666,867	92,227,099	439,768
State Library	91,852	-	91,852	68,677	23,175
School for the Deaf	1,897,916	(47,900)	1,850,016	302,327	1,547,689
School for the Blind	815,902	3,000	818,902	546,615	272,287
Vocational Education	204,974	-	204,974	32,517	172,457
Health & Human Services:					
Dept. of Health	39,583,682	38,233	39,621,915	15,838,044	23,783,871
Tobacco Prevention & Control	12,882,000	-	12,882,000	8,118,602	4,763,398
Veteran's Home	11,033,389	5,714,780	16,748,169	15,207,141	1,541,028
Indian Affairs	-	-	-	-	-
Dept. of Human Services-Management	2,665,348	2,608,200	5,273,548	3,583,348	1,690,200
Dept. of Human Services-Program and Policy	86,822,226	-	86,822,226	80,505,727	6,316,499
Dept. of Human Services-Centers	26,230,769	2,246,188	28,476,957	28,263,412	213,545
Protection and Advocacy	-	-	-	-	-
Job Service	516,778	1,000,000	1,516,778	375,790	1,140,988
Regulatory:					
Insurance Department	15,423,114	(342,609)	15,080,505	13,762,153	1,318,352
Industrial Commission	49,070,200	(680,801)	48,389,399	37,341,797	11,047,602
Labor Commission	-	-	-	-	-
Public Service Commission	1,025,000	-	1,025,000	1,542	1,023,458
Financial Institutions	6,086,488	100,000	6,186,488	5,646,214	540,274
Securities Commission	317,199	-	317,199	296,587	20,612
Public Safety and Corrections:					
Highway Patrol	4,550,725	-	4,550,725	4,550,725	-
Division of Emergency Management	-	-	-	-	-
Corrections & Rehab	62,375,133	1,730,000	64,105,133	10,330,899	53,774,234
Adjutant General	48,654,522	38,824,900	87,479,422	33,240,962	54,238,460
Agriculture & Commerce:					
Department of Commerce	8,876,474	438,284	9,314,758	4,431,203	4,883,555
Department of Agriculture	5,937,108	212,641	6,149,749	4,759,251	1,390,498
State Fair	3,000,000	-	3,000,000	-	3,000,000
Racing Commission	30,000	75,000	105,000	95,703	9,297
Natural Resources:					
Historical Society	12,058,332	75,747	12,134,079	65,314	12,068,765
Council of Arts	63,515	-	63,515	6,684	56,831
Game and Fish	35,678,363	1,736,955	37,415,318	32,074,338	5,340,980
Parks and Recreation	5,961,840	186,984	6,148,824	4,789,861	1,358,963
Water Commission	245,001,522	5,935,174	250,936,696	126,911,413	124,025,283
Transportation:					
Aeronautics Commission	7,121,666	14,000	7,135,666	4,991,672	2,143,994
Department of Transportation	463,549,893	38,451,166	502,001,059	482,102,423	19,898,636
Total Charges to Appropriations	1,414,153,792	126,076,798	1,540,230,590	1,174,087,975	366,142,615
Ending Budgetary Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -

STATE OF NORTH DAKOTA

Required Supplemental Information
Budgetary Comparison Schedule
Budget to GAAP Reconciliation
State Fund
For the Biennium ended June 30, 2011

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

Sources/Inflows of resources

Actual Amounts (budgetary basis) "total revenue inflows" from the budgetary comparison schedule	1,174,087,975
Back Out Revenues from 2010	(511,317,415)
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	1,471,729,300
Total revenues and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u><u>\$ 2,134,499,860</u></u>

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	1,174,087,975
Back Out Expenditures from 2010	(511,317,415)
Differences-Budget to GAAP:	
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	805,104,013
New Loans issued are expenditures for Budget but not for GAAP	(1,666,100)
GAAP, but not Budget expenditures are reduced by year end inventory balances	(231,234)
Intrafund activity eliminated for GAAP	(90,411,279)
Certain due to other funds are recorded under GAAP, but not for Budget	1,437,344
Total expenditures and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u><u>\$ 1,377,003,304</u></u>

STATE OF NORTH DAKOTA

Note To Required Supplemental Information - Budgetary Reporting For the Biennium Ended June 30, 2011

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 and State Funds, which are major special revenue funds. These amounts are reported on the schedules entitled "Federal Funds" and "State Funds".

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 2009-2011 Biennium Budget and Actual Detail (Budgetary Basis) For the Biennium Ended June 30, 2011." This budget information is available through the Office of Management and Budget, 600 East Boulevard Ave Dept. 110, Bismarck, ND 58505. For the 2009-2011 biennium there were general, federal, and special fund supplemental appropriations of \$661,474,458.

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 three for the biennium ended June 30, 2011, for the General Fund, Federal Fund, and State Fund is on the previous pages.

Combining Financial Statements

STATE OF NORTH DAKOTA

Permanent Fund

A permanent fund is used to report resources that are legally restricted to the extent than only earnings, and not principal, may be used to for the benefit of the government or its citizens.

956-Coal Development Permanent Fund

The Coal Development Fund reports resources that are constitutionally committed for distribution to other state funds and for making loans to energy impacted entities and school districts.

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.

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, 2011

	Perm Fund	Debt Service Funds				Capital Proj. Fund	Total Nonmajor Governmental Funds
	Coal Development Trust Fund	Building Authority	Dept. of Trans.	Water Comm.	Total	Building Authority	
ASSETS							
Cash Deposits at the Bank of ND	\$ 229,259	\$ 114,000	\$ 38,502	\$ 2,163,234	\$ 2,315,736	\$ 3,810,000	\$ 6,354,995
Cash and Cash Equivalents	-	-	-	2,696,205	2,696,205	-	2,696,205
Investments at the Bank of ND	-	10,095,000	-	5,826,875	15,921,875	-	15,921,875
Investments	43,483,016	-	-	-	-	-	43,483,016
Taxes Receivable - Net	231,208	-	-	-	-	-	231,208
Interest Receivable - Net	193,483	-	-	69,401	69,401	-	262,884
Due from Other Funds	-	33,000	-	-	33,000	-	33,000
Loans and Notes Receivable - Net	30,822,765	-	-	-	-	-	30,822,765
Total Assets	<u>\$ 74,959,731</u>	<u>\$ 10,242,000</u>	<u>\$ 38,502</u>	<u>\$ 10,755,715</u>	<u>\$ 21,036,217</u>	<u>\$ 3,810,000</u>	<u>\$ 99,805,948</u>
LIABILITIES AND FUND BALANCE							
Liabilities:							
Accounts Payable	\$ 10,699	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,699
Securities Lending Collateral	11,177,829	-	-	-	-	-	11,177,829
Due to Other Funds	321,636	-	-	-	-	847,000	1,168,636
Total Liabilities	<u>11,510,164</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>847,000</u>	<u>12,357,164</u>
Fund Balances:							
Nonspendable	63,224,476	-	-	-	-	-	63,224,476
Restricted	-	10,242,000	38,502	10,755,715	21,036,217	2,963,000	23,999,217
Committed	225,091	-	-	-	-	-	225,091
Total Fund Balances	<u>63,449,567</u>	<u>10,242,000</u>	<u>38,502</u>	<u>10,755,715</u>	<u>21,036,217</u>	<u>2,963,000</u>	<u>87,448,784</u>
Total Liabilities and Fund Balances	<u>\$ 74,959,731</u>	<u>\$ 10,242,000</u>	<u>\$ 38,502</u>	<u>\$ 10,755,715</u>	<u>\$ 21,036,217</u>	<u>\$ 3,810,000</u>	<u>\$ 99,805,948</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, 2011

	Perm Fund	Debt Service Funds				Capital Proj. Fund	Total Nonmajor Governmental Funds
	Coal Development Trust Fund	Building Authority	Dept. of Trans.	Water Comm.	Total	Building Authority	
REVENUES							
Oil, Gas, and Coal Taxes	\$ 3,158,324	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,158,324
Intergovernmental	-	-	4,738,559	-	4,738,559	-	4,738,559
Sales and Services	-	-	-	2,773,556	2,773,556	-	2,773,556
Interest and Investment Income	1,104,409	287,000	939	126,436	414,375	126,000	1,644,784
Total Revenues	4,262,733	287,000	4,739,498	2,899,992	7,926,490	126,000	12,315,223
EXPENDITURES							
Current:							
General Government	51,533	-	-	-	-	-	51,533
Debt Service:							
Principal	-	6,243,000	3,465,000	5,227,642	14,935,642	-	14,935,642
Interest and Other Charges	-	3,656,000	1,854,138	4,645,491	10,155,629	-	10,155,629
Total Expenditures	51,533	9,899,000	5,319,138	9,873,133	25,091,271	-	25,142,804
Revenues over (under) Expenditures	4,211,200	(9,612,000)	(579,640)	(6,973,141)	(17,164,781)	126,000	(12,827,581)
OTHER FINANCING SOURCES (USES)							
Bonds and Notes Issued	-	-	-	-	-	2,575,000	2,575,000
Refunding Bonds Issued	-	5,337,000	-	-	5,337,000	-	5,337,000
Payment on Refunded Bonds	-	(4,940,000)	-	-	(4,940,000)	-	(4,940,000)
Transfers In	-	9,283,000	531,865	6,525,481	16,340,346	-	16,340,346
Transfers Out	(3,210,826)	-	-	-	-	(2,778,000)	(5,988,826)
Total Other Financing Sources (Uses)	(3,210,826)	9,680,000	531,865	6,525,481	16,737,346	(203,000)	13,323,520
Net Change in Fund Balances	1,000,374	68,000	(47,775)	(447,660)	(427,435)	(77,000)	495,939
Fund Balances - Beginning of Year	62,449,193	10,174,000	86,277	11,203,375	21,463,652	3,040,000	86,952,845
Fund Balances - End of Year	\$ 63,449,567	\$ 10,242,000	\$ 38,502	\$ 10,755,715	\$ 21,036,217	\$ 2,963,000	\$ 87,448,784

STATE OF NORTH DAKOTA

Nonmajor Enterprise Funds

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

BEGINNING FARMER REVOLVING LOAN

973 - Beginning Farmer Revolving Loan Fund

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

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.

HIT Planning Loan Fund

987 - HIT Planning Loan Fund

Fund to provide low-interest loans to health care entities to improve health information technology infrastructure.

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, 2011

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Developmentally Disabled Facility Loan	Fire and Tornado	Guaranteed Student Loan
ASSETS						
Current Assets:						
Cash Deposits at the Bank of ND	\$ 1,762,611	\$ 1,396,385	\$ 4,468,329	\$ 22,447	\$ 2,755,339	\$ 1,981,079
Cash and Cash Equivalents	-	-	-	-	-	-
Investments at the Bank of ND	-	-	-	-	-	10,750,000
Investments	-	1,564,810	-	-	22,513,485	-
Accounts Receivable - Net	-	20,470	-	-	12,368	36,139
Interest Receivable - Net	183,026	27,011	197,848	1,962	127,840	-
Intergovernmental Receivable - Net	-	-	-	-	-	2,669,901
Due from Other Funds	-	-	-	-	9,896	387,966
Due from Fiduciary Funds	-	-	-	-	-	-
Prepaid Items	1,205,080	-	-	-	195,098	-
Inventory	-	-	-	-	-	-
Loans and Notes Receivable - Net	1,857,564	-	665,089	140,698	-	-
Other Assets	-	-	-	-	-	-
Restricted Cash at the Bank of ND	-	-	-	-	-	3,044,469
Restricted Investments at the Bank of ND	-	-	-	-	-	6,500,000
Total Current Assets	5,008,281	3,008,676	5,331,266	165,107	25,614,026	25,369,554
Noncurrent Assets:						
Restricted Cash at the Bank of ND	-	-	-	-	-	-
Restricted Investments	-	-	-	-	-	-
Loans and Notes Receivable - Net	6,105,496	-	16,364,510	483,839	-	-
Restricted Loans Receivable - Net	-	-	-	-	-	-
Unamortized Bond Issuance Costs	-	-	-	-	-	-
Other Noncurrent Assets	2,591,459	-	-	-	-	-
Capital Assets:						
Nondepreciable	-	-	-	-	-	-
Depreciable, Net	-	-	-	-	-	-
Total Noncurrent Assets	8,696,955	-	16,364,510	483,839	-	-
Total Assets	13,705,236	3,008,676	21,695,776	648,946	25,614,026	25,369,554
LIABILITIES						
Current Liabilities:						
Accounts Payable	-	32	-	-	4,514	279,456
Accrued Payroll	-	1,224	-	-	41,015	-
Securities Lending Collateral	-	-	-	-	360	-
Interest Payable	-	1,030	-	-	24,959	-
Intergovernmental Payable	-	-	-	-	-	896,661
Due to Other Funds	10,957	376	21,732	648,946	47,002	1,945,344
Due to Fiduciary Funds	-	-	-	-	-	-
Amounts Held in Custody for Others	-	-	-	-	-	-
Claims/Judgments Payable	-	60,861	-	-	2,100,000	-
Compensated Absences Payable	-	113	-	-	2,712	-
Bonds Payable	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	1,151,000
Other Current Liabilities	955	-	-	-	-	-
Total Current Liabilities	11,912	63,636	21,732	648,946	2,220,562	4,272,461
Noncurrent Liabilities:						
Intergovernmental Payable	-	-	-	-	-	7,256,704
Claims/Judgments Payable	-	140,890	-	-	1,035,225	-
Compensated Absences Payable	-	2,144	-	-	51,530	-
Bonds Payable	-	-	-	-	-	-
Other Noncurrent Liabilities	-	-	-	-	-	8,903,134
Total Noncurrent Liabilities	-	143,034	-	-	1,086,755	16,159,838
Total Liabilities	11,912	206,670	21,732	648,946	3,307,317	20,432,299
Net Assets						
Invested in Capital Assets, Net of Related Debt	-	-	-	-	-	-
Restricted for:						
Debt Service	-	-	-	-	-	-
Loan Purposes	-	-	-	-	-	606,893
Unemployment Compensation	-	-	-	-	-	-
Other	-	-	-	-	-	-
Unrestricted	13,693,324	2,802,006	21,674,044	-	22,306,709	4,330,362
Total Net Assets	\$ 13,693,324	\$ 2,802,006	\$ 21,674,044	\$ -	\$ 22,306,709	\$ 4,937,255

