

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2012



State of
North Dakota 2012

STATE OF NORTH DAKOTA

Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED

June 30, 2012



Prepared by the Office of Management and Budget

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

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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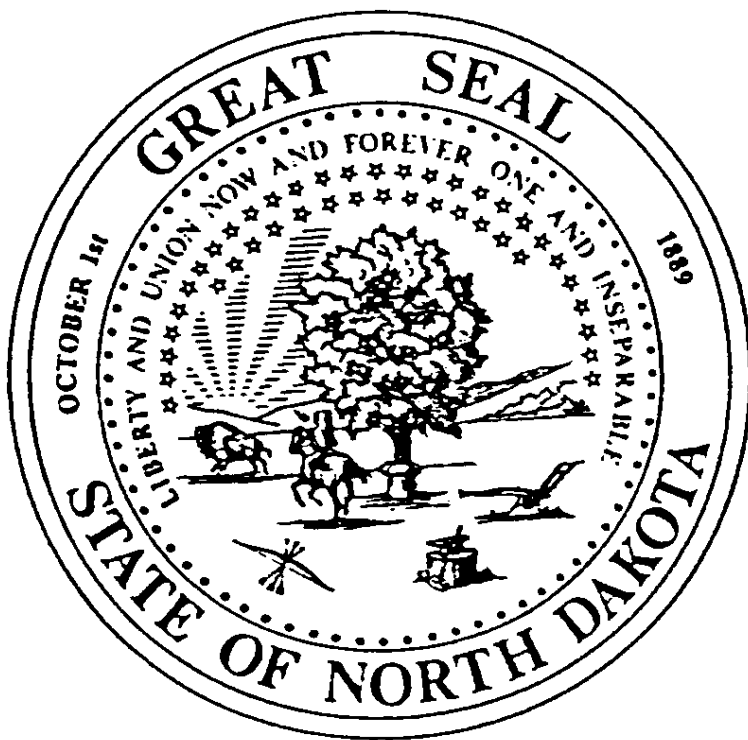
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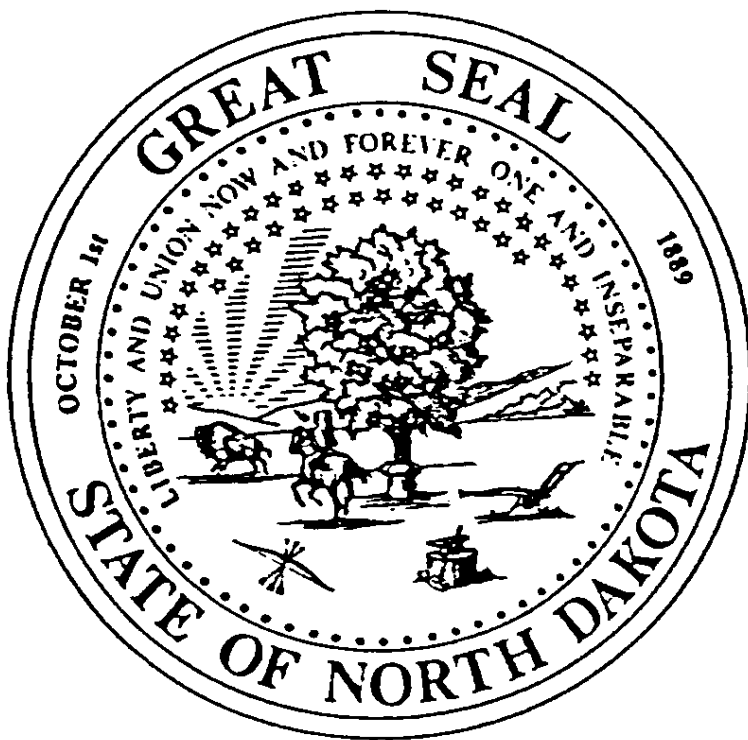
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Introductory Section



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OFFICE OF MANAGEMENT AND BUDGET

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

December 14, 2012

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, 2012. 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, 2012 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, 2012, 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 2011 crop production, North Dakota is the nation's leading producer of durum wheat, spring wheat, sunflowers (oil), canola, flaxseed, dry edible beans, navy beans, pinto beans, and honey. 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 "healthy price appreciation will support above-average growth in farm employment and incomes over the near-term forecast horizon."

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 nearly 400 percent from 2001 to 2011. North Dakota's current crude oil production ranks second in the nation, behind only Texas. 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 over 6 percent of employment in the state, compared to only around 4 percent for the U.S. Manufacturing is also a prominent player in the state's economy, accounting for 6 percent of employment; mining, which includes oil extraction and production, provides jobs for over 4 percent of the state's workforce.

Machinery and transportation equipment make up over 30 percent of the state's exports. Other major exports are agriculture products, food, and oil and gas. In 2011, exports totaled over \$3.4 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, human services, and infrastructure development; 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, strategic investment and improvements fund, foundation aid stabilization fund, and general fund ending balance. In addition, the legacy fund is projected to have a balance of \$1.2 billion. 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 reductions in 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 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 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 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.
- \$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 and continues to grow reserve funds. By June 30, 2013, total reserves in the budget stabilization fund, foundation aid

stabilization fund, strategic investment and improvements fund, and general fund ending balance are anticipated to exceed \$1.5 billion. The general fund budget for the 2011-13 biennium totals \$4.2 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, 2011. This was the 21st 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,

A handwritten signature in blue ink that reads "Pam Sharp". The signature is fluid and cursive, with the first name "Pam" being larger and more prominent than the last name "Sharp".

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, 2011

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.



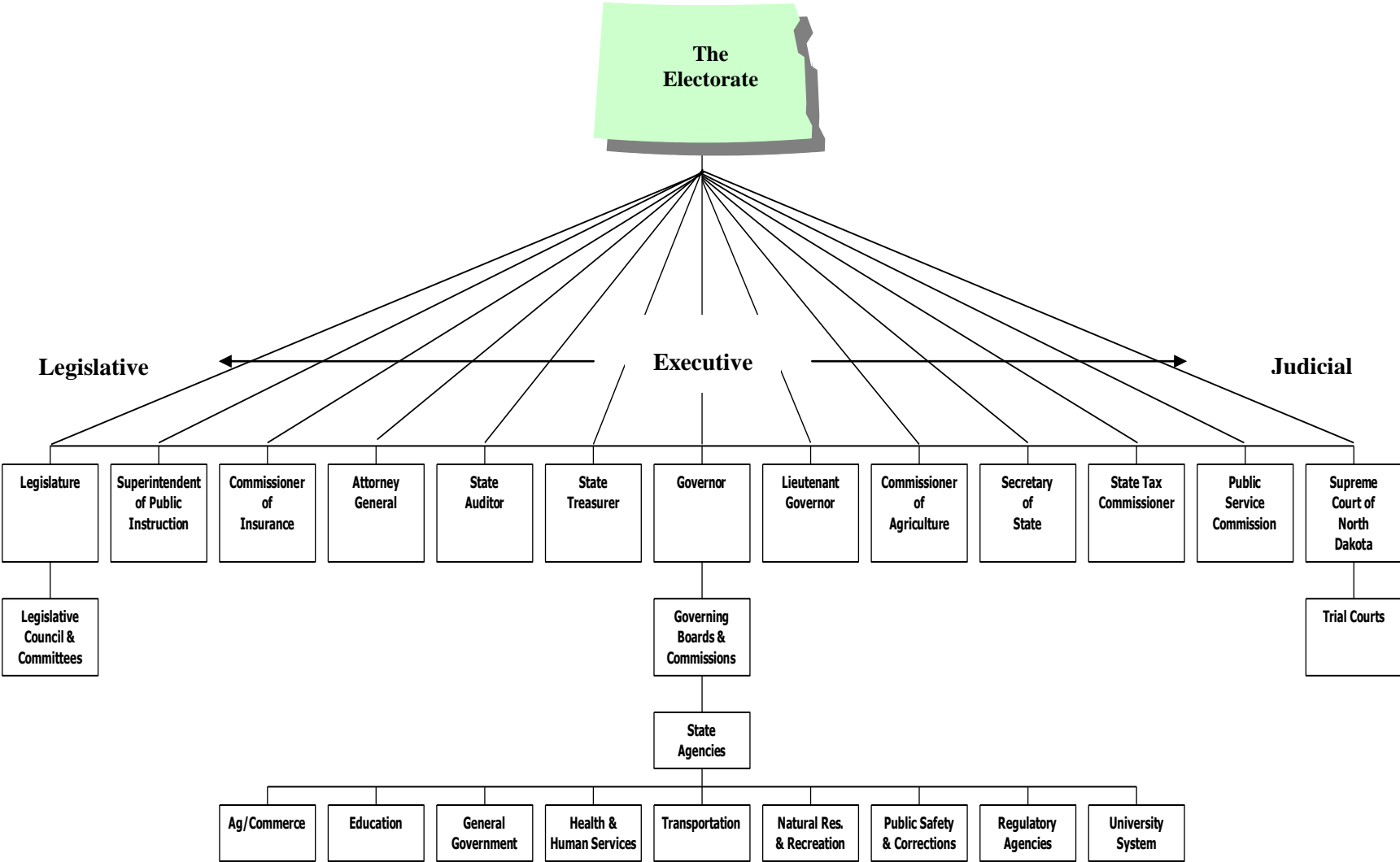
Christopher P. Mouill

President

Jeffrey R. Emer

Executive Director

STATE OF NORTH DAKOTA ORGANIZATIONAL CHART



**NORTH DAKOTA
PRINCIPAL STATE OFFICIALS**

June 30, 2012

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
Rich Warnder, 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, 2012, 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 |
| Building Authority | PACE and AG PACE Funds |
| College SAVE | Public Employees Retirement System |
| Community Water Facility Loan Fund | Rebuilders Loan Program |
| Department of Trust Lands | Retirement and Investment Office |
| Developmentally Disabled Facility
Loan Program | State Fair Association |
| Guaranteed Student Loan Program | Student Loan Trust |
| Housing Finance Agency | Workforce Safety and Insurance |
| Housing Incentive Fund | All Discretely Presented Component Units |

The financial statements of the above entities reflect total assets and revenues of the government-wide financial statements and fund financial statements as follows:

	<u>Percent of Assets</u>	<u>Percent of Revenues</u>
<u>Government-Wide Financial Statements</u>		
Governmental Activities	29%	12%
Business-Type Activities	84%	41%
Aggregate Discretely Presented Component Units	100%	100%
<u>Fund Financial Statements</u>		
Major Governmental Funds		
Federal Fund	1%	2%
State Special Revenue Fund	67%	33%
Major Enterprise Funds		
Bank of North Dakota	100%	100%
Housing Finance Agency	100%	100%
Workforce Safety and Insurance	100%	100%
Aggregate Remaining Fund Statements	95%	43%

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 discretely presented 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 \$873 and \$689 million at June 30, 2012 and 2011, respectively. Also, the actuary for the Highway Patrolmen's Retirement System has determined that the Fund's unfunded actuarial accrued liability is approximately \$20 and \$17 million at June 30, 2012 and 2011. 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.

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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated December 14, 2012 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Schedules and related reconciliations and notes on pages 19–29 and 128–134 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of North Dakota's 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules listed in the table of contents are fairly stated in all material respects in relation to the financial statements as a whole.

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 introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



Robert R. Peterson
State Auditor



Edwin J. Nagel, Jr., CPA
Director

December 14, 2012

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, 2012. 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 \$11 billion (reported as net assets), an increase of \$2.2 billion from the previous year. The net assets of governmental activities increased by 30.5% while the net assets of the business-type activities showed an increase of 9.9%.

Fund Level:

As of the close of fiscal year 2012 the State's governmental funds reported combined ending fund balances of \$6.7 billion, an increase of \$1.7 billion. Of this amount, \$582 million is non-spendable, primarily for permanent fund principal. Spendable fund balance consists of \$3 billion restricted for specific purposes such as transportation, \$1.7 billion committed and \$66 million assigned for specific functional expenditures such as public safety and regulatory, with the unassigned fund balance making up the remaining amount of \$1.4 billion. At the end of the fiscal year, unassigned fund balance for the General Fund was \$1.4 billion.

The enterprise funds reported net assets at year-end of \$2.3 billion, an increase of \$194 million during the year.

Long-term Debt:

The State's total debt (bonds and notes payable) decreased approximately 3.5% during the fiscal year to \$1.75 billion, a decrease of \$70 million, which represents the net difference between new issuances and payments. During the year the State issued \$164 million in bonds and \$95 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 four (4) major enterprise funds: The Bank of North Dakota, Housing Finance, University System, and Workforce Safety and Insurance. These four funds are each presented in separate columns on the basic proprietary fund financial statements. The remaining enterprise funds are combined in a single total column on these statements. Individual fund data for each of the 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 \$11 billion at the end of fiscal year 2012. Net assets increased 25.6% from the prior fiscal year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2012	2011	2012	2011	2012
Current and Other Assets	\$5,794,393	\$7,540,411	\$6,877,600	\$8,341,916	\$10,594,148	\$13,038,483
Capital Assets	<u>1,809,590</u>	<u>2,092,289</u>	<u>985,908</u>	<u>1,034,415</u>	<u>2,795,498</u>	<u>3,126,703</u>
Total Assets	<u>7,603,983</u>	<u>9,632,700</u>	<u>7,983,508</u>	<u>9,376,331</u>	<u>13,389,646</u>	<u>16,165,186</u>
Long-Term Liabilities						
Outstanding	279,661	256,882	2,578,116	2,619,299	2,857,777	2,876,181
Other Liabilities	<u>676,778</u>	<u>703,020</u>	<u>3,329,862</u>	<u>4,476,888</u>	<u>1,808,794</u>	<u>2,336,064</u>
Total Liabilities	<u>956,439</u>	<u>959,902</u>	<u>5,907,978</u>	<u>7,096,187</u>	<u>4,666,571</u>	<u>5,212,245</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	1,640,081	1,943,227	706,460	752,357	2,346,541	2,695,584
Restricted	2,470,400	3,094,031	452,311	569,991	2,922,711	3,664,023
Unrestricted	<u>2,537,063</u>	<u>3,635,539</u>	<u>916,759</u>	<u>957,796</u>	<u>3,453,822</u>	<u>4,593,335</u>
Total Net Assets	<u>\$6,647,544</u>	<u>\$8,672,797</u>	<u>\$2,075,530</u>	<u>\$2,280,144</u>	<u>\$8,723,074</u>	<u>\$10,952,942</u>

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

The largest component (42%) 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-five percent (25%) 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)

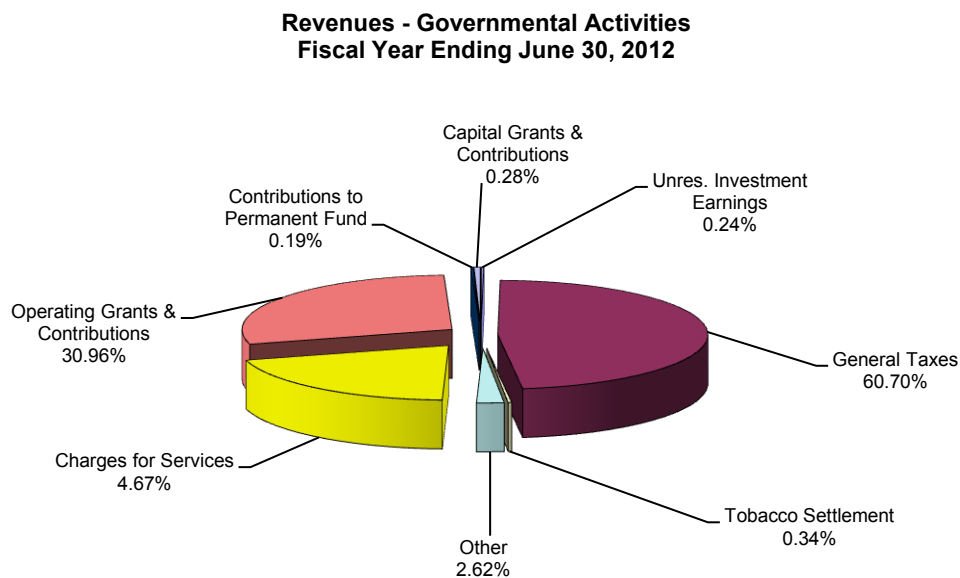
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2012	2011	2012	2011	2012
Revenues:						
Program Revenues:						
Charges for Services	\$257,650	\$303,617	\$1,220,485	\$1,354,231	\$1,478,135	\$1,657,848
Operating Grants & Contributions	2,015,950	2,012,322	449,393	353,505	2,465,343	2,365,827
Capital Grants & Contributions	12,768	18,099	14,258	20,975	27,026	39,074
General Revenues:						
Income Taxes	605,527	658,905	-	-	605,527	658,905
Sales Taxes	1,121,730	1,543,141	-	-	1,121,730	1,543,141
Other Taxes	1,129,201	1,742,034	-	-	1,129,201	1,742,034
Investment Earnings	21,331	15,501	-	-	21,331	15,501
Tobacco Settlement	30,454	22,265	-	-	30,454	22,265
Other	158,447	170,545	-	1,940	158,447	172,485
Total Revenues	<u>5,353,058</u>	<u>6,486,429</u>	<u>1,684,136</u>	<u>1,730,651</u>	<u>7,037,194</u>	<u>8,217,080</u>
Expenses						
General Government	507,513	617,152	-	-	507,513	617,152
Education	830,649	843,780	-	-	830,649	843,780
Health and Human Services	1,244,163	1,271,697	-	-	1,244,163	1,271,697
Regulatory	28,420	33,988	-	-	28,420	33,988
Public Safety and Corrections	242,521	303,603	-	-	242,521	303,603
Agriculture and Commerce	98,038	91,653	-	-	98,038	91,653
Natural Resources	117,863	132,679	-	-	117,863	132,679
Transportation	468,696	796,123	-	-	468,696	796,123
Interest on Long Term Debt	10,462	9,064	-	-	10,462	9,064
Bank of North Dakota	-	-	77,557	71,997	77,557	71,997
Housing Finance	-	-	69,824	56,047	69,824	56,047
Loan Programs	-	-	6,898	8,093	6,898	8,093
Mill and Elevator	-	-	212,280	-	212,280	-
State Lottery	-	-	17,069	18,877	17,069	18,877
Unemployment Compensation	-	-	108,482	89,237	108,482	89,237
University System	-	-	1,008,540	1,047,950	1,008,540	1,047,950
Workforce Safety and Insurance	-	-	300,297	359,216	300,297	359,216
Other	-	-	25,093	274,974	25,093	274,974
Total Expenses	<u>3,548,325</u>	<u>4,099,739</u>	<u>1,826,040</u>	<u>1,926,391</u>	<u>5,374,365</u>	<u>6,026,130</u>
Increase (decrease) in Net Assets Before Contributions & Transfers	1,804,733	2,386,817	(141,904)	(195,739)	1,662,829	2,191,078
Contributions to Permanent Fund Principal	999	12,470	-	-	999	12,470
Transfers	(365,304)	(368,077)	376,539	390,215	11,235	22,138
Increase in Net Assets	1,440,428	2,031,210	234,635	194,476	1,675,063	2,225,686
Net Assets - Beginning -As Restated	5,207,116	6,641,714	1,840,895	2,085,669	7,048,011	8,727,383
Net Assets- Ending	<u>\$6,647,544</u>	<u>\$8,672,797</u>	<u>\$2,075,530</u>	<u>\$2,280,145</u>	<u>\$8,723,074</u>	<u>\$10,952,941</u>

Governmental Activities

Governmental Activities increased the State's net assets by \$2.0 billion. Revenues rose 23%, with the largest dollar increase in the State's revenues for fiscal year 2012 coming from oil, gas and coal tax revenues, an increase of \$611 million. This increase is due to the increased level of oil and gas production in the state and relatively high oil prices. Sales tax revenue increased \$421 million due to a growth in taxable sales and purchases as a result of increased oil production, a strong agricultural sectors and a growing population. Individual income tax increased 53 million due to strong income growth and expanding employment.

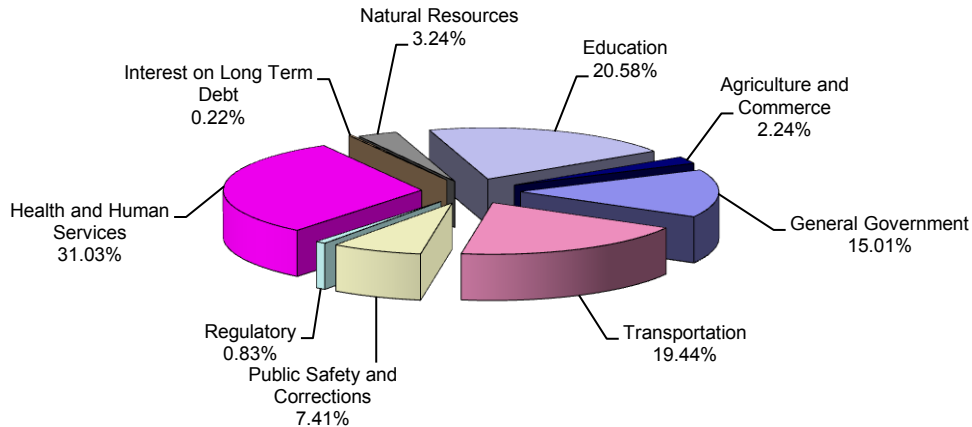
Expenses for governmental activities increased only by 16%. Transportation expenses had the largest percentage increase, 70%, due to an increase in spending for the construction and repair of state roads and also for county and city roads through grants and direct expenses. Transportation also had an increase in spending for oil impact projects. General Government expenses increased 21.6% primarily because of an additional \$23 million appropriated by the 2011 Legislative Session for the purpose of providing transportation funding distributions. General Government expenses also increased due to an increase in sales tax refunds for the Tax Department. Public Safety and Corrections increased 25% due to building projects for the Department of Corrections.

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, 2012**



Business-type Activities

Net assets of the business-type activities increased by \$194 million during the fiscal year.

Workforce Safety and Insurance's (WSI) net assets decreased \$18.5 million. Fiscal year 2012 brought an increase in business activity that was even larger than that experienced in fiscal year 2011. New and increased business activity resulted in an increase of earned premium. WSI's investment portfolio yielded a year to date return of 6.1% (net of fees), a gain of \$83 million. Incurred losses for fiscal year 2012 increased 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 \$72.6 million is higher than its net income in the prior fiscal year because of a decrease in transfers. Operating income increased due to an increase in net interest income and a net increase in the fair value of securities.

The University System's net assets increased \$61.6 million. Operating revenues increased about 5% as a result of increases in tuition, room and board, and sales and services of education departments. Operating expenses increased about 4%. In addition, state appropriations and tax revenues increased by 4% and 5% so the University System's net income was slightly higher than the prior year.

Housing Finance net asset increase of \$9.7 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 \$3.8 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 \$6.7 billion, an increase of \$1.7 billion from the prior fiscal year. Of the \$6.7 billion in net assets, \$582 million is non-spendable, \$3 billion is restricted, \$1.7 billion is committed, \$67 million is assigned and \$1.4 billion is unassigned. These fund balance categories are a result of GASB Statement 54. Note 1S provides definitions for these 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 \$1.4 billion, non-spendable was \$498 million and \$997 million was committed for expenditure by various governmental functions.

Total fund balance increased during the fiscal year by \$1.5 billion. Revenues increased approximately 88%, due primarily to increases in oil, gas, and coal taxes revenue of over a half million and sales use tax revenue of over a quarter million, plus increased individual income tax revenues of more than \$35 million. Explanations for these increases were explained with the increase in net assets for governmental activities.

General fund expenditures increased by 13.9%. General government expenditures increased because of a legislative appropriation of \$23 million for transportation funding distributions as well as an increase in sales tax refunds as previously explained.

The State Special Revenue ending fund balance grew by \$206 million to \$3.7 billion. Revenues decreased 20% and expenditures increased 41%. Revenues decreased in the state special revenue fund due to a reclassification of some oil, gas and coal tax revenues no longer being listed within the state special revenue fund and instead will be listed with the General Fund. Public Safety and Corrections and Transportation expenditures saw the highest increases. Reasons for these increases were previously explained.

The June 30 Federal Fund balance of \$5.9 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, 2012, was the first year of the 2011-13 budget cycle. The original budget increased \$226.3 million.

At the beginning of the 2011-13 budget cycle, there was an increase in the original budget of \$94 million due to the authorized carryover of general fund appropriation authority from the 2009-11 biennium, and a \$12.9 million increase for capital construction carryover.

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 Historical Society, \$35.1 million, the University

System, \$31.2 million, the Department of Public Instruction, \$9.5 million, Commerce Department, \$7 million, Legislative Council, \$3.4 million and Legislative Assembly, \$2.6 million.

Of the \$12.9 million in capital construction carryover dollars, \$2.7 million was for the Office of Management and Budget; \$2.4 million was for the Information Technology Department; \$2.5 million was for the Adjutant General; \$2.8 million was for the Department of Corrections; \$1.5 was for the Veteran's Home and various smaller amounts for several other state agencies.

An additional general fund budget appropriation of \$8.9 million was given to the Department of Human Services in November of 2012 for the purpose of defraying the expenses of incorporating the Medicaid and children's health insurance program eligibility determination functionality into the health benefit exchange, and for the purpose of defraying the corresponding costs related to the modification of the department's economic assistance eligibility system.

The 2012 Legislature authorized various general fund adjustments for the 2011-13 budget. In a disaster bill, \$85.9 million in additional general fund appropriation authority was given to various agencies, including \$48.7 million to adjutant general for disaster relief fund and \$30 million to the Land Department for the purpose of providing infrastructure development grants to flood-impacted political subdivisions.

An additional general fund budget appropriation of \$23 million was given to the State Treasurer's Office in March 2012 as the 2011 Legislature approved this additional amount contingent on the revenue collections for oil, gas, and tax revenue exceeding projections by 48 million.

There were no expenditures in excess of general fund authority.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: At the end of the fiscal year 2012, the State had invested \$2.7 billion, net of accumulated depreciation, in a broad range of capital assets. Depreciation charges for this fiscal year totaled \$148 million.

(Net of Depreciation, Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2012	2011	2012	2011	2012
Land and Land Improvements	\$71,417	\$70,827	\$18,790	\$19,064	\$90,207	\$89,891
Building & Building Improvements	314,004	303,958	587,770	628,722	901,774	932,680
Equipment	129,974	137,614	163,610	160,161	293,584	297,775
Intangibles						
Software	34,558	32,052	16,040	17,342	50,598	49,394
Other	6,579	6,317	324	610	6,903	6,927
Infrastructure	756,764	979,227	98,526	93,065	855,290	1,072,292
Construction in Progress	496,294	562,293	100,848	115,451	597,142	677,744
Total	\$1,809,590	\$2,092,288	\$985,908	\$1,034,415	\$2,795,498	\$3,126,703

The total increase in the State's investments in capital assets for the current fiscal year was 12% in terms of net book value. However, actual expenditures to purchase or construct capital assets were approximately \$823 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, 2012.

The State does have a number of revenue bonds outstanding at June 30, 2012. 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 \$470 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	
	2011	2012	2011	2012	2011	2012
Revenue Bonds	\$219,221	\$197,021	\$1,193,816	\$1,069,257	\$1,413,037	\$1,266,278
Notes Payable	8,563	7,428	403,509	481,735	412,072	489,163
Total	<u>\$227,784</u>	<u>\$204,449</u>	<u>\$1,597,325</u>	<u>\$1,550,992</u>	<u>\$1,825,109</u>	<u>\$1,755,441</u>

The State's total debt decreased approximately 4% during the current fiscal year.

ECONOMIC CONDITION AND OUTLOOK

Moody's Analytics recently completed an analysis of the North Dakota economy for its *Précis U.S. State* October 2012 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 30 percent from 2007 through 2011. In sharp contrast, GDP nationally has grown by less than 1 percent during that time.

Moody's predicts that North Dakota's GDP will continue to outpace the nation. The rate of growth in North Dakota's GDP is expected to exceed 7.5 percent during calendar year 2012 compared to 2.2 for the U.S. The state's unemployment rate, 3.1 percent in October 2012, is less than half the U.S. rate of 7.7 percent and remains the lowest in the nation. The state's unemployment rate is expected to remain well below the national rate, falling to 2.5 percent by 2015; the national rate is also expected to decline, but is anticipated to stay above 6 percent throughout that time frame.

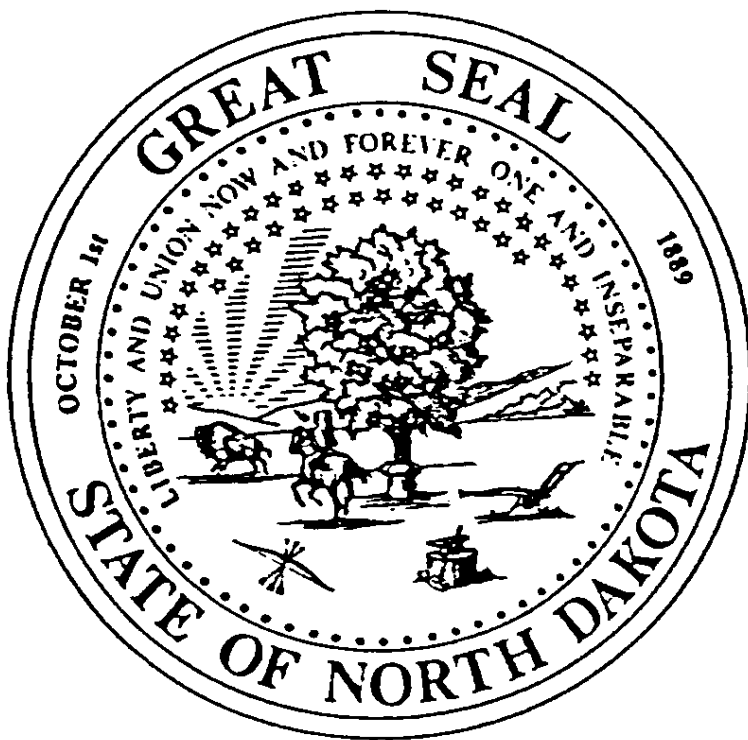
The high level of economic activity, combined with the extremely low unemployment rate, has led to growth in the state's population. As the number of jobs has increased, so has the labor force as potential workers migrate from states with much weaker labor markets. From 2007 through 2011, employment in North Dakota grew by over 10 percent; nationally, it has declined by nearly 5 percent during that time.

Median household income and per capita income for North Dakota have both surpassed the national average. For 2010, median household income in North Dakota was \$56,361 compared to \$50,054 for the U.S. Per capita income was \$47,236 for North Dakota, based on 2011 Census Bureau data, but only \$41,560 for the U.S.

Moody's concludes that "The North Dakota economy will outpace that of the U.S. over the next several years. High prices and new technologies will support energy production, accompanied by growth in auxiliary industries throughout the state."

CONTACTING THE STATE'S OFFICE OF FINANCIAL MANAGEMENT

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



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Basic Financial Statements

STATE OF NORTH DAKOTA

Statement of Net Assets

June 30, 2012

	Primary Government			Component Units (GASB Based)
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 16,248,782	\$ 1,508,124,674	\$ 1,524,373,456	\$ 16,449,421
Investments	3,172,670,605	2,450,936,315	5,623,606,920	1,000,966
Accounts Receivable - Net	83,399,802	137,421,620	220,821,422	-
Taxes Receivable - Net	486,078,354	-	486,078,354	-
Interest Receivable - Net	13,875,345	51,215,444	65,090,789	70,007
Intergovernmental Receivable - Net	308,896,792	42,840,077	351,736,869	-
Internal Receivable	3,317,348,261	-	473,504,016	-
Due from Component Units	-	9,102,777	9,102,777	-
Due from Primary Government	-	-	-	3,914,000
Prepaid Items	6,144,474	2,723,410	8,867,884	-
Inventory	19,614,346	35,529,027	55,143,373	-
Loans and Notes Receivable - Net	113,906,738	3,021,798,517	3,135,705,255	12,449,293
Unamortized Bond Financing Costs	603,948	10,700,873	11,304,821	1,182,000
Pension Assets	1,623,923	-	1,623,923	-
Other Assets	-	18,025,348	18,025,348	-
Restricted Assets:				
Cash and Cash Equivalents	-	138,918,344	138,918,344	45,644,000
Investments	-	33,108,457	33,108,457	540,352,000
Interest Receivable - Net	-	3,473,000	3,473,000	4,754,000
Loans and Notes Receivable - Net	-	859,418,000	859,418,000	-
Restricted Deferred Outflows	-	18,580,000	18,580,000	-
Capital Assets:				
Nondepreciable	633,120,125	134,514,476	767,634,601	-
Depreciable, Net	1,459,168,024	899,900,625	2,359,068,649	-
Total Assets	<u>9,632,699,519</u>	<u>9,376,330,984</u>	<u>16,165,186,258</u>	<u>625,815,687</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, 2012

	Primary Government			Component Units (GASB Based)
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES				
Accounts Payable	251,857,762	52,138,122	303,995,884	2,708,259
Accrued Payroll	44,343,841	31,072,375	75,416,216	-
Securities Lending Collateral	142,224,273	-	142,224,273	-
Interest Payable	2,785,992	17,560,355	20,346,347	3,156,000
Intergovernmental Payable	143,569,663	4,278,758	147,848,421	-
Tax Refunds Payable	85,454,580	-	85,454,580	-
Internal Payable	-	2,843,844,245	-	-
Due to Component Units	-	61,545,977	61,545,977	-
Due to Primary Government	-	-	-	4,069,000
Contracts Payable	24,010,490	2,817,302	26,827,792	-
Federal Funds Purchased	-	318,325,000	318,325,000	-
Other Deposits	-	955,675,319	955,675,319	-
Amounts Held In Custody for Others	-	9,833,000	9,833,000	-
Unearned Revenue	8,773,852	144,428,326	153,202,178	182,589
Financial Derivative Instrument	-	18,580,000	18,580,000	-
Other Liabilities	-	16,788,769	16,788,769	-
Long-Term Liabilities				
Due within one year	23,673,429	276,060,136	299,733,565	12,460,000
Due in more than one year	233,208,535	2,343,238,846	2,576,447,381	227,884,000
Total Liabilities	<u>959,902,417</u>	<u>7,096,186,530</u>	<u>5,212,244,702</u>	<u>250,459,848</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	1,943,226,802	752,357,235	2,695,584,037	-
Restricted for:				
General Government	27,641,413	-	27,641,413	-
Education	2,265,036,773	-	2,265,036,773	-
Health and Human Services	16,304,477	-	16,304,477	-
Regulatory Purposes	41,663,170	-	41,663,170	-
Public Safety & Corrections	1,820,682	-	1,820,682	-
Agriculture and Commerce	36,130,960	-	36,130,960	-
Cultural and Natural Resources	201,762,392	-	201,762,392	-
Transportation	413,828,736	-	413,828,736	-
Capital Projects	2,707,000	27,901	2,734,901	-
Debt Service	16,850,959	130,528,522	147,379,481	89,253,000
Loan Purposes	-	45,897,188	45,897,188	257,182,000
Pledged Assets	-	183,430,000	183,430,000	-
Unemployment Compensation	-	154,070,840	154,070,840	-
Permanent Fund and University System - Nonexpendable	64,342,175	15,075,669	79,417,844	-
University System - Expendable	-	33,627,390	33,627,390	-
Other	5,943,029	7,333,543	13,276,572	-
Unrestricted	3,635,538,536	957,796,166	4,593,334,702	28,920,839
Total Net Assets	<u>\$ 8,672,797,104</u>	<u>\$ 2,280,144,454</u>	<u>\$ 10,952,941,558</u>	<u>\$ 375,355,839</u>

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, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 617,152,026	\$ 30,255,507	\$ 25,663,115	\$ -
Education	843,780,168	7,515,580	428,080,563	-
Health and Human Services	1,271,697,013	36,100,539	772,289,838	-
Regulatory	33,988,310	30,312,566	7,753,165	-
Public Safety and Corrections	303,602,543	26,263,919	187,946,070	-
Agriculture and Commerce	91,653,406	31,026,427	39,242,985	-
Natural Resources	132,679,303	31,017,855	17,697,754	17,474,043
Transportation	796,123,086	111,125,056	533,648,712	625,380
Interest on Long Term Debt	9,063,514	-	-	-
Total Governmental Activities	<u>4,099,739,369</u>	<u>303,617,449</u>	<u>2,012,322,202</u>	<u>18,099,423</u>
Business-Type Activities:				
Bank of North Dakota	71,996,932	145,038,000	2,418,000	-
Housing Finance	56,046,981	49,583,855	13,763,000	-
Loan Programs	8,092,864	6,185,948	161,228	-
State Lottery	18,877,249	26,587,851	4,351	-
Unemployment Compensation	89,236,878	126,040,929	3,391,686	-
University System	1,047,949,521	468,992,991	241,936,864	20,975,446
Workforce Safety & Insurance	359,216,200	253,677,520	87,052,301	-
Other	274,973,915	278,124,295	4,777,307	-
Total Business-Type Activities	<u>1,926,390,540</u>	<u>1,354,231,389</u>	<u>353,504,737</u>	<u>20,975,446</u>
Total Primary Government	<u>\$ 6,026,129,909</u>	<u>\$ 1,657,848,838</u>	<u>\$ 2,365,826,939</u>	<u>\$ 39,074,869</u>
Component Units (GASB Based):	<u>\$ 27,873,428</u>	<u>\$ 16,208,752</u>	<u>\$ 40,692,180</u>	<u>\$ -</u>

General Revenues:

Taxes:

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

Unrestricted Investment Earnings

Tobacco Settlement

Miscellaneous

Payment from State of North Dakota

Contributions to Perm Fund Principal

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets, Beginning of Year, as Restated

Net Assets, Ending

Net (Expense) Revenue and Change in Net Assets			
Primary Government			Component
Governmental	Business-Type	Total	Units
Activities	Activities		(GASB Based)
\$ (561,233,404)		\$ (561,233,404)	
(408,184,025)		(408,184,025)	
(463,306,636)		(463,306,636)	
4,077,421		4,077,421	
(89,392,554)		(89,392,554)	
(21,383,994)		(21,383,994)	
(66,489,651)		(66,489,651)	
(150,723,938)		(150,723,938)	
(9,063,514)		(9,063,514)	
<u>(1,765,700,295)</u>		<u>(1,765,700,295)</u>	
	75,459,068	75,459,068	
	7,299,874	7,299,874	
	(1,745,688)	(1,745,688)	
	7,714,953	7,714,953	
	40,195,737	40,195,737	
	(316,044,220)	(316,044,220)	
	(18,486,379)	(18,486,379)	
	7,927,687	7,927,687	
-	<u>(197,678,968)</u>	<u>(197,678,968)</u>	
<u>(1,765,700,295)</u>	<u>(197,678,968)</u>	<u>(1,963,379,263)</u>	
			<u>\$ 29,027,504</u>
658,905,496	-	658,905,496	-
1,543,140,897	-	1,543,140,897	-
1,670,059,257	-	1,670,059,257	-
71,974,295	-	71,974,295	-
15,500,793	-	15,500,793	-
22,265,336	-	22,265,336	-
170,544,539	1,940,000	172,484,539	-
-	-	-	1,000,000
12,469,733	-	12,469,733	-
(368,077,441)	390,214,559	22,137,118	-
<u>3,796,782,906</u>	<u>392,154,559</u>	<u>4,188,937,465</u>	<u>1,000,000</u>
2,031,082,611	194,475,591	2,225,558,202	30,027,504
6,641,714,493	2,085,668,863	8,727,383,356	345,328,335
<u>\$ 8,672,797,104</u>	<u>\$ 2,280,144,454</u>	<u>\$ 10,952,941,558</u>	<u>\$ 375,355,839</u>

STATE OF NORTH DAKOTA

Statement of Net Assets Component Units - University System Foundation FASB Basis June 30, 2012

	Major University System Foundation	Nonmajor University System Foundation
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 43,587,158	\$ 10,481,365
Receivable from Primary Institution - Current	3,075,352	39,199
Investments	21,577,939	7,811,035
Accounts Receivable - Net	1,954,265	96,380
Unconditional Promises to Give - Net	12,370,953	1,012,943
Inventory	1,197,074	12,806
Other Assets - Current	4,594,171	429,366
Total Current Assets	<u>88,356,912</u>	<u>19,883,094</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	4,936,518	330,188
Investments:		
Investments, Net of Current Portion	242,190,771	27,884,144
Investments, Temporarily Restricted	-	588,775
Investments, Permanently Restricted	-	3,996,681
Investments Held In Trust	6,419,132	113,277
Beneficial Interest In Trust	12,903,570	979,938
Charitable Gift Annuity Investments	4,577,363	-
Investments Held Under Split-Interest Agreement	2,237,469	-
Charitable Remainder Trust Account Investments	20,199,485	-
Endowment Investments	-	8,322,459
Real Estate and Equipment Held for Investment - Net	21,431,114	4,997,292
Other Long-Term Investments	9,847,604	645,149
Contracts for Deed & Notes Receivable, Net of Current Portion	2,243,003	-
Long-Term Pledges Receivable	48,915,996	564,181
Receivable from Primary Institution - Noncurrent	56,050,642	423,271
Other Receivables	3,069	132,516
Notes Receivable - Net	4,551,393	23,524
Other Assets - Noncurrent	1,985,867	426,771
Capital Assets - Net	128,413,931	22,842,765
Total Noncurrent Assets	<u>566,906,927</u>	<u>72,270,931</u>
Total Assets	<u>655,263,839</u>	<u>92,154,025</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	5,080,623	1,379,969
Payable to University	6,729,360	4,098,422
Accrued Payroll	823,054	20,989
Gift Annuities & Life Income Agreements - Current	2,871,759	27,875
Deferred Revenue - Current	12,749,432	98,035
Other Liabilities - Current	1,042,758	87,957
Long-Term Liabilities - Current	4,935,697	749,282
Total Current Liabilities	<u>34,232,683</u>	<u>6,462,529</u>
Noncurrent Liabilities:		
Deferred Revenue - Noncurrent	3,489,227	-
Deposits	3,037,617	-
Gift Annuities & Life Income Agreements - Noncurrent	22,522,460	269,586
Obligations Under Split-Interest Agreement	1,047,256	-
Other Liabilities - Noncurrent	1,165,305	-
Long-Term Liabilities - Noncurrent	78,063,597	14,208,555
Total Noncurrent Liabilities	<u>109,325,462</u>	<u>14,478,141</u>
Total Liabilities	<u>143,558,145</u>	<u>20,940,670</u>
Net Assets		
Temporarily Restricted	98,097,279	8,724,838
Permanently Restricted	252,719,353	41,866,157
Net Investment in Property & Equipment	70,519,128	-
Unrestricted	90,369,934	20,622,360
Total Net Asset	<u>511,705,694</u>	<u>71,213,355</u>
Total Liabilities and Net Assets	<u>\$ 655,263,839</u>	<u>\$ 92,154,025</u>

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, 2012

	Major University System Foundation	Nonmajor University System Foundation
Support and Revenue		
Gifts and Contributions	\$ 45,774,812	\$ 8,351,183
Investment Income	4,466,883	1,217,621
Net Realized and Unrealized Gains (Losses) on Investment Securities	(10,512,993)	(1,072,795)
Program and Event Income	49,005,745	8,233,870
Other Income	5,951,885	8,001,323
Total Support and Revenue	<u>94,686,332</u>	<u>24,731,202</u>
EXPENSES		
Program Services	18,578,577	8,415,236
Supporting Services	51,568,723	15,227,316
Fund Raising Expense	2,845,526	547,000
Total Expenses	<u>72,992,826</u>	<u>24,189,552</u>
Change in Split-Interest Agreement	386,890	-
Change in Value of Split-Interest Agreement	<u>40,677</u>	<u>-</u>
Changes in Net Assets	22,121,073	541,650
Total Net Assets - Beginning of Year	<u>489,584,621</u>	<u>70,671,705</u>
Total Net Assets - End of Year	<u>\$ 511,705,694</u>	<u>\$ 71,213,355</u>

STATE OF NORTH DAKOTA

Balance Sheet Governmental Funds June 30, 2012

	Special Revenue			Nonmajor	Total
	General	Federal	State	Governmental Funds	
ASSETS					
Cash Deposits at the Bank of ND	\$ 1,854,313,077	\$ -	\$ 1,152,141,657	\$ 3,527,259	\$ 3,009,981,993
Cash and Cash Equivalents	8,655,050	-	5,342,735	1,588,455	15,586,240
Investments at the Bank of ND	107,740,454	5,000,000	164,890,046	14,027,898	291,658,398
Investments	673,213,698	-	2,444,399,855	45,333,731	3,162,947,284
Accounts Receivable - Net	5,783,785	8,054,358	69,292,669	-	83,130,812
Taxes Receivable - Net	367,185,641	-	142,762,106	260,414	510,208,161
Interest Receivable - Net	2,994,311	-	10,616,464	208,658	13,819,433
Intergovernmental Receivable - Net	268,370	297,310,166	11,120,176	-	308,698,712
Due from Other Funds	125,970,282	7,080,570	22,730,279	6,000	155,787,131
Prepaid Items	1,676,017	1,068,251	1,953,274	-	4,697,542
Inventory	2,692,709	8,719,183	8,117,291	-	19,529,183
Loans and Notes Receivable - Net	197,755	195,942	83,637,143	29,875,898	113,906,738
Other Assets	-	-	-	-	-
Total Assets	\$ 3,150,691,149	\$ 327,428,470	\$ 4,117,003,695	\$ 94,828,313	\$ 7,689,951,627
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 49,695,607	\$ 124,395,750	\$ 74,680,455	\$ 43,074	\$ 248,814,886
Accrued Payroll	21,873,549	10,056,010	10,253,457	-	42,183,016
Securities Lending Collateral	-	-	131,923,221	10,301,052	142,224,273
Interest Payable	-	-	349,429	-	349,429
Intergovernmental Payable	10,155,619	42,094,927	91,318,421	-	143,568,967
Tax Refunds Payable	81,004,430	-	4,450,150	-	85,454,580
Due to Other Funds	28,888,314	117,933,295	14,607,474	565,973	161,995,056
Contracts Payable	1,852,693	11,324,153	10,833,644	-	24,010,490
Deferred Revenue	50,349,418	15,681,306	37,282,276	-	103,313,000
Total Liabilities	243,819,630	321,485,441	375,698,527	10,910,099	951,913,697
Fund Balances:					
Nonspendable					
Inventory	2,692,709	9,241,713	8,117,291	-	20,051,713
Long - Term Receivables	197,755	-	-	-	197,755
Prepaid Expenditures	1,676,017	1,068,251	1,953,274	-	4,697,542
Legal Requirements	493,414,644	-	-	-	493,414,644
Permanent Trust Fund	-	-	-	64,342,175	64,342,175
Unreserved FB - HIDE ROW					
Restricted	-	(4,366,935)	2,982,939,473	19,557,959	2,998,130,497
Committed	996,737,740	-	681,873,488	18,080	1,678,629,308
Assigned	-	-	66,421,642	-	66,421,642
Unassigned	1,412,152,654	-	-	-	1,412,152,654
Total Fund Balances	2,906,871,519	5,943,029	3,741,305,168	83,918,214	6,738,037,930
Total Liabilities and Fund Balances	\$ 3,150,691,149	\$ 327,428,470	\$ 4,117,003,695	\$ 94,828,313	\$ 7,689,951,627

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, 2012

Total Fund Balances-Governmental Funds \$ 6,738,037,930

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 \$4,952,809,643 and the accumulated depreciation is \$2,953,453,675. 1,999,355,968

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. 94,539,148

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. 88,016,376

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. 584,000

The pension assets resulting from contributions in excess of annual required contribution are not financial resources and, therefore, are not reported in the funds. 1,623,923

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	(195,484,394)	
Notes Payable	(7,428,114)	
Accrued Interest on Long-Term Liabilities	(2,428,313)	
Compensated Absences	(39,732,435)	
Intergovernmental Payable	(7,000)	
Capital Leases	(1,783,978)	
Pension Obligation (Reported as Accounts Payable)	(1,022,181)	
Claims and Judgments	(1,473,826)	
Total Long-Term Liabilities		<u>(249,360,241)</u>

Net Assets of Governmental Activities \$ 8,672,797,104

STATE OF NORTH DAKOTA

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2012

	Special Revenue			Nonmajor Governmental Funds	Total
	General	Federal	State		
REVENUES					
Individual and Corporate Income Taxes	\$ 631,340,905	\$ -	\$ 11,766,487	\$ -	\$ 643,107,392
Sales and Use Taxes	1,229,272,939	-	313,534,484	-	1,542,807,423
Oil, Gas, and Coal Taxes	1,076,115,939	-	591,250,497	3,162,664	1,670,529,100
Business and Other Taxes	46,079,578	-	26,004,499	-	72,084,077
Licenses, Permits and Fees	17,572,408	-	165,731,336	-	183,303,744
Intergovernmental	1,702,321	1,714,778,821	32,119,715	4,868,418	1,753,469,275
Sales and Services	3,113,011	916,673	46,490,055	1,344,447	51,864,186
Royalties and Rents	48,471,678	6,120	343,687,224	-	392,165,022
Fines and Forfeits	4,180,473	-	13,971,238	-	18,151,711
Interest and Investment Income	16,763,027	27,318	56,398,824	1,432,461	74,621,630
Tobacco Settlement	-	-	31,277,903	-	31,277,903
Commodity Assessments	-	-	19,710,327	-	19,710,327
Miscellaneous	1,423,072	2,584,162	21,644,764	-	25,651,998
Total Revenues	3,076,035,351	1,718,313,094	1,673,587,353	10,807,990	6,478,743,788
EXPENDITURES					
Current:					
General Government	173,893,001	3,413,249	16,545,764	67,182	193,919,196
Education	622,193,199	152,392,493	68,080,521	-	842,666,213
Health and Human Services	464,573,758	745,565,420	57,276,214	-	1,267,415,392
Regulatory	13,520,141	7,294,120	9,435,223	-	30,249,484
Public Safety and Corrections	109,837,391	172,646,181	10,495,605	-	292,979,177
Agriculture and Commerce	20,126,589	37,858,103	33,531,582	-	91,516,274
Natural Resources	20,555,126	16,651,613	85,910,496	-	123,117,235
Transportation	2,522,274	462,271,351	288,293,519	-	753,087,144
Intergovernmental - Revenue Sharing	1,695,832	-	414,080,034	-	415,775,866
Capital Outlay	43,198,940	95,962,190	218,922,467	-	358,083,597
Debt Service:					
Principal	1,776,930	60,029	203,076	16,242,961	18,282,996
Interest and Other Charges	327,873	4,591	94,164	9,309,632	9,736,260
Total Expenditures	1,474,221,054	1,694,119,340	1,202,868,665	25,619,775	4,396,828,834
Revenues over (under) Expenditures	1,601,814,297	24,193,754	470,718,688	(14,811,785)	2,081,914,954
OTHER FINANCING SOURCES (USES)					
Refunding Bonds Issued	-	-	-	20,004,000	20,004,000
Payment of Refunded Bonds	-	-	-	(25,041,000)	(25,041,000)
Capital Lease Acquisitions	86,265	60,616	463	-	147,344
Sale of Capital Assets	-	-	284,974	-	284,974
Transfers In	701,883,137	645,846	439,652,051	19,941,436	1,162,122,470
Transfers Out	(796,283,602)	(25,492,196)	(704,800,892)	(3,623,221)	(1,530,199,911)
Total Other Financing Sources (Uses)	(94,314,200)	(24,785,734)	(264,863,404)	11,281,215	(372,682,123)
Net Change in Fund Balances	1,507,500,097	(591,980)	205,855,284	(3,530,570)	1,709,232,831
Fund Balances - Beginning of Year	1,399,371,422	6,535,009	3,535,449,884	87,448,784	5,028,805,099
Fund Balances - End of Year	\$ 2,906,871,519	\$ 5,943,029	\$ 3,741,305,168	\$ 83,918,214	\$ 6,738,037,930