HIT Planning Loan Fund	PERS Uniform Group Insurance	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ -	\$ 6,795,163	\$ 1,035,994	\$ 3,605,522	\$ 6,277,648	\$ 1,097,000	\$ 60,492	\$ 31,258,009
-	5,906,048	900	-	-	-	91,860,898	97,767,846
-	-	-	-	-	4,896,000	-	15,646,000
-	-	-	-	-	-	-	24,078,295
-	276,461	577,198	13,006	180,587	-	25,442,798	26,559,027
1,990	-	-	-	-	447,000	881,403	1,868,080
-	-	-	-	-	31,000	804,099	3,505,000
-	1,315	254,794	1,026,562	-	11,000	1,616	1,693,149
-	135,458	-	-	-	-	-	135,458
-	-	12,155	36,142	6,722	-	-	1,455,197
-	-	1,319,686	-	-	-	-	1,319,686
399,895	-	-	-	-	6,178,000	-	9,241,246
-	-	168	-	-	-	-	168
896,823	-	-	-	-	-	-	3,941,292
-	-	-	-	-	500,000	-	7,000,000
1,298,708	13,114,445	3,200,895	4,681,232	6,464,957	13,160,000	119,051,306	225,468,453
-	-	-	250,871	-	-	-	250,871
-	-	-	220,985	-	-	-	220,985
3,588,993	-	-	-	-	32,808,000	-	59,350,838
-	-	-	-	-	5,200,000	-	5,200,000
-	-	-	3,891	-	37,000	-	40,891
-	-	-	-	1,144,705	-	-	3,736,164
-	57,017	-	390,816	-	-	-	447,833
-	2,573,270	1,321,762	24,009,873	22,157	-	-	27,927,062
3,588,993	2,630,287	1,321,762	24,876,436	1,166,862	38,045,000	-	97,174,644
4,887,701	15,744,732	4,522,657	29,557,668	7,631,819	51,205,000	119,051,306	322,643,097
4,610	234,941	242,826	1,105,092	402,770	12,000	2,058,621	4,344,862
-	55,132	143,704	-	58,355	-	-	299,430
-	-	-	-	-	-	-	360
-	-	343	9,215	-	4,000	-	39,547
-	-	-	-	-	-	2,978,160	3,874,821
-	13,226	362,649	-	5,382,085	196,000	139,422	8,767,739
-	279,391	-	-	-	-	-	279,391
-	10,140,286	-	-	-	-	-	10,140,286
-	-	-	-	-	-	-	2,160,861
-	3,598	5,841	20,000	-	-	-	32,264
-	-	-	185,000	-	-	-	185,000
-	4,606,592	970	-	337,351	-	-	6,095,913
-	-	456	-	-	-	-	1,411
4,610	15,333,166	756,789	1,319,307	6,180,561	212,000	5,176,203	36,221,885
-	-	-	-	-	-	-	7,256,704
-	-	-	-	-	-	-	1,176,115
-	65,990	153,916	34,466	45,007	-	-	353,053
-	-	-	409,785	-	5,200,000	-	5,609,785
-	-	-	-	-	-	-	8,903,134
-	65,990	153,916	444,251	45,007	5,200,000	-	23,298,791
4,610	15,399,156	910,705	1,763,558	6,225,568	5,412,000	5,176,203	59,520,676
-	2,630,287	2,761,551	23,805,904	22,157	-	-	29,219,899
-	-	-	471,856	-	424,000	-	895,856
-	-	-	-	-	-	-	606,893
-	-	-	-	-	-	113,875,103	113,875,103
-	-	-	-	1,144,704	-	-	1,144,704
4,883,091	(2,284,711)	850,401	3,516,350	239,390	45,369,000	-	117,379,966
\$ 4,883,091	\$ 345,576	\$ 3,611,952	\$ 27,794,110	\$ 1,406,251	\$ 45,793,000	\$ 113,875,103	\$ 263,122,421

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, 2011

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Developmentally Disabled Facility Loan	Fire and Tornado	Guaranteed Student Loan
OPERATING REVENUES						
Sales and Services	\$ -	\$ 58,979	\$ -	\$ -	\$ 3,560,177	\$ 3,736,188
Royalties and Rents	-	-	-	-	-	-
Interest and Investment Income	319,032	-	508,783	37,566	-	-
Miscellaneous	-	-	-	-	-	-
Total Operating Revenues	319,032	58,979	508,783	37,566	3,560,177	3,736,188
OPERATING EXPENSES						
Cost of Sales and Services	-	-	-	-	-	-
Salaries and Benefits	-	14,821	-	-	490,326	-
Operating	1,185,743	4,890	90,932	7,932	3,566,961	4,221,172
Claims	-	22,263	-	-	6,178,447	-
Interest	-	-	-	29,667	-	-
Depreciation	-	-	-	-	-	-
Miscellaneous	4,404	-	-	-	-	-
Total Operating Expenses	1,190,147	41,974	90,932	37,599	10,235,734	4,221,172
Operating Income (Loss)	(871,115)	17,005	417,851	(33)	(6,675,557)	(484,984)
NONOPERATING REVENUES (EXPENSES)						
Grants and Contracts	-	-	-	-	-	-
Interest and Investment Income	6,314	143,239	11,175	33	3,776,701	202,464
Interest Expense	-	(4,667)	-	-	(75,963)	-
Loss on Sale of Capital Assets	-	-	-	-	-	-
Other	-	(336)	-	-	-	-
Total Nonoperating Revenues (Expenses)	6,314	138,236	11,175	33	3,700,738	202,464
Income (Loss) Before Contributions and Transfers	(864,801)	155,241	429,026	-	(2,974,819)	(282,520)
Transfers In	-	-	-	-	77,989	-
Transfer Out	-	-	-	-	-	-
Change in Net Assets	(864,801)	155,241	429,026	-	(2,896,830)	(282,520)
Total Net Assets - Beginning of Year	14,558,125	2,646,765	21,245,018	-	25,203,539	5,219,775
Total Net Assets - End of Year	\$ 13,693,324	\$ 2,802,006	\$ 21,674,044	\$ -	\$ 22,306,709	\$ 4,937,255

HIT Planning Loan Fund	PERS Uniform Group Insurance	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ -	\$ 962,658	\$ 7,255,670	\$ 5,961,601	\$ 23,085,242	\$ -	\$ 119,074,810	\$ 163,695,325
-	-	56,642	-	-	-	-	56,642
26,467	-	-	-	-	1,367,000	-	2,258,848
-	-	54,508	-	-	-	-	54,508
26,467	962,658	7,366,820	5,961,601	23,085,242	1,367,000	119,074,810	166,065,323
-	-	4,254,080	-	-	-	-	4,254,080
-	610,025	1,835,471	1,291,636	670,469	-	-	4,912,748
143,376	379,845	245,470	4,348,742	16,386,053	923,000	-	31,504,116
-	-	-	-	-	-	108,482,422	114,683,132
-	-	-	-	-	292,000	-	321,667
-	208,644	154,360	1,035,825	12,304	-	-	1,411,133
-	-	-	-	-	-	-	4,404
143,376	1,198,514	6,489,381	6,676,203	17,068,826	1,215,000	108,482,422	157,091,280
(116,909)	(235,856)	877,439	(714,602)	6,016,416	152,000	10,592,388	8,974,043
-	-	-	633,582	-	-	-	633,582
-	14,110	-	8,276	7,890	39,000	3,764,460	7,973,662
-	-	(14,453)	(29,214)	-	-	-	(124,297)
-	-	(7,450)	(54,024)	-	-	-	(61,474)
-	(261,531)	-	(12,089)	-	-	-	(273,956)
-	(247,421)	(21,903)	546,531	7,890	39,000	3,764,460	8,147,517
(116,909)	(483,277)	855,536	(168,071)	6,024,306	191,000	14,356,848	17,121,560
5,000,000	-	-	14,483,209	-	183,000	-	19,744,198
-	-	-	-	(5,922,500)	-	-	(5,922,500)
4,883,091	(483,277)	855,536	14,315,138	101,806	374,000	14,356,848	30,943,258
-	828,853	2,756,416	13,478,972	1,304,445	45,419,000	99,518,255	232,179,163
\$ 4,883,091	\$ 345,576	\$ 3,611,952	\$ 27,794,110	\$ 1,406,251	\$ 45,793,000	\$ 113,875,103	\$ 263,122,421

STATE OF NORTH DAKOTA

Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Fiscal Year Ended June 30, 2011

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Develop- mentally Disabled Facility Loan	Fire and Tornado
Cash Flows from Operating Activities:					
Receipts from Customers and Users	\$ 655	\$ 83,042	\$ -	\$ -	\$ 3,607,014
Interest Income on Loans	367,492	-	-	-	-
Receipts from Loan Principal Repayments	-	-	-	-	-
Receipts from Other Funds	-	-	-	-	(8,912)
Receipts from Others	-	-	-	-	-
Payments to Other Funds	-	301	-	-	19,128
Payments for Loan Funds	-	-	-	-	-
Payments to Suppliers	(1,661,653)	(4,884)	(91,461)	(8,168)	(3,343,955)
Payments to Employees	-	(14,498)	-	-	(485,991)
Claim Payments	-	(17,277)	-	-	(4,442,402)
Payments to Others	(3,449)	-	-	-	(269,396)
Other	-	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	(1,296,955)	46,684	(91,461)	(8,168)	(4,924,514)
Cash Flows from Noncapital Financing Activities:					
Principal Payments - Bonds	-	-	-	-	-
Interest Payments - Bonds	-	-	-	-	-
Interest Payments - Notes and Other Borrowings	-	-	-	(30,469)	-
Transfers In	-	-	-	-	77,989
Transfers Out	-	-	-	-	-
Principal Payments on Due To Other Funds	-	-	-	(182,148)	-
Grants Received	-	-	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	-	-	-	(212,617)	77,989
Cash Flows from Capital and Related Financing Activities:					
Acquisition and Construction of Capital Assets	-	-	-	-	-
Loss on Sale of Capital Assets	-	-	-	-	-
Proceeds from Sale of Notes and Other Borrowings	-	-	-	-	-
Principal Payments - Bonds	-	-	-	-	-
Principal Payments - Notes and Other Borrowings	-	-	-	-	-
Interest Payments - Bonds	-	-	-	-	-
Interest Payments - Notes and Other Borrowings	-	-	-	-	-
Interest Payments - Capital Leases	-	-	-	-	-
Payment on Capital Leases	-	-	-	-	-
Other	-	-	-	-	-
Net Cash Used for Capital and Related Financing Activities	-	-	-	-	-
Cash Flows from Investing Activities:					
Proceeds from Sale and Maturities of Investment Securities	-	40,062	-	-	2,974,571
Purchase of Investment Securities	-	-	-	-	-
Interest and Dividends on Investments	6,314	78,414	11,175	33	1,803,957
Net Increase In Loans	-	-	(738,000)	-	-
Receipt of Loan Principal Repayments	-	-	1,145,978	192,706	-
Proceeds from Collection of Loans and Notes Receivable	2,693,053	-	-	-	-
Loan Income Received	(2,258,990)	-	504,669	39,355	-
Net Cash Provided by (Used for) Investing Activities	440,377	118,476	923,822	232,094	4,778,528
Net Change in Cash:					
Net Increase (Decrease) in Cash and Cash Equivalents	(856,578)	165,160	832,361	11,309	(67,997)
Cash and Cash Equivalents at June 30, 2010	2,619,189	1,231,225	3,635,968	11,138	2,823,336
Cash and Cash Equivalents at June 30, 2011	\$ 1,762,611	\$ 1,396,385	\$ 4,468,329	\$ 22,447	\$ 2,755,339
Reconciliation:					
Current:					
Cash Deposits at the Bank of North Dakota	\$ 1,762,611	\$ 1,396,385	\$ 4,468,329	\$ 22,447	\$ 2,755,339
Cash and Cash Equivalents	-	-	-	-	-
Restricted Cash Deposits at the Bank of North Dakota	-	-	-	-	-
Restricted Cash and Cash Equivalents	-	-	-	-	-
Noncurrent:					
Restricted Cash Deposits at The Bank of North Dakota	-	-	-	-	-
Restricted Cash and Cash Equivalents	-	-	-	-	-
Cash and Cash Equivalents	\$ 1,762,611	\$ 1,396,385	\$ 4,468,329	\$ 22,447	\$ 2,755,339

Guaranteed Student Loan	ITD HIT Loan	PERS Uniform Group Insurance	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 4,803,444	\$ -	\$ 214,662,067	\$ 7,375,247	\$ 5,986,095	\$ 16,845,889	\$ 7,778,000	\$ 87,241,873	\$ 348,383,326
-	24,478	-	-	-	-	-	-	391,970
12,442,957	178,159	-	-	-	-	-	-	12,621,116
-	-	-	-	-	-	-	-	(8,912)
-	-	-	-	-	-	-	105,123	105,123
-	-	-	(88,489)	-	-	-	-	(69,060)
(11,956,613)	-	-	-	-	-	-	-	(11,956,613)
(2,323,618)	(5,766)	(211,665,840)	(4,350,583)	(3,268,117)	(10,265,672)	(894,000)	(11,838,493)	(249,722,210)
-	(4,300,048)	(598,313)	(1,840,191)	(1,294,304)	(662,576)	-	(325,037)	(9,520,958)
-	-	-	-	-	-	-	(65,504,424)	(69,964,103)
-	-	-	-	-	(102,962)	-	-	(375,807)
-	-	(261,531)	-	-	-	-	-	(261,531)
2,966,170	(4,103,177)	2,136,383	1,095,984	1,423,674	5,814,679	6,884,000	9,679,042	19,622,341
-	-	-	-	-	-	(9,000,000)	-	(9,000,000)
-	-	-	-	-	-	(288,000)	-	(288,000)
-	-	-	-	-	-	-	-	(30,469)
-	5,000,000	-	-	13,456,647	-	-	-	18,534,636
-	-	-	-	-	(5,566,875)	(994,000)	-	(6,560,875)
-	-	-	-	-	-	-	-	(182,148)
-	-	-	-	633,582	-	-	-	633,582
-	5,000,000	-	-	14,090,229	(5,566,875)	(10,282,000)	-	3,106,726
-	-	(575,766)	(202,751)	(14,647,347)	-	-	-	(15,425,864)
-	-	-	(8,498)	-	-	-	-	(8,498)
-	-	-	100,000	-	-	-	-	100,000
-	-	-	-	(190,000)	-	-	-	(190,000)
-	-	-	(175,352)	-	-	-	-	(175,352)
-	-	-	-	(31,999)	-	-	-	(31,999)
-	-	-	(9,950)	-	-	-	-	(9,950)
-	-	-	(4,504)	-	-	-	-	(4,504)
-	-	-	(182,538)	-	-	-	-	(182,538)
-	-	-	(68)	-	-	-	-	(68)
-	-	(575,766)	(483,661)	(14,869,346)	-	-	-	(15,928,773)
16,100,000	-	-	-	221,000	-	10,340,000	-	29,675,633
(23,200,000)	-	-	-	(221,011)	-	(6,662,000)	-	(30,083,011)
318,413	-	14,110	-	8,298	8,134	36,000	3,671,877	5,956,725
-	-	-	-	-	-	-	-	(738,000)
-	-	-	-	-	-	-	-	1,338,684
-	-	-	-	-	-	-	-	2,693,053
-	-	-	-	-	-	-	-	(1,714,966)
(6,781,587)	-	14,110	-	8,287	8,134	3,714,000	3,671,877	7,128,118
(3,815,417)	896,823	1,574,727	612,323	652,844	255,938	316,000	13,350,919	13,928,412
8,840,965	-	11,126,484	424,571	3,203,549	6,021,710	781,000	78,570,471	119,289,606
\$ 5,025,548	\$ 896,823	\$ 12,701,211	\$ 1,036,894	\$ 3,856,393	\$ 6,277,648	\$ 1,097,000	\$ 91,921,390	\$ 133,218,018
\$ 1,981,079	\$ -	\$ 6,795,163	\$ 1,035,994	\$ 3,605,522	\$ 6,277,648	\$ 1,097,000	\$ 60,492	\$ 31,258,009
-	-	5,906,048	900	-	-	-	91,860,898	97,767,846
3,044,469	896,823	-	-	-	-	-	-	3,941,292
-	-	-	-	-	-	-	-	-
-	-	-	-	250,871	-	-	-	250,871
-	-	-	-	-	-	-	-	-
\$ 5,025,548	\$ 896,823	\$ 12,701,211	\$ 1,036,894	\$ 3,856,393	\$ 6,277,648	\$ 1,097,000	\$ 91,921,390	\$ 133,218,018