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, 2012

Net Change in Fund Balances-Total Governmental Funds \$ 1,709,232,831

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	358,083,597	
Depreciation expense	<u>(74,932,031)</u>	
Excess of capital outlay over depreciation expense		283,151,566

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. (3,257,166)

Donations of capital assets increase net assets in the statement of activities but do not appear in the governmental funds because they are not financial resources. 107,618

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. (152,464)

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. 17,707,050

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 2,396,595

Bonds proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. (20,004,000)

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. 306,000

The pension assets resulting from contributions in excess of annual required contribution are not financial resources and, therefore, are not reported in the funds. (276,469)

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	41,637,829	
Note payments	1,135,262	
Capital lease payments	<u>1,093,347</u>	
Total long-term debt repayment		43,866,438

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	(488,283)	
Net increase/decrease in compensated absences	(840,279)	
Net increase/decrease in net pension obligation (reported as accounts payable)	(675,749)	
Net increase/decrease in claims and judgments	<u>8,923</u>	
Total additional expenditures		<u>(1,995,388)</u>

Change in Net Assets of Governmental Activities \$ 2,031,082,611

STATE OF NORTH DAKOTA

Statement of Net Assets Proprietary Funds June 30, 2012

	Business-Type Activities - Enterprise Funds					Governmental	
	Bank of North Dakota	Housing Finance	University System	Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
ASSETS							
Current Assets:							
Cash Deposits at the Bank of ND	\$ 3,022,000	\$ 101,940,381	\$ 1,878,452	\$ 45,111,153	\$ 151,951,986	\$ 13,956,267	
Cash and Cash Equivalents	259,000	6,660,954	-	131,834,720	138,754,674	662,542	
Investments at the Bank of ND	-	36,933,130	14,199,479	18,960,102	70,092,711	-	
Investments	-	973,679	1,410,583,436	23,644,106	1,435,201,221	9,723,321	
Accounts Receivable - Net	683,000	19,786,908	42,227,877	74,205,293	136,903,078	268,990	
Interest Receivable - Net	228,000	6,933	9,983,231	1,588,280	11,806,444	55,912	
Intergovernmental Receivable - Net	113,000	36,832,446	-	5,894,631	42,840,077	198,081	
Due from Other Funds	163,000	27,752,963	-	484,091	28,400,054	6,800,935	
Due from Fiduciary Funds	-	-	-	53,245	53,245	-	
Due from Component Units	-	6,776,477	-	-	6,776,477	-	
Prepaid Items	32,000	-	589,488	2,101,922	2,723,410	1,446,932	
Inventory	-	8,154,484	-	27,374,543	35,529,027	85,163	
Loans and Notes Receivable - Net	-	8,456,722	-	7,689,778	16,146,500	-	
Other Assets	503,000	6,640,861	-	12,150	7,156,011	-	
Restricted Cash at the Bank of ND	12,004,000	-	-	4,101,675	16,105,675	-	
Restricted Cash and Cash Equivalents	138,859,000	-	-	-	138,859,000	-	
Restricted Investments at the Bank of ND	-	-	-	6,000,000	6,000,000	-	
Restricted Interest Receivable - Net	3,473,000	-	-	-	3,473,000	-	
Restricted Loans Receivable - Net	18,524,000	-	-	-	18,524,000	-	
Total Current Assets	177,863,000	260,915,938	1,479,461,963	349,055,689	2,267,296,590	33,198,143	
Noncurrent Assets:							
Restricted Cash at the Bank of ND	-	14,525,920	-	250,871	14,776,791	-	
Restricted Cash and Cash Equivalents	-	59,344	-	-	59,344	-	
Restricted Investments at the Bank of ND	-	17,696,298	-	-	17,696,298	-	
Restricted Investments	12,048,000	20,841,402	-	219,055	33,108,457	-	
Investments at the Bank of ND	-	111,475,108	-	-	111,475,108	-	
Investments	1,017,000	7,762,094	-	-	8,779,094	-	
Accounts Receivable	-	-	465,297	-	465,297	-	
Due from Component Units	-	1,220,300	-	-	1,220,300	-	
Loans and Notes Receivable - Net	-	30,355,009	-	71,239,008	101,594,017	-	
Restricted Loans Receivable - Net	837,694,000	-	-	3,200,000	840,894,000	-	
Unamortized Bond Issuance Costs	6,294,000	4,374,317	-	32,556	10,700,873	19,948	
Restricted Deferred Outflows	18,580,000	-	-	-	18,580,000	-	
Other Noncurrent Assets	2,972,000	-	-	4,808,337	7,780,337	-	
Capital Assets:							
Nondepreciable	-	112,999,983	14,572,999	5,496,494	133,069,476	-	
Depreciable, Net	39,000	817,433,179	11,857,600	59,849,846	889,179,625	92,931,877	
Total Noncurrent Assets	878,644,000	1,138,742,954	26,895,896	145,096,167	2,189,379,017	92,951,825	
Bank Related Assets:							
Cash and Cash Equivalents	\$ 1,369,370,000				\$ 1,369,370,000		
Investments	1,006,956,000				1,006,956,000		
Interest Receivable - Net	39,409,000				39,409,000		
Due from Other Funds	38,919,000				38,919,000		
Due from Component Units	1,106,000				1,106,000		
Loans and Notes Receivable - Net	2,904,058,000				2,904,058,000		
Other Assets	3,089,000				3,089,000		
Capital Assets:							
Nondepreciable	1,445,000				1,445,000		
Depreciable, Net	10,721,000				10,721,000		
Total Bank Related Assets	5,375,073,000				5,375,073,000		
Total Assets	5,375,073,000	1,056,507,000	1,399,658,892	1,506,357,859	494,151,856	9,831,748,607	126,149,968

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Net Assets Proprietary Funds June 30, 2012

	Business-Type Activities - Enterprise Funds					Governmental	
	Bank of North Dakota	Housing Finance	University System	Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
LIABILITIES							
Current Liabilities:							
Accounts Payable		946,000	24,894,743	4,733,543	21,101,032	51,675,318	2,020,694
Accrued Payroll		-	30,624,222	-	448,153	31,072,375	2,160,825
Interest Payable	16,122,000		1,285,191	-	29,899	17,437,090	8,250
Intergovernmental Payable	76,000		258,238	-	4,294,758	4,628,996	696
Due to Other Funds	34,859,000		2,270,743	243,067	38,935,415	76,308,225	14,129,790
Due to Fiduciary Funds	-		-	-	462,804	462,804	-
Due to Component Units	-		3,137,937	-	-	3,137,937	-
Contracts Payable	-		2,817,302	-	-	2,817,302	-
Other Deposits	-		6,784,543	-	-	6,784,543	-
Amounts Held in Custody for Others	9,833,000		-	-	-	9,833,000	-
Claims/Judgments Payable	-		-	103,877,400	721,825	104,599,225	1,861,586
Dividends Payable	-		-	142,387,877	-	142,387,877	-
Compensated Absences Payable	164,000		1,528,888	1,066,844	83,788	2,843,520	103,113
Notes Payable	-		890,568	-	-	890,568	-
Capital Leases Payable	-		4,329,615	-	-	4,329,615	93,971
Bonds Payable	7,642,000		8,788,554	-	418,539	16,849,093	710,658
Deferred Revenue	2,000,000		18,666,707	117,488,460	6,273,159	144,428,326	-
Total Current Liabilities	71,642,000		106,277,251	369,797,191	72,769,372	620,485,814	21,089,583
Noncurrent Liabilities:							
Intergovernmental Payable		88,000	3,707,893	-	6,705,362	10,501,255	-
Due to Component Units		-	56,218,040	-	-	56,218,040	-
Claims/Judgments Payable		-	-	761,767,600	1,295,000	763,062,600	5,437,918
Compensated Absences Payable		94,000	28,253,859	188,266	1,116,319	29,652,444	1,889,315
Notes Payable		-	10,039,264	-	-	10,039,264	-
Capital Leases Payable		-	31,958,100	-	-	31,958,100	50,005
Bonds Payable		833,073,000	194,269,183	-	3,200,000	1,030,542,183	819,565
Financial Derivative Instrument		18,580,000	-	-	-	18,580,000	-
Other Noncurrent Liabilities		-	5,193,510	-	9,043,259	14,236,769	-
Total Noncurrent Liabilities		851,835,000	329,639,849	761,955,866	21,359,940	1,964,790,655	8,196,803
Bank Related Liabilities:							
Interest Payable		106,132				106,132	
Due to Other Funds		1,961,868				1,961,868	
Due to Component Units		2,190,000				2,190,000	
Federal Funds Purchased		318,325,000				318,325,000	
Deposits Held for Other Funds		3,282,580,982				3,282,580,982	
Other Deposits		896,161,018				896,161,018	
Other Liabilities		2,552,000				2,552,000	
Long Term Liabilities:							
Due within one year		3,810,000				3,810,000	
Due in more than one year		467,483,000				467,483,000	
Total Bank Related Liabilities		4,975,170,000				4,975,170,000	
Total Liabilities	4,975,170,000	923,477,000	435,917,100	1,131,753,057	94,129,312	7,560,446,469	29,286,386
NET ASSETS							
Invested in Capital Assets, Net of Related Debt	12,166,000	39,000	649,056,160	26,430,599	64,665,476	752,357,235	92,787,901
Restricted for:							
Capital Projects	-	-	27,901	-	-	27,901	-
Debt Service	-	119,220,000	10,407,596	-	900,926	130,528,522	-
Loan Purposes	-	-	45,296,530	-	600,658	45,897,188	-
Pledged Assets	183,430,000	-	-	-	-	183,430,000	-
Unemployment Compensation	-	-	-	-	154,070,840	154,070,840	-
University System-Nonexpendable	-	-	15,075,669	-	-	15,075,669	-
University System-Expendable	-	-	33,627,390	-	-	33,627,390	-
Other	-	-	360,778	-	6,972,765	7,333,543	-
Unrestricted	204,307,000	13,771,000	209,889,768	348,174,203	172,811,879	948,953,850	4,075,681
Total Net Assets	\$ 399,903,000	\$ 133,030,000	\$ 963,741,792	\$ 374,604,802	\$ 400,022,544	\$ 2,271,302,138	\$ 96,863,582

Reconciliation of the Proprietary Funds Statement of Net Assets to the Statement of Net Assets June 30, 2012

Total Net Assets - Enterprise Funds	<u>\$2,271,302,138</u>
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	<u>8,842,316</u>
Net Assets of Business-Type Activities	<u>\$2,280,144,454</u>

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Fiscal Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds						Governmental
	Bank of North Dakota	Housing Finance	University System	Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES							
Sales and Services	\$ 6,652,000	\$ 2,069,000	\$ 73,701,310	\$ 251,325,243	\$ 433,866,367	\$ 767,613,920	\$ 91,147,088
Auxiliary Sales Pledges for Bonds	-	-	111,529,517	-	-	111,529,517	-
Tuition and Fees	-	-	279,041,855	-	-	279,041,855	-
Grants and Contributions	-	-	163,241,628	-	-	163,241,628	-
Royalties and Rents	-	-	-	742,222	63,664	805,886	-
Fines and Forfeits	-	-	-	1,610,055	-	1,610,055	-
Interest and Investment Income	140,804,000	47,514,855	-	-	1,882,913	190,201,768	-
Miscellaneous	-	-	1,926,634	-	1,070,183	2,996,817	33,284
Total Operating Revenues	147,456,000	49,583,855	629,440,944	253,677,520	436,883,127	1,517,041,446	91,180,372
OPERATING EXPENSES							
Cost of Sales and Services	-	-	41,072,830	-	237,964,368	279,037,198	1,335,950
Salaries and Benefits	11,693,000	2,903,000	665,604,152	18,097,199	16,402,281	714,699,632	25,455,824
Operating	19,901,000	6,641,000	236,073,441	2,336,404	37,172,399	302,124,244	44,854,056
Claims	-	-	-	188,823,610	90,746,074	279,569,684	4,950,529
Scholarships and Fellowships	-	-	36,951,349	-	-	36,951,349	-
Interest	39,541,000	33,330,000	-	-	97,574	72,968,574	-
Depreciation	900,000	21,000	53,104,390	1,050,061	4,778,400	59,853,851	13,544,438
Miscellaneous	-	-	-	-	4,500	4,500	-
Total Operating Expenses	72,035,000	42,895,000	1,032,806,162	210,307,274	387,165,596	1,745,209,032	90,140,797
Operating Income (Loss)	75,421,000	6,688,855	(403,365,218)	43,370,246	49,717,531	(228,167,586)	1,039,575
NONOPERATING REVENUES (EXPENSES)							
Grants and Contracts	-	12,803,000	50,322,785	-	3,347,639	66,473,424	-
Gifts	-	-	24,238,882	-	-	24,238,882	-
Interest and Investment Income	-	960,000	4,133,569	87,052,301	4,986,057	97,131,927	656,528
Interest Expense	-	-	(15,420,554)	(4,569,539)	(852,824)	(20,842,917)	(125,736)
Dividends Expense	-	-	-	(144,376,056)	-	(144,376,056)	-
Gain (Loss) on Sale of Capital Assets	-	-	(298,832)	-	(88,656)	(387,488)	731,676
Tax Revenue	-	-	2,793,673	-	-	2,793,673	-
Grant Expense	-	(13,156,000)	-	-	-	(13,156,000)	-
Other	-	1,940,000	-	-	(3,048,689)	(1,108,689)	17,250
Total Nonoperating Revenues (Expenses)	-	2,547,000	65,769,523	(61,893,294)	4,343,527	10,766,756	1,279,718
Income (Loss) Before Contributions and Transfers	75,421,000	9,235,855	(337,595,695)	(18,523,048)	54,061,058	(217,400,830)	2,319,293
Capital Grants and Contributions	-	-	20,975,446	-	-	20,975,446	480,193
Transfers In	-	524,145	386,204,962	-	27,285,724	414,014,831	296,293
Transfer Out	(2,815,000)	(29,000)	(7,992,191)	-	(12,964,081)	(23,800,272)	-
Changes in Net Assets	72,606,000	9,731,000	61,592,522	(18,523,048)	68,382,701	193,789,175	3,095,779
Total Net Assets - Beginning of Year, as Adjusted	327,297,000	123,299,000	902,149,270	393,127,850	331,639,843	2,077,512,963	93,767,803
Total Net Assets - End of Year	\$ 399,903,000	\$ 133,030,000	\$ 963,741,792	\$ 374,604,802	\$ 400,022,544	\$ 2,271,302,138	\$ 96,863,582

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, 2012

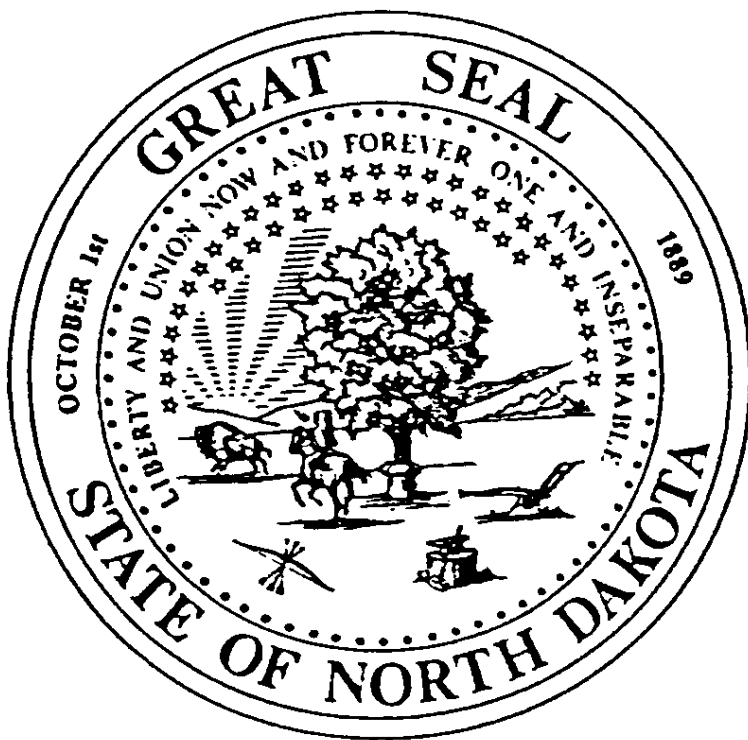
Net Change in Net Assets-Total Enterprise Funds \$ 193,789,175

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 686,416

Change in Net Assets of Business-Type Activities \$ 194,475,591

The Accompanying Notes are an Integral Part of the Financial Statements



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STATE OF NORTH DAKOTA

Statement of Cash Flows Proprietary Funds

For the Fiscal Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds		
	Bank of North Dakota	Housing Finance	University System
Cash Flows from Operating Activities:			
Receipts from Customers and Users	\$ 6,635,000	\$ 245,227,855	\$ 186,898,348
Receipts from Tuition and Fees	-	-	277,290,823
Interest Income on Loans	-	-	-
Receipts from Loan Principal Repayments	-	-	5,583,659
Receipts from Other Funds	-	-	-
Receipts from Grants and Contracts	-	-	172,611,745
Receipts from Others	-	-	3,185,828
Payments for Loan Funds	-	-	(4,941,566)
Payments to Other Funds	-	(399,000)	-
Payments for Scholarships and Fellowships	-	-	(36,951,349)
Payments to Suppliers	(9,334,000)	(136,789,000)	(276,074,073)
Payments to Employees	(11,662,000)	(2,896,000)	(663,932,204)
Claim Payments	-	-	-
Payments to Others	-	(1,108,000)	-
Other	-	-	-
Net Cash Provided by (Used for) Operating Activities	(14,361,000)	104,035,855	(336,328,789)
Cash Flows from Noncapital Financing Activities:			
Proceeds from Bonds	-	122,475,000	-
Proceeds from Sale of Notes and Other Borrowings	90,100,000	-	-
Principal Payments - Bonds	-	(246,535,000)	-
Principal Payments - Notes and Other Borrowings	(16,043,000)	-	-
Interest Payments - Bonds	-	(36,562,000)	-
Interest Payments - Notes and Other Borrowings	(19,348,000)	-	-
Payment of Bond Issue Costs	-	(957,000)	-
Transfers In	-	524,145	351,808,658
Transfers Out	(2,773,000)	(29,000)	(1,851,715)
Tax Revenue	-	-	2,793,673
Net Increase in Non-Interest Bearing Deposits	262,882,000	-	-
Net Increase in Interest Bearing Deposits	858,229,000	-	-
Payments of Interest on Deposits	(20,436,000)	-	-
Interest Paid on Federal Funds and Reverse Repurchase Agreements	(336,000)	-	-
Net Increase in Federal Funds and Reverse Repurchase Agreements	77,600,000	-	-
Collection of Advances Made	-	-	-
Loan Proceeds from Due To Other Funds	-	62,427,000	-
Principal Payments on Due To Other Funds	-	(63,791,000)	-
Grants and Gifts Received for Other than Capital Purposes	-	14,803,000	68,283,234
Agency Fund Cash Increase	-	-	1,011,904
Grants Given for Other than Capital Purposes	-	(13,156,000)	29,017
Other	-	1,940,000	(45,015)
Net Cash Provided by (Used for) Noncapital Financing Activities	1,229,875,000	(158,860,855)	422,029,756
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(780,000)	-	(95,372,634)
Proceeds from Sale of Capital Assets	-	-	1,779,083
Payments for Discontinued Operations	-	-	-
Proceeds from Sale of Notes and Other Borrowings	-	-	27,601,490
Principal Payments - Bonds	-	-	-
Principal Payments - Notes and Other Borrowings	-	-	(27,187,867)
Interest Payments - Bonds	-	-	-
Interest Payments - Notes and Other Borrowings	-	-	(15,553,703)
Capital Appropriations	-	-	34,101,749
Payment on Capital Leases	-	-	-
Interest Payments - Capital Leases	-	-	-
Operating Transfers Out to Other Funds	-	-	(6,140,476)
Capital Grants and Gifts Received	-	-	22,191,919
Insurance Proceeds	-	-	232,565
Net Cash Used for Capital and Related Financing Activities	(780,000)	-	(58,347,874)
Cash Flows from Investing Activities:			
Proceeds from Sale and Maturities of Investment Securities	125,026,000	53,000	48,833,050
Purchase of Investment Securities	(593,502,000)	(1,030,000)	(67,703,779)
Interest and Dividends on Investments	14,551,000	857,000	4,778,109
Proceeds from Sale of Other Real Estate	504,000	-	-
Net Decrease in Loans	(188,641,000)	-	-
Receipt of Loan Principal Repayments	-	-	-
Proceeds from Collection of Loans and Notes Receivable	1,995,000	-	-
Loan Income Received	123,503,000	-	-
Proceeds from Sale of Loans	-	-	-
Net Cash Provided by (Used for) Investing Activities	(516,564,000)	(120,000)	(14,092,620)

The Accompanying Notes are an Integral Part of the Financial Statements

Business-Type Activities - Enterprise Funds			Governmental Activities
Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
\$ 175,096,706	\$ 709,418,961	\$ 1,323,276,870	\$ 90,962,447
-	-	277,290,823	-
-	365,054	365,054	-
-	15,838,504	21,422,163	-
-	108,003	108,003	7,897
-	-	172,611,745	-
2,995,579	141,551	6,322,958	-
-	(14,298,186)	(19,239,752)	-
(1,915,289)	6,279	(2,308,010)	(104,947)
-	-	(36,951,349)	-
-	(289,454,036)	(711,651,109)	(46,083,148)
(13,244,279)	(286,733,647)	(978,468,130)	(24,983,933)
(140,045,970)	(71,481,944)	(211,527,914)	(335,713)
(17,856,315)	(484,471)	(19,448,786)	(3,913,258)
-	(224,090)	(224,090)	-
5,030,432	63,201,978	(178,421,524)	15,549,345
-	-	122,475,000	-
-	-	90,100,000	-
-	(2,000,000)	(248,535,000)	-
-	23,750,000	7,707,000	-
-	(39,000)	(36,601,000)	-
-	(778,589)	(20,126,589)	(448)
-	(32,288,297)	(33,245,297)	-
-	2,443,932	354,776,735	-
-	(15,176,884)	(19,830,599)	-
-	-	2,793,673	-
-	-	262,882,000	296,293
-	-	858,229,000	-
-	-	(20,436,000)	-
-	-	(336,000)	-
-	-	77,600,000	-
-	-	-	11,000,000
-	-	62,427,000	-
-	(1,262,472)	(65,053,472)	-
-	778,609	83,864,843	-
-	-	1,011,904	-
-	-	(13,126,983)	-
-	-	1,894,985	27,691
-	(24,572,701)	1,468,471,200	11,323,536
(4,776,240)	(5,950,556)	(106,879,430)	(24,538,970)
-	-	1,779,083	3,634,066
1,450,936	(1,047,333)	403,603	-
-	1,073,698	28,675,188	-
-	(185,000)	(185,000)	-
-	(115,190)	(27,303,057)	(694,550)
-	(23,886)	(23,886)	-
-	(7,014)	(15,560,717)	(89,028)
-	-	34,101,749	-
-	-	-	(95,645)
-	-	-	(14,061)
-	-	(6,140,476)	-
-	-	22,191,919	-
-	(100)	232,465	-
(3,325,304)	(6,255,381)	(68,708,559)	(21,798,188)
18,000,000	29,857,124	221,769,174	-
(19,495,383)	(31,507,299)	(713,238,461)	(1,807,277)
-	4,835,171	25,021,280	383,642
-	25,868,354	26,372,354	-
-	-	(188,641,000)	-
-	(24,367,183)	(24,367,183)	-
-	2,714,438	4,709,438	-
-	(2,328,799)	121,174,201	-
-	9,994,869	9,994,869	-
(1,495,383)	15,066,675	(517,205,328)	(1,423,635)