STATE OF NORTH DAKOTA

Combining Statement of Cash Flows Nonmajor Enterprise Funds (Continued) For the Fiscal Year Ended June 30, 2011

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Develop- mentally Disabled Facility Loan	Fire and Tornado
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:					
Operating Income (Loss)	\$ (871,115)	\$ 17,005	\$ 417,851	\$ (33)	\$ (6,675,557)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	-	-	-	-	-
Amortization\Accretion	-	-	-	-	-
Reclassification of Interest Revenue\Expense	-	-	(508,783)	(7,899)	-
Interest Received on Program Loans	-	-	-	-	-
Receipt of Loan Principal Repayments	-	-	-	-	-
Provision for Losses	-	-	-	-	-
Other	-	-	-	-	-
Change in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	-	24,063	-	-	46,837
(Increase) Decrease in Interest Receivable	49,115	-	-	-	-
(Increase) Decrease in Due From	-	-	-	-	(8,912)
Increase in Due From Fiduciary Funds	-	-	-	-	-
(Increase) Decrease in Intergovernmental Receivable	-	-	-	-	-
Increase in Notes Receivable	-	-	-	-	-
(Increase) Decrease in Prepaid Items	(475,687)	-	-	-	2,348
Decrease in Inventories	-	-	-	-	-
Increase in Other Assets	-	-	-	-	-
Increase (Decrease) in Accounts Payable	-	6	-	-	(48,738)
Decrease in Interest Payable	-	-	-	-	-
Increase in Claims\Judgments Payable	-	4,986	-	-	1,736,045
Increase (Decrease) in Intergovernmental Payable	-	-	-	-	-
Increase (Decrease) in Accrued Payroll	-	64	-	-	2,128
Increase (Decrease) in Compensated Absences Payable	-	259	-	-	2,207
Increase (Decrease) in Amounts Held for Others	-	-	-	-	-
Increase (Decrease) in Due To	(223)	301	(529)	(236)	19,128
Increase in Deferred Revenue	-	-	-	-	-
Increase (Decrease) in Other Liabilities	955	-	-	-	-
Total Adjustments	(425,840)	29,679	(509,312)	(8,135)	1,751,043
Net Cash Provided by (Used for) Operating Activities	\$ (1,296,955)	\$ 46,684	\$ (91,461)	\$ (8,168)	\$ (4,924,514)
Noncash Transactions:					
Net Increase in Fair Value of investments	\$ -	\$ 59,956	\$ -	\$ -	\$ 1,880,091
Change in Securities Lending Collateral	-	-	-	-	360
Amortization of Bond Discount	-	-	-	-	-
Amortization of Bond Issuance Costs	-	-	-	-	-
Interest Revenue on Prize Reserves	-	-	-	-	-
Total Noncash Transactions	\$ -	\$ 59,956	\$ -	\$ -	\$ 1,880,451

Guaranteed Student Loan	ITD HIT Loan	PERS Uniform Group Insurance	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ (484,984)	\$ (116,909)	\$ (235,857)	\$ 877,439	\$ (714,602)	\$ 6,016,416	\$ 152,000	\$ 10,592,388	\$ 8,974,042
-	-	-	154,360	1,035,825	12,304	-	-	1,202,489
-	-	208,644	-	-	-	129,000	-	337,644
-	-	-	-	-	-	295,000	-	(221,682)
-	-	-	-	-	-	254,000	-	254,000
-	-	-	-	-	-	6,111,000	-	6,111,000
1,293,000	-	-	-	-	-	9,000	-	1,302,000
86,000	-	(261,531)	-	-	-	-	-	(175,531)
(110,017)	-	(290,682)	7,457	24,494	11,459	-	(1,571,568)	(1,857,957)
-	(1,990)	-	-	-	-	-	-	47,125
34,400	-	-	(85,779)	-	-	-	4,316	(55,975)
-	-	(66,104)	-	-	-	-	-	(66,104)
658,831	-	(1,315)	-	-	-	-	171,693	829,209
-	(3,988,888)	-	-	-	-	-	-	(3,988,888)
-	-	-	608	6,979	(1,762)	-	-	(467,514)
-	-	-	81,983	-	-	-	-	81,983
-	-	-	(168)	-	(97,963)	-	-	(98,131)
13,210	4,610	(64,686)	66,652	1,073,646	(216,494)	-	635,754	1,463,960
-	-	-	-	-	-	(40,000)	-	(40,000)
-	-	-	-	-	-	-	-	1,741,031
748,137	-	3,162	-	-	-	-	(103,035)	648,264
-	-	1,556	(6,068)	-	5,405	-	-	3,085
-	-	10,156	1,348	(2,668)	2,188	-	-	13,490
-	-	1,612,596	(2,710)	-	-	-	-	1,609,886
113,289	-	279,391	-	-	18,381	(26,000)	(50,506)	352,996
614,304	-	941,053	970	-	64,745	-	-	1,621,072
-	-	-	(108)	-	-	-	-	847
3,451,154	(3,986,268)	2,372,240	218,545	2,138,276	(201,737)	6,732,000	(913,346)	10,648,299
\$ 2,966,170	\$ (4,103,177)	\$ 2,136,383	\$ 1,095,984	\$ 1,423,674	\$ 5,814,679	\$ 6,884,000	\$ 9,679,042	\$ 19,622,341
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,940,047
-	-	-	-	-	-	-	-	360
-	-	-	-	8,754	-	-	-	8,754
-	-	-	-	3,335	-	-	-	3,335
-	-	-	-	-	159	-	-	159
\$ -	\$ -	\$ -	\$ -	\$ 12,089	\$ 159	\$ -	\$ -	\$ 1,952,655

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\275 (912) - Risk Management Fund

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, 2011

	Central Services	Fleet Services	Information Technology Department	Risk Management	Total
ASSETS					
Current Assets:					
Cash Deposits at the Bank of ND	\$ 835,301	\$ 444,847	\$ 6,025,344	\$ 3,657,426	\$ 10,962,918
Cash and Cash Equivalents	3,845	-	-	988	4,833
Investments	-	-	-	7,666,076	7,666,076
Accounts Receivable - Net	29,173	83,300	245,151	-	357,624
Interest Receivable - Net	-	-	-	54,602	54,602
Intergovernmental Receivable - Net	32,098	-	197,418	-	229,516
Due from Other Funds	245,411	1,495,351	4,600,796	18,903	6,360,461
Prepaid Items	4,295	-	2,044,594	-	2,048,889
Inventory	90,928	-	-	-	90,928
Total Current Assets	1,241,051	2,023,498	13,113,303	11,397,995	27,775,847
Noncurrent Assets:					
Unamortized Bond Issuance Costs	-	-	26,597	-	26,597
Capital Assets:					
Depreciable, Net	232,633	72,836,670	11,234,851	48,737	84,352,891
Total Noncurrent Assets	232,633	72,836,670	11,261,448	48,737	84,379,488
Total Assets	1,473,684	74,860,168	24,374,751	11,446,732	112,155,335
LIABILITIES					
Current Liabilities:					
Accounts Payable	117,678	1,361,901	925,626	5,330	2,410,535
Accrued Payroll	75,192	159,229	1,666,747	33,608	1,934,776
Securities Lending Collateral	-	-	-	153	153
Interest Payable	-	-	-	3,872	3,872
Intergovernmental Payable	-	-	583	-	583
Due to Other Funds	7,922	3,081,873	32,988	10,442	3,133,225
Claims/Judgments Payable	-	-	-	1,634,505	1,634,505
Compensated Absences Payable	3,628	3,617	83,744	2,066	93,055
Capital Leases Payable	94,519	-	-	1,560	96,079
Bonds Payable	-	-	710,658	-	710,658
Total Current Liabilities	298,939	4,606,620	3,420,346	1,691,536	10,017,441
Noncurrent Liabilities:					
Claims/Judgments Payable	-	-	-	4,967,616	4,967,616
Compensated Absences Payable	68,935	66,339	1,555,084	38,366	1,728,724
Capital Leases Payable	143,529	-	-	-	143,529
Bonds Payable	-	-	1,530,222	-	1,530,222
Total Noncurrent Liabilities	212,464	66,339	3,085,306	5,005,982	8,370,091
Total Liabilities	511,403	4,672,959	6,505,652	6,697,518	18,387,532
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	(5,415)	72,836,670	11,234,850	47,354	84,113,459
Unrestricted	967,696	(2,649,461)	6,634,249	4,701,860	9,654,344
Total Net Assets	\$ 962,281	\$ 70,187,209	\$ 17,869,099	\$ 4,749,214	\$ 93,767,803

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, 2011

	Central Services	Fleet Services	Information Technology Department	Risk Management	Total
OPERATING REVENUES					
Sales and Services	\$ 2,899,910	\$ 31,453,037	\$ 49,841,497	\$ 5,610,042	\$ 89,804,486
Miscellaneous	-	173,816	-	-	173,816
Total Operating Revenues	2,899,910	31,626,853	49,841,497	5,610,042	89,978,302
OPERATING EXPENSES					
Cost of Sales and Services	1,345,576	-	-	-	1,345,576
Salaries and Benefits	876,743	1,950,024	20,108,001	406,178	23,340,946
Operating	399,950	18,487,855	21,848,028	1,048,974	41,784,807
Claims	-	-	-	6,007,666	6,007,666
Depreciation	126,622	7,868,453	5,383,099	16,901	13,395,075
Total Operating Expenses	2,748,891	28,306,332	47,339,128	7,479,719	85,874,070
Operating Income (Loss)	151,019	3,320,521	2,502,369	(1,869,677)	4,104,232
NONOPERATING REVENUES (EXPENSES)					
Interest and Investment Income	-	-	7,449	1,093,916	1,101,365
Interest Expense	(21,683)	-	(296,376)	(22,092)	(340,151)
Gain (Loss) on Sale of Capital Assets	(438)	177,512	-	-	177,074
Other	-	-	16,108	-	16,108
Total Nonoperating Revenues (Expenses)	(22,121)	177,512	(272,819)	1,071,824	954,396
Income (Loss) Before Contributions and Transfers	128,898	3,498,033	2,229,550	(797,853)	5,058,628
Capital Grants and Contributions	-	98,249	-	-	98,249
Changes in Net Assets	128,898	3,596,282	2,229,550	(797,853)	5,156,877
Total Net Assets - Beginning of Year	833,383	66,590,927	15,639,549	5,547,067	88,610,926
Total Net Assets - End of Year	\$ 962,281	\$ 70,187,209	\$ 17,869,099	\$ 4,749,214	\$ 93,767,803

STATE OF NORTH DAKOTA

Combining Statement of Cash Flows Internal Service Funds For the Fiscal Year Ended June 30, 2011

	Central Services	Fleet Services	Information Technology	Risk Management	Total
Cash Flows from Operating Activities:					
Receipts from Customers and Users	\$ 2,924,794	\$ 31,599,391	\$ 49,428,788	\$ 5,610,042	\$ 89,563,015
Payments to Other Funds	-	(178,504)	-	-	(178,504)
Payments to Suppliers	(1,712,338)	(17,661,296)	(22,910,500)	(1,038,723)	(43,322,857)
Payments to Employees	(858,403)	(1,930,417)	(19,964,131)	(398,696)	(23,151,647)
Claim Payments	-	-	-	(110,535)	(110,535)
Payments to Others	-	-	-	(4,597,234)	(4,597,234)
Net Cash Provided by (Used for) Operating Activities	354,053	11,829,174	6,554,157	(535,146)	18,202,238
Cash Flows from Noncapital Financing Activities:					
Interest Payments - Notes and Other Borrowings	(2,100)	-	-	-	(2,100)
Collection of Advances to Other Funds	-	(4,000,000)	-	-	(4,000,000)
Net Cash Used for Noncapital Financing Activities	(2,100)	(4,000,000)	-	-	(4,002,100)
Cash Flows from Capital and Related Financing Activities:					
Acquisition and Construction of Capital Assets	-	(11,743,901)	(2,966,967)	-	(14,710,868)
Proceeds from Sale of Capital Assets	-	2,373,383	-	-	2,373,383
Principal Payments - Notes and Other Borrowings	-	-	(10,537,178)	-	(10,537,178)
Interest Payments - Notes and Other Borrowings	-	-	(324,831)	-	(324,831)
Payment on Capital Leases	(132,226)	-	-	(1,288)	(133,514)
Interest Payments - Capital Leases	(19,583)	-	-	(190)	(19,773)
Net Cash Used for Capital and Related Financing Activities	(151,809)	(9,370,518)	(13,828,976)	(1,478)	(23,352,781)
Cash Flows from Investing Activities:					
Proceeds from Sale and Maturities of Investment Securities	-	-	-	(577,631)	(577,631)
Interest and Dividends on Investments	-	-	7,449	626,762	634,211
Net Cash Provided by Investing Activities	-	-	7,449	49,131	56,580
Net Change in Cash:					
Net Increase (Decrease) in Cash and Cash Equivalents	200,144	(1,541,344)	(7,267,370)	(487,493)	(9,096,063)
Cash and Cash Equivalents at June 30, 2010	639,002	1,986,191	13,292,714	4,145,907	20,063,814
Cash and Cash Equivalents at June 30, 2011	\$ 839,146	\$ 444,847	\$ 6,025,344	\$ 3,658,414	\$ 10,967,751
Reconciliation:					
Cash Deposits at the Bank of North Dakota	\$ 835,301	\$ 444,847	\$ 6,025,344	\$ 3,657,426	\$ 10,962,918
Cash and Cash Equivalents	3,845	-	-	988	4,833
Cash and Cash Equivalents	\$ 839,146	\$ 444,847	\$ 6,025,344	\$ 3,658,414	\$ 10,967,751
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:					
Operating Income (Loss)	\$ 151,019	\$ 3,320,522	\$ 2,502,369	\$ (1,869,677)	\$ 4,104,233
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	126,622	7,868,453	5,376,450	16,901	13,388,426
Amortization\Accretion	-	-	6,649	-	6,649
Change in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	81,712	(27,463)	(71,733)	-	(17,484)
Increase in Due From	(62,327)	-	(343,970)	(7,375)	(413,672)
(Increase) Decrease in Intergovernmental Receivable	5,500	(164,769)	2,994	-	(156,275)
(Increase) Decrease in Prepaid Items	(934)	46,245	77,973	35,190	158,474
Decrease in Inventories	3,158	-	-	-	3,158
Decrease in Other Assets	14,968	-	-	-	14,968
Increase (Decrease) in Accounts Payable	14,992	780,313	(1,177,927)	(245,365)	(627,987)
Increase in Claims/Judgments Payable	-	-	-	1,524,036	1,524,036
Decrease in Intergovernmental Payable	-	(13,735)	(716)	-	(14,451)
Increase in Accrued Payroll	9,863	15,809	65,903	1,951	93,526
Increase in Compensated Absences Payable	8,479	3,799	77,967	5,531	95,776
Increase in Due To	1,001	-	38,198	3,662	42,861
Total Adjustments	203,034	8,508,652	4,051,788	1,334,531	14,098,005
Net Cash Provided by (Used For) Operating Activities	\$ 354,053	\$ 11,829,174	\$ 6,554,157	\$ (535,146)	\$ 18,202,238
Noncash Transactions:					
Net Increase in Fair Value of investments	\$ -	\$ -	\$ -	\$ 440,050	\$ 440,050
Acquisition of Equipment Under Capital Lease	47,859	-	-	-	47,859
Change in Securities Lending Collateral	-	-	-	(52,310)	(52,310)
Total Noncash Transactions	\$ 47,859	\$ -	\$ -	\$ 387,740	\$ 435,599

STATE OF NORTH DAKOTA

Fiduciary Funds

Fiduciary funds account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental organizations.

Pension and Other Employee-Related Benefit Trust Funds

DEFERRED COMPENSATION

981 - Deferred Compensation Fund

Accounts for the activity of the deferred compensation plan adopted under the provisions of Internal Revenue Service Code, Section 457, for State employees.

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 SAVE940 - 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 TRUST943 - 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.

PAYROLL461 - OMB Unemployment/Payroll Clearing Fund

Accounts for employers and employees payroll taxes and other deductions such as, insurance and credit union deductions, etc.

CHILD SUPPORT463 - Child Support Disbursement Unit Fund

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

STUDENT AND OTHER406 - 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 COLLECTION434 - 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, 2011

	Pension and Other Employee Benefit Trust Funds					
	Deferred Compensation	Defined Contribution Retirement	Highway Patrolmen's Retirement	Job Service Retirement	PERS Flexcomp	Prefunded Retiree Health Program
ASSETS						
Cash Deposits at the Bank of ND	\$ 116,685	\$ 3,270	\$ -	\$ 597	\$ 195,982	\$ 83,019
Cash and Cash Equivalents	-	-	-	-	-	-
Receivables:						
Contributions Receivable	1,921	103,704	173,431	7,751	551,875	845,245
Accounts Receivable - Net	-	-	-	-	-	-
Interest Receivable - Net	-	-	79,891	169,686	-	66,816
Due from Other Funds	4,250	-	-	-	-	275,141
Due from Fiduciary Funds	68,953	4,278	-	12,879	39,931	101,995
Total Receivables	75,124	107,982	253,322	190,316	591,806	1,289,197
Investments, at Fair Value:						
Investments at the Bank of ND	-	-	-	-	-	-
Equity Pool	-	-	29,011,958	34,045,099	-	34,084,756
Fixed Income	-	2,476,058	-	-	-	-
Fixed Income Pool	-	-	17,880,593	51,312,435	-	22,935,906
Cash and Cash Pool	-	-	756,840	277,745	-	-
Real Estate Pool	-	-	2,969,758	-	-	-
Alternative Investments	-	-	1,840,724	-	-	-
Annuities	81,156	-	-	-	-	-
Mutual Funds	37,253,362	18,832,541	-	-	-	-
Total Investments	37,334,518	21,308,599	52,459,873	85,635,279	-	57,020,662
Invested Securities Lending Collateral	-	-	-	-	-	-
Prepaid Items	-	-	-	-	-	490,798
Capital Assets (Net of Depreciation)	1,753,524	24,085	30,170	20,606	876,763	334,435
Total Assets	39,279,851	21,443,936	52,743,365	85,846,798	1,664,551	59,218,111
LIABILITIES						
Accounts Payable	148,091	-	-	92,042	74,668	36,207
Accrued Payroll	32,494	-	-	-	20,549	-
Securities Lending Collateral	-	-	-	-	-	-
Due to Other Funds	7,084	7,092	-	5,823	3,781	120,907
Due to Fiduciary Funds	-	18,223	37,944	29,501	-	302,813
Deferred Revenue	23,966	-	-	-	-	-
Compensated Absences Payable	46,574	-	-	-	26,967	-
Total Liabilities	258,209	25,315	37,944	127,366	125,965	459,927
NET ASSETS						
Net Assets Held in Trust for:						
Pension Benefits	39,021,642	21,418,621	52,705,421	85,719,432	-	58,758,184
Other Employee Benefits	-	-	-	-	1,538,586	-
External Investment Pool Participants	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-
Total Net Assets	\$ 39,021,642	\$ 21,418,621	\$ 52,705,421	\$ 85,719,432	\$ 1,538,586	\$ 58,758,184

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
\$ 2,808,985	\$ 12,365,575	\$ 15,574,113	\$ 43,994	\$ 82,300	\$ -	\$ 336,828	\$ 463,122
-	-	-	-	-	-	-	-
4,688,614	10,879,146	17,251,687	-	-	-	-	-
-	-	-	-	-	-	-	-
2,666,991	7,419,806	10,403,190	91,791	2,007	9,554	-	103,352
3,350	-	282,741	-	-	-	-	-
276,845	-	504,881	-	-	-	-	-
7,635,800	18,298,952	28,442,499	91,791	2,007	9,554	-	103,352
-	-	-	-	-	-	-	-
966,228,583	1,049,479,984	2,112,850,380	36,075,694	725,948	24,284,956	32,348,636	93,435,234
-	-	2,476,058	-	-	-	-	-
595,504,085	395,005,152	1,082,638,171	33,811,979	815,286	15,110,788	26,485,302	76,223,355
25,206,160	15,900,962	42,141,707	88,304	-	3,750,364	253,480	4,092,148
98,906,281	174,937,685	276,813,724	7,724,196	-	2,218,302	1,652,748	11,595,246
61,304,374	63,012,510	126,157,608	1,115,203	-	2,103,969	1,227,411	4,446,583
-	-	81,156	-	-	-	-	-
-	-	56,085,903	-	-	-	-	-
1,747,149,483	1,698,336,293	3,699,244,707	78,815,376	1,541,234	47,468,379	61,967,577	189,792,566
-	-	-	10	37	-	921	968
-	-	490,798	-	-	-	-	-
3,482,865	3,050	6,525,498	-	-	-	-	-
1,761,077,133	1,729,003,870	3,750,277,615	78,951,171	1,625,578	47,477,933	62,305,326	190,360,008
2,719,013	2,813,273	5,883,294	99,577	2,100	50,720	93,672	246,069
81,293	-	134,336	-	-	-	-	-
-	-	-	10	37	-	921	968
21,085	11,280	177,052	-	-	-	-	-
116,602	-	505,083	-	-	-	-	-
-	-	23,966	-	-	-	-	-
82,542	-	156,083	-	-	-	-	-
3,020,535	2,824,553	6,879,814	99,587	2,137	50,720	94,593	247,037
1,758,056,598	1,726,179,317	3,741,859,215	-	-	-	-	-
-	-	1,538,586	-	-	-	-	-
-	-	-	78,851,584	1,623,441	47,427,213	62,210,733	190,112,971
-	-	-	-	-	-	-	-
\$ 1,758,056,598	\$ 1,726,179,317	\$ 3,743,397,801	\$ 78,851,584	\$ 1,623,441	\$ 47,427,213	\$ 62,210,733	\$ 190,112,971

STATE OF NORTH DAKOTA

Combining Statement of Fiduciary Net Assets Pension, Investment and Private-Purpose Trust Funds (Continued) June 30, 2011

	Private-Purpose Trust Funds			
	Student and Cultural Donations	Mandan Remediation Trust	College SAVE	Total
ASSETS				
Cash Deposits at the Bank of ND	\$ 126,326	\$ 562,647	\$ -	\$ 688,973
Cash and Cash Equivalents	12,186	313,708	353,323	679,217
Receivables:				
Contributions Receivable	-	-	-	-
Accounts Receivable - Net	12	-	83,652	83,664
Interest Receivable - Net	2,117	976	-	3,093
Due from Other Funds	-	-	-	-
Due from Fiduciary Funds	-	-	-	-
Total Receivables	2,129	976	83,652	86,757
Investments, at Fair Value:				
Investments at the Bank of ND	21,449	-	-	21,449
Equity Pool	-	-	-	-
Fixed Income	-	-	-	-
Fixed Income Pool	695,019	9,250,000	-	9,945,019
Cash and Cash Pool	-	-	-	-
Real Estate Pool	-	-	-	-
Alternative Investments	-	-	-	-
Annuities	-	-	-	-
Mutual Funds	-	-	304,962,566	304,962,566
Total Investments	716,468	9,250,000	304,962,566	314,929,034
Invested Securities Lending Collateral	63,457	-	-	63,457
Prepaid Items	-	-	-	-
Capital Assets (Net of Depreciation)	-	-	-	-
Total Assets	920,566	10,127,331	305,399,541	316,447,438
LIABILITIES				
Accounts Payable	386	68,912	491,713	561,011
Accrued Payroll	-	-	-	-
Securities Lending Collateral	63,457	-	-	63,457
Due to Other Funds	-	-	-	-
Due to Fiduciary Funds	-	-	-	-
Deferred Revenue	-	-	-	-
Compensated Absences Payable	-	-	-	-
Total Liabilities	63,843	68,912	491,713	624,468
NET ASSETS				
Net Assets Held in Trust for:				
Pension Benefits	-	-	-	-
Other Employee Benefits	-	-	-	-
External Investment Pool Participants	-	-	-	-
Other Purposes	856,723	10,058,419	304,907,828	315,822,970
Total Net Assets	\$ 856,723	\$ 10,058,419	\$ 304,907,828	\$ 315,822,970



(This page left blank intentionally.)

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, 2011

Pension and Other Employee Benefit Trust Funds

	Deferred Compensation	Defined Contribution Retirement	Highway Patrolmen's Retirement	Job Service Retirement	PERS Flexcomp	Prefunded Retiree Health Program
ADDITIONS						
Contributions:						
Employer	\$ -	\$ 673,943	\$ 1,285,699	\$ -	\$ -	\$ 8,929,903
Employee	4,028,777	654,386	793,028	97,591	6,215,977	6,173,575
From Participants	-	-	-	-	-	-
Transfers from Other Funds	668,469	3,156	-	-	-	-
Transfers from Other Plans	157,414	16,867	-	-	-	-
Donations	-	-	-	-	-	-
Total Contributions	4,854,660	1,348,352	2,078,727	97,591	6,215,977	15,103,478
Investment Income:						
Net Change in Fair Value of Investments	6,183,393	3,697,836	8,485,843	10,200,838	-	8,481,511
Interest and Dividends	792,375	379,385	1,044,143	2,068,491	1,266	1,440,099
Less Investment Expense	96,510	13,797	202,792	277,752	-	132,724
Net Investment Income	6,879,258	4,063,424	9,327,194	11,991,577	1,266	9,788,886
Securities Lending Activity:						
Securities Lending Income	-	-	4,982	7,168	-	-
Less Securities Lending Expense	-	-	(549)	(676)	-	-
Net Securities Lending Income	-	-	5,531	7,844	-	-
Repurchase Service Credit	-	-	46,844	-	-	166,962
Miscellaneous Income	261,531	11,459	4	2	663,124	-
Total Additions	11,995,449	5,423,235	11,458,300	12,097,014	6,880,367	25,059,326
DEDUCTIONS						
Benefits Paid to Participants	1,671,278	583,352	3,531,145	4,012,707	5,931,663	6,160,406
Refunds	-	-	37,156	-	-	1,745
Prefunded Credit Applied	-	-	-	-	-	5,789,371
Transfer to Other Plans	-	-	-	-	406,937	-
Payments in Accordance with Trust Agreements	-	-	-	-	-	-
Administrative Expenses	640,532	18,719	22,734	26,368	394,740	151,388
Total Deductions	2,311,810	602,071	3,591,035	4,039,075	6,733,340	12,102,910
Purchase (Redemption) of Units at Net Asset Value of \$1.00 Per Unit	-	-	-	-	-	-
Change in Net Assets Held in Trust for:						
Pension Benefits	9,683,639	4,821,164	7,867,265	8,057,939	-	12,956,416
Other Employee Benefits	-	-	-	-	147,027	-
External Investment Pool Participants	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-
Net Assets - Beginning of Year	29,338,003	16,597,457	44,838,156	77,661,493	1,391,559	45,801,768
Net Assets - End of Year	\$ 39,021,642	\$ 21,418,621	\$ 52,705,421	\$ 85,719,432	\$ 1,538,586	\$ 58,758,184

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
\$ 32,278,056	\$ 44,545,433	\$ 87,713,034	\$ -	\$ -	\$ -	\$ -	\$ -
30,479,702	38,869,260	87,312,296	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	671,625	-	-	-	-	-
-	-	174,281	-	-	-	-	-
-	-	-	-	-	-	-	-
62,757,758	83,414,693	175,871,236	-	-	-	-	-
280,371,430	305,331,203	622,752,054	11,863,631	201,705	7,506,603	8,953,479	28,525,418
34,500,138	35,864,291	76,090,188	1,728,911	56,013	891,751	1,535,937	4,212,612
6,701,848	6,430,327	13,855,750	303,801	5,432	169,570	213,965	692,768
308,169,720	334,765,167	684,986,492	13,288,741	252,286	8,228,784	10,275,451	32,045,262
164,604	134,520	311,274	6,428	130	4,581	4,866	16,005
(18,147)	(56,544)	(75,916)	(828)	(95)	(539)	(3,114)	(4,576)
182,751	191,064	387,190	7,256	225	5,120	7,980	20,581
3,797,333	1,499,748	5,510,887	-	-	-	-	-
2,129	8,809	947,058	-	-	-	-	-
374,909,691	419,879,481	867,702,863	13,295,997	252,511	8,233,904	10,283,431	32,065,843
84,307,028	127,435,564	233,633,143	-	-	-	-	-
4,669,072	2,210,738	6,918,711	-	-	-	-	-
-	-	5,789,371	-	-	-	-	-
264,688	-	671,625	-	-	-	-	-
-	-	-	-	-	-	-	-
1,797,287	2,003,705	5,055,473	-	-	-	-	-
91,038,075	131,650,007	252,068,323	-	-	-	-	-
-	-	-	(80,000)	(500,000)	707,798	2,300,000	2,427,798
283,871,616	288,229,474	615,487,513	-	-	-	-	-
-	-	147,027	-	-	-	-	-
-	-	-	13,215,997	(247,489)	8,941,702	12,583,431	34,493,641
-	-	-	-	-	-	-	-
1,474,184,982	1,437,949,843	3,127,763,261	65,635,587	1,870,930	38,485,511	49,627,302	155,619,330
\$ 1,758,056,598	\$ 1,726,179,317	\$ 3,743,397,801	\$ 78,851,584	\$ 1,623,441	\$ 47,427,213	\$ 62,210,733	\$ 190,112,971