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, 2012

	Business-Type Activities - Enterprise Funds		
	Bank of North Dakota	Housing Finance	University System
Net Change in Cash:			
Net Increase (Decrease) in Cash and Cash Equivalents	698,170,000	(54,945,000)	13,260,473
Cash and Cash Equivalents at June 30, 2011	671,200,000	209,089,000	109,926,125
Cash and Cash Equivalents at June 30, 2012	<u>\$ 1,369,370,000</u>	<u>\$ 154,144,000</u>	<u>\$ 123,186,598</u>
Reconciliation:			
Current:			
Cash Deposits at the Bank of North Dakota	\$ -	\$ 3,022,000	\$ 101,940,381
Cash and Cash Equivalents	1,369,370,000	259,000	6,660,954
Restricted Cash Deposits at the Bank of North Dakota	-	12,004,000	-
Restricted Cash and Cash Equivalents	-	138,859,000	-
Noncurrent:			
Restricted Cash Deposits At The Bank of North Dakota	-	-	14,525,920
Restricted Cash and Cash Equivalents	-	-	59,343
Cash and Cash Equivalents	<u>\$ 1,369,370,000</u>	<u>\$ 154,144,000</u>	<u>\$ 123,186,598</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:			
Operating Income (Loss)	\$ 75,421,000	\$ 6,688,855	\$ (403,365,218)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	899,000	21,000	53,104,390
Amortization/Accretion	-	1,645,000	-
Reclassification of Interest Revenue/Expense	(98,845,000)	33,457,000	-
Gain on Sale of Student Loans	(43,000)	-	-
Gain on Sale of Real Estate	(7,000)	-	-
Loss on Retirement of Fixed Assets	8,000	-	-
Net Increase in Fair Value of Investments	(2,418,000)	-	-
Interest Received on Program Loans	-	-	-
Dividend Credit Applied to Receivable	-	-	-
Receipt of Loan Principal Repayments	-	-	-
Provision for Losses	11,000,000	-	-
Premiums Collected	-	-	-
Other	-	-	5,002,259
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	-	63,965,000	10,618,652
Decrease in Interest Receivable	-	384,000	-
(Increase) Decrease in Due From	3,000	(136,000)	-
(Increase) Decrease in Intergovernmental Receivable	-	51,000	-
(Increase) Decrease in Notes Receivable	-	-	1,715,882
(Increase) Decrease in Prepaid Items	-	12,000	-
(Increase) Decrease in Inventories	-	-	(308,746)
Increase in Other Assets	(688,000)	(837,000)	(4,313,179)
Increase (Decrease) in Accounts Payable	-	-	(2,044,347)
Increase in Interest Payable	-	-	-
Increase (Decrease) in Claims/Judgments Payable	-	-	-
Increase (Decrease) in Intergovernmental Payable	-	(916,000)	-
Increase in Accrued Payroll	-	-	1,677,970
Increase in Compensated Absences Payable	-	10,000	(6,022)
Decrease in Amounts Held for Others	-	(251,000)	-
Increase in Other Deposits	-	-	313,019
Increase (Decrease) in Due To Other Funds	(67,000)	(43,000)	-
Increase in Deferred Revenue	-	-	1,276,551
Increase (Decrease) in Other Liabilities	376,000	(15,000)	-
Increase in Dividends Payable	-	-	-
Total Adjustments	<u>(89,782,000)</u>	<u>97,347,000</u>	<u>67,036,429</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (14,361,000)</u>	<u>\$ 104,035,855</u>	<u>\$ (336,328,789)</u>
Noncash Transactions:			
Net Increase (Decrease) in Fair Value of Investments	\$ 2,418,000	\$ 59,000	(1,374,570)
Transfers from Net Assets to Transfers Payable	2,815,000	-	-
Change in Securities Lending Collateral	-	-	-
Interest on Investments	-	-	-
Amortization of Bond Discount	-	-	-
Amortization of Bond Issuance Costs	-	-	-
Assets Acquired Through Capital Lease	-	-	1,951,262
Assets Acquired Through Special Assessments	-	-	299,532
Expenses Paid by Capital Lease	-	-	956,440
Gifts of Capital Assets	-	-	(860,166)
FEMA Receivable from Federal and State Governments	-	-	-
Interest Revenue on Prize Reserves	-	-	-
Total Noncash Transactions	<u>\$ 5,233,000</u>	<u>\$ 59,000</u>	<u>\$ 972,498</u>

The Accompanying Notes are an Integral Part of the Financial Statements

Business-Type Activities - Enterprise Funds			Governmental Activities
Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
209,745	47,440,571	704,135,789	3,651,058
1,668,707	133,857,848	1,125,741,680	10,967,751
<u>\$ 1,878,452</u>	<u>\$ 181,298,419</u>	<u>\$ 1,829,877,469</u>	<u>\$ 14,618,809</u>
\$ 1,878,452	\$ 45,111,153	\$ 151,951,986	\$ 13,956,267
-	131,834,720	1,508,124,674	662,542
-	4,101,675	16,105,675	-
-	-	138,859,000	-
-	250,871	14,776,791	-
-	-	59,343	-
<u>\$ 1,878,452</u>	<u>\$ 181,298,419</u>	<u>\$ 1,829,877,469</u>	<u>\$ 14,618,809</u>
\$ 43,370,246	\$ 49,717,531	\$ (228,167,586)	\$ 1,039,574
1,050,061	4,500,140	59,574,591	13,537,789
-	374,262	2,019,262	6,649
-	(444,329)	(65,832,329)	-
-	-	(43,000)	-
-	(40,674)	(47,674)	-
-	-	8,000	-
-	124,000	124,000	-
(144,376,056)	-	(144,376,056)	-
-	5,817,000	5,817,000	-
-	(98,463)	10,901,537	-
-	2,615,455	2,615,455	-
-	(92,725)	4,909,534	(26,549)
(12,722,530)	(1,872,295)	59,988,827	88,633
-	182,688	566,688	-
-	217,026	84,026	(334,013)
-	178,874	229,874	(73,512)
-	(535,183)	1,180,699	-
433,486	(634,203)	(188,717)	601,957
-	4,513,573	4,204,827	5,765
-	(343,967)	(6,182,146)	-
(746,265)	1,423,773	(1,366,839)	(364,350)
-	(2,000)	(2,000)	-
51,622,000	(1,320,151)	50,301,849	697,385
-	(568,370)	(1,484,370)	8,010
-	(848,696)	829,274	226,049
68,198	(13,762)	58,414	170,649
-	-	(251,000)	-
-	-	313,019	-
41,473	(157,955)	(226,482)	(34,691)
25,901,941	486,972	27,665,464	-
-	23,457	384,457	-
40,387,878	-	40,387,878	-
<u>(38,339,814)</u>	<u>13,484,447</u>	<u>49,746,062</u>	<u>14,509,771</u>
<u>\$ 5,030,432</u>	<u>\$ 63,201,978</u>	<u>\$ (178,421,524)</u>	<u>\$ 15,549,345</u>
\$ 28,426,564	\$ 228,168	\$ 29,757,162	\$ 250,121
-	-	2,815,000	-
(12,070)	-	(12,070)	(153)
57,073,584	-	57,073,584	-
-	8,754	8,754	-
-	3,335	3,335	-
-	-	1,951,262	-
-	-	299,532	-
-	-	956,440	-
-	-	(860,166)	-
-	2,569,030	2,569,030	-
-	105	105	-
<u>\$ 85,488,078</u>	<u>\$ 2,809,392</u>	<u>\$ 94,561,968</u>	<u>\$ 249,968</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, 2012

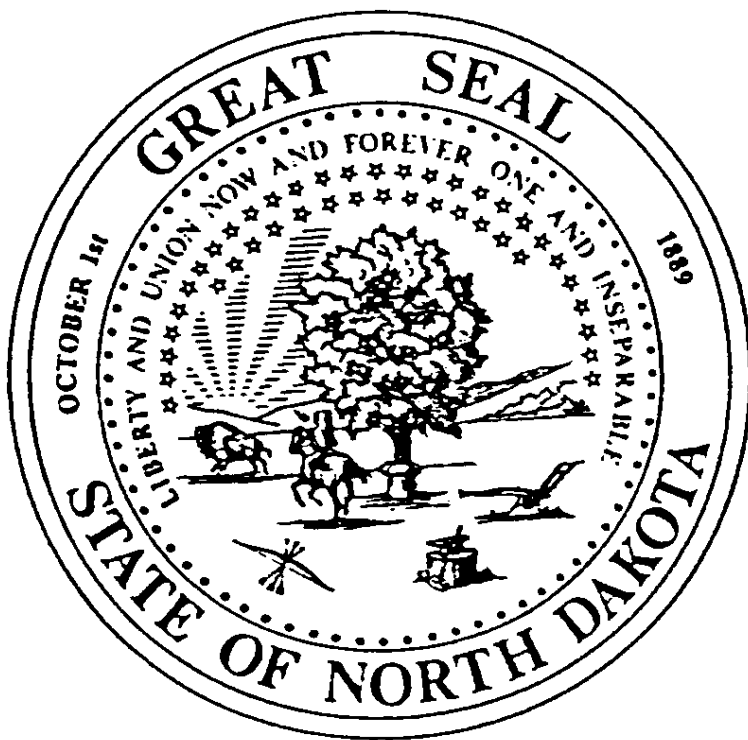
	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Agency Funds
ASSETS				
Cash Deposits at the Bank of ND	\$ 18,528,467	\$ 533,658	\$ 8,094,622	\$ 21,959,085
Cash and Cash Equivalents	-	-	2,155,014	7,516,759
Receivables:				
Contributions Receivable	19,092,700	-	-	-
Accounts Receivable - Net	-	-	466,763	8,381,440
Taxes Receivable - Net	-	-	-	31,310,273
Interest Receivable - Net	9,659,261	83,543	1,121	50
Due from Other Funds	462,894	-	-	-
Due from Fiduciary Funds	407,441	-	-	-
Total Receivables	<u>29,622,296</u>	<u>83,543</u>	<u>467,884</u>	<u>39,691,763</u>
Investments, at Fair Value:				
Investments at the Bank of ND	-	-	21,512	25,876,301
Equity Pool	1,773,852,696	100,024,415	-	-
Fixed Income Pool	851,663,266	63,040,744	716,666	254,881
Cash and Cash Pool	49,862,100	2,070,186	-	-
Real Estate Pool	660,192,081	29,213,916	-	-
Alternative Investments	208,057,037	5,533,024	-	-
Annuities	83,974	-	-	-
Mutual Funds	61,804,912	-	307,370,982	-
Total Investments	<u>3,605,516,066</u>	<u>199,882,285</u>	<u>308,109,160</u>	<u>26,131,182</u>
Invested Securities Lending Collateral	-	-	46,317	-
Prepaid Items	527,006	-	-	-
Capital Assets (Net of Depreciation)	5,882,424	-	-	-
Total Assets	<u>3,660,076,259</u>	<u>200,499,486</u>	<u>318,872,997</u>	<u>\$ 95,298,789</u>
LIABILITIES				
Accounts Payable	5,180,308	293,904	1,088,724	\$ -
Accrued Payroll	124,233	-	-	-
Securities Lending Collateral	-	-	46,317	-
Intergovernmental Payable	-	-	-	54,461,768
Tax Refunds Payable	-	-	-	19,063
Due to Other Funds	103,236	-	-	-
Due to Fiduciary Funds	405,981	-	-	-
Amounts Held in Custody for Others	-	-	-	40,817,958
Deferred Revenue	14,575	-	-	-
Compensated Absences Payable	149,763	-	-	-
Total Liabilities	<u>5,978,096</u>	<u>293,904</u>	<u>1,135,041</u>	<u>\$ 95,298,789</u>
NET ASSETS				
Net Assets Held in Trust for:				
Pension Benefits	3,652,591,499	-	-	-
Other Employee Benefits	1,506,664	-	-	-
External Investment Pool Participants	-	200,205,582	-	-
Other Purposes	-	-	317,737,956	-
Total Net Assets Held in Trust	<u>\$ 3,654,098,163</u>	<u>\$ 200,205,582</u>	<u>\$ 317,737,956</u>	

STATE OF NORTH DAKOTA

Statement of Changes in Fiduciary Net Assets Fiduciary Funds For the Fiscal Year Ended June 30, 2012

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds
ADDITIONS			
Contributions:			
Employer	\$ 95,699,470	\$ -	\$ -
Employee	95,916,024	-	-
From Participants	-	-	27,221,398
Transfers from Other Funds	613,904	-	-
Transfers from Other Plans	119,785	-	-
Donations	-	-	8,494
Total Contributions	<u>192,349,183</u>	<u>-</u>	<u>27,229,892</u>
Investment Income:			
Net Change in Fair Value of Investments	(96,361,983)	(645,546)	(604,398)
Interest and Dividends	89,583,871	5,200,036	8,781,265
Less Investment Expense	<u>12,695,133</u>	<u>682,858</u>	<u>-</u>
Net Investment Income	<u>(19,473,245)</u>	<u>3,871,632</u>	<u>8,176,867</u>
Securities Lending Activity:			
Securities Lending Income	19,311	998	-
Less Securities Lending Expense	(6,962)	(298)	-
Net Securities Lending Income	<u>26,273</u>	<u>1,296</u>	<u>-</u>
Repurchase Service Credit	9,359,208	-	-
Miscellaneous Income	930,491	-	2,000
Total Additions	<u>183,191,910</u>	<u>3,872,928</u>	<u>35,408,759</u>
DEDUCTIONS			
Benefits Paid to Participants	253,624,930	-	-
Refunds	7,286,908	-	-
Prefunded Credit Applied	6,092,429	-	-
Transfer to Other Plans	613,904	-	-
Payments in Accordance with Trust Agreements	-	-	31,150,392
Administrative Expenses	4,873,377	-	2,343,381
Total Deductions	<u>272,491,548</u>	<u>-</u>	<u>33,493,773</u>
Purchase of Units at Net Asset Value of \$1.00 Per Unit	<u>-</u>	<u>6,219,683</u>	<u>-</u>
Change in Net Assets Held in Trust for:			
Pension Benefits	(89,267,716)	-	-
Other Employee Benefits	(31,922)	-	-
External Investment Pool Participants	-	10,092,611	-
Other Purposes	-	-	1,914,986
Total Change in Net Assets	<u>(89,299,638)</u>	<u>10,092,611</u>	<u>1,914,986</u>
Net Assets - Beginning of Year	<u>3,743,397,801</u>	<u>190,112,971</u>	<u>315,822,970</u>
Net Assets - End of Year	<u>\$ 3,654,098,163</u>	<u>\$ 200,205,582</u>	<u>\$ 317,737,956</u>

The Accompanying Notes are an Integral Part of the Financial Statements



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STATE OF NORTH DAKOTA

Combining Statement of Net Assets Component Units - Proprietary Funds (Excludes FASB Based Component Units) June 30, 2012

	CHAND	Public Finance Authority	ND Development Fund	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 4,746,261	\$ -	\$ 11,703,160	\$ 16,449,421
Investments	-	-	1,000,966	1,000,966
Interest Receivable - Net	-	-	70,007	70,007
Due from Primary Government	-	181,000	-	181,000
Loans and Notes Receivable - Net	-	-	3,067,149	3,067,149
Restricted Cash and Cash Equivalents	-	45,644,000	-	45,644,000
Restricted Investments	-	35,520,000	-	35,520,000
Restricted Interest Receivable - Net	-	4,754,000	-	4,754,000
Total Current Assets	4,746,261	86,099,000	15,841,282	106,686,543
Noncurrent Assets:				
Restricted Investments	-	504,832,000	-	504,832,000
Due from Primary Government	-	3,733,000	-	3,733,000
Loans and Notes Receivable - Net	-	-	9,382,144	9,382,144
Unamortized Bond Issuance Costs	-	1,182,000	-	1,182,000
Total Noncurrent Assets	-	509,747,000	9,382,144	519,129,144
Total Assets	4,746,261	595,846,000	25,223,426	625,815,687
LIABILITIES				
Current Liabilities:				
Accounts Payable	2,676,606	18,000	13,653	2,708,259
Interest Payable	-	3,156,000	-	3,156,000
Due to Primary Government	-	-	1,250,000	1,250,000
Bonds Payable	-	12,460,000	-	12,460,000
Deferred Revenue	182,589	-	-	182,589
Total Current Liabilities	2,859,195	15,634,000	1,263,653	19,756,848
Noncurrent Liabilities:				
Intergovernmental Payable	-	163,000	-	163,000
Due to Primary Government	-	2,819,000	-	2,819,000
Bonds Payable	-	227,721,000	-	227,721,000
Total Noncurrent Liabilities	-	230,703,000	-	230,703,000
Total Liabilities	2,859,195	246,337,000	1,263,653	250,459,848
Net Assets				
Restricted for:				
Debt Service	-	89,253,000	-	89,253,000
Loan Purposes	-	257,182,000	-	257,182,000
Unrestricted	1,887,066	3,074,000	23,959,773	28,920,839
Total Net Assets	\$ 1,887,066	\$ 349,509,000	\$ 23,959,773	\$ 375,355,839

STATE OF NORTH DAKOTA

Combining Statement of Activities Component Units - Proprietary Funds (Excludes FASB Based Component Units) For the Fiscal Year Ended June 30, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	
CHAND	13,885,711	13,497,660	336,876	\$ (51,175)
Public Finance Authority	12,918,000	1,876,000	40,303,000	29,261,000
ND Development Fund	1,069,717	835,092	52,304	(182,321)
Total Component Units	<u>\$ 27,873,428</u>	<u>\$ 16,208,752</u>	<u>\$ 40,692,180</u>	<u>\$ 29,027,504</u>

<u>General Revenues</u> <u>Payments from</u> <u>State of</u> <u>North Dakota</u>	<u>Change</u> <u>in</u> <u>Net Assets</u>	<u>Net Assets</u> <u>Beginning</u> <u>of Year</u>	<u>Net Assets</u> <u>End</u> <u>of Year</u>
-	\$ (51,175)	\$ 1,938,241	\$ 1,887,066
-	29,261,000	320,248,000	349,509,000
<u>1,000,000</u>	<u>817,679</u>	<u>23,142,094</u>	<u>23,959,773</u>
<u>\$ 1,000,000</u>	<u>\$ 30,027,504</u>	<u>\$ 345,328,335</u>	<u>\$ 375,355,839</u>

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STATE OF NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2012

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, 2012, 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, 2011, 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, 2011, 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

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June 30, 2012, and their report has been previously issued under a separate cover.

Major and Non-major University System Foundations (Proprietary Fund Type) – The foundations are legally separate, tax-exempt organizations providing support and recognition to the respective colleges and universities through a variety of programs and activities. The foundations are 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 the Major University System Foundation in the major component unit disclosures and no disclosures are included for the Non-major University System Foundation. 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

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a liability is incurred, regardless of the timing of cash flows.

The State follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard-setting body for establishing accounting principles generally accepted in the United States of America for governmental entities. In accordance with Governmental Accounting Standards Board Statement 20, the State's enterprise funds, with the exception of the Bank of North Dakota, follows all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements. The Bank of North Dakota follows all applicable FASB pronouncements unless they conflict with the GASB pronouncements.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period.

The State considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Other revenues are considered to be available if received within one year after the fiscal year end. Major revenues that are determined to be susceptible to accrual include interest, federal grants-in-aid, and taxpayer-assessed taxes such as income, sales, corporate, excise, motor fuel taxes and unemployment compensation contributions. Revenues earned under the terms of reimbursement agreements with other governments or private sources are recorded at the time the related expenditures are made if other eligibility requirements have been met. Sales and use taxes are accrued based upon filings received and an estimate of filings due by June 30. Net income taxes from individuals and corporations are accrued based on current income earned by the taxpayer before June 30. Quarterly filings, withholding statements, and other historical data are used to estimate income. The revenue is accrued net of an allowance for uncollectible taxes. Deferred revenue is recorded for receivables that are measurable but not available at year-end.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments, are recorded only when payment is due and payable.

FINANCIAL STATEMENT PRESENTATION

The State reports the following major governmental funds:

The General Fund is the principal operating fund of the State.

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.

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Permanent Funds report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry, such as the common schools within the state.

PROPRIETARY FUND TYPES

Enterprise Funds account for those business-like State activities that provide goods/services to the public, financed primarily through user charges. They are also used to account for operations where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability and other purposes. The State's loan programs, Mill and Elevator, and Fair are reported in this type.

Internal Service Funds account for the financing of goods and/or services provided by one department or agency to another department or agency of a government, or to other governments, on a cost-reimbursement basis. These goods and services include motor pool services; printing, reproduction and mailing services; information technology; and risk management services. In the government-wide statements, internal service funds are included with governmental activities.

FIDUCIARY FUND TYPES

Pension and Other Employee Benefits Trust Funds account for resources that are required to be held in trust for the members and beneficiaries of the State's defined benefit pension plans, defined contribution plan, deferred compensation plan, flexcomp plan, and other post-employment benefit plans.

Investment Trust Funds account for the transactions, assets, liabilities, and fund equity of the external pool participants (City of Bismarck, ND Association of Counties, and City of Fargo 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 2011-2013 biennium, there were general, federal and other funds supplemental appropriations totaling \$1,529,876,161.

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E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents for reporting purposes includes cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. This includes investments with original maturity of three months or less. Also cash, as reported, may be under the control of the State Treasurer or by other administrative bodies as determined by law. Cash and cash equivalents are presented on the fund balance sheets as "Cash Deposits at the Bank of North Dakota" and "Cash and Cash Equivalents" to present the unique nature of the relationship between the Bank of North Dakota, an enterprise fund, and other state agencies.

Cash Deposits at the Bank of North Dakota. State agency cash balances, as required by law, are pooled by the State Treasurer and deposited in the Bank of North Dakota, an enterprise fund. These cash balances, in addition to other agency cash deposited at the Bank of North Dakota, are included on the fund balance sheets as "Cash Deposits at the Bank of North Dakota". For purposes of the Government-wide Statement of Net Assets, these amounts have been reclassified to internal balances.

Cash and Cash Equivalents. All cash and cash equivalents, (other than cash deposits at the Bank of North Dakota), as permitted by the North Dakota Century Code, are included on the Government-wide Statement of Net Assets as "Cash and Cash Equivalents".

The State had no cash overdrafts from pooled cash and investments at June 30, 2012.

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.

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G. SECURITIES LENDING

GASB Statement No. 28 "Accounting and Financial Reporting for Securities Lending Transactions," establishes accounting and financial reporting standards for securities lending transactions. The standard requires governmental entities to report securities lent as assets in their balance sheets. Cash received as collateral and investments made with that cash must also be reported as assets. The statement also requires the costs of the securities lending transactions to be reported as expenses separately from income received. In addition, the statement requires disclosures about the transactions and collateral related to them.

The State lends its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The State contracted with a third party securities lending agent (Agent) to lend the State's securities portfolio. The State Investment Board did not have a securities lending program in place during the fiscal year ended June 30, 2012. Income and expenses from securities lending activity appearing on the financial statements represent final activity from June, 2011, not recorded until July, 2011. The Land Department's security lending program continued to be active during the fiscal year.

The Agent lends securities of the type on loan at June 30, 2012, 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, 2012, 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, 2012, was one day. The Average Weighted Maturity of collateral investments as of June 30, 2012, was 98 days. The interest rate sensitivity (duration) of the securities on loan had an interest sensitivity of 39 days.

There were no violations of legal or contractual provisions, no borrower of lending agent default losses known to the securities lending agent. There are no dividends or coupon payments owing on the securities lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month.

Indemnification deals with the situation in which a client's securities are not returned due to the insolvency of a borrower and the Agent has failed to live up to its contractual responsibilities relating to the lending of those securities. The Agent's responsibilities include performing appropriate borrower and collateral investment credit analyses, demanding adequate types

and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending.

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,

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books, and other merchandise held for resale in auxiliaries and unrestricted physical plant supplies.

Prepaid items reflect payments for costs applicable to future accounting periods.

Other government fund inventories and prepaid items are reflected as a reservation of fund balance on the balance sheet.

J. UNAMORTIZED BOND ISSUANCE COSTS

In governmental fund types, issuance costs are recognized in the operating statements when incurred. Bond premiums, discounts and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. The unamortized discount is shown on the balance sheet as a reduction of the bonds payable, and the amortization is included in the statement of revenues, expenses and changes in fund balance as interest expense.

K. CAPITAL ASSETS

Capital assets, which include land, buildings, equipment, 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

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purposes. Leases which represent acquisitions are classified as capital leases, and the related assets and liabilities are recorded in the financial statements at the inception of the lease. Other leases are classified as operating leases with the lease payments recorded as expenditures or expenses during the life of the lease.

M. FEDERAL FUNDS PURCHASED

Federal Funds Purchased represent federal funds borrowed by the Bank of North Dakota from member banks generally on an overnight basis at the federal funds rate.

N. CLAIMS/JUDGMENTS PAYABLE

Claims/Judgments Payable is primarily Workers Compensation Claims Incurred But Not Yet Reported (IBNR) by the claimants as well as claims related to various litigation matters.

O. COMPENSATED ABSENCES

ANNUAL LEAVE

State employees accrue vested annual leave at a variable rate based on years of service. Teachers employed by the State do not receive annual leave. In general, accrued annual leave cannot exceed 30 days at each year end, as set by the agency. The amount of annual leave earned ranges between one and two days per month, and is fixed by the employing unit per section 54-06-14 of the NDCC.

The governmental fund financial statements recognize annual leave when the liability is incurred and payable from available expendable resources. 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. When both general purpose and restricted funds are available for use, it is the State's policy to use restricted resources first. In the

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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 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.