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, 2011

	Private-Purpose Trust Funds			
	Student and Cultural Donations	Mandan Remediation Trust	College SAVE	Total
ADDITIONS				
Contributions:				
Employer	\$ -	\$ -	\$ -	\$ -
Employee	-	-	-	-
From Participants	-	-	24,084,071	24,084,071
Transfers from Other Funds	-	-	-	-
Transfers from Other Plans	-	-	-	-
Donations	5,920	-	-	5,920
Total Contributions	5,920	-	24,084,071	24,089,991
Investment Income:				
Net Change in Fair Value of Investments	85,441	-	21,224,544	21,309,985
Interest and Dividends	20,435	45,446	7,533,072	7,598,953
Less Investment Expense	-	-	-	-
Net Investment Income	105,876	45,446	28,757,616	28,908,938
Securities Lending Activity:				
Securities Lending Income	-	-	-	-
Less Securities Lending Expense	-	-	-	-
Net Securities Lending Income	-	-	-	-
Repurchase Service Credit	-	-	-	-
Miscellaneous Income	2,693	-	-	2,693
Total Additions	114,489	45,446	52,841,687	53,001,622
DEDUCTIONS				
Benefits Paid to Participants	-	-	-	-
Refunds	-	-	-	-
Prefunded Credit Applied	-	-	-	-
Transfer to Other Plans	-	-	-	-
Payments in Accordance with Trust Agreements	4,006	409,803	30,967,321	31,381,130
Administrative Expenses	2,859	31,400	2,144,966	2,179,225
Total Deductions	6,865	441,203	33,112,287	33,560,355
Purchase (Redemption) 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	107,624	(395,757)	19,729,400	19,441,267
Net Assets - Beginning of Year	749,099	10,454,176	285,178,428	296,381,703
Net Assets - End of Year	\$ 856,723	\$ 10,058,419	\$ 304,907,828	\$ 315,822,970

STATE OF NORTH DAKOTA

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2011

	Bonding	Payroll	Child Support	Student and Other	Tax Collection	Total
ASSETS						
Cash Deposits at the Bank of ND	\$ 3,698,993	\$ 217,175	\$ 1,905,261	\$ 1,096,810	\$ 9,295,184	\$ 16,213,423
Cash and Cash Equivalents	4,717,517	-	287,276	254,747	4,014,184	9,273,724
Investments at the Bank of ND	22,965,970	-	-	96,023	-	23,061,993
Investments	363,627	-	-	12,757	-	376,384
Accounts Receivable - Net	22,000	8,755,568	-	-	-	8,777,568
Taxes Receivable - Net	-	-	-	-	21,447,653	21,447,653
Interest Receivable - Net	36	-	-	99	-	135
Total Assets	<u>\$ 31,768,143</u>	<u>\$ 8,972,743</u>	<u>\$ 2,192,537</u>	<u>\$ 1,460,436</u>	<u>\$ 34,757,021</u>	<u>\$ 79,150,880</u>
LIABILITIES						
Intergovernmental Payable	\$ -	\$ 8,864,002	\$ -	\$ -	\$ 34,755,646	\$ 43,619,648
Tax Refunds Payable	6,206	-	-	-	1,375	7,581
Amounts Held in Custody for Others	31,761,937	108,741	2,192,537	1,460,436	0	35,523,651
Total Liabilities	<u>\$ 31,768,143</u>	<u>\$ 8,972,743</u>	<u>\$ 2,192,537</u>	<u>\$ 1,460,436</u>	<u>\$ 34,757,021</u>	<u>\$ 79,150,880</u>

STATE OF NORTH DAKOTA

Combining Statement of Changes in Assets and Liabilities Agency Funds For the Fiscal Year Ended June 30, 2011

	June 30 2010	Additions	Deductions	June 30 2011
Bonding				
ASSETS				
Cash Deposits at the Bank of ND	\$ 2,509,146	\$ 1,470,383	\$ 280,536	\$ 3,698,993
Cash and Cash Equivalents	3,754,346	5,280,946	4,317,775	4,717,517
Investments at the Bank of ND	20,450,043	8,980,482	6,464,555	22,965,970
Investments	273,627	90,000	-	363,627
Accounts Receivable - Net	-	22,000	-	22,000
Taxes Receivable - Net	13,000	-	13,000	-
Interest Receivable - Net	-	36	-	36
Total Assets	<u>\$ 27,000,162</u>	<u>\$ 15,843,847</u>	<u>\$ 11,075,866</u>	<u>\$ 31,768,143</u>
LIABILITIES				
Tax Refunds Payable	\$ 6,100	\$ 6,206	\$ 6,100	\$ 6,206
Amounts Held in Custody for Others	26,994,062	15,740,847	10,972,972	31,761,937
Total Liabilities	<u>\$ 27,000,162</u>	<u>\$ 15,747,053</u>	<u>\$ 10,979,072</u>	<u>\$ 31,768,143</u>
Payroll				
ASSETS				
Cash Deposits at the Bank of ND	\$ 155,010	\$ 90,211,438	\$ 90,149,273	\$ 217,175
Accounts Receivable - Net	22,766	8,755,568	22,766	8,755,568
Total Assets	<u>\$ 177,776</u>	<u>\$ 98,967,006</u>	<u>\$ 90,172,039</u>	<u>\$ 8,972,743</u>
LIABILITIES				
Intergovernmental Payable	\$ 60,933	\$ 8,926,382	\$ 123,313	\$ 8,864,002
Amounts Held in Custody for Others	116,843	98,944,240	98,952,342	108,741
Total Liabilities	<u>\$ 177,776</u>	<u>\$ 107,870,622</u>	<u>\$ 99,075,655</u>	<u>\$ 8,972,743</u>
Child Support				
ASSETS				
Cash Deposits at the Bank of ND	\$ 1,750,393	\$ 115,969,432	\$ 115,814,564	\$ 1,905,261
Cash and Cash Equivalents	279,142	8,134	-	287,276
Total Assets	<u>\$ 2,029,535</u>	<u>\$ 115,977,566</u>	<u>\$ 115,814,564</u>	<u>\$ 2,192,537</u>
LIABILITIES				
Amounts Held in Custody for Others	\$ 2,029,535	\$ 115,970,876	\$ 115,807,874	\$ 2,192,537
Total Liabilities	<u>\$ 2,029,535</u>	<u>\$ 115,970,876</u>	<u>\$ 115,807,874</u>	<u>\$ 2,192,537</u>

	June 30 2010	Additions	Deductions	June 30 2011
Student and Other				
ASSETS				
Cash Deposits at the Bank of ND	\$ 1,070,654	\$ 2,480,958	\$ 2,454,802	\$ 1,096,810
Cash and Cash Equivalents	349,298	2,274,164	2,368,715	254,747
Investments at the Bank of ND	50,000	46,023	-	96,023
Investments	12,757	-	-	12,757
Interest Receivable - Net	211	99	211	99
Other Assets	1,419	1,021,292	1,022,711	-
Total Assets	<u>\$ 1,484,339</u>	<u>\$ 5,822,536</u>	<u>\$ 5,846,439</u>	<u>\$ 1,460,436</u>
LIABILITIES				
Amounts Held in Custody for Others	\$ 1,484,339	\$ 5,828,185	\$ 5,852,088	\$ 1,460,436
Total Liabilities	<u>\$ 1,484,339</u>	<u>\$ 5,828,185</u>	<u>\$ 5,852,088</u>	<u>\$ 1,460,436</u>
Tax Collection				
ASSETS				
Cash Deposits at the Bank of ND	\$ 11,199,989	\$ 170,815,393	\$ 172,720,198	\$ 9,295,184
Cash and Cash Equivalents	3,240,365	783,588	9,769	4,014,184
Taxes Receivable - Net	17,025,558	26,059,188	21,637,093	21,447,653
Total Assets	<u>\$ 31,465,912</u>	<u>\$ 197,658,169</u>	<u>\$ 194,367,060</u>	<u>\$ 34,757,021</u>
LIABILITIES				
Intergovernmental Payable	\$ 31,464,959	\$ 206,957,612	\$ 203,666,925	\$ 34,755,646
Tax Refunds Payable	953	1,375	953	1,375
Total Liabilities	<u>\$ 31,465,912</u>	<u>\$ 206,958,987</u>	<u>\$ 203,667,878</u>	<u>\$ 34,757,021</u>
Total -All Agency Funds				
ASSETS				
Cash Deposits at the Bank of ND	\$ 16,685,192	\$ 380,947,604	\$ 381,419,373	\$ 16,213,423
Cash and Cash Equivalents	7,623,151	8,346,832	6,696,259	9,273,724
Investments at the Bank of ND	20,500,043	9,026,505	6,464,555	23,061,993
Investments	286,384	90,000	-	376,384
Accounts Receivable - Net	22,766	8,777,568	22,766	8,777,568
Taxes Receivable - Net	17,038,558	26,059,188	21,650,093	21,447,653
Interest Receivable - Net	211	135	211	135
Other Assets	1,419	1,021,292	1,022,711	-
Total Assets	<u>\$ 62,157,724</u>	<u>\$ 434,269,124</u>	<u>\$ 417,275,968</u>	<u>\$ 79,150,880</u>
LIABILITIES				
Intergovernmental Payable	\$ 31,525,892	\$ 215,883,994	\$ 203,790,238	\$ 43,619,648
Tax Refunds Payable	7,053	7,581	7,053	7,581
Amounts Held in Custody for Others	30,624,779	236,484,148	231,585,276	35,523,651
Total Liabilities	<u>\$ 62,157,724</u>	<u>\$ 452,375,724</u>	<u>\$ 435,382,568</u>	<u>\$ 79,150,880</u>

Statistical Information

INDEX TO SCHEDULES

Financial Trends – These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

Schedule 1 – Net Assets by Component	166
Schedule 2 – Changes in Net Assets	168
Schedule 3 – Fund Balances, Governmental Funds	170
Schedule 4 – Changes in Fund Balances, Governmental Funds	172

Revenue Capacity – These schedules contain trend information to help the reader assess the State's capacity to raise revenues and the sources of those revenues.

Schedule 5 – Taxable Sales by Industry	174
Schedule 6 – Sales Tax Revenue Payers by Industry	174

Debt Capacity – These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.

Schedule 7 – Ratios of Outstanding Debt by Type	176
Schedule 8 – Pledged Revenue Coverage	178
Schedule 9 – Legal Debt Limit	180

Demographic and Economic Information – These schedules contain trend information to help the reader understand the environment in which the State's financial activities occur.

Schedule 10 – Demographic and Economic Indicators	181
Schedule 11 – Principal Employers	182
Schedule 12 – Employment by Industry	182
Schedule 13 – Education Enrollment	183

Operating Information – These schedules contain information about the State's operations and resources by the functions it performs.

Schedule 14 – State Employees by Agency	184
Schedule 15 – Operating Indicators by Function	186
Schedule 16 – Capital Assets by Function	187

Public Entity Risk Pool Claims Information

Schedule 17 – Claims Development Information	188
--	-----

Miscellaneous Statistics – This information may provide the reader with more insight into the State's financial status.

Schedule 18 – Agricultural Production	192
---	-----

STATE OF NORTH DAKOTA

Schedule 1 -- Net Assets by Component Last Ten Fiscal Years (accrual basis of accounting)

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

2006	2007	2008	2009	2010	2011
\$ 1,077,843,107	\$ 1,151,716,486	\$ 1,400,535,033	\$ 1,323,476,716	\$ 1,450,350,320	\$ 1,640,080,874
1,281,416,598	1,384,212,299	1,458,565,511	1,502,237,251	1,984,324,201	2,470,400,337
538,891,416	894,967,295	1,119,875,688	1,562,969,653	1,772,441,595	2,537,062,796
\$ 2,898,151,121	\$ 3,430,896,080	\$ 3,978,976,232	\$ 4,388,683,620	\$ 5,207,116,116	\$ 6,647,544,007
\$ 516,243,464	\$ 527,402,572	\$ 546,699,435	\$ 578,827,822	\$ 644,108,459	\$ 706,459,639
391,312,218	478,219,512	532,954,637	500,433,232	445,609,412	452,312,013
820,268,283	745,972,838	653,004,847	563,679,410	749,258,206	916,758,798
\$ 1,727,823,965	\$ 1,751,594,922	\$ 1,732,658,919	\$ 1,642,940,464	\$ 1,838,976,077	\$ 2,075,530,450
\$ 1,594,086,571	\$ 1,679,119,058	\$ 1,947,234,468	\$ 1,902,304,538	\$ 2,094,458,779	\$ 2,346,540,513
1,672,728,816	1,862,431,811	1,991,520,148	2,011,110,394	2,429,933,613	2,922,712,350
1,359,159,699	1,640,940,133	1,772,880,535	2,118,209,152	2,521,699,801	3,453,821,594
\$ 4,625,975,086	\$ 5,182,491,002	\$ 5,711,635,151	\$ 6,031,624,084	\$ 7,046,092,193	\$ 8,723,074,457

STATE OF NORTH DAKOTA

Schedule 2 -- Changes in Net Assets

Last Ten Fiscal Years

(accrual basis of accounting)

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

NOTE: The State Lottery became effective beginning in fiscal year 2004.

2006	2007	2008	2009	2010	2011
\$ 264,911,163	\$ 275,242,149	\$ 313,329,720	\$ 418,220,944	\$ 393,432,224	\$ 507,512,750
496,821,495	507,384,841	537,756,698	564,818,600	849,337,255	830,649,191
854,450,025	874,003,750	960,439,610	1,005,299,226	1,149,201,916	1,244,163,316
19,676,826	21,180,817	28,265,610	26,581,606	26,187,266	28,419,774
145,479,620	135,581,887	135,067,907	194,263,845	284,846,465	242,521,440
54,457,817	58,591,473	67,941,955	68,057,495	85,327,633	98,038,471
62,430,892	57,850,544	64,090,113	64,816,773	81,304,271	117,862,905
372,245,432	321,278,940	318,241,207	382,619,328	463,845,880	468,695,689
12,880,933	14,438,858	13,293,248	12,683,901	11,773,684	10,461,658
2,283,354,203	2,265,553,259	2,438,426,068	2,737,361,718	3,345,256,594	3,548,325,193
\$ 71,263,587	\$ 91,261,449	\$ 108,077,704	\$ 99,089,692	\$ 80,132,606	\$ 77,556,546
46,579,809	51,178,023	58,815,920	59,769,233	62,931,910	69,824,036
17,235,546	9,453,454	9,657,603	6,776,733	6,315,852	6,898,226
101,198,217	126,968,527	242,924,564	233,792,242	170,075,842	212,279,549
15,622,027	16,068,060	16,205,287	16,122,996	18,177,724	17,068,826
43,314,505	47,524,928	46,911,958	106,475,262	137,473,630	108,482,422
743,271,216	775,600,118	835,873,088	894,733,624	963,820,452	1,008,539,618
116,020,938	231,787,346	246,581,569	168,527,183	218,185,899	300,297,491
14,922,322	16,621,718	23,268,976	15,809,783	18,330,675	25,093,546
1,169,428,167	1,366,463,623	1,588,316,669	1,601,096,748	1,675,444,590	1,826,040,260
\$ 3,452,782,370	\$ 3,632,016,882	\$ 4,026,742,737	\$ 4,338,458,466	\$ 5,020,701,184	\$ 5,374,365,453
\$ 23,186,427	\$ 22,288,219	\$ 18,874,082	\$ 24,085,311	\$ 20,683,111	\$ 26,863,061
3,675,283	3,616,003	3,994,400	4,325,036	5,440,633	6,985,958
29,134,050	24,970,751	31,576,197	34,200,110	31,858,461	36,563,927
17,072,857	20,267,416	21,266,588	19,418,470	23,963,949	22,122,244
7,189,302	7,307,975	9,451,217	10,572,514	12,310,270	14,456,950
22,935,699	19,593,774	28,180,590	22,749,832	29,530,575	29,861,552
20,685,820	22,678,382	26,030,413	26,553,195	30,854,355	24,772,981
77,967,969	74,146,958	71,469,872	87,100,993	90,768,728	96,023,474
1,144,749,200	1,148,061,678	1,041,410,981	1,131,838,131	2,025,395,367	2,015,949,995
56,556,872	71,115,382	68,471,590	57,064,724	63,034,991	12,768,330
1,403,153,479	1,414,046,538	1,320,725,930	1,417,908,316	2,333,840,440	2,286,368,382
107,518,000	135,843,000	158,993,000	155,951,000	138,081,000	140,043,000
39,209,000	45,137,000	53,106,863	53,438,021	48,814,007	54,190,469
17,406,328	12,535,071	10,522,025	6,941,602	6,013,058	5,989,229
107,379,916	132,056,652	242,025,576	224,127,818	183,287,534	228,300,446
22,413,359	22,772,976	22,219,058	21,815,381	24,498,988	23,085,242
60,709,015	56,855,823	51,993,327	75,137,232	115,951,800	119,074,810
331,584,391	351,789,074	369,469,634	400,638,083	418,085,075	438,741,616
94,383,040	130,586,004	145,487,917	163,857,781	157,710,330	193,150,136
13,467,869	13,370,412	19,959,736	14,303,486	17,797,890	17,910,325
283,315,181	368,697,788	258,218,249	114,158,181	412,398,322	449,392,800
577,251	7,314,326	9,244,575	10,820,227	19,762,204	14,258,261
1,077,963,350	1,276,958,126	1,341,239,960	1,241,188,812	1,542,400,208	1,684,136,334
\$ 2,481,116,829	\$ 2,691,004,664	\$ 2,661,965,890	\$ 2,659,097,128	\$ 3,876,240,648	\$ 3,970,504,716
\$ (880,200,724)	\$ (851,506,721)	\$ (1,117,700,138)	\$ (1,319,453,402)	\$ (1,011,416,154)	\$ (1,261,956,811)
(91,464,817)	(89,505,497)	(247,076,709)	(359,907,936)	(133,044,382)	(141,903,926)
\$ (971,665,541)	\$ (941,012,218)	\$ (1,364,776,847)	\$ (1,679,361,338)	\$ (1,144,460,536)	\$ (1,403,860,737)
\$ 432,071,872	\$ 449,064,105	\$ 473,235,378	\$ 503,975,529	\$ 379,938,009	\$ 605,526,736
678,820,618	726,913,003	797,614,476	857,770,891	885,445,674	1,121,730,307
210,169,616	230,118,178	469,244,783	428,669,882	633,445,059	1,059,467,528
66,601,785	54,780,147	65,487,361	60,813,632	62,075,915	69,733,806
12,408,573	25,822,610	25,149,527	12,830,321	33,925,667	21,330,843
11,712,175	16,097,938	20,062,331	30,990,193	23,559,384	30,453,643
23,696,003	27,836,295	42,051,636	54,636,981	150,818,789	158,447,124
11,156,063	15,995,440	19,181,247	11,573,541	11,203,425	999,110
-	-	-	(3,314,057)	-	-
(215,088,572)	(167,116,902)	(254,648,266)	(229,267,859)	(350,496,669)	(365,304,396)
1,231,548,133	1,379,510,814	1,657,378,473	1,728,679,054	1,829,915,253	2,702,384,702
188,108,694	185,840,985	228,140,706	270,189,481	324,785,928	376,538,823
1,419,656,827	1,565,351,799	1,885,519,179	1,998,868,535	2,154,701,181	3,078,923,525
351,347,409	528,004,093	539,678,335	409,225,652	818,499,099	1,440,427,891
96,643,877	96,335,488	(18,936,003)	(89,718,455)	191,741,546	234,634,897
\$ 447,991,286	\$ 624,339,581	\$ 520,742,332	\$ 319,507,197	\$ 1,010,240,645	\$ 1,675,062,788

STATE OF NORTH DAKOTA

Schedule 3 -- Fund Balances, Governmental Funds Last Ten Fiscal Years

(modified accrual basis of accounting)

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

Note: Due to GASB Statement 54, a new table is included below for 2011.

	2011
General Fund	
Nonspendable	\$ 4,628,040
Committed	682,696,887
Unassigned	712,046,495
Total General Fund	1,399,371,422
All Other Governmental Funds	
Nonspendable	81,757,950
Restricted	2,371,817,130
Committed	1,055,012,373
Assigned	124,052,099
Unassigned	(3,205,875)
Total All Other Governmental Funds	3,629,433,677
Total Fund Balances, Governmental Funds	\$ 5,028,805,099

2006	2007	2008	2009	2010
\$ 2,050,599	\$ 1,690,187	\$ 2,479,613	\$ 4,123,554	\$ 4,990,240
412,886,296	636,773,228	785,459,751	863,093,388	834,021,114
414,936,895	638,463,415	787,939,364	867,216,942	839,011,354
999,818,758	1,094,599,293	1,102,476,731	1,021,911,207	2,201,584,878
475,496,357	576,408,347	870,164,282	1,195,606,640	1,525,108,012
1,475,315,115	1,671,007,640	1,972,641,013	2,217,517,847	3,726,692,890
\$ 1,890,252,010	\$ 2,309,471,055	\$ 2,760,580,377	\$ 3,084,734,789	\$ 4,565,704,244

STATE OF NORTH DAKOTA

Schedule 4 -- Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2002	2003	2004	2005
Revenues				
Individual and Corporate Income Taxes	\$ 234,812,455	\$ 248,810,178	\$ 265,907,357	\$ 319,862,263
Sales and Use Taxes	567,465,059	550,220,785	599,407,365	630,178,563
Oil, Gas, and Coal Taxes	90,976,331	107,448,761	112,454,541	162,919,498
Business and Other Taxes	59,284,332	62,959,218	61,395,792	57,286,643
Licenses, Permits and Fees	90,297,704	89,763,132	100,502,495	99,655,471
Intergovernmental	918,931,998	969,097,381	1,011,333,930	1,060,896,574
Sales and Services	39,297,051	38,360,653	44,429,465	39,036,704
Royalties and Rents	17,917,887	21,203,780	25,480,076	54,937,603
Fines and Forfeits	10,892,091	10,745,861	15,355,746	14,460,365
Interest and Investment Income	4,289,399	32,457,723	84,295,367	69,224,302
Tobacco Settlement	26,780,711	26,855,651	22,983,256	23,326,753
Commodity Assessments	9,443,805	10,221,202	11,897,001	10,820,676
Miscellaneous	3,091,525	4,190,226	5,411,013	5,728,587
Total Revenues	2,073,480,348	2,172,334,551	2,360,853,404	2,548,334,002
Expenditures				
Current:				
General Government	70,248,362	76,538,930	74,212,740	84,287,121
Education	413,416,472	446,273,895	461,791,383	478,725,082
Health and Human Services	728,510,901	771,907,427	795,012,587	822,941,681
Regulatory	14,662,032	16,180,944	14,948,304	15,364,493
Public Safety and Corrections	135,591,016	95,264,315	102,275,243	128,185,075
Agriculture and Commerce	51,263,030	52,921,944	57,476,139	55,747,507
Natural Resources	46,958,824	52,405,276	57,536,974	49,843,758
Transportation	324,821,384	233,089,215	240,043,640	234,262,747
Intergovernmental - Revenue Sharing	142,778,046	148,181,078	157,200,675	157,867,895
Capital Outlay	9,147,424	115,190,590	125,531,217	156,323,725
Debt Service:				
Principal	6,374,010	7,738,353	8,381,770	9,586,080
Interest and Other Charges	7,327,477	8,403,267	6,962,225	7,836,683
Total Expenditures	1,951,098,978	2,024,095,234	2,101,372,897	2,200,971,847
Revenue over (under) Expenditures	122,381,370	148,239,317	259,480,507	347,362,155
Other Financing Sources (Uses)				
Bonds and Notes Issued	11,368,445	16,121,023	5,871,011	69,013,223
Refunding Bonds Issued	-	43,374,000	187,283	21,630,000
Payment to Refund Bond Escrow Agent	-	(16,224,000)	-	(22,281,509)
Payment of Refunded Bonds	-	(28,100,000)	-	-
Capital Lease Acquisitions	160,416	1,775,805	-	5,211,960
Sale of Capital Assets	439,396	234,029	581,050	1,313,753
Other	3,813	(14,621)	(7,862)	-
Transfers In	132,083,095	177,213,969	207,479,994	303,157,108
Transfers Out	(302,916,415)	(336,603,431)	(360,337,994)	(474,082,423)
Total Other Financing Sources (Uses)	(158,861,250)	(142,223,226)	(146,226,518)	(96,037,888)
Net Changes in Fund Balances	\$ (36,479,880)	\$ 6,016,091	\$ 113,253,989	\$ 251,324,267
Debt Service as a Percentage of Noncapital Expenditures	<1%	<1%	<1%	<1%

	2006	2007	2008	2009	2010	2011
\$	409,691,305	\$ 443,215,760	\$ 469,177,140	\$ 505,011,491	\$ 380,068,970	\$ 602,185,856
	674,235,802	725,523,596	795,575,768	857,400,779	883,265,443	1,120,803,578
	210,157,778	230,124,520	469,231,373	428,629,782	633,497,612	1,058,519,977
	57,386,606	54,742,121	63,575,524	61,017,632	62,344,622	70,417,133
	122,528,304	116,236,397	123,469,151	133,219,868	143,516,524	154,090,944
	1,079,689,531	1,061,075,404	1,088,706,508	1,252,165,449	1,692,074,692	1,610,019,463
	45,603,895	41,134,852	49,459,036	48,871,700	47,993,528	53,599,656
	64,279,399	64,580,931	96,037,810	125,251,686	407,051,277	328,289,031
	12,396,632	14,834,336	10,903,234	15,774,414	13,282,502	16,213,841
	82,674,439	147,584,215	(1,522,383)	(110,353,157)	181,825,499	270,760,984
	21,348,506	29,215,336	36,478,816	39,327,032	32,839,602	30,453,643
	12,673,677	13,801,240	18,152,847	16,502,864	19,558,592	23,111,279
	6,115,395	10,327,474	10,178,935	5,863,644	11,870,275	7,622,389
	2,798,781,269	2,952,396,182	3,229,423,759	3,378,683,184	4,509,189,138	5,346,087,774
	92,726,091	94,139,748	93,444,373	165,062,399	118,135,852	174,560,163
	489,130,108	506,528,869	536,359,840	564,579,714	849,104,680	830,379,618
	843,779,436	873,992,858	956,031,462	1,002,699,816	1,147,503,138	1,240,584,657
	16,039,593	16,987,513	19,696,747	22,284,389	22,114,812	25,371,933
	139,043,860	129,458,229	127,347,181	187,059,227	276,719,107	233,108,649
	54,658,099	58,249,503	67,675,838	67,987,832	85,141,016	97,880,158
	55,557,993	52,990,134	58,128,187	58,433,165	73,359,931	110,413,413
	342,590,896	290,317,792	283,717,240	353,240,413	425,930,371	430,542,156
	171,942,576	181,498,302	224,406,911	253,363,580	273,118,311	326,572,267
	121,433,926	143,672,671	139,215,060	113,879,585	155,148,376	233,071,350
	11,235,110	10,215,343	16,215,727	20,207,193	30,513,501	16,869,266
	11,799,333	13,341,252	13,264,977	12,280,656	12,318,072	10,659,235
	2,349,937,021	2,371,392,214	2,535,503,543	2,821,077,969	3,469,107,167	3,730,012,865
	448,844,248	581,003,968	693,920,216	557,605,215	1,040,081,971	1,616,074,909
	115,130,668	1,828,225	1,426,000	3,005,000	-	2,575,000
	10,516,000	23,775,068	-	-	-	5,337,000
	(10,388,000)	(24,588,018)	-	-	-	-
	-	-	-	-	-	(4,940,000)
	1,946,086	202,754	370,888	88,245	166,951	1,402,326
	1,248,797	230,528	1,052,750	86,625	471,890	539,837
	-	-	-	-	-	-
	195,454,840	241,687,946	302,221,706	278,233,887	474,985,111	566,165,036
	(410,543,412)	(408,804,848)	(556,869,970)	(507,501,746)	(825,481,779)	(931,469,432)
	(96,635,021)	(165,668,345)	(251,798,626)	(226,087,989)	(349,857,827)	(360,390,233)
\$	352,209,227	\$ 415,335,623	\$ 442,121,590	\$ 331,517,226	\$ 690,224,144	\$ 1,255,684,676
<1%	<1%	<1%	<1%	<1%	<1%	<1%

STATE OF NORTH DAKOTA

Schedule 5 Taxable Sales by Industry Last Ten Calendar Years

	Calendar Year			
	2001	2002	2003	2004
Mining and Oil Extraction	\$ 47,349,516	\$ 50,329,809	\$ 58,538,788	\$ 97,973,056
Construction	178,134,203	180,975,424	193,399,184	240,018,916
Manufacturing	324,493,651	301,919,383	307,802,595	341,688,027
Transportation, Communications, And Public Utilities	663,599,972	597,154,517	721,601,734	790,441,560
Wholesale	1,486,187,871	1,338,621,392	1,293,684,071	1,455,025,213
Retail	3,678,040,583	3,804,865,413	3,963,823,988	4,221,825,146
Services	709,196,225	709,805,170	744,082,659	787,170,817
Accommodation and Food Service (1)	-	-	-	-
Miscellaneous (1)	60,126,069	61,072,167	64,525,223	66,126,921
Total	<u>\$ 7,147,128,090</u>	<u>\$ 7,044,743,275</u>	<u>\$ 7,347,458,242</u>	<u>\$ 8,000,269,656</u>
Effective Tax Rate	4.84%	4.98%	4.95%	4.84%

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

Source: ND State Tax Department

Schedule 6 Sales Tax Revenue Payers by Industry Calendar Years 2001 and 2010 (Dollars are in Millions)

	Calendar Year 2001			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Retail Trade	11,919	44.7%	215.03	59.2%
Wholesale Trade	4,787	18.0%	58.74	16.2%
Services	6,896	25.9%	38.28	10.5%
Transportation, Communications, And Public Utilities	508	1.9%	20.16	5.5%
Manufacturing	500	1.9%	16.59	4.6%
Construction	1,394	5.2%	9.46	2.6%
Miscellaneous	493	1.9%	3.01	0.8%
Mining and Oil Extraction	146	0.5%	2.17	0.6%
Total	26,643	100.0%	363.44	100.0%