BUDGET 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 one-half percent below the general fund revenue projections for the biennium. The Budget Stabilization Fund, fund balance at June 30, 2012 was \$333,652,063.

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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 Gov't Activities	Government- wide Business Activities	Other Enterprise Funds
June 30, 2011, fund balance/net assets, as previously reported	\$ 6,647,544	\$ 2,075,530	\$ 321,501
Prior period adjustment:			
Correction of errors	(5,830)	10,139	10,139
June 30, 2011, fund balance/net assets, as restated	<u>\$ 6,641,714</u>	<u>\$ 2,085,669</u>	<u>\$ 331,640</u>

CORRECTION OF ERRORS

The beginning net assets of the Government-wide Governmental Activities was restated (\$5,829,514) due to an overstatement of capital assets. The beginning net assets of the Government-wide Business Activities and Other Enterprise Funds PERS Uniform Group Insurance was restated \$10,138,413 to properly reflect the interpretation of a statute.

and uncollateralized deposits totaled \$1.1 billion and \$7.5 million, and their bank deposits totaled \$1.1 billion and \$10.3 million, respectively.

At June 30, 2012, the bank balance of the major component units' deposits was \$66,362,421. Of the bank amount, \$57,347,160 was uncollateralized and uninsured.

NOTE 3 - DETAILED NOTES ON ACCOUNT BALANCES

A. DEPOSITS

CUSTODIAL CREDIT RISK

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

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

At June 30, 2012, the bank balance of the primary government's deposits was \$1,146,228,829. Of the bank amount, \$1,095,569,986 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, 2012. Their uninsured

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 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

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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 to hedge or replicate underlying exposures but not for speculation. All derivatives are considered investment derivative investments. The SIB had four types of derivative securities at June 30, 2012: futures, options, swaps and currency forwards.

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. All derivatives are considered investment derivative investments.
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, 2012, the following table shows the debt securities of the primary government by investment type and maturity (expressed in thousands).

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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	\$ 106,901	\$ 4,545	\$ 48,669	\$ 12,196	\$ 41,491
Commercial Mortgage-Backed	427,931	8,939	367,310	467	51,215
Commercial Paper	150,425	150,425	-	-	-
Corporate Bonds	1,089,377	156,701	614,877	150,826	166,973
Corporate Convertible Bonds	169,072	8,096	148,461	5,265	7,250
Government Agencies	625,323	29,374	565,008	16,639	14,302
Government Bonds	902,511	569,650	174,632	81,774	76,455
Government Mortgage-Backed	501,555	42,597	3,530	27,893	427,535
Index-Linked Government Bonds	136,366	6,170	127,532	-	2,664
Municipal/Provincial Bonds	39,802	2,253	9,407	16,848	11,294
Non-Government-Backed CMOs	45,330	15,977	6,277	5,441	17,635
Short Term Bills and Notes	20,091	20,091	-	-	-
Short Term Investment Funds	22,344	22,344	-	-	-
Pooled Investments	669,512	91,998	285,942	121,849	169,723
Total Debt Securities	<u>\$ 4,906,540</u>	<u>\$ 1,129,160</u>	<u>\$ 2,351,645</u>	<u>\$ 439,198</u>	<u>\$ 986,537</u>

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.

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.

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As of June 30, 2012, the following tables present the debt securities of the primary government

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

	Total Market Value	AAA	AA	A	BBB
Asset Backed Securities	\$ 106,901	\$ 66,954	\$ 21,144	\$ 5,400	\$ 3,975
Commercial Mortgage-Backed	58,556	34,680	5,148	11,746	2,752
Commercial Paper	150,425	-	-	148,695	-
Corporate Bonds	1,089,377	14,253	45,052	196,497	384,066
Corporate Convertible Bonds	169,072	4,134	-	34,023	42,470
Government Agencies	618,418	498,369	107,723	8,076	4,091
Government Bonds	135,229	17,909	11,712	37,289	19,783
Government Mortgage Backed	727,567	367,094	360,473	-	-
Index Linked Government Bonds	133,674	-	-	-	1,117
Municipal/Provincial Bonds	23,641	5,080	9,006	6,961	896
Non-Government Backed CMOs	45,330	23,569	1,561	1,772	1,931
Pooled Investments	691,856	97,347	331,989	54,842	2,609
Total Credit Risk Debt Securities	3,950,046	\$ 1,129,389	\$ 893,808	\$ 505,301	\$ 463,690
US Gov't & Agencies	956,494				
Total Debt Securities	\$ 4,906,540				

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

**US government agency securities explicitly guaranteed by the US government are categorized here. Credit ratings of US government agency securities that are only implicitly guaranteed by the US government are categorized accordingly in the main body of this table.

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and their respective ratings (expressed in thousands).

BB	B	CCC	CC	C	D	Not Rated
\$ 959	\$ 2,652	\$ 3,382	\$ 129	\$ -	\$ 5	\$ 2,301
63	-	-	-	-	-	4,167
-	-	-	-	-	-	1,730
171,051	133,772	22,156	1,264	295	2,851	118,120
34,438	29,202	3,730	-	-	-	21,075
159	-	-	-	-	-	-
8,270	-	-	-	-	-	40,266
-	-	-	-	-	-	-
-	-	-	-	-	-	132,557
725	-	-	-	-	-	973
1,429	1,322	5,892	1,701	-	2,414	3,739
13,303	150,277	-	-	-	-	41,489
<u>\$ 230,397</u>	<u>\$ 317,225</u>	<u>\$ 35,160</u>	<u>\$ 3,094</u>	<u>\$ 295</u>	<u>\$ 5,270</u>	<u>\$ 366,417</u>

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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, 2012 (expressed in thousands):

	<u>Amount</u>	<u>Percent</u>
Federal Agency		
Federal Home Loan Bank	\$ 354,750	35.1%
Fannie Mae	125,222	12.4%
Mortgage-backed		
Fannie Mae	133,250	13.2%
Freddie Mac	77,953	7.7%

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Although the State Investment Board does not have a formal investment policy governing foreign currency risk, the board does manage its exposure to fair value loss by requiring their international securities investment managers to maintain diversified portfolios to limit foreign currency and security risk. The Board of University and School Lands treats currency exposure in two different ways, depending on the type of investment. For the Board's international equity portfolio, the currency exposure is not hedged, as currency exposure is one of the things that add diversity to the overall portfolio. For foreign bonds, the Board fully hedges the currency exposure, as the purpose of this portfolio is to generate income for distribution to trust beneficiaries. The board does not have a formal policy regarding foreign currency risk.

At June 30, 2012, 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).

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Primary Government (includes Pension and Investment Trust Funds)

Currency	Short-Term	Debt	Equity	Total
Australian dollar	\$ (11,683)	\$ 11,756	\$ 31,196	\$ 31,269
Brazilian real	217	5,362	77	5,656
British pound sterling	6,868	7,475	111,127	125,470
Canadian dollar	338	1,278	4,004	5,620
Chilean peso	3,152	-	-	3,152
Czech koruna	136	66	-	202
Danish krone	37	-	6,911	6,948
Euro	(7,385)	3,115	153,513	149,243
Hong Kong dollar	36	-	12,762	12,798
Hungarian forint	197	4,048	-	4,245
Iceland krona	30	-	-	30
Israeli shekel	21	-	1,234	1,255
Japanese yen	(3,317)	(134)	93,915	90,464
Malaysian ringgit	-	4,222	-	4,222
Mexican peso	200	12,594	-	12,794
New Zealand dollar	(2,382)	3,390	280	1,288
Norwegian krone	514	16	6,082	6,612
Philippine peso	-	2,251	-	2,251
Polish zloty	301	5,755	-	6,056
Singapore dollar	405	1	7,093	7,499
South African rand	56	4,062	-	4,118
South Korean won	-	4,428	572	5,000
Swedish krona	394	1	11,347	11,742
Swiss franc	-	-	33,925	33,925
Turkish lira	(307)	4,774	-	4,467
International commingled funds (various currencies)	-	94,744	282,170	376,914
Total international investment securities	\$ (12,172)	\$ 169,204	\$ 756,208	\$ 913,240

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, 2012, 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 \$(35.0) million. At June 30, 2012, the State investment portfolio had the notional futures shown below (expressed in thousands).

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Futures	Notional Value
Cash and cash equivalent derivative futures	
Long	\$188,297
Short	(117,655)
Equity derivative futures	
Long	411,726
Short	-
Fixed income derivative futures	
Long	4,710
Short	(31,035)
Total futures	\$456,043

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 \$0.4 million. At June 30, 2012, the State investment portfolio had the following option balances (expressed in thousands).

Options	Fair Value
Cash & Cash Equivalent Options	\$
Call	1
Put	-
Equity Options	
Call	-
Put	-
Fixed Income Options	
Call	-
Put	5
Total Options	\$ 6

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 \$921 thousand. The maximum loss that would be recognized at June 30, 2012, if all counterparties failed to perform as contracted is \$1.75 million. Swap fair values are determined by a third party pricing source. At June 30, 2012, the States' investment portfolio had the swap fair value balances as shown below (expressed in thousands).

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Credit Default Swaps

<u>Counterparty/Moody's Rating</u>	<u>Notional Amount</u>	<u>Expiration Date</u>	<u>Fair Value</u>
Deutsche Bank AG New York/Aa3	\$ 45	3-20-2014	\$ -
Deutsche Bank AG New York/Aa3	120	9-20-2013	-
Deutsche Bank AG New York/Aa3	75	3-20-2012	-
JP Morgan Chase Bank N.A./Aa3 (3 contracts)	11,000	10-12-2052	396
JP Morgan Chase Bank N.A./Aa3	400	3-20-2017	12
JP Morgan Chase Bank N.A./Aa3 (3 contracts)	12,700	6-20-2017	73
Deutsche Bank AG New York/A2	45	3-20-2014	(5)
Deutsche Bank AG New York/A2	120	9-20-2013	-
Morgan Stanley Cap Services NY/Baa1 (3 contracts)	300	3-20-2013	2
Citibank N.A. NY/A3	2,000	6-20-2017	68
Total credit default swaps	\$ 26,805		\$ 546

Interest Rate Swaps

<u>Counterparty</u>	<u>Notional Amount</u>	<u>Rate Range</u>	<u>Counterparty Rate</u>	<u>Expiration Date Range</u>	<u>Counterparty Rating (Moody's)</u>	<u>Fair Value</u>
Barclays Bank PLC London (15 contracts)	\$ (3,348)	0.283% to 7.13%	Various overnight bank rates depending on currency	12/2011 – 06/2011	Aa3	\$ -
Barclays Bank PLC New York (13 contracts)	6,047	0.359% to 5.750%		08/2012 – 02/2022	A2	8
Barclays Capital Securities London (7 contracts)	(1,229)	0.329% to 5.665%		01/2012 – 08/2020	Aa3	-
Barclays Capital Securities London (7 contracts)	3,124	1.10% to 6.60%		02/2013 – 02/2022	A2	20
Citibank N.A. New York (10 contracts)	(2,193)	0.430% to 3.763%		01/2012 – 02/2021	A1	-
Citibank N.A. New York (11 contracts)	5,426	0.62% to 7.70%		11/2012 – 6/2022	A3	151
Deutsche Bank Singapore (1 contract)	316	0.345%		7/21/2012	A2	-
HSBC Bank USA New York (1 contract)	190	3.810%		1/3/2028	A1	75
JP Morgan Chase Bank N.A. (4 contracts)	(4,109)	0.913% to 6.380%		07/2012 – 01/2028	Aa3	(8)
Morgan Stanley Capital Services NY (1 contract)	290	6.370%		5/25/2022	Baa1	11
Morgan Stanley Capital Services NY (5 contracts)	504	2.510% to 5.110%		02/2012 – 06/2021	A2	-
Total Interest Rate Swaps	\$ 5,018					\$ 257

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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 \$9.4 million. At June 30, 2012, the States' investment portfolio included the currency forwards balances shown below (expressed in thousands).

Currency	Cost	Purchases	Sales	Fair Value
Australian dollar	\$ (19,541)	\$ 878	\$ (20,718)	\$ (19,867)
Brazilian real	4	2,684	(2,680)	217
British pound sterling	6,347	7,562	(1,217)	6,355
Canadian dollar	(10,414)	980	(11,506)	(10,524)
Chilean peso	3,206	3,206	-	3,152
Czech koruna	(2,839)	658	(3,424)	(2,775)
Euro	(42,195)	181	(42,540)	(42,296)
Hungarian forint	(2,467)	405	(2,809)	(2,400)
Japanese yen	(15,943)	-	(16,045)	(16,031)
Mexican peso	(2,682)	714	(3,520)	(2,796)
New Zealand dollar	(6,728)	632	(7,532)	(7,021)
Norwegian krone	(4,554)	1,084	(5,769)	(4,691)
Polish zloty	(2,594)	598	(3,290)	(2,691)
Singapore dollar	364	1,178	(814)	367
South African rand	(1,541)	665	(2,251)	(1,594)
Swedish krona	197	562	(365)	205
Turkish lira	3,940	4,702	(762)	3,919
United States dollar	97,437	124,126	(26,689)	97,437
Total forwards subject to currency risk				<u>\$ (1,034)</u>

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, 2012, 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	<u>\$ (151,319)</u>	<u>\$ (98,853)</u>	<u>\$ (2,736)</u>	<u>\$ (42,526)</u>	<u>\$ (7,204)</u>	<u>\$ -</u>
Options on interest rate futures	<u>\$ 6</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Swaps-interest rate contracts	<u>257</u>	<u>6</u>	<u>4</u>	<u>16</u>	<u>30</u>	<u>201</u>
Total	<u>\$ 263</u>	<u>\$ 6</u>	<u>\$ 10</u>	<u>\$ 16</u>	<u>\$ 30</u>	<u>\$ 201</u>

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Mill and Elevator Derivative Financial Instruments –

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2012, and the changes in fair value of such derivative instruments for the year then ended as reported in the State's financial statements are \$607,568, classified as derivative-grain futures contract (one contract equals 5,000 bushels) and \$607,568, classified as deferred inflow 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 2012	ADM Investor Services	(124)	\$ 8.2042	\$ 8.4500	June 2012
Sept 2012	RJ O'Brien	(175)	8.0979	8.4500	June 2012
Dec 2012	ADM Investor Services	126	7.9113	8.5100	June 2012
Dec 2012	RJ O'Brien	56	7.8351	8.5100	June 2012
March 2013	ADM Investor Services	31	7.8661	8.5700	June 2012
March 2013	RJ O'Brien	12	7.6983	8.5700	June 2012
May 2013	ADM Investor Services	20	7.8623	8.6600	June 2012
May 2013	RJ O'Brien	25	7.8337	8.6600	June 2012
July 2013	RJ O'Brien	30	7.7100	8.6600	June 2012
Sept 2013	ADM Investor Services	15	8.1593	8.3000	June 2012

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. ADM Investor Services is rate A by the Standard & Poor's Rating Service. RJ O'Brien is a privately held business and is not rated by the Standard & Poor's Rating Service.

The Mill is exposed to rollover risk on grain futures trades whenever the hedge ration (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, 2012, the table below shows the hedge ratio by futures month going forward:

Period	Hedge Ratio
Sept 2012	1.1
Dec 2012	1.0
Mar 2013	1.0
May 2013	1.2
July 2013	1.0
Sept 2013	2.8
Net Position	1.0

Alternative Investments – The AICPA defines Alternative Investments for the purpose of performing audits. The 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.

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 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. The State has a dedicated asset class for private equity investments.

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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.

Buyouts – These include investments in funds that seek out and purchase underperforming or undervalued companies in order to improve them and sell them or take them public many years later. These funds are also often involved in management buyouts, which are buyouts conducted by the management of the company being purchased, and they often play key roles in leveraged buyouts, which are buyouts that are funded with borrowed money.

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 State includes these types of investments in its private equity asset class.

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

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 below investment grade fixed income 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.

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 are generally structured as limited partnerships or limited liability companies. Investments in Real Estate and Real Estate Assets include:

Real Estate – includes investments in private vehicles through limited partnerships or commingled vehicles that have an ownership interest in direct real estate properties. The investment strategies may include “value added” strategies, which derive their return from both income and appreciation, “opportunistic”, which derive

their return primarily through appreciation, and “alternative” which invest in less traditional types of property. Both domestic and international real estate funds are utilized. The State has a dedicated asset class for these types of investments.

Timberland – includes investments in limited liability companies that have an ownership interest in properties where the value of the property is derived mainly from income-producing timber but also from the “higher and better use” value of the underlying land. The State has a dedicated asset class for these types of investments.

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. The State has a dedicated asset class for these types of investments.

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C. SECURITIES LENDING

The following represents the balances relating to the securities lending transactions at June 30, 2012 (expressed in thousands).

Primary Government (Includes Pension and Investment Trust Funds)

Securities Lent	Underlying Securities	Non-Cash Collateral Value	Cash Collateral Investment Value
Lent for cash collateral:			
US agency securities	\$ 296	\$ -	\$ 300
US government securities	8,579	-	8,702
US corporate fixed income securities	95,344	-	96,462
Global government fixed income securities	5,695	-	5,820
US equities	30,723	-	31,002
Lent for non-cash collateral:			
US agency securities	-	-	-
US government securities	-	-	-
US corporate fixed income securities	-	-	-
US equities	-	-	-
Total	<u>\$ 140,637</u>	<u>\$ -</u>	<u>\$ 142,286</u>

D. ENDOWMENT FUNDS

The endowment funds reported herein are institutional funds under the terms of the gift instrument and are not wholly expendable by the institution. NDCC Section 59-21, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) applies to the investment of endowments governed by a gift instrument. NDUS SBHE policy 810 stipulates endowment funds shall be invested according to the intent of the donor provided such intent is consistent with applicable laws. Absent terms expressing donor intent in a gift instrument, NDUS institution officers initially shall deposit the funds in institution accounts at the Bank of North Dakota. Thereafter, the funds may be invested according to NDCC 59-21. Subject to the intent of the donor, NDUS institution officers are delegated authority to manage and invest these institutional funds as provided by UPMIFA. 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 their investment pool to be expended. MiSU allows for 5.0% of the three year average market value of the assets to be expended; 4.50% for scholarships and 0.5% for administrative expense. MaSU, NDSU, 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 consist of the following at June 30, 2012:

Mayville State University	\$ 3,230	<u>Reflected in net assets as:</u>
Minot State University	52,940	Expendable scholarships & fellowships
University of North Dakota	465,000	Expendable scholarships & fellowships
Williston State College	2,885	Non-expendable scholarships & fellowships
Total NDUS	<u>\$ 524,055</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, 2012 are \$84.9 million and \$1.91 million respectively.

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E. REVERSE REPURCHASE AGREEMENTS

State statutes permit the State to enter into reverse repurchase agreements, that is, the sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in fair value of the securities. All sales of investments under these agreements are for fixed terms. In investing the proceeds of these agreements, State policy is for the term to maturity of the investment to be the same as the term of the agreement. Such matching existed at year end. These agreements are secured by Fed book-entry securities held in the State's name. At June 30, 2012, the State had no reverse repurchase agreements outstanding and did not participate in reverse repurchase agreements during the fiscal year.

F. RECEIVABLES

Receivables at June 30, 2012, consist of the following (expressed in thousands):

	General	Federal	State	Other Governmental Funds	Bank of North Dakota	Housing Finance	University System
Receivables:							
Accounts	\$ 9,911	\$ 8,255	\$ 82,081	\$ -	\$ -	\$ 683	\$ 24,182
Less Allowance	(4,127)	(201)	(12,788)	-	-	-	(4,395)
Taxes	396,128	-	143,861	260	-	-	-
Less Allowance	(28,942)	-	(1,099)	-	-	-	-
Interest	2,994	-	10,618	209	39,409	3,701	7
Less Allowance	-	-	(2)	-	-	-	-
Current Loans and Notes	224	196	86,799	29,876	483,399	18,524	10,020
Less Allowance	(26)	-	(3,162)	-	-	-	(1,563)
Noncurrent Loans and Notes	-	-	-	-	2,473,542	837,694	36,134
Less Allowance	-	-	-	-	(52,883)	-	(5,779)
Net Receivables	\$ 376,162	\$ 8,250	\$ 306,308	\$ 30,345	\$ 2,943,467	\$ 860,602	\$ 58,606

	Workforce Safety & Insurance	Other Enterprise Funds	Internal Service Funds	Fiduciary Funds	Major Component Units	Total
Receivables:						
Accounts	\$ 46,693	\$ 82,439	\$ 269	\$ 8,848	\$ -	\$ 263,361
Less Allowance	(4,000)	(8,234)	-	-	-	(33,745)
Taxes	-	-	-	34,950	-	575,199
Less Allowance	-	-	-	(3,640)	-	(33,681)
Interest	9,983	1,588	56	9,744	4,824	83,133
Less Allowance	-	-	-	-	-	(2)
Current Loans and Notes	-	7,690	-	-	3,067	639,795
Less Allowance	-	-	-	-	-	(4,751)
Noncurrent Loans and Notes	-	77,523	-	-	14,911	3,439,804
Less Allowance	-	(3,083)	-	-	(5,529)	(67,274)
Net Receivables	\$ 52,676	\$ 157,923	\$ 325	\$ 49,902	\$ 17,273	\$ 4,861,839

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G. INTERFUND ACCOUNTS AND TRANSFERS

DUE FROM OTHER FUNDS/DUE TO OTHER FUNDS

Interfund balances at June 30, 2012, consist of the following (expressed in thousands):

Due To General Fund From:	
Federal Fund	\$ 107,452
State Fund	5,923
Bank of North Dakota	1,570
Nonmajor Enterprise Funds	10,832
All Others	193
Total Due To General Fund	\$ 125,970

Due To Federal Fund From:	
General Fund	\$ 177
State Fund	6,363
All Others	541
Total Due To Federal Fund	\$ 7,081

Due To State Fund From:	
General Fund	\$ 1,031
Federal Fund	6,515
Internal Service Funds	14,295
Nonmajor Enterprise Funds	449
All Others	440
Total Due To State Fund	\$ 22,730

Included in the Internal Service Funds amount is an advance to Fleet Services from the Highway Fund for \$14,000,000. This is not expected to be repaid within one year.

Due To Internal Service Funds From:	
General Fund	\$ 3,516
Federal Fund	593
State Fund	1,260
University System	894
All Others	538
Total Due To Internal Service Funds	\$ 6,801

Due To Bank of North Dakota From:	
State Fund	\$ 489
Nonmajor Enterprise Funds	38,413
All Others	17
Total Due To Bank of North Dakota	\$ 38,919

Included in the Nonmajor Enterprise Funds amount is a loan to Roughrider Industries for \$262,325. Included in the State Fund amount is a loan to Highway Patrol for \$266,000. These amounts are not expected to be repaid within one year.

Due To University System From:	
General Fund	\$ 23,783
Federal Fund	2,768
State Fund	880
All Others	322
Total Due To University System	\$ 27,753

Due To All Other Funds From:	
All Other	\$ 1,577

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, 2012.

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

Due From's	\$ 230,831
General Fund/Bank of ND	(1,553)
Bank of ND/Housing Finance	34,849
Mill & Elevator/Bank of ND	(11,064)
Bank of ND/University System	1,041
Bank of ND/Student Loan Trust	278
Bank of ND/Guaranteed Student Loan	1,138
Governmental Agencies/Bank of ND	1,426
Bank of ND/Enterprise Funds	(1,579)
Total Differences	24,536
Due To's	\$ 255,367

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The above represents timing differences between agencies as a result of different fiscal year ends. Those agencies with a different fiscal year end include: Bank of North Dakota, December, Guaranteed Student Loan, September, and Nonmajor Enterprise Funds, Beginning Farmer Revolving Loan, Community Water Facility Loan, and Developmentally Disabled Facility Loan, all of which have a December year end and State Fair, September.

INTERFUND TRANSFERS

A summary of interfund transfers for the fiscal year ended June 30, 2012, 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	\$ -	\$ 204	\$ 422,032	\$ 292	\$ 25	\$ 372,331	\$ 1,400	\$ 796,284
Special Revenue – Federal	7,198	-	11,307	-	286	2,889	3,812	25,492
Special Revenue - State	682,827	498	-	11,654	213	9,609	-	704,801
Non-major Governmental	1,035	-	2,214	3	-	371	-	3,623
Bank of North Dakota	-	-	86	-	-	-	2,729	2,815
Housing Finance	-	-	29	-	-	-	-	29
University System	-	-	-	7,992	-	-	-	7,992
Non-major Enterprise	10,823	-	1,136	-	-	1,005	-	12,964
Total	\$ 701,883	\$ 702	\$ 436,804	\$ 19,941	\$ 524	\$ 386,205	\$ 7,941	\$ 1,554,000

(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, 2012, legislatively-mandated transfers were made to the general fund of \$690 million from the Permanent Oil Tax, \$7 million from the State Lottery and \$295 million from the Property Tax Relief Fund.

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

Transfers In	\$ 1,576,137
Differences:	
Beginning Farmer/Special Rev - State	(3,000)
Bank of ND/Building Authority	86
Bank of ND/Rebuilder Loan Program	(23,640)
Special Rev – State/State Fair	3,811
Bank of ND/Information Tech. Dept.	500
Other	50
Federal/Bank of ND	56
Total Differences	<u>(22,137)</u>
Transfers Out	\$1,554,000

The above timing differences of \$22,137,000 result from transactions between agencies that have different fiscal year ends. Those agencies with a different fiscal year end include: Bank of North Dakota, December, and Nonmajor Enterprise Fund State Fair, September and Beginning Farmer, December. This difference is also the total net transfers on the Government-wide Statement of Activities.