Source: ND State Tax Department

Calendar Year					
2005	2006	2007	2008	2009	2010
\$ 131,849,866	\$ 191,615,942	\$ 374,201,247	\$ 951,773,654	\$ 704,397,852	\$ 1,491,748,626
294,678,543	352,454,828	401,485,208	452,093,539	429,559,387	494,291,922
494,987,751	543,692,333	589,463,741	697,482,110	649,627,740	711,340,542
915,437,434	954,523,004	442,079,107	654,070,303	489,144,528	390,215,115
1,446,044,209	1,612,369,604	1,844,174,252	2,645,755,217	2,413,689,772	3,367,800,790
3,677,485,817	3,892,914,208	4,128,221,158	4,366,831,911	4,334,670,425	4,686,288,902
1,558,601,437	1,688,764,982	1,413,161,243	1,479,230,174	1,542,498,356	1,724,349,874
-	-	1,058,245,321	1,149,837,849	1,179,623,344	1,271,280,053
47,865,825	47,955,072	-	-		
<u>\$ 8,566,950,882</u>	<u>\$ 9,284,289,973</u>	<u>\$ 10,251,031,277</u>	<u>\$ 12,397,074,757</u>	<u>\$ 11,743,211,404</u>	<u>\$ 14,137,315,824</u>
4.92%	4.95%	4.95%	4.97%	4.97%	4.98%

Calendar Year 2010			
Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
10,583	37.4%	297.87	42.1%
4,711	16.7%	168.39	23.8%
5,095	18.0%	70.41	10.0%
455	1.6%	19.51	2.8%
2,478	8.8%	35.57	5.0%
1,871	6.6%	24.71	3.5%
2,763	9.8%	15.80	2.2%
333	1.2%	74.59	10.6%
28,289	100.0%	706.87	100.0%

STATE OF NORTH DAKOTA

Schedule 7

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(dollars in thousands)

	Fiscal Year			
	2002	2003	2004	2005
Governmental Activities				
Revenue bonds	\$ 140,161	\$ 146,795	\$ 146,384	\$ 204,240
Capital leases	1,403	2,240	1,132	5,941
Notes Payable	507	5,671	5,455	5,613
Total Governmental Activities	<u>142,071</u>	<u>154,706</u>	<u>152,971</u>	<u>215,794</u>
Business-type Activities				
Revenue bonds	965,243	886,185	835,535	887,350
Capital leases	30,341	31,798	34,130	38,746
Notes payable	403,860	427,683	535,253	445,080
Total Business-Type Activities	<u>1,399,444</u>	<u>1,345,666</u>	<u>1,404,918</u>	<u>1,371,176</u>
Total Primary Government	<u>\$ 1,541,515</u>	<u>\$ 1,500,372</u>	<u>\$ 1,557,889</u>	<u>\$ 1,586,970</u>
Debt as a Percentage of Personal Income ¹	9.4%	9.0%	8.6%	8.5%
Amount of Debt per Capita ¹	\$ 2,422	\$ 2,367	\$ 2,461	\$ 2,492

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

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

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 287,016	\$ 277,932	\$ 265,665	\$ 251,526	\$ 232,102	\$ 219,221
6,361	5,418	5,236	4,056	2,842	2,964
32,314	32,384	35,726	26,523	19,493	8,563
<u>325,691</u>	<u>315,734</u>	<u>306,627</u>	<u>282,105</u>	<u>254,437</u>	<u>230,748</u>
1,038,233	1,073,545	1,197,845	1,051,542	1,301,368	1,193,816
45,088	46,131	50,046	68,097	72,461	75,649
283,509	263,820	250,645	318,847	412,095	403,509
<u>1,366,830</u>	<u>1,383,496</u>	<u>1,498,536</u>	<u>1,438,486</u>	<u>1,785,924</u>	<u>1,672,974</u>
<u>\$ 1,692,521</u>	<u>\$ 1,699,230</u>	<u>\$ 1,805,163</u>	<u>\$ 1,720,591</u>	<u>\$ 2,040,361</u>	<u>\$ 1,903,722</u>
8.4%	8.1%	8.1%	6.8%	8.1%	6.6%
\$ 2,661	\$ 2,666	\$ 2,822	\$ 2,682	\$ 3,181	\$ 2,822

STATE OF NORTH DAKOTA

Schedule 8 Pledged-Revenue Coverage Last Ten Fiscal Years

Fiscal Year	Gross Revenues	Less:	Available Revenues	Debt Service Requirements		Coverage
		Operating Expenses		Principal	Interest	
BUILDING AUTHORITY BONDS						
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
2010	11,026,000	-	11,026,000	10,360,000	4,005,000	0.77
2011	9,570,000	-	9,570,000	6,243,000	3,656,000	0.97
Pledged revenues include interest and lease payments.						
WATER COMMISSION BONDS						
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
2010	9,658,200	-	9,658,200	5,055,000	4,685,748	0.99
2011	9,425,473	-	9,425,473	5,227,642	4,645,491	0.95
Pledged revenues include user fees, interest, and Tobacco Settlement funds.						
LIGNITE RESEARCH BONDS (3)						
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.						
INFORMATION TECHNOLOGY BONDS (1)						
2004	\$ 30,579,344	\$ 29,457,699	\$ 1,121,645	\$ -	\$ 163,723	6.85
2005	31,228,224	28,388,559	2,839,665	-	248,790	11.41
2006	34,555,908	34,557,209	(1,301)	549,000	307,789	0.00
2007	38,270,735	32,009,593	6,261,142	568,400	213,506	8.01
2008	40,706,890	38,728,841	1,978,049	590,150	192,203	2.53
2009	45,225,141	39,036,294	6,188,847	6,613,350	935,650	0.82
2010	48,633,238	38,453,612	10,179,626	1,716,372	790,686	4.06
2011	49,841,497	41,956,029	7,885,468	10,537,178	324,831	0.73
Pledged revenues include user fees.						
DEPARTMENT OF TRANSPORTATION BONDS (1)						
2006	\$ 1,717,002	\$ -	\$ 1,717,002	\$ -	\$ 2,144,269	0.80
2007	1,416,161	-	1,416,161	161,125	2,001,689	0.65
2008	425,257	-	425,257	3,160,000	2,162,804	0.08
2009	58,576	-	58,576	3,255,000	2,067,750	0.01
2010	1,585	-	1,585	3,355,000	2,397,783	0.00
2011	939	-	939	3,465,000	1,854,138	0.00
Pledged revenues include interest and federal and highway fund appropriations.						

Fiscal Year			Less:	Net	Debt Service Requirements		Coverage				
	Gross Revenues	Operating Expenses	Available Revenues	Principal	Interest						
STUDENT LOAN TRUST											
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
2010		1,630,000		925,000		705,000		1,000,000		535,000	0.46
2011		1,406,000		923,000		483,000		9,000,000		288,000	0.05
Pledged revenues include federal revenues, and loan and investment interest.											
HOUSING FINANCE AGENCY											
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
2010		72,564,000		26,958,000		45,606,000		354,181,000		37,499,000	0.12
2011		74,163,000		46,020,000		28,143,000		247,099,000		36,352,000	0.10
Pledged revenues include income and proceeds from mortgage loan activity.											
STATE FAIR ASSOCIATION (2)											
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											
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)
2010		663,347,234		823,053,516		(159,706,282)		25,067,090		12,968,810	(4.20)
2011		777,992,712		937,253,706		(159,260,994)		19,435,268		14,390,104	(4.71)
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) 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, 2011

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>
2001	639,062	16,982,318	26,574	2.8%	311,632
2002	638,168	17,333,405	27,161	3.5%	311,808
2003	638,817	18,824,539	29,468	3.6%	314,273
2004	644,705	19,292,518	29,925	3.5%	321,108
2005	646,089	20,542,124	31,795	3.4%	328,121
2006	649,422	21,375,002	32,914	3.2%	335,718
2007	652,822	23,637,125	36,208	3.1%	341,705
2008	657,569	26,896,401	40,903	3.2%	350,442
2009	664,968	26,361,749	39,644	4.3%	349,561
2010	674,499	28,844,109	42,764	3.9%	358,674

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	2010			2001		
	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	79,900	1	21.26%	73,350	1	22.25%
Educational and Health Services	54,900	2	14.60%	46,000	2	13.96%
Retail Trade	43,400	3	11.55%	40,700	3	12.35%
Leisure and Hospitality	34,400	4	9.15%	29,400	4	8.92%
Professional and Business Services	28,400	5	7.56%	25,250	5	7.66%
Manufacturing	22,700	6	6.04%	24,050	6	7.30%
Construction	21,300	7	5.67%	15,400	9	4.67%
Wholesale Trade	21,100	8	5.61%	18,350	7	5.57%
Financial Activities	20,400	9	5.43%	16,900	8	5.13%
Transportation, Warehousing and Utilities	15,900	10	4.23%	13,000	11	3.94%
Other Services	15,600	11	4.15%	15,250	10	4.63%
Natural Resources and Mining	10,600	12	2.82%	3,500	13	1.06%
Information	7,300	13	1.94%	8,450	12	2.56%
Total	375,900		100%	329,600		100%

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

Schedule 13
Education Enrollment
Last Ten Academic Years

Public School Enrollment

	<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>	<u>2010-11</u>	<u>2011-12</u>
Kindergarten	7,012	6,890	6,641	6,578	6,648	6,661	7,197	6,442	7,446	8,236
Grades 1-3	21,473	21,229	21,115	20,736	20,358	20,126	20,030	20,594	21,592	22,229
Grades 4-6	23,241	22,645	22,109	21,390	21,060	20,951	20,847	20,429	20,788	20,932
Grades 7-8	16,514	16,287	16,148	15,864	15,333	14,759	14,573	14,498	14,662	14,740
Grades 9-12	34,773	34,086	33,311	32,552	32,201	31,483	30,727	30,373	30,241	29,641
Total Enrollment	103,013	101,137	99,324	97,120	95,600	93,980	93,374	92,336	94,729	95,778
Special Education Students	13,901	13,868	14,681	13,883	13,825	13,606	13,278	13,261	13,170	NA

Source: Department of Public Instruction

University System Full-Time Equivalent Student Enrollment

	<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>	<u>2010-11</u>	<u>2011-12</u>
Bismarck State College	2,543	2,747	2,800	2,603	2,651	2,793	2,937	3,160	3,208	3,209
Dakota College at Bottineau	477	473	447	386	399	401	440	490	540	524
Dickinson State University	1,939	1,991	2,034	2,031	2,059	2,158	2,294	2,187	2,068	1,959
Lake Region State College	683	739	738	738	750	764	784	868	921	988
Mayville State University	657	701	761	722	652	586	563	662	704	704
Minot State University	2,975	3,029	3,034	3,011	2,928	2,729	2,720	2,832	3,002	2,795
ND State College Of Science	2,253	2,322	2,271	2,223	2,171	2,097	2,041	2,076	2,217	2,366
North Dakota State University	9,993	10,348	10,745	10,807	10,890	11,221	11,794	12,577	12,708	12,606
University of North Dakota	11,155	11,811	11,931	11,155	11,381	10,967	11,137	11,306	12,018	12,319
Valley City State University	922	879	956	899	844	807	823	833	957	1,011
Williston State College	652	703	709	702	648	551	562	573	570	608
Total	34,249	35,743	36,426	35,277	35,373	35,074	36,095	37,564	38,913	39,089

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
EXECUTIVE BRANCH										
Adjutant General	128	125	133	132	158	169	171	174	174	172
Aeronautics Commission	5	5	5	5	5	5	5	5	6	6
Bank of North Dakota	172	170	171	169	167	181	179	179	177	177
Barley Council	3	4	4	2	2	5	6	6	6	5
Beef Commission	2	2	2	2	2	2	2	2	2	2
Career and Technical Education	28	25	26	26	25	33	33	34	34	34
Corn Council	1	1	1	2	1	2	2	3	3	3
Council on the Arts	5	5	5	4	5	5	5	5	5	5
Department of Agriculture	56	57	56	54	58	64	67	68	72	75
Department of Commerce	55	55	54	54	56	67	68	68	68	68
Department of Corrections and Rehabilitation	553	581	590	602	627	664	681	703	704	705
Department of Emergency Services	20	20	22	19	53	54	56	57	60	65
Department of Financial Institutions	21	21	21	23	24	26	26	26	29	29
Department of Human Services	2,145	2,095	1,951	1,946	1,938	2,133	2,297	2,275	2,222	2,232
Department of Public Instruction	85	90	90	88	89	95	95	98	99	101
Department of Transportation	1,027	1,017	1,015	1,014	1,021	1,054	1,061	1,056	1,057	1,066
Game and Fish Department	137	140	138	139	139	154	154	156	156	157
Highway Patrol	190	187	192	171	176	186	193	193	194	194
Historical Society	54	55	56	56	56	58	61	63	63	63
Indian Affairs Commission	4	4	3	3	3	3	4	4	4	4
Industrial Commission	59	58	55	48	48	53	55	58	60	68
Information Technology Department	243	243	245	244	240	313	316	338	339	341
Job Service North Dakota	371	357	357	333	286	352	309	309	309	309
Milk Marketing Board	5	4	4	4	4	6	6	6	6	6
ND Department of Health	303	316	318	295	292	324	335	343	346	341
ND Horse Racing Commission	0	0	0	0	2	2	2	2	2	2
ND Housing Finance Agency	36	38	38	40	37	38	43	42	46	46
ND Mill and Elevator Association	116	117	118	117	121	127	125	126	130	131
ND Vision Services/School for the Blind	26	28	30	26	26	30	30	32	32	33
North Dakota University System	6,858	7,093	7,351	7,543	7,336	6,015	7,171	7,261	7,579	7,775
Office of Administrative Hearings	5	5	5	6	7	7	7	7	7	7
Office of Management and Budget	128	129	129	129	120	133	133	133	133	135
Office of the Attorney General	145	143	139	164	174	177	185	188	202	202