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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, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 71,417	\$ -	\$ (590)	\$ 70,827
Construction in Progress	496,294	339,477	(273,478)	562,293
Total Capital Assets Not Being Depreciated	<u>567,711</u>	<u>339,477</u>	<u>(274,068)</u>	<u>633,120</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	519,585	8,231	(11,830)	515,986
Equipment	245,466	31,642	(17,622)	259,486
Intangibles				
Software	77,697	5,196	(46)	82,847
Other	7,786	1,543	(623)	8,706
Infrastructure	<u>3,350,931</u>	<u>271,207</u>	<u>(1,053)</u>	<u>3,621,085</u>
Total Capital Assets Being Depreciated	<u>4,201,465</u>	<u>317,819</u>	<u>(31,174)</u>	<u>4,488,110</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(205,581)	(11,857)	5,410	(212,028)
Equipment	(115,492)	(19,989)	13,609	(121,872)
Intangibles				
Software	(43,139)	(7,698)	42	(50,795)
Other	(1,207)	(1,182)	-	(2,389)
Infrastructure	<u>(2,594,167)</u>	<u>(47,744)</u>	<u>53</u>	<u>(2,641,858)</u>
Total Accumulated Depreciation	<u>(2,959,586)</u>	<u>(88,470)</u>	<u>19,114</u>	<u>(3,028,942)</u>
Total Capital Assets Being Depreciated, Net	<u>1,241,879</u>	<u>229,349</u>	<u>(12,060)</u>	<u>1,459,168</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,809,590</u>	<u>\$ 568,826</u>	<u>\$ (286,128)</u>	<u>\$ 2,092,288</u>

Infrastructure assets of the State Water Commission, with a carrying value of \$30,516,290 are considered temporarily impaired at June 30, 2012.

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<u>Description</u>	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 18,790	\$ 274	\$ -	\$ 19,064
Construction in Progress	100,848	69,767	(55,164)	115,451
Total Capital Assets Not Being Depreciated	<u>119,638</u>	<u>70,041</u>	<u>(55,164)</u>	<u>134,515</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	1,030,695	62,188	(479)	1,092,404
Equipment	431,351	24,667	(14,153)	441,865
Intangibles				
Software	35,741	4,338	(1,019)	39,060
Other	413	303	-	716
Infrastructure	173,061	3,872	(93)	176,840
Total Capital Assets Being Depreciated	<u>1,671,261</u>	<u>95,368</u>	<u>(15,744)</u>	<u>1,750,885</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(438,265)	(25,787)	370	(463,682)
Equipment	(267,971)	(26,117)	12,384	(281,704)
Intangibles				
Software	(19,471)	(3,266)	1,019	(21,718)
Other	(89)	(17)	-	(106)
Infrastructure	(79,195)	(4,667)	87	(83,775)
Total Accumulated Depreciation	<u>(804,991)</u>	<u>(59,854)</u>	<u>13,860</u>	<u>(850,985)</u>
Total Capital Assets Being Depreciated, Net	<u>866,270</u>	<u>35,514</u>	<u>(1,884)</u>	<u>899,900</u>
Business-Type Activities Capital Assets, Net	<u>\$ 985,908</u>	<u>\$ 105,555</u>	<u>\$ (57,048)</u>	<u>\$ 1,034,415</u>

<u>Description</u>	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
Major Component Units:				
Capital Assets Not Being Depreciated				
Land	\$ 3,279	\$ 32	\$ -	\$ 3,311
Construction in Progress	711	11,131	(2,726)	9,116
Total Capital Assets Not Being Depreciated	<u>3,990</u>	<u>11,163</u>	<u>(2,726)</u>	<u>12,427</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	139,591	2,849	-	142,440
Equipment	36,922	3,084	(740)	39,266
Infrastructure	1,248	-	-	1,248
Total Capital Assets Being Depreciated	<u>177,761</u>	<u>5,933</u>	<u>(740)</u>	<u>182,954</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(46,794)	(2,751)	-	(49,545)
Equipment	(14,648)	(2,968)	740	(16,876)
Infrastructure	(499)	(47)	-	(546)
Total Accumulated Depreciation	<u>(61,941)</u>	<u>(5,766)</u>	<u>740</u>	<u>(66,967)</u>
Total Capital Assets Being Depreciated, Net	<u>115,820</u>	<u>167</u>	<u>-</u>	<u>115,987</u>
Major Component Unit Capital Assets, Net	<u>\$ 119,810</u>	<u>\$ 11,330</u>	<u>\$ (2,726)</u>	<u>\$ 128,414</u>

Beginning capital asset balances were adjusted for certain reclassifications.

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

Governmental Activities:	
General Government	\$ 20,272
Education	330
Health and Human Services	4,670
Regulatory	209
Public Safety & Corrections	10,257
Agriculture and Commerce	142
Natural Resources	9,593
Transportation	42,997
Total Governmental Activities Depreciation Expense	<u>\$ 88,470</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, 2012</u>	<u>Balance Authorized</u>
Office of Management and Budget	\$ 6,225	\$ 2,615	\$ 3,610
Legislative Assembly	1,335	957	378
Information Technology Department	5,556	146	5,410
School for the Deaf	1,181	229	952
State Historical Society	52,095	18,361	33,734
Secretary of State	2,684	2,684	-
Department of Human Services	1,940	227	1,713
Adjutant General	22,291	13,112	9,179
Department of Corrections	64,305	59,508	4,797
Job Service North Dakota	2,000	231	1,769
Department of Transportation	648,092	463,647	184,445
Highway Patrol	2,560	242	2,318
Seed Department	375	334	41
Total Governmental Activities	<u>\$ 810,639</u>	<u>\$ 562,293</u>	<u>\$ 248,346</u>

<u>Business-Type Activities</u>	<u>Amount Authorized</u>	<u>Amount Expended Through June 30, 2012</u>	<u>Balance Authorized</u>
Workforce Safety and Insurance	\$ 14,700	\$ 13,671	\$ 1,029
Mill and Elevator	7,655	4,808	2,847
PERS Group Insurance	77	77	-
University System	237,641	96,895	140,746
Total Business-Type Activities	<u>\$ 260,073</u>	<u>\$ 115,451</u>	<u>\$ 144,622</u>

<u>Major Component Units</u>	<u>Amount Authorized</u>	<u>Amount Expended Through June 30, 2012</u>	<u>Balance Authorized</u>
University System Foundation	<u>\$ 13,000</u>	<u>\$ 9,116</u>	<u>\$ 3,884</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, 2012, amounted to \$17,331,245 for governmental activities and \$11,444,098 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, 2012, for all fund types are as follows (expressed in thousands):

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Year Ending June 30	Governmental Activities	Business-type Activities
2013	\$ 9,478	\$ 8,307
2014	2,932	6,336
2015	2,120	5,426
2016	1,558	4,293
2017	890	2,829
2018-2022	1,651	4,556
2023-2027	1	252
2028-2032	-	252
2033-2037	-	51
Total Minimum Lease Payments	<u>\$ 18,630</u>	<u>\$ 32,302</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, 2012 (expressed in thousands):

Year Ending June 30	Governmental Activities	Business- type Activities	Major Component Units
2013	\$ 1,244	\$ 9,383	\$ 135
2014	393	8,576	127
2015	298	8,059	126
2016	87	7,515	126
2017	3	7,366	126
2018-2022	-	28,541	632
2023-2027	-	16,214	632
2028-2032	-	8,497	632
2033-2037	-	6,279	189
2038-2042	-	1,240	-
Total Minimum Lease Payments	<u>2,025</u>	<u>101,670</u>	<u>2,725</u>
Less: Amount Representing Interest	<u>(97)</u>	<u>(28,459)</u>	<u>(1,020)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 1,928</u>	<u>\$ 73,211</u>	<u>\$ 1,705</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, 2012, is as follows (expressed in thousands):

	Governmental Activities	Business- Type Activities	Major Component Units
Infrastructure	\$ -	\$ 560	\$ -
Buildings	-	70,549	1,979
Equipment	9,605	31,648	549
Less: Accumulated Depreciation	<u>(6,515)</u>	<u>(27,064)</u>	<u>(908)</u>
Total	<u>\$ 3,090</u>	<u>\$ 75,693</u>	<u>\$ 1,620</u>

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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, 2012, 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 2005 Series A Bonds, the 2006 Series A and B Bonds, and the 2010 Series A and B and the 2012 Series A bonds have interest payable semiannually on June 1 and December 1 of each year. The bonds of each series are subject to optional and/or extraordinary optional redemption prior to maturity upon the occurrence of certain events. The bonds are independently secured by the funds, certain mortgaged property, and all rights, titles, and interests of the Building Authority as lessor, including all basic rent payments, investment earnings on the funds and any other income derived by the Building Authority with respect to the lease. Total net revenue pledges for fiscal year 2012 were \$11.3 million. For fiscal year 2012, principal and interest paid by the Authority on the bonds was \$10.0 million. The total principal and interest remaining to be paid as of June 30, 2012, is \$86.2 million payable through December 2024.

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.

Total net revenue pledges for fiscal year 2012 were \$9.8 million. The total principal and interest remaining to be paid on the bonds is \$124.8 million payable through July 2048. For fiscal year 2012, principal and interest paid by the Commission on the bonds was \$9.9 million.

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. The Series 2005 Bonds will not be deemed or construed as creating an indebtedness of the State within the meaning of the State Constitution or laws of the State concerning or limiting the creation of indebtedness of the State. The total principal and interest remaining to be paid on the bonds is \$42.5 million payable through June 2017. For the current year principal and interest paid and total net pledged revenues before interest expense were \$5.3 million and \$5.3 million respectively.

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.

Information Technology Department

The State financed the ConnectND project with revenue bonds. The total principal and interest remaining to be paid on the bonds is \$1.6 million payable through June 2014. For fiscal year 2012, revenue pledged and total principal and interest paid by ITD were \$6.0 million and \$0.78 million, respectively.

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State Fair

Interest on the 2001 Series Bonds is payable semi-annually on June 1 and December 1 of each year. The bonds maturing on December 1, 2011, are not subject to optional redemption prior to maturity, except under extraordinary circumstances. Total net revenue pledges for fiscal year 2012 were \$622,792. For fiscal year 2012, principal and interest paid by the Association on the bonds was \$269,231. The total principal and interest remaining to be paid as of June 30, 2012, is \$431,000 payable through December 2011.

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 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.

The total principal and interest remaining to be paid on the bonds is \$3.7 million payable through June 2029. For fiscal year 2012, revenue pledged and total principal and interest paid by ITD were \$398,000 and \$2.04 million, respectively

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 \$840.7 million maturing at various times from July 1, 2012, 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 \$283.0 million and \$213.9 million, respectively. Bond principal was reduced through customer revenues and the refunding of older bonds with proceeds from new bond issues.

University System

Revenue bonds are limited obligations of the University System. The principal and interest on the bonds are payable generally from the net income of specific auxiliary activities, designated student fees, interest subsidies and debt service reserve funds. These revenues are generally pledged to the payment of bonds in accordance with the specific terms of the specific indenture. Net pledged revenues for fiscal year 2012 were \$(271.6) million. Principal and interest paid for the current fiscal year were \$42.7 million, with total remaining principal and interest of \$374.6 million payable through June 2041.

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. Net pledged revenues for fiscal year 2012 were \$13.9 million. Principal and interest paid for the current fiscal year were \$44.98 million, with total remaining principal and interest of \$330.0 million payable through June 2023.

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Revenue Bonds outstanding (expressed in thousands):

<u>Fund Type/Fund</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Balance 6/30/12</u>
Primary Government			
<u>Governmental:</u>			
Building Authority	2013-2031	1.50-6.25	\$ 69,071
Water Commission	2013-2049	2.50-5.00	90,865 ¹⁾
Department of Transportation	2013-2020	3.00-5.00	35,555
Information Technology Department	2013-2014	4.00-5.25	1,530
<u>Proprietary:</u>			
State Fair	2013	3.50-4.60	419
Student Loan Trust	2013-2029	0.95	3,200 ²⁾
Housing Finance:			
Homeownership	2013-2042	0.35-5.80	840,715 ²⁾
University System:			
VCSU—Valley City	2013-2040	2.80-7.25	6,285
Williston State College	2013-2041	3.00-6.90	9,241
Lake Region State College	2013-2017	3.00-5.125	530
UND—Grand Forks	2013-2036	1.00-5.00	64,040
NDSU—Fargo	2013-2040	1.5-6.50	101,255
NDSCS—Wahpeton	2013-2037	4.0-5.50	9,000
MiSU—Minot	2013-2041	0-6.60	14,404
MaSU—Mayville	2013-2030	1.55-6.63	5,375
DSU—Dickinson	2013-2020	3.75-5.00	470
BSC—Bismarck	2013-2033	3.4-5.35	10,695
NDUS – Univ. Sys. State Office	2013-2014	4.28	3,628
Total Revenue Bonds Payable— Primary Government			<u>\$ 1,266,278</u>
Major Component Units			
<u>Proprietary:</u>			
Public Finance Authority	2013-2041	2.00-10.00	\$ 240,181
University System Foundation	2013-2039	0.85-6.00	71,193
Total Revenue Bonds Payable— Major Component Units			<u>\$ 311,374</u>

¹⁾ Approximately \$54 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.

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Debt service requirements to maturity on revenue bond issues for the fiscal years ending June 30 are summarized below (expressed in thousands):

Primary Government:

Governmental Activities

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 16,047	\$ 8,358
2014	17,358	7,705
2015	16,423	7,021
2016	17,117	6,332
2017	16,590	5,586
2018-2022	66,510	17,419
2023-2027	33,852	5,533
2028-2032	5,733	1,614
2033-2037	1,161	782
2038-2042	1,305	545
2043-2047	1,471	258
2048-2052	378	23
Bond Premium	3,076	(3,076)
Total	\$ 197,021	\$ 58,100

Business-type Activities

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 17,389	\$ 44,926
2014	26,077	44,323
2015	31,373	43,339
2016	33,670	42,204
2017	34,905	40,874
2016-2022	168,344	183,485
2023-2027	174,497	147,064
2028-2032	205,758	105,308
2033-2037	243,735	54,755
2038-2042	126,920	10,939
Bond Premium	6,589	(6,589)
Total	\$ 1,069,257	\$ 710,628

Major Component Units

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 13,391	\$ 12,290
2014	16,938	12,825
2015	17,731	12,114
2016	17,065	11,359
2017	21,796	10,548
2018-2022	77,756	33,857
2023-2027	69,035	25,569
2028-2032	56,535	10,325
2033-2037	8,866	1,404
2038-2042	867	124
2043-2047	35	1
Bond Premium	11,359	(11,359)
Total	\$ 311,374	\$ 119,057

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2. NOTES PAYABLE

The following is a schedule of notes payable outstanding at June 30, 2012 (expressed in thousands):

<u>Fund Type/Fund</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Balance 6/30/11</u>
Primary Government			
<u>Governmental:</u>			
Department of Corrections	2013-2015	4.59	\$ 229
Department of Human Services	2013-2015	4.24	1,463
Department of Transportation	2013-2022	4.18	1,932
Office of Management and Budget	2013-2022	4.18	3,605
School for the Deaf	2013-2021	4.8408	199
<u>Proprietary:</u>			
Bank of North Dakota	2013-2025	3.01-7.35	470,327
University System	2013-2034	3.27-9.90	11,408
Major Component Units			
University System Foundation	2013-2032	0.25-6.86	9,493

(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 \$2,819,000 due to the Bank of North Dakota which is reported in the state's financial statements as a due to primary government.

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

Primary Government:

Governmental Activities

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 1,215	\$ 295
2014	1,241	240
2015	561	201
2016	521	179
2017	564	157
2018-2022	3,326	386
2023-2027	-	-
2028-2032	-	-
Total	\$ 7,428	\$ 1,458

Business-type Activities

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 3,916	\$ 20,776
2014	65,680	19,050
2015	18,831	17,298
2016	14,012	16,869
2017	39,191	15,055
2018-2022	313,713	41,679
2023-2027	26,392	2,088
Total	\$ 481,735	\$ 132,815

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Major Component Units		
Fiscal Year	Principal	Interest
2013	\$ 231	\$ 95
2014	1,844	366
2015	2,512	241
2016	1,155	170
2017	984	133
2018-2022	958	82
2023-2027	1,604	153
2028-2032	205	28
Total	\$ 9,493	\$ 1,268

Changes in General Long-Term Liabilities

Changes in Long-Term Liabilities for the year ended June 30, 2012, are summarized as follows (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Notes Payable	\$ 8,563	\$ -	\$ (1,135)	\$ 7,428	\$ 1,216
Bonds Payable	219,221	20,090	(42,290)	197,021	16,180
Capital Leases Payable	2,964	153	(1,189)	1,928	1,184
Intergovernmental Payable	114	-	(107)	7	7
Compensated Absences	40,714	27,567	(26,556)	41,725	2,432
Claims/Judgments Payable	8,085	5,487	(4,799)	8,773	2,654
Total Long-Term Liabilities	\$ 279,661	\$ 53,297	\$ (76,076)	\$ 256,882	\$ 23,673
Business-Type Activities:					
Short-Term Notes Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Notes Payable	403,509	95,381	(17,155)	481,735	3,916*
Bonds Payable	1,193,816	144,205	(268,764)	1,069,257	17,774*
Capital Leases Payable	75,649	15,161	(17,599)	73,211	6,417*
Intergovernmental Payable	12,216	14,414	(15,779)	10,851	350
Compensated Absences	33,367	4,044	(3,949)	33,462	3,665
Dividends Payable	102,000	144,376	(103,988)	142,388	142,388
Claims/Judgments Payable	817,360	239,543	(189,241)	867,662	104,599
Total Long-Term Liabilities	\$ 2,637,917	\$ 657,124	\$ (616,475)	\$ 2,678,566	\$ 279,109
Major Component Units:					
Notes Payable	\$ 12,197	\$ 204	\$ (2,908)	\$ 9,493	\$ 1,830
Bonds Payable	245,545	114,081	(48,252)	311,374	15,475
Capital Leases Payable	1,758	-	(53)	1,705	55
Intergovernmental Payable	965	221	(416)	770	35
Total Long-Term Liabilities	\$ 260,465	\$ 114,506	\$ (51,629)	\$ 323,342	\$ 17,395

*Notes Payable, Bonds Payable and Capital Leases Payable includes \$478,356, \$21,865,000 and \$36,923,443 respectively, classified as Due to Component Units in the Statement of Net Assets for the University System. Of the above amounts, \$36,472, \$925,000 and \$2,087,287 are shown as current.

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

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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, \$1,992,428 of internal service fund compensated absences and \$7,299,504 of claims and judgments are included in the above amounts. Other governmental activities compensated absences generally have been liquidated by the General Fund (53%), the Highway Fund (15%), the Federal Fund (21%), and other various funds. Other governmental activities claims and judgments have all been liquidated by the Petroleum Release Compensation Fund.

3. DEFEASED DEBT

Primary Government

Building Authority

On May 22, 2012, the Authority issued \$19,055,000 Facilities Improvement Refunding Bonds, 2012A. The proceeds of the issue were for refunding, on a current basis, the 2002 Series C, 2002 Series D and 2003 Series C, and for an advance refunding of 2003 Series B. Proceeds were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments on the refunded bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$1,636,000. 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 eleven years by \$7,323,000 and resulted in an economic gain of \$1,802,000. As of June 30, 2012, there were bonds of \$12,165,000 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, 2012, of the original bonds refunded by the advance refunding total \$65,000.

On March 1, 2012, North Dakota State University issued \$5.730 million of Housing and Auxiliary Facilities Revenue Refunding Bonds (Series 2012) with an interest rates ranging from 2.0 to 3.0 percent. The bonds were used to call \$6,195,000 of outstanding Series 2002 Housing and Auxiliary Facilities Revenue Bonds. The University advance refunded the bonds to reduce its total debt service payments over the next 20 years by approximately \$1,192,255 and to obtain an economic gain (difference of the present values of the debt service

payments on the old and new debt) of approximately \$688,240. The reduction in the reserve requirement of \$507,510 and the net proceeds of \$6,407,510 (after payment of underwriting fees and other issuance costs) were used to pay the principal and outstanding interest on the 2002 bonds. As a result, the 2002 bonds are considered paid in full and the liability for those bonds has been removed from the Statement of Net Assets.

Component Units

Public Finance Authority Bonds

The Finance Authority issued \$23,540,000 of revenue bonds (Series 2011A SRF Bonds) with an average interest rate of 4.48 percent on August 9, 2011. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments on the refunded bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$1,664,000. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is the same as the life of the new debt issued. This refunding was undertaken to reduce total debt service payments over the next 11 years by \$3,412,000 and resulted in an economic gain of \$2,066,000. As of December 31, 2011, \$11,775,000 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 \$258,000 at June 30, 2012. 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 \$3,094,031,766 of restricted net assets, of which \$534,803,172 is restricted by enabling legislation.

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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

The Federal Special Revenue fund accounts for all the financial resources from the federal government.

	<u>Total</u>
Intergovernmental	\$ 1,714,778,821
Sales and Services	916,673
Royalties and Rents	6,120
Interest and Investment Income	27,318
Miscellaneous	2,584,162
Transfers In	645,846
Total Federal Special Revenue	<u>\$ 1,718,958,940</u>

State Special Revenue Fund by Source

The State Special Revenue fund is used for activities from state sources, which are restricted legally or committed for the particular costs of an agency or program.

	<u>Total</u>
Individual and Corporate Income Taxes	\$ 11,766,487
Sales and Use Taxes	313,534,484
Oil, Gas, and Coal Taxes	591,250,497
Business and Other Taxes	26,004,499
Licenses, Permits and Fees	165,731,336
Intergovernmental	32,119,715
Sales and Services	46,490,055
Royalties and Rents	343,687,224
Fines and Forfeits	13,971,238
Interest and Investment Income	56,398,824
Tobacco Settlement	31,277,903
Commodity Assessments	19,710,327
Miscellaneous	21,644,764
Transfers In	439,652,051
Total State Special Revenue	<u>\$ 2,113,239,404</u>

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Governmental Fund Balance By Purpose

	Special Revenue			Nonmajor Governmental Funds	Total
	General	Federal	State		
Fund Balances:					
Nonspendable					
Inventory	\$ 2,692,709	\$ 8,719,183	\$ 8,117,291	\$ -	\$ 19,529,183
Long – Term Receivables	197,755	-	-	-	197,755
Prepaid Expenditures	1,676,017	1,068,251	1,953,274	-	4,697,542
Legal Requirements	493,414,644	-	-	-	493,414,644
Permanent Trust Fund	-	-	-	64,342,175	64,342,175
Total Nonspendable	497,981,125	9,787,434	10,070,565	64,342,175	582,181,299
Restricted for:					
Education	-	-	2,264,365,339	-	2,264,365,339
Health & Human Services	-	-	10,134,425	-	10,134,425
Judicial & Legal	-	-	182,770	-	182,770
Public Safety & Corrections	-	-	1,699,600	-	1,699,600
Agriculture & Commerce	-	-	8,350,279	-	8,350,279
Transportation	-	-	400,684,079	-	400,684,079
Debt Services	-	-	-	16,850,959	16,850,959
Other	-	-	297,522,980	2,707,000	300,229,980
Total Restricted	-	-	2,982,939,472	19,557,959	3,002,497,431
Committed to:					
Education	245,465	-	1,274,190	-	1,519,655
Health & Human Services	-	-	43,103,239	-	43,103,239
Judicial & Legal	-	-	9,988,200	-	9,988,200
Public Safety & Corrections	14,970,313	-	16,425,977	-	31,396,290
Agriculture & Commerce	9,905,307	-	21,530,479	-	31,435,786
Transportation	-	-	6,632,688	-	6,632,688
Stabilization	333,652,063	-	-	-	333,652,063
Property Tax Relief	636,790,000	-	-	-	636,790,000
Strategic Investments & Improvements	-	-	387,713,204	-	387,713,204
Other	1,174,592	-	195,205,512	18,080	196,398,184
Total Committed	996,737,740	-	681,873,489	18,080	1,678,629,309
Assigned to:					
Education	-	-	2,256,452	-	2,256,452
Health & Human Services	-	-	44,807,285	-	44,807,285
Judicial & Legal	-	-	6,596,854	-	6,596,854
Public Safety & Corrections	-	-	6,279,826	-	6,279,826
Agriculture & Commerce	-	-	1,200,676	-	1,200,676
Other	-	-	5,280,549	-	5,280,549
Total Assigned	-	-	66,421,642	-	66,421,642
Unassigned	1,412,152,654	(3,844,405)	-	-	1,408,308,249
Total Fund Balances	\$ 2,906,871,519	\$ 5,943,029	\$ 3,741,305,168	\$ 83,918,214	\$ 6,738,037,930

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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, 2012, the number of participating local political subdivisions in PERS was:

Cities and Park Districts	81
Counties	49
School Districts	114
Other	<u>73</u>
Total Participating Local Political Subdivisions	<u>317</u>

Death and disability benefits are set by statute. If an active employee dies with less than three years of service for the Main System and National Guard/Law Enforcement, or less than five years of service for Supreme and district court judges, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's

beneficiary. If the employee has earned more than three years of service for the Main System and National Guard/Law Enforcement, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the employee's accrued normal retirement benefit, or 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 180 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 180 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

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salary, using the highest 36 months out of the last 180 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% (effective through December 31, 2011), and 5% (effective January 1, 2012 and 6% effective January 1, 2013) of regular compensation, with the exception of Supreme and district court judges' contributions, which are established at 5% (effective through December 31, 2011), and 6% (effective January 1, 2012 and 7% effective January 1, 2013) 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 4% of the full employee contribution. Some of the political subdivisions are paying all or part of the employee contributions. Employer contributions of 4.12% (effective through December 31, 2001), and 5.12% (effective January 1, 2012 and 6.12% effective January 1, 2013) 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% (effective through December 31, 2011), and 15.52% (effective January 1, 2012 and 16.52% effective January 1, 2013), and the contribution rate for the National Guard/Law Enforcement is set by the Board at 6.50% for the National Guard, 8.31% (effective through December 31, 2011, 9.31% effective January 1, 2012, and 10.31% effective January 1, 2013) for Law Enforcement employed by the State with previous service, 8.31% (effective through December 31, 2011, 8.81% effective January 1, 2012, and 9.31% effective January 1, 2013) for Law Enforcement employed by political subdivisions with previous service, and 6.43% (effective through December 31, 2011, 6.93% effective January 1, 2012, and 7.43% effective January 1, 2013) 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 180 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

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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% (effective through December 31, 2011) 11.30% (effective January 1, 2012 and 12.30% effective January 1, 2013) (of which the State is paying 4%) of total compensation and an employer contribution of 16.70% (effective through December 31, 2011) 17.70% (effective January 1, 2012 and 18.70% effective January 1, 2013). The required contributions are determined using an entry age normal cost method. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDHPRS. Benefit and contribution provisions are administered in accordance with chapter 39-03 of the North Dakota Century Code.

REFUNDS OF MEMBER CONTRIBUTIONS

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

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

The retirement plan for employees of Job Service North Dakota is a single-employer defined benefit public employee retirement plan administered by PERS. The plan is established under NDCC 52-11-01 with benefit provisions established through the plan document, as amended. This plan document, as amended, is authorized by the Plan Administrator, who is the Executive Director of the agency. JSND issues a publicly available financial report that may be obtained by writing to Job Service North Dakota, PO Box 5507, Bismarck, North Dakota 58506-5507.

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

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

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

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

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.

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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, 2012, the number of participating employer units in TFFR was:

<u>Type</u>	<u>Number</u>
Special Education Units	19
Vocational Education Units	5
Public School Districts	180
County Superintendents	8
Other	10
Total	222

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, 2012 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

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claim a refund of contributions paid before 70%. 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:

	<u>PERS</u>	<u>NDHPRS</u>	<u>JSND</u>	<u>TFFR</u>
Retirees and Beneficiaries				
Currently Receiving Benefits:	8,303	116	212	7,151
Special Prior Service Retirees:	13	-	-	-
Terminated Employees:				
Vested	3,624	9	3	1,483
Nonvested	<u>3,542</u>	<u>6</u>	<u>-</u>	<u>468</u>
Total Terminated Employees	7,166	15	3	1,951
Active Employees:				
Vested	15,632	67	19	7,570
Nonvested	<u>5,459</u>	<u>78</u>	<u>-</u>	<u>2,444</u>
Total Active Employees	21,091	145	19	10,014
Date of Annual Valuation	July 1, 2012	July 1, 2012	July 1, 2012	July 1, 2012

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.

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C. FUNDING STATUS AND PROGRESS

The actuarial methods and assumptions together with the schedule of funding progress is presented by the retirement systems in their separately presented financial reports based upon the actuary reports generated by the studies conducted by the Segal Company and Gabriel, Roeder, Smith and Company. The actuarial

value of assets is based on a five-year smoothed fair value basis. Under this method, realized and unrealized gains and losses on investments are smoothed over five years. Below is listed the various actuarial methods and significant assumptions used to determine the annual required contributions, together with the schedule of funding progress.

	PERS NDHPRS	JSND	TFFR
Valuation Date	July 1, 2012	July 1, 2012	July 1, 2012
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. For judges, the assumed salary increase is 5.0% per year for all years of service

** As of July 1, 2012, 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.

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Schedule Of Funding Progress (Dollars In Millions)

Actuarial Valuation Date	Actuarial Value Of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (Funded Excess)	Funded Ratio	Annual Covered Payroll	UAAL (Funded Excess) As A Percentage Of Annual Covered Payroll
PERS						
July 1, 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%
July 1, 2012	1,627.4	2,501.3	873.9	65.1%	800.9	109.1%
NDHPRS						
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%
July 1, 2012	48.1	68.4	20.3	70.3%	8.2	247.6%
JSND						
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%
July 1, 2012	75.1	71.4	(3.7)	105.2%	1.0	0.0%
TFFR						
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	1,842.0	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%
July 1, 2012	1,748.1	2,871.9	1,123.8	60.9%	505.3	222.4%

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

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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		
2010	\$ 54,157,866	56.0%
2011	82,909,840	39.0%
2012	91,458,077	42.0%
TFFR		
2010	\$ 52,053,217	76.5%
2011	65,112,696	68.4%
2012	69,373,794	66.5%

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, 2012:

	NDHPRS	JSND
Annual required contributions	\$ 2,170,739	\$ -
Interest on net pension obligations	(21,627)	(122,254)
Adjustment to annual required contributions	18,867	128,389
Annual pension costs	2,167,979	6,135
Contributions made	1,423,154	-
Increase in net pension obligations	744,825	6,135
Net pension obligations, beginning of year	(270,335)	(1,630,058)
(Assets in excess of) net pension obligations, end of year	\$ 474,490	\$ (1,623,923)

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			
2010	\$ 1,304,127	91%	\$ (721,539)
2011	1,736,904	74%	(270,335)
2012	2,167,979	66%	474,490
JSND			
2010	\$ 6,181	0%	\$ (1,636,217)
2011	6,159	0%	(1,630,058)
2012	6,135	0%	(1,623,923)

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E. DEFINED CONTRIBUTION PLAN

The North Dakota Defined Contribution Retirement Plan was established on January 1, 2000, and is administered in accordance with chapter 54-52.6 of the North Dakota Century Code. The Defined Contribution Plan covers state employees who are in positions not classified by the central personnel division of the State. Employees of the judicial branch or the Board of Higher Education and state institutions under the jurisdiction of the Board of Higher Education are not eligible to participate in the Defined Contribution Plan. The Defined Contribution Plan had 283 participants as of June 30, 2012.

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% (effective through December 31, 2011) 5% (effective January 1, 2012 and 6% effective January 1, 2013), and employer contributions are established at 4.12% (effective through December 31, 2011) 5.12% (effective January 1, 2012 and 6.12% effective January 1, 2013) of regular compensation. Employer and employee contributions totaled \$756,229 and \$736,573 respectively, for the fiscal year ended June 30, 2012.

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	0 thru 10	2.50%	10.50%	13.00%
	over 10	3.00%	11.00%	14.00%
II	0 thru 2	1.50%	5.50%	7.00%
	3 thru 10	2.50%	10.50%	13.00%
	over 10	3.00%	11.00%	14.00%
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 \$31,486,688 to TIAA-CREF during the fiscal year ending June 30, 2012.

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

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service. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

The employer contribution for the Public Employees Retirement System, the Highway Patrolmen's Retirement System, and the Defined Contribution Retirement Plan is set by state statute on an actuarially determined basis at 1.14 percent of covered compensation. 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.

Employer contributions totaling \$9,388,040 were made for the year ended June 30, 2012. The actuarially required employer contribution of \$7,263,487 for the year ended June 30, 2012, is 0.88 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, 2012, the cost of benefits incurred for the fund was \$6,235,295.

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, 2012. 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	0.02%	164,971
	<u>0.02%</u>	<u>\$ 164,971</u>

According to the Projected Unit Credit Cost Method, the actuarial accrued liability and the unfunded actuarial accrued liability of the Retiree Health Insurance Credit Fund are as follows:

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Schedule Of Funding Progress (Dollars In Millions)

Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial 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, 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%
June 30, 2012	58.3	112.4	54.1	51.9%	824.9	6.6%

Employee membership is as follows:

Retirees receiving benefit	4,442
Active participants	<u>21,462</u>
Total Membership	<u><u>25,904</u></u>

The fair value of the net assets available for benefits at June 30, 2012, is \$63,900,953.

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 RP-2000 Mortality tables applied on a gender-specific basis; health care cost trends of 9.0% 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%
2011	-	65.2	65.2	00%

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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, 2012. The actuary determined the obligation the agency has to record as of June 30, 2012 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, 2012, the date of the latest actuarial valuation:

	Retiree Health Benefits Fund	Met Life Insurance Benefit
Retirees and beneficiaries currently receiving benefits	200	182
Terminated employees entitled to benefits but not yet receiving them	1	-
Current vested employees	20	36
Total	221	218

The funding policy of the plans thru June 30, 2012 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 Bryan, Pendleton, Swats & McAllister, LLC.

Valuation Date	June 30, 2012
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	15-Year Amortization Open
Remaining Amortization Period	15 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:

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	Retiree Health Benefits Fund	Insurance Benefit	Total
Annual required contributions	\$ 385,689	\$ 124,634	\$ 510,323
Interest on OPEB obligation	6,900	7,540	14,440
Adjustment to annual required contributions	(13,967)	(15,263)	(29,230)
Annual OPEB costs	378,622	116,911	495,533
Contributions made	243,420	50,855	294,275
Increase in net OPEB obligation	135,202	66,056	201,258
Net OPEB obligations, beginning of year	156,428	190,005	346,433
Net OPEB obligations, end of year	\$ 291,630	\$ 256,061	\$ 547,691

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
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%
2012	378,622	116,911	243,420	50,855	201,258	59.4%

Funded Status and Funding Progress – As of July 1, 2012 the most recent actuarial valuation date, the plans were unfunded. The actuarial liability for benefits was \$5,572,574, and the actuarial value of assets was \$0.00 resulting in an unfunded actuarial accrued liability (UAAL) of \$5,572,574. The covered payroll (annual payroll of active employees covered by the plans) was \$2,299,949 and the ratio of the UAAL to the covered payroll was 242.29 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	\$ 35,148
Other Jurisdictions	4,960
Total Value	<u>\$ 40,108</u>

NOTE 9 - PERS UNIFORM GROUP INSURANCE PROGRAM

The PERS Uniform Group Insurance Program, an enterprise fund, contracts with Blue Cross Blue Shield of North Dakota (BCBS) to provide health care insurance to

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the employees of the State of North Dakota, or any of its political subdivision, institutions, departments or agencies. The contract provides for an accounting of premiums paid and claims incurred during the biennium. The contract for the 2007-2009 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 2007-2009 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 2009-211 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 \$1.0 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, 2012, was as follows (expressed in thousands):

	<u>Home-Ownership Bond Funds</u>
Condensed Statement of Net Assets	
Current assets – other	\$ 161,936
Noncurrent assets – other	836,278
Total Assets	<u>998,214</u>
Current liabilities – other	27,253
Noncurrent liabilities – other	851,741
Total Liabilities	<u>878,994</u>
Net assets – restricted	119,220
Total Net Assets	<u>\$ 119,220</u>
Condensed Statement of Revenues, Expenses and Change in Fund Net Assets	
Operating revenues	\$ 47,822
Operating expenses	41,929
Operating income	5,893
Change in net assets	
Total net assets, beginning of year	114,667
Equity transfer out	(1,340)
Total net assets, end of year	<u>\$ 119,220</u>
Condensed Statement of Cash Flows	
Net cash from operating activities	\$ 102,214
Net cash used for noncapital financing activities	(160,856)
Net change in cash and cash equivalents	(58,642)
Cash and cash equivalents, beginning of year	197,501
Cash and cash equivalents, end of year	138,859

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NOTE 11 - MAJOR COMPONENT UNIT TRANSACTIONS

NORTH DAKOTA DEVELOPMENT FUND

In 2011, 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, 2012, \$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 \$1.4 million 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. The audited financial statements of BSC Foundation for fiscal year 2012 report this transaction as an operating lease and report the related capital assets and related debt as assets and debt of the foundation.

The building is recorded as a capital asset in the foundation's financial statements at actual cost less accumulated depreciation. BSC recorded the capital asset based on the lease value plus subsequent improvements made by BSC, net of accumulated depreciation. The table below displays the amounts recorded by both:

	<u>BSC</u>	<u>BSC Foundation</u>
NECE Building	\$6,541,322	\$15,846,116
Accumulated Depreciation	<u>(726,080)</u>	<u>(1,422,087)</u>
Net Value of NECE Building	<u>\$5,815,242</u>	<u>\$14,424,029</u>

DICKINSON STATE UNIVERSITY AND DICKINSON STATE UNIVERSITY FOUNDATION

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 2010 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

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original bonds refunded, the principal amounts outstanding as of June 30, 2012, are as follows: Series 2000 bonds \$4,200,000 and Series 2002 bonds \$17,665,000.

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 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 2012 were approximately \$2.2 million. These agreements are subject to funding and legislative appropriations. On July 1, 2002, NDSU and RTP entered into an agreement for cooperation and assistance between entities. The agreement automatically extends for one-year periods unless cancelled by either party to the agreement.

NORTH DAKOTA STATE UNIVERSITY AND NDSU DEVELOPMENT FOUNDATION

NDSU EQUINE 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 \$329,919 in fiscal year 2012 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 \$3,070,000 as of June 30, 2012. 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 2012 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 \$2,286,500 as of June 30, 2012. 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 Kilborurne 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 to NDSU when the bonds are repaid in full. As of June 30, 2012, the outstanding balance on the bonds, reflected as "Due to Component Units" by NDSU, is \$5,405,000.

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

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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 2012, 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 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 2012, NDSU paid \$807,122 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 \$10,605,596 at December 31, 2011. In May 2012, the NDSU Development Foundation refinanced the bonds. The leases with NDSU were refunded and new leases were entered into with NDSU.

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 \$846,969 at December 31, 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 as of June 30, 2012, totaled \$559,911. 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.

NDSU Development Foundation fiscal year end is December 31, and NDSU year end is June 30. Timing differences in amounts may occur between entity financial statements, due to different year end dates.

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 \$18.3 million in fiscal year 2012. The amount paid UND included aircraft rental of \$5.4 million, room and board of \$635,000, tuition and fees of \$1.8 million, salaries of \$4.0 million and flight repairs and fuel of \$6.5 million. 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, 2012, the Foundation has recorded accounts payable to UND of \$1,027,787 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,

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rent will be adjusted based upon an interest rate adjustment or a refinancing of the debt incurred by the Foundation in the construction of the hangar. The audited financial statements of the Foundation report the capital assets and related debt for this lease. Since the Foundation is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for this transaction, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution.

UNIVERSITY OF NORTH DAKOTA AND RE ARENA, INC.

RE Arena, Inc. manages, operates and maintains an arena known as the Ralph 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 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.

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. Revenue and expense arrangements for all other UND events held at the arena will be negotiated on an event-by-event basis. The transactions in relation to the contractual relationship are as follows:

- Gross ticket sales were \$3,945,713 of which UND recognized revenue of \$3,945,713 and expenses of \$2,107,801. REA recognized net revenue of \$2,051,711, a difference of \$56,030 due to trade allocations.
- Gross ticket sales for the next athletic season year are recorded as due from component unit and deferred revenue at gross; the amount is \$2,680,846. REA also records at gross with a payable to UND for its percentage.
- UND recognizes sponsorship (advertising) revenue at net of \$346,868, while REA recognizes at gross and expenses for the amount allocated to UND.
- REA owes UND net income allocation for fiscal year 2012 of \$300,000.

- REA paid UND \$930,054 for utilities and maintenance staff.

RE Arena Inc. fiscal year end is May 31, UND year end is June 30. Timing differences in amounts may occur between entity financial statements due to different year end dates.

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, 2012, is \$3,087,084. 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, 2012.

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 \$6,310,000 at June 30, 2012. 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 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 \$504,896 at June 30, 2012. The bond payments are expected to be collected from future gifts. UND recorded a capital lease of \$206,810, which has a balance of \$124,086 as of June 30, 2012. This was the amount of finance costs being incurred by the Foundation.

UND leases office space to the UND Foundation at a cost of \$1 per year and provides some administrative services, computer services, utilities and maintenance at no cost as a partial in-kind reimbursement for services rendered by the Foundation. At June 30, 2012, the Foundation estimated the fair rental value reflected in the audited financial statements at \$129,000.

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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 2012 activity in the Distributable Managed Funds liability account at the Foundation is as follows: Beginning balance of \$2,137,205, plus royalties transferred of \$546,790, less royalties distributed to NDSU Departments of \$2,683,995, leaving an ending balance of zero.

NORTH DAKOTA STATE COLLEGE OF SCIENCE AND NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION

For the year ended June 30, 2012, NDSCS paid the foundation \$174,000 for the rental of the Skills & Technology Training Center Building.

UNIVERSITY OF NORTH DAKOTA AND UNIVERSITY OF NORTH DAKOTA RESEARCH FOUNDATION

For the year ended June 30, 2012, UND paid the foundation \$1,153,099 for the rental of a building and \$109,335 for research space in a separate building.

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 \$93,872 during fiscal year 2012.

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	\$ 708,282
Financial standby letters of credit	323,703
	<u>\$ 1,031,985</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 \$210,086,000 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, 2011.

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REBUILDERS LOAN PROGRAM

The State, through the Rebuilders Loan Program, is a party to credit related financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. Such commitments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet. The Program's exposure to credit loss is represented by the contractual amount of these commitments. The Program follows the same credit policies in making commitments as it does for on-balance-sheet instruments. There were 201 commitments to extend credit for \$5,421,161 as of June 30, 2012.

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 \$97,536,000 at June 30, 2012. 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 \$17,650,000 at June 30, 2012.

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 \$71,654,000 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 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, 2012, the Agency did not have any swaps that had a positive fair value. Of the swaps with negative fair value, the Agency is not exposed to credit risk. However, the swap exposes the Agency to basis risk should the relationship between LIBOR and TBMA converge, changing the synthetic rate on bonds. The swap counterparty has guaranteed all payments and is rated AAa/AA+/AAA by Moody's Investor Services, Standard & Poor's, and Fitch, respectively. To mitigate potential credit risk, the counterparty has entered into Credit Support Agreements with Bank of New York Mellon and the Royal Bank of Canada 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, 2012, the Agency owed the swap providers a fixed rate on the notional amount of the swaps of \$3,197,000 and the swap providers owed the Agency a variable rate on the notional amounts of \$412,000 making the net payment that the Agency owed the swap providers \$2,785,000.

Due to the difference in the variable rate indices, the swaps had a net negative fair value of \$18,580,000 as of June 30, 2012. 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, 2012. 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.

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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, 2012. 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.

1.	Bond Series	Bonds Called	Bonds Called
2.	Issuance Date	4/1/2004	4/1/2004
3.	Maturity Date	1/1/2013	7/1/2035
4.	Notional Amount	\$ 865,000	\$12,990,000
5.	Variable-rate Bonds	N/A	N/A
6.	Fixed Rate	2.620%	3.980%
7.	LIBOR Percentage	63.00%	63.00%
8.	Additional Percentage	0.34%	0.34%
9.	Bonds Variable-rate	N/A	N/A
10.	Fair Value	\$ (11,000)	\$ (680,000)
11.	Percentage of LIBOR	0.49498%	0.49498%
12.	Synthetic Rate	2.12502%	3.48502%
13.	Actual Synthetic Rate	N/A	N/A
14.	Change in Fair Value	\$ 41,000	\$ 160,000
15.	Optional Termination Date	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	\$1,960,000	\$23,100,000	\$12,000,000	\$30,210,000
5.	Variable-rate Bonds	\$2,865,000	\$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	0.17000%	0.21000%	0.21000%	0.17000%
10.	Fair Value	\$ (98,000)	\$ (787,000)	\$ (1,419,000)	\$ (4,383,000)
11.	Percentage of LIBOR	0.49498%	0.47473%	0.46498%	0.46498%
12.	Synthetic Rate	3.77002%	3.60527%	3.63402%	3.66002%
13.	Actual Synthetic Rate	4.05380%	3.76141%	3.79666%	3.85055%
14.	Change in Fair Value	\$ 90,000	\$ 360,000	\$ 413,000	\$ 356,000
15.	Optional Termination Date	N/A	7/1/2012	1/1/2016	N/A

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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	\$11,450,000	\$21,850,000	\$44,500,000
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	0.17000%	0.17000%	0.15000%	0.17000%
10.	Fair Value	\$ (1,644,000)	\$ (2,114,000)	\$ (3,665,000)	\$ (3,778,000)
11.	Percentage of LIBOR	0.47498%	0.24600%	0.35670%	0.38916%
12.	Synthetic Rate	2.89302%	4.64900%	3.71230%	2.88884%
13.	Actual Synthetic Rate	3.48600%	5.14631%	3.79804%	2.88455%
14.	Change in Fair Value	\$ (366,000)	\$ (699,000)	\$ (1,396,000)	\$ (873,000)
15.	Optional Termination Date	N/A	1/1/2020	1/1/2018	7/1/2016

Using rates as of June 30, 2012, 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, 2012. 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		
2013	\$ 11,380	\$ 279	\$ 5,505	\$ 17,164
2014	5,305	263	5,102	10,670
2015	4,305	255	4,729	9,289
2016	4,845	247	4,592	9,684
2017	49,605	173	3,159	52,937
2018-2022	33,005	643	12,052	45,700
2023-2027	19,815	348	7,115	27,278
2028-2032	6,440	282	5,941	12,663
2033-2037	17,625	163	3,725	21,513
2038-2042	11,880	22	522	12,424
	<u>\$ 164,205</u>	<u>\$ 2,675</u>	<u>\$ 52,442</u>	<u>\$ 219,322</u>

NOTE 14 – SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

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

NOTE 15 – RISK MANAGEMENT

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

THE STATE FIRE AND TORNADO FUND

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

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

STATE BONDING FUND

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

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FLEET SERVICES

Fleet Services, an Internal Service Fund, represents the State's fleet of automobiles and is administered by the Department of Transportation. The State is self-insured for substantially all automobile insurance (e.g., comprehensive, collision), with the exception of liability, which is provided by the State's Risk Management Fund (RMF). State agencies are charged premiums to cover Fleet Service's RMF assessment and to pay for those losses that are not covered by RMF. These premium charges are factored into the fees agencies are charged when renting the cars.

WORKFORCE SAFETY & INSURANCE

Workforce Safety & Insurance (WSI), an Enterprise Fund, is a State insurance fund and a "no fault" insurance system, covering the State's employers and employees. WSI is financed by premiums assessed to employers. The rate of such premiums is periodically adjusted to assure the solvency of WSI. The premiums are available primarily for the payment of claims to employees injured in the course of employment. During fiscal year 2012, a total of \$188,823,610 in claims was recognized. Incurred but not reported claims of \$865,645,000 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, 2012:

Fiscal Year	Beginning Balance	Current Year Claims and Changes In Estimates	Claims Payments	Ending Balance
2011	\$ 1,835,981	\$ 220,854	\$ 101,581	\$ 1,955,254
2012	1,955,254	178,451	332,174	1,801,531

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, twenty-one claims exceeded coverage by \$4,653,456.

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.

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The following table presents the changes in claims liabilities balance for the fiscal year ending June 30, 2012:

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2011	\$ 3,246,063	\$ 5,786,812	\$ 4,386,008	\$ 4,646,867
2012	4,646,867	4,772,078	3,920,972	5,497,973

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 1,129 policies to participating entities for a total building and content coverage of \$10.8 billion. The Bonding Fund is used to provide fidelity bonding of public employees and officials. The Fund has issued 2,974 policies to participating entities. The total coverage for the Bonding Fund is \$675.9 million. If the assets of these funds were exhausted, fund participants would not be responsible for the funds' liabilities.

The Fire and Tornado and Bonding Fund are accounted for on the accrual basis. The Fire and Tornado Fund establishes claim liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims incurred but not reported. The Bonding Fund establishes claim liabilities based on actual judgments obtained against the fund but not paid prior to fiscal year end. Liabilities for incurred but not reported losses have not been established as they are not expected to be material amounts. Neither fund incurred any acquisition costs that should have been capitalized, nor were any liabilities recognized that were discounted. Investment income was not considered in determining the existence of premium deficiencies.

The Fire and Tornado Fund uses reinsurance agreements to reduce its exposure to large losses (excess of \$1.0 million) on all types of its insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Fund as direct insurer of the risks that are reinsured. The Fire and Tornado Fund does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers.

WORKFORCE SAFETY & INSURANCE

Workforce Safety & Insurance (WSI), an Enterprise Fund, is a state insurance fund and a "no fault" insurance system covering the State's employers and employees. At June 30, 2012, coverage extended to the following employers:

Annual Premium	
\$250 - \$5,000	17,370
\$5,001 - \$50,000	5,575
\$50,001 - \$100,000	464
Over \$100,000	403
Total Employers	23,812

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, 2012, 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)	\$1,352,534	\$ 1,465,304	\$ 1,584,715
Present Value Basis (discounted at 5% rate)	\$ 797,918	\$ 865,645	\$ 939,281

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 \$865,645,000 at June 30, 2012.

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, 2012.