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
EXECUTIVE BRANCH, Continued										
Office of the Governor	18	18	17	18	16	18	18	18	18	18
Office of the Insurance Commissioner	40	38	43	40	40	46	46	46	46	45
Office of the Labor Commissioner	10	10	10	10	10	12	11	12	12	12
Office of the State Auditor	52	52	51	50	53	56	56	56	56	56
Office of the State Tax Commissioner	132	133	129	125	123	133	133	133	133	133
Office of the State Treasurer	6	6	6	6	5	7	7	7	7	7
Oilseed Council	1	1	1	1	1	1	1	1	1	1
Parks and Recreation Department	43	44	44	44	42	50	49	49	52	53
Protection and Advocacy	22	25	26	24	24	25	27	28	28	29
Public Employees Retirement System	27	25	28	27	28	33	33	33	33	33
Public Service Commission	41	41	41	41	39	43	44	44	45	46
Retirement and Investment Office	17	17	18	17	16	17	17	17	17	18
School for the Deaf	60	60	55	50	49	49	44	44	50	50
Secretary of State	26	26	26	26	26	27	27	28	28	28
Securities Department	8	8	8	8	8	9	9	9	9	9
Seed Department	25	24	25	23	22	32	31	30	30	30
Soybean Council	3	3	3	3	3	5	5	5	5	5
State Fair Association	12	12	16	15	15	24	26	26	28	27
State Land Department	18	18	19	17	17	21	21	20	21	23
State Library	27	27	27	29	28	30	30	30	30	30
State Radio	31	29	28	28	0	0	0	0	0	0
Veteran's Affairs Department	6	6	6	6	6	6	7	7	7	7
Veterans Home	86	84	84	82	86	88	92	98	98	116
Water Commission	81	82	80	77	77	84	84	84	86	87
Wheat Commission	6	6	6	6	5	8	8	8	8	8
Workforce Safety and Insurance	229	226	223	219	216	239	239	240	241	251
LEGISLATIVE BRANCH										
Legislative Council	31	31	30	31	31	33	33	33	34	34
JUDICIAL BRANCH										
Judiciary Branch	335	329	323	323	339	352	367	368	372	342
Total State Employees	14,379	14,571	14,697	14,806	14,623	13,985	15,348	15,494	15,821	16,052

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
Office of the Tax Commissioner										
Number of returns filed electronically ¹	78,932	103,910	129,509	147,683	166,733	186,329	203,279	222,254	242,792	289,387
Education										
Department of Public Instruction										
Public School Enrollment ²	103,013	101,137	99,324	97,120	95,600	93,980	93,374	92,336	94,729	95,778
North Dakota University System										
Full Time Equivalent Student Enrollment ³	34,249	35,743	36,426	35,277	35,373	35,074	36,095	37,564	38,899	39,089
Health and Human Services										
North Dakota Department of Health										
Number of Autopsies Performed in ND ⁴	225	226	195	221	240	237	274	305	300	NA
Air Quality - Percent of Facilities in Compliance ⁴	100	99	100	100	100	98	99	99	99	NA
Public Water Systems - Percent of Facilities in Compliance ⁴	96	97	92	92	94	95	95	95	96	NA
Department of Human Services										
Number of TANF Caseloads	NA	5,988	5,887	5,524	5,259	5,112	4,927	4,733	4,238	3,668
Number of Medicaid Recipients	NA	76,377	77,378	77,018	77,799	75,470	75,732	77,637	84,529	88,618
Regulatory										
Office of the Insurance Commissioner										
Licensed Insurance Agents ⁴	23,372	25,856	31,645	33,323	39,230	47,437	47,399	48,308	49,157	50,392
Public Service Commission										
Weighing and Measuring Devices Inspected	13,853	14,971	14,605	13,944	12,414	13,183	11,476	11,395	10,465	10,673
Gas Pipeline Safety Inspections	63	62	50	54	68	65	61	67	67	61
Public Safety and Corrections										
Department of Corrections and Rehabilitation										
Average Daily Adult Prison Population ⁴	1,160	1,198	1,299	1,366	1,409	1,429	1,449	1,442	1,497	NA
Office of the Attorney General-Bureau of Investigations										
Criminal Cases Opened ⁴	302	302	286	319	351	299	369	389	410	NA
Drug Cases Opened ³	573	549	623	553	472	425	380	372	447	NA
Office of the Attorney General-Crime Laboratory										
Toxicology Alcohol Blood and Breath Analyses ⁴	4,847	5,646	6,411	6,378	6,517	6,915	6,007	6,883	7,576	NA
Methamphetamine/Amphetamine Samples Processed ⁴	2,419	1,990	2,813	2,779	1,552	1,009	636	830	979	NA
Office of the Adjutant General										
Assigned National Guard ⁵	4,269	4,241	4,106	4,043	4,243	4,211	4,262	4,299	4,349	4,375
Agriculture and Commerce										
Department of Agriculture										
Pounds of Pesticide Waste Collected	147,857	190,759	155,158	129,994	172,791	170,817	215,521	205,021	215,594	189,996
Department of Commerce										
Net Job Growth from Nonfarm Employment ⁴	150	2,800	5,250	6,850	7,500	6,200	8,600	-600	8,900	NA
New Private Sector Businesses ⁴	206	332	458	558	429	-324	395	-53	608	NA
Natural Resources										
Game and Fish Department										
Registered Boats ⁴	45,076	49,249	52,961	44,499	49,641	53,519	46,067	51,609	56,128	NA
Hunting and Fishing Licenses Issued	322,728	321,304	323,479	314,465	332,644	324,770	330,524	319,414	326,333	NA
Department of Parks and Recreation										
Park Visitations ⁴	1,051,752	1,045,390	972,151	923,181	940,113	898,235	889,231	1,055,930	1,057,922	NA
Camping Nights ⁴	47,489	49,533	47,484	48,599	51,945	52,904	51,529	58,984	50,749	NA
Snowmobile Registrations ⁴	17,459	2,649	15,961	2,223	14,198	11,322	3,845	11,421	5,278	NA
OHV Registrations ⁴	NA	NA	NA	NA	NA	9,200	18,237	9,118	16,335	NA
Transportation										
Department of Transportation										
Registered Vehicles ⁴	809,459	815,042	836,927	843,054	878,443	902,581	934,502	952,616	945,282	NA
Licensed Drivers	455,921	457,743	459,566	466,701	468,711	470,731	473,019	476,561	483,097	490,146
Unemployment Compensation										
Job Service North Dakota										
Number of Covered Workers ⁴	311,808	314,273	321,108	328,121	335,718	341,705	350,442	349,561	358,674	NA
Workforce Safety and Insurance										
Number of Claims Filed	19,950	18,753	19,184	19,887	21,588	21,309	21,061	20,543	19,384	21,693
Number of Covered Workers	301,913	301,777	304,287	311,200	318,240	326,100	332,170	340,915	340,117	348,743

NA-Not Available

¹ Calendar Year Received² Academic Year End Enrollment³ Academic Year Enrollment⁴ Statistics on a Calendar Year Basis⁵ National Guard member count is at September 30 of each year

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

Schedule 16
Capital Assets by Function
Last Ten Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<u>General Government</u>										
Office of Management and Budget										
Capitol Complex Buildings	7	7	7	7	7	7	7	7	7	7
<u>Education</u>										
Department of Land										
Common Schools Trust										
Land Acreage	635,703	635,534	635,529	635,574	632,408	632,248	632,248	597,426	632,393	631,940
ND University System										
Buildings	512	512	527	527	516	516	516	516	522	522
Buildings Square Footage	13,056,392	13,056,392	13,440,708	13,491,510	13,491,510	13,491,510	14,003,445	14,003,445	14,700,708	14,700,708
<u>Health and Human Services</u>										
Dept. of Human Services										
Buildings	77	74	74	74	74	74	74	74	74	74
<u>Public Safety and Corrections</u>										
Department of Corrections and Rehabilitation										
Buildings	64	70	70	71	71	71	71	72	72	72
Office of the Adjutant General										
Headquarters, Camp and Armory Buildings	528	530	539	551	567	475	475	341	282	282
<u>Natural Resources</u>										
Game and Fish Department										
Wildlife Management Areas	NA	183	183	185	186	186	186	189	192	199
Boats, ATV's, Snowmobiles, Tractors, Other	NA	NA	344	364	393	397	417	425	429	443
Dept. of Parks and Recreation										
Park/Recreational Sites	16	16	15	15	15	15	15	15	15	15
Park Maintenance Vehicles/Equipment	NA	NA	196	207	222	230	235	255	255	262
<u>Transportation</u>										
Department of Transportation										
Lane Miles Maintained	8,410	8,412	8,414	8,450	8,469	8,479	8,511	8,515	8,517	8,518
Fleet Vehicles	2,943	2,988	3,097	3,137	3,220	3,316	3,307	3,273	3,493	3,564
Heavy Equipment	589	577	565	552	527	359	340	341	463	471
Buildings	77	77	77	77	77	79	80	81	85	94

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)

Workforce Safety & Insurance

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
1 Net Earned Required Contribution and Investment Revenues	\$ 86	\$ 175	\$ 194	\$ 193	\$ 148	\$ 221	\$ 166	\$ 48	\$ 289	\$ 357
2 Unallocated Expenses	23	22	21	25	33	40	41	31	33	30
3 Estimated Incurred Claims and Expense, End Of Policy Year	81	93	103	111	105	120	131	169	160	192
4 Paid (Cumulative) as of:										
End of Policy Year	17	19	20	22	21	21	27	32	31	39
One Year Later	30	33	36	34	36	37	47	55	52	
Two Years Later	37	38	42	39	41	43	54	63		
Three Years Later	41	41	46	42	46	47	58			
Four Years Later	43	44	49	45	49	50				
Five Years Later	47	46	52	48	53					
Six Years Later	48	48	54	50						
Seven Years Later	52	50	56							
Eight Years Later	54	52								
Nine Years Later										
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	81	93	103	111	105	120	131	169	160	192
One Year Later	84	94	103	104	112	119	140	157	151	
Two Years Later	83	93	99	100	113	120	133	153		
Three Years Later	88	89	100	101	116	110	129			
Four Years Later	86	90	106	101	110	108				
Five Years Later	90	91	105	101	110					
Six Years Later	91	92	104	98						
Seven Years Later	98	94	103							
Eight Years Later	101	93								
Nine Years Later	101									
6 Increase in Estimated Incurred Claims and Expense From End of Policy Year	21	1	1	(12)	5	(12)	(3)	(16)	(9)	0

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

Fire and Tornado Fund

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
1 Net Earned Required Contribution and Investment Revenues	\$ 2,437	\$ 6,646	\$ 4,864	\$ 5,073	\$ 5,193	\$ 6,934	\$ 7,849	\$ (492)	\$ 8,099	\$ 4,709
2 Unallocated Expenses	991	613	621	552	986	847	979	819	1,344	1,340
3 Estimated Incurred Claims and Expense, End of Policy Year	5,481	2,523	1,135	1,775	2,852	1,536	10,548	1,744	3,075	6,178
4 Paid (Cumulative) as of:										
End of Policy Year	(1,589)	(3,974)	(227)	986	1,660	1,133	9,434	989	1,676	3,043
One Year Later	(1,589)	(3,974)	(227)	986	1,660	1,133	9,434	989	1,676	
Two Years Later	(1,589)	(3,974)	(227)	986	1,660	1,133	9,434	989		
Three Years Later	(1,589)	(3,974)	(227)	986	1,660	1,133	9,434			
Four Years Later	(1,589)	(3,974)	(227)	986	1,660	1,133				
Five Years Later	(1,589)	(3,974)	(227)	986	1,660					
Six Years Later	(1,589)	(3,974)	(227)	986						
Seven Years Later	(1,589)	(3,974)	(227)							
Eight Years Later	(1,589)	(3,974)								
Nine Years Later	(1,589)									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	5,481	2,523	1,135	1,775	2,852	1,536	10,548	1,744	3075	6,178
One Year Later	5,481	2,523	1,135	1,775	2,852	1,536	10,548	1,744	3075	
Two Years Later	5,481	2,523	1,135	1,775	2,852	1,536	10,548	1,744		
Three Years Later	5,481	2,523	1,135	1,775	2,852	1,536	10,548			
Four Years Later	5,481	2,523	1,135	1,775	2,852	1,536				
Five Years Later	5,481	2,523	1,135	1,775	2,852					
Six Years Later	5,481	2,523	1,135	1,775						
Seven Years Later	5,481	2,523	1,135							
Eight Years Later	5,481	2,523								
Nine Years Later	5,481									
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)

Bonding Fund

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
1 Net Earned Required Contribution and Investment Revenues	\$ (50)	\$ 405	\$ 448	\$ 319	\$ 179	\$ 401	\$ 22	\$ 157	\$ 214	\$ 202
2 Unallocated Expenses	46	58	42	53	51	57	37	25	34	25
3 Estimated Incurred Claims and Expense, End of Policy Year	26	259	253	64	392	173	(268)	128	49	22
4 Paid (Cumulative) as of:										
End of Policy Year	(100)	(107)	(85)	(226)	(254)	(328)	(417)	(61)	(148)	(179)
One Year Later	(100)	(107)	(85)	(226)	(254)	(328)	(417)	(61)	(148)	
Two Years Later	(100)	(107)	(85)	(226)	(254)	(328)	(417)	(61)		
Three Years Later	(100)	(107)	(85)	(226)	(254)	(328)	(417)			
Four Years Later	(100)	(107)	(85)	(226)	(254)	(328)				
Five Years Later	(100)	(107)	(85)	(226)	(254)					
Six Years Later	(100)	(107)	(85)	(226)						
Seven Years Later	(100)	(107)	(85)							
Eight Years Later	(100)	(107)								
Nine Years Later	(100)									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	26	259	253	64	392	173	(268)	128	49	22
One Year Later	26	259	253	64	392	173	(268)	128	49	
Two Years Later	26	259	253	64	392	173	(268)	128		
Three Years Later	26	259	253	64	392	173	(268)			
Four Years Later	26	259	253	64	392	173				
Five Years Later	26	259	253	64	392					
Six Years Later	26	259	253	64						
Seven Years Later	26	259	253							
Eight Years Later	26	259								
Nine Years Later	26									
6 Increase in Estimated Incurred Claims and Expense From End of Policy Year	0	0	0	0	0	0	0	0	0	0

Schedule 18
Agricultural Production

Value of Export Shares of Agricultural Commodities - 2009-2010

	2009 <u>Dollars</u> (Mil.)	2009 <u>% of U.S.</u>	2010 <u>Dollars</u> (Mil.)	2010 <u>% of U.S.</u>
Wheat and Products	1,152.7	13.40	1,102.8	12.72
Soybeans and Products	609.0	3.46	918.0	4.16
Vegetables and Preparations	335.0	6.35	373.7	6.73
Feed Grains and Products	286.0	2.39	281.6	2.39
Sunflower Seed and Oil	111.2	43.39	121.8	45.88
Feeds and Fodders	352.4	8.94	387.7	8.02
Seeds	33.9	2.74	45.4	3.73
Live Animals and Meats Excluding Poultry	8.8	0.09	9.1	0.10
Dairy Products	0.0	0.00	0.0	0.00
Poultry and Products	0.0	0.00	0.0	0.00
Hides and Skins	0.6	0.04	1.3	0.06
Fats, Oils and Greases	0.3	0.04	0.7	0.07
Other (1)	2.6	0.02	2.9	0.02
Total (2)	<u>\$ 2,892.6</u>	3.00	<u>\$ 3,245.0</u>	2.99

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.

2010 Crop Rank Among States

North Dakota <u>Ranks</u>	<u>Crop Description</u>	North Dakota <u>Produces</u>
1st	Flaxseed	94%
	Canola	89%
	Dry Edible Peas	57%
	Pinto Beans	55%
	Durum Wheat	62%
	Spring Wheat	45%
	Oil Sunflowers	48%
	Lentils	45%
	All Sunflowers	46%
	Navy Beans	41%
	Non-oil Sunflowers	34%
	Barley	24%
	All Dry Edible Beans	36%
	All Wheat	16%

Source: North Dakota Agricultural Statistics June 2011