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	
	2012	2011	2012	2011	2012	2011
Unpaid claims and claims adjustment expenses at the beginning of the year	\$ 3,135	\$ 1,399	\$ 202	\$ 197	\$ 814,023	\$ 772,095
Incurred claims and claims adjustment expenses:						
Provision for current fiscal year	1,461	6,178	3	22	157,587	134,838
Change in provision for prior fiscal year	-	-	-	-	80,357	34,978
Payments and claims and adjustment expenses attributable to:						
Current fiscal year insured events	351	(3,043)	202	180	(44,224)	(38,596)
Prior fiscal years' insured events	(3,135)	(1,399)	(202)	(197)	(89,035)	(84,247)
Total Payments	(2,784)	(4,442)	-	(17)	(133,259)	(122,843)
Change in provision for discount	-	-	-	-	(53,063)	(5,045)
Total unpaid claims and claims adjustment expenses at the end of the year	<u>\$ 1,812</u>	<u>\$ 3,135</u>	<u>\$ 205</u>	<u>\$ 202</u>	<u>\$ 865,645</u>	<u>\$ 814,023</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.

NOTE 18 - COMMITMENTS AND CONTINGENCIES

A. LONG-TERM COMMITMENTS

BANK OF NORTH DAKOTA

H.B. 1021, Sections 4 & 6 – The Health Information Technology Office Director may request the Bank of 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

STATE OF NORTH DAKOTA

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, 2011, the Bank had transferred \$5,000,000 to this fund.

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 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, 2011, the Bank has guarantees outstanding totaling \$273,000. The Bank had no guarantee commitments outstanding as of December 31, 2011.

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 define by the Department of Financial Institutions. A lender may apply to the Bank for a loan guarantee for a loan of up to \$200,000. The term of the guarantee may not exceed five years. As of December 31, 2011, the Bank has guarantees outstanding totaling \$4,963,000 and had guarantee commitments outstanding of \$248,000 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, 2011, the Bank has guarantees outstanding totaling \$743,000.

S.B. 2371, Section 7 – The Bank shall transfer up to \$30,000,000 from its current earnings and undivided profits to the Rebuilders Loan Program. For the year ended December 31, 2011, the Bank had transferred \$2,229,000 to the fund.

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, 2012, the System had paid \$8.6 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, 2012, committed to fund certain alternative investment partnerships for an amount of \$1.13 billion. Funding of \$802.7 million has been provided leaving an unfunded commitment of \$325.4 million.

WORKFORCE SAFTEY & INSURANCE

WSI has entered into contracts with multiple companies for a software replacement project. The estimated total cost for these contracts is \$17.8 million, of which \$16.3 million has been expended as of June 30, 2012.

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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 reimbursed \$235,481 during 2011 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, 2012, 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, 2012, is \$3,757,309.

The Commission also has various significant commitments at June 30, 2012, for the purchase of various types of research, services and other goods totaling \$6,077,334.

MILL AND ELEVATOR

As of June 30, 2012, the Mill had commitments to purchase 2,562,987 bushels of spring wheat and 64,098 bushels of durum.

BUILDING AUTHORITY

The Authority has committed funds to complete various construction and modernization programs at June 30, 2012, totaling \$840,000.

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, 2011, \$4,726,000 of credit was available through these letters of credit and no funds have been advanced.

JOB SERVICE NORTH DAKOTA

As of June 30, 2012, Job Service has commitments to pay \$2,361,385 for purchase orders and contracts awarded for goods, services, software licenses, software support, and software server hosting to be provided in future periods, all federally funded. Of this amount \$2,000,000 is committed to the WyCAN Consortium to build a Unemployment Insurance computer system.

STATE FAIR

The North Dakota State Fair Association entered into agreements with numerous contractors for the repair and maintenance of buildings on the property due to flood damage. The remaining balance on the portion of the contracts not yet completed at year-end was \$1,345,951.

HOUSING INCENTIVE FUND

The Fund makes various commitments relating to construction projects to meet unmet housing needs across North Dakota. The Fund had \$1,651,437 of signed commitments for construction projects as of June 30, 2012. The Fund had an additional \$7,874,661 of conditional commitments for construction projects as of June 30, 2012. These commitments are dependent on the Fund receiving enough contributions from taxpayers to fund the projects and the projects meeting the final construction requirements to receive those funds.

DEPARTMENT OF HUMAN SERVICES

As of June 30, 2012, the Department of Human Services had significant commitments for the purchase of various types of services totaling \$75,077,886.

STATE JUDICIARY

As of June 30, 2012, State Judiciary had significant commitments of \$1,139,265. The majority consists of contracts to provide various types of judicial services.

AERONAUTICS COMMISSION

As of June 30, 2012, the Aeronautics Commission had significant commitments of \$4,400,000. This amount consists of grants to political subdivisions for maintenance and improvements of their airports.

DAIRY PRODUCTS PROMOTION COMMISSION

As of June 30, 2012, the Dairy Products Commission had significant commitments of \$165,000. 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

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provides the Commission with administrative, financial, and reporting services.

NORTH DAKOTA SOYBEAN COUNCIL

As of June 30, 2012, the North Dakota Soybean Council had significant commitments of \$357,700. This amount mainly consists of grants for the research and development of soybeans.

STATE WATER COMMISSION

As of June 30, 2012, the State Water Commission had long-term commitments of \$205,022,215 for various water projects.

NORTH DAKOTA DEPARTMENT OF TRANSPORTATION

At June 30, 2012, the North Dakota Department of Transportation (Special Revenue Fund) had non-construction contract commitments of approximately \$67.3 million of which \$0.4 million represents federal programs which are cost reimbursable.

Construction commitments at June 30, 2012, totaled approximately \$453.4 million, of which \$245.4 million represents federal programs which are cost reimbursable. These commitments will be funded with future appropriations as work is performed.

UNIVERSITY SYSTEMS

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

	Original Issue	Paid To Date	Amount To Be Paid
BSC	\$ 4,446	\$ 1,965	\$ 2,481
DCB	653	-	653
LRSC	7,181	2,610	4,571
MASU	9,008	8,949	59
MiSU	21,098	16,027	5,071
NDSCS	18,405	1,800	16,605
NDSU	83,370	60,579	22,791
UND	14,837	11,794	3,043
VCSU	8,354	3,107	5,247
WSC	19,330	15,769	3,561

NORTH DAKOTA DEVELOPMENT FUND

The board of directors has approved equity investments, loans, grants, and guaranty of collections at June 30, 2012, for which funds have not been disbursed or written agreements entered into in the amount of \$1,796,702.

OTHER CONSTRUCTION COMMITMENTS

Highway Patrol	\$ 2,318
School for the Deaf	952
Department of Human Services	1,713
Department of Corrections	20,247
Adjutant General	9,179
Seed Department	61
Historical Society	24,567
Transportation	184,445

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 \$865,000.

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

In November 1998, the North Dakota Attorney General joined forty-five other states and five territories in a settlement agreement against the nation's largest tobacco manufacturer. The Master Settlement Agreement includes base payments to states totaling \$220.6 billion for the next 25 years, and continues in perpetuity. North Dakota's share of the settlement is expected to be \$866 million over the next 25 years. The amount of the annual payment is subject to a number of modifications, including adjustments for inflation and usage volumes. Some of the adjustments may result in increases in the payments (inflation, for example), or other adjustments will likely cause decreases in the payments (e.g., volume adjustments). The net effect of these adjustments on future payments is unclear.

The State had not settled any cases before June 30, 2012, in which the settlement had not been paid as of June 30, 2012.

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

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resolve the findings and is optimistic these findings will not have a material impact on the State.

The 2011-2012 single audit will be issued sometime in March 2013. It is anticipated there will be potential questioned costs against the State as a result of their audit. The State does not believe the results will have a material impact.

NOTE 19 – EXTRAORDINARY ITEM

STATE FAIR

During the month of June 2011, flooding from the Souris River directly impacted the North Dakota State Fair Association, resulting in the cancellation of the State Fair and causing significant damage to the buildings and other properties. Total final expenses to repair and clean the property are not final, and still in process at year-end. Costs are expected to be substantially recovered from federal financial assistance programs. Included in the State's financial statements are \$2,846,018 in expenditures incurred or payable and \$2,569,030 in federal grants receivable from the Federal Emergency Management Agency.

NOTE 20 - SUBSEQUENT EVENTS

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 (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 State joined with other WGTC investors and objected to a *pro rata* distribution to all investors. The receiver and the WGTI investors opposed. 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, 2012.

The State has been listed as a defendant in a putative defense class action originally filed in the United States Bankruptcy Court for the District of Delaware, styled The Official Committee of Unsecured Creditors of Tribune Company v. Fitzsimmons, et al., Bankr. Case No. 10-54010 (the "Adversary Proceeding"), and subsequently transferred to a multi-district litigation proceeding in the United States District Court for the Southern District of New York, Case Nos. 12-cv-02652, and 11-md-02296.

The Adversary Proceeding arises out of a leveraged buyout by which the Tribune Company converted to a privately held company in 2007 pursuant to which beneficial owners of Tribune stock were paid \$34 a share. The Official Committee of Unsecured Creditors (the "Committee") contends that there was misconduct in connection with that offering, including fraud. No such allegations have been made against the State. Nevertheless, the Committee seeks to recover the payments made pursuant to the offering to beneficial owners, allegedly including the State (among thousands of other putative shareholder defendants) in connection with the leveraged buyout. The State's records indicate that it received, in the aggregate, \$1,003,000 in Tribune leveraged buyout payments, comprised of two separate payments.

The Committee purportedly served the State with a copy of the summons and complaint in the Adversary Proceeding on or about February 13, 2012. In large part, however, the Adversary Proceeding has been stayed from its inception, and no substantive motions or answers have been filed by the State or any other defendant in response to the complaint. The Court has preliminarily indicated that motion to dismiss briefing will be due in November 2012, with a hearing sometime in March 2013. Under the circumstances, we are not able to assess the likelihood of a loss to the State or predict the probability of a favorable or unfavorable outcome or the amount of potential loss, in the event of an unfavorable outcome.

STATE OF NORTH DAKOTA

BANK OF NORTH DAKOTA

Subsequent to the Bank's year end, Bank of North Dakota prepaid \$115 million of FHLB advances. The maturities of these advances varied from January 2013 to July 2016. Approximately \$9 million in prepayment penalties were assessed the Bank to unwind the advances, however interest savings realized over the maturities will result in a net gain.

STUDENT LOAN TRUST

On November 1, 2012, the Trust redeemed \$1 million of outstanding 2004 Series A bonds. In addition, the Industrial Commission approved a \$5 million transfer from the Trust to the North Dakota Guaranteed Student Loan Program. The funds will be used as additional reserves for the Bank of North Dakota's DEAL Program.

MANDAN REMEDIATION TRUST

The City of Mandan has requested reimbursement from the Mandan Remediation Trust for \$30,615, for various remediation costs that have been incurred by the City, subsequent to year end. Subsequent contracts with Morton County and Leggette, Brashears and Graham, Inc. for various remediation efforts have been signed totaling \$162,658.

HOUSING FINANCE

Subsequent to June 30, 2012, the agency issued the Series 2012 A Homeownership Bond Bunds totaling \$50,000,000 and Series 2012 B Homeownership Bond Funds totaling \$14,510,000. In addition, the Agency securitized mortgage loans to create mortgage backed securities which were sold for proceeds of \$45,931,000.

ATTORNEY GENERAL

Subsequent to June 30, 2012, the Office of Attorney General received a settlement of \$2,540,881, resulting from a Consumer Protection multi-state action.

PUBLIC FINANCE AUTHORITY

Subsequent to June 30, 2012, the authority issued \$19,705,000 of State Revolving Fund Program Bonds, Series 2012A, \$17,900,000 Taxable State Revolving Fund Program Bonds, Series 2012B and \$9,365,000 of Capital Financing Program Bonds, Series 2012A. Proceeds of the State Revolving Fund Program Bonds, Series 2012A, will be used to refund certain portions of the outstanding State Revolving Fund Program Bonds, Series 2003A, and 2005A. Proceeds of the Taxable State Revolving Fund Program Bonds, Series 2012B, will be used to refund certain portions of the outstanding State Revolving Fund Program Bonds, Series 2003B, and Series 2004A.

UNIVERSITY OF NORTH DAKOTA

In October 2012, UND issued Series 2012 Bonds to refund the outstanding University of North Dakota Housing and Auxiliary Facilities Improvement and Refunding Revenue Bonds, Series 2002; to fund an escrow to be used to refund the outstanding 2015 through 2032 maturities of the University of North Dakota Housing and Auxiliary Facilities Revenue Bonds, Series 2004 on April 1, 2014, and to pay the costs of the issuance. The refunding is expected to result in savings in excess of 7% over the original term of the bonds.

NOTE 21 – NEW PRONOUNCEMENTS

The State implemented the following new pronouncement for fiscal year 2012:

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. 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.

The State will implement the following new pronouncements for fiscal years ending after 2012:

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

STATE OF NORTH DAKOTA

(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. 65, "Items Previously Reported as Assets and Liabilities" is effective for financial statements for periods beginning after December 15, 2012. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66, "Technical Corrections – 2012 - an amendment of GASB Statements No. 10 and No. 62", is effective for financial statements for periods beginning after December 15, 2012. The objective of this statement is to improve accounting and financial

reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989, FASB and AICPA Pronouncements".

GASB Statement No. 67, "Financial Reporting for Pension Plans", is effective for financial statements for periods beginning after June 15, 2013. The objective of this statement is to improve financial reporting by state and local governmental pension plans. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans", and No. 50, "Pension Disclosures", as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement and to defined contribution plans that provide postemployment benefits other than pensions.

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions", is effective for financial statements for periods beginning after June 15, 2014. This statement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this statement, as well as for non-employer governments that have a legal obligation to contribute to those plans. This statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement-determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

Required Supplementary Information - Budgetary Schedule

STATE OF NORTH DAKOTA

Required Supplemental Information Budgetary Comparison Schedule General Fund For the Fiscal Year Ended June 30, 2012

	Approved Budget 2011-2013 Biennium	Appropriation Adjustments 2011-2013 Biennium	Adjusted Budget 2011-2013 Biennium	Actual Biennium To Date Thru 6-30-12	Difference Uncollected/ Unspent Thru 6-30-12
Budgetary Fund Balance, July 1	\$ 660,231,525	\$ -	\$ 660,231,525	\$ 564,948,602	\$ (95,372,923)
Resources (Inflows):					
Sales and Use Tax	1,382,234,660		1,382,234,660	1,031,442,016	(350,792,644)
Income Tax	670,909,334		670,909,334	628,742,784	(42,166,550)
Financial Institutions Tax	5,041,666		5,041,666	3,783,160	(1,258,506)
Oil And Gas Production Tax	133,834,000		133,834,000	146,501,416	12,667,416
Oil Extraction Tax	166,166,000		166,166,000	112,550,313	(53,615,687)
Insurance Premium Tax	70,560,000		70,560,000	39,028,484	(31,531,516)
Cigarette, Cigar and Tobacco Tax	43,902,000		43,902,000	26,608,013	(17,293,987)
Wholesale Liquor Tax	14,934,000		14,934,000	8,463,477	(6,470,523)
Coal Conversion Tax	35,764,000		35,764,000	19,498,126	(16,265,874)
Gaming Tax	9,241,952		9,241,952	5,822,421	(3,419,531)
Lottery	11,000,000		11,000,000	7,000,000	(4,000,000)
Department Fees and Collections	63,284,446		63,284,446	35,611,017	(27,673,429)
Mineral Leasing Fees	17,000,000		17,000,000	26,281,711	9,281,711
Motor Vehicle Excise Tax	183,039,167		183,039,167	122,173,505	(60,865,662)
Interest on Public Funds	42,700,000		42,700,000	7,083,358	(35,616,642)
Gas Tax Administration	1,485,000		1,485,000	845,329	(639,671)
Transfers In	606,650,000		606,650,000	298,840,674	(307,809,326)
Total Revenue Inflows	3,457,746,225	-	3,457,746,225	2,520,275,804	(937,470,421)
Amounts Available for Appropriation	4,117,977,750	-	4,117,977,750	3,085,224,406	1,032,753,344
Charges to Appropriations (Outflows):					
General Government:					
Governor's Office	3,773,942	-	3,773,942	1,626,023	2,147,919
Secretary of State	9,016,160	78,000	9,094,160	3,561,928	5,532,232
Secretary of State Public Printing	310,000	-	310,000	226,218	83,782
Office of Management and Budget	403,892,699	58,849,687	462,742,386	416,685,780	46,056,606
Information Technology	19,252,204	2,376,580	21,628,784	8,022,550	13,606,234
State Auditor	7,143,808	-	7,143,808	3,451,926	3,691,882
State Treasurer	26,705,390	23,000,000	49,705,390	48,719,653	985,737
Attorney General	31,542,245	110,000	31,652,245	14,473,890	17,178,355
Tax Department	39,238,449	50,000	39,288,449	18,260,291	21,028,158
Legislative Assembly	14,267,917	2,644,736	16,912,653	5,134,808	11,777,845
Legislative Council	11,561,158	3,489,755	15,050,913	4,788,492	10,262,421
Supreme Court	83,482,362	-	83,482,362	39,457,516	44,024,846
Legal Counsel for Indigents	9,808,430	-	9,808,430	5,633,564	4,174,866
Public Employees Retirement System	-	-	-	-	-
Education:					
Public Instruction	1,243,980,651	9,500,000	1,253,480,651	601,239,224	652,241,427
Land Department	-	60,007,998	60,007,998	28,633	59,979,365
Education Practices & Standards Board	-	-	-	-	-
State Library	5,263,975	-	5,263,975	2,537,654	2,726,321
School for the Deaf	6,718,772	145,611	6,864,383	3,342,005	3,522,378
School for the Blind	3,797,240	-	3,797,240	2,052,796	1,744,444
Vocational Education	27,981,679	-	27,981,679	13,437,384	14,544,295
Health & Human Services:					
Dept. of Health	34,013,780	(135,629)	33,878,151	12,642,438	21,235,713
Veteran's Home	5,553,323	1,542,126	7,095,449	3,564,881	3,530,568
Indian Affairs Commission	822,878	2,328	825,206	419,444	405,762
Veteran's Affairs	1,417,219	-	1,417,219	641,873	775,346
Dept. of Human Services-Management	32,777,092	11,889,898	44,666,990	15,670,256	28,996,734
Dept. of Human Services-Program and Policy	737,967,143	(1,907,584)	736,059,559	361,389,988	374,669,571
Dept. of Human Services-Centers	161,280,984	70,694	161,351,678	74,062,508	87,289,170
Protection and Advocacy	1,985,365	-	1,985,365	898,965	1,086,400
Job Service	1,879,892	7,200	1,887,092	619,260	1,267,832
Regulatory:					
Insurance Commission	-	-	-	-	-
Industrial Commission	17,075,613	1,000,000	18,075,613	8,734,763	9,340,850
Labor Commission	1,540,125	10,000	1,550,125	714,320	835,805
Public Service Commission	6,020,215	3,600	6,023,815	2,628,321	3,395,494
Securities Commissioner	1,909,220	-	1,909,220	823,642	1,085,578
Public Safety and Corrections:					
Highway Patrol	34,443,274	681,870	35,125,144	16,396,197	18,728,947
Division of Emergency Management	-	-	-	-	-
Corrections & Rehab	159,565,919	2,820,823	162,386,742	77,698,925	84,687,817
Adjutant General	29,353,555	3,849,358	33,202,913	12,721,532	20,481,381
Agriculture & Commerce:					
Department of Commerce	41,759,865	7,030,421	48,790,286	29,873,399	18,916,887
Department of Agriculture	8,196,746	64,609	8,261,355	3,512,549	4,748,806
State Fair	730,000	-	730,000	227,370	502,630
Racing Commission	317,501	-	317,501	182,165	135,336
Natural Resources:					
Historical Society	13,034,891	35,124,697	48,159,588	20,615,134	27,544,454
Council on the Arts	1,363,602	-	1,363,602	633,865	729,737
Parks and Recreation	16,623,556	1,026,210	17,649,766	8,696,049	8,953,717
Water Commission	14,995,199	-	14,995,199	8,125,830	6,869,369
Transportation:					
Aeronautics Commission	554,500	-	554,500	554,500	-
Department of Transportation	5,850,000	-	5,850,000	1,967,774	3,882,226
Transfers Out	788,085,254	32,925,870	821,011,124	367,447,785	453,563,339
Total Charges to Appropriations	4,066,853,792	256,258,858	4,323,112,650	2,224,144,068	2,098,968,581
Ending Budgetary Fund Balance	\$ 51,123,958	\$ (256,258,858)	\$ (205,044,900)	\$ 861,080,338	\$ 1,066,125,237

STATE OF NORTH DAKOTA

Required Supplemental Information
Budgetary Comparison Schedule
Budget to GAAP Reconciliation
General Fund
For the Fiscal Year Ended June 30, 2012

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	2,520,275,804
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	1,261,325,827
Certain due from other funds are recorded under GAAP, but not Budget	(3,327,446.00)
Reimbursement activity between state agencies is eliminated only for GAAP	(354,303)
Proceeds are recorded for new capital leases on GAAP, but not for Budget	85,568
Repayment received on loan receivable are revenue for Budget to GAAP	(697)
Total revenues and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 3,778,004,753</u>

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	2,224,144,068
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	44,153,144
New capital leases are recorded as expenditures for GAAP, but not for Budget	86,265
Certain due to other funds are recorded under GAAP, but not for Budget	2,121,179
Total expenditures and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 2,270,504,656</u>

STATE OF NORTH DAKOTA

Required Supplemental Information Budgetary Comparison Schedule Federal Fund For the Fiscal Year Ended June 30, 2012

	Approved Budget 2011-2013 Biennium	Appropriation Adjustments 2011-2013 Biennium	Adjusted Budget 2011-2013 Biennium	Actual Biennium To Date Thru 6-30-12	Difference Uncollected/ Unspent Thru 6-30-12
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):					
Other Budgeted Income	3,279,019,744	963,863,091	4,242,882,835	1,728,251,586	(2,514,631,248)
Total Revenue Inflows	<u>3,279,019,744</u>	<u>963,863,091</u>	<u>4,242,882,835</u>	<u>1,728,251,586</u>	<u>(2,514,631,248)</u>
Amounts Available for Appropriation	3,279,019,744	963,863,091	4,242,882,835	1,728,251,586	2,514,631,248
Charges to Appropriations (Outflows):					
General Government:					
Governor's Office	21,517,716	(9,215,990)	12,301,726	11,039,740	1,261,986
Secretary of State	6,056,812	(250,000)	5,806,812	1,098,687	4,708,125
Office of Management & Budget	-	-	-	-	-
Information Technology	10,325,000	-	10,325,000	1,581,548	8,743,452
State Auditor	918,583	-	918,583	427,298	491,285
Attorney General	13,363,481	100,000	13,463,481	3,424,842	10,038,639
Tax Department	10,000	-	10,000	-	10,000
Administrative Hearings	-	-	-	-	-
Legislative Assembly	-	-	-	-	-
Supreme Court	1,856,775	-	1,856,775	810,213	1,046,562
Legal Counsel for Indigents	-	-	-	-	-
Education:					
Public Instruction	347,668,814	(12,231,795)	335,437,019	144,630,027	190,806,992
State Library	2,042,758	-	2,042,758	912,341	1,130,417
School for the Deaf	266,701	40,000	306,701	130,189	176,512
School for the Blind	-	-	-	-	-
Vocational Education	10,561,914	-	10,561,914	4,239,328	6,322,586
Health & Human Services:					
Dept. of Health	122,681,625	-	122,681,625	50,888,847	71,792,778
Tobacco Prevention & Control	-	-	-	-	-
Veteran's Home	-	29,475	29,475	-	29,475
Indian Affairs	-	-	-	-	-
Dept. of Human Services-Management	45,802,544	56,549,212	102,351,756	23,408,362	78,943,394
Dept. of Human Services-Program and Policy	1,417,023,189	(3,344,399)	1,413,678,790	606,798,691	806,880,099
Dept. of Human Services-Centers	96,532,031	(119,403)	96,412,628	48,858,358	47,554,270
Protection and Advocacy	3,118,888	-	3,118,888	1,292,912	1,825,976
Job Service	69,600,082	(2,500,000)	67,100,082	26,992,623	40,107,459
Regulatory:					
Insurance Department	1,812,751	1,450,768	3,263,519	520,486	2,743,033
Industrial Commission	263,485	-	263,485	135,141	128,344
Labor Commission	424,511	165,400	589,911	200,149	389,762
Public Service Commission	12,036,648	-	12,036,648	6,444,118	5,592,530
Financial Institutions Securities Commission	-	-	-	-	-
Public Safety and Corrections:					
Highway Patrol	6,499,563	-	6,499,563	2,418,205	4,081,358
Division of Emergency Management	-	-	-	-	-
Corrections & Rehab	8,249,468	-	8,249,468	3,818,223	4,431,245
Adjutant General	211,335,824	332,252,942	543,588,766	185,369,168	358,219,598
Agriculture & Commerce:					
Department of Commerce	79,868,603	242,000,000	321,868,603	39,581,346	282,287,257
Department of Agriculture	7,479,497	-	7,479,497	2,641,465	4,838,032
State Seed	-	-	-	-	-
Natural Resources:					
Historical Society	3,550,413	-	3,550,413	954,490	2,595,923
Council on the Arts	1,791,345	-	1,791,345	762,344	1,029,001
Game and Fish	29,902,607	2,500,000	32,402,607	15,001,850	17,400,757
Parks and Recreation	6,757,335	(1,970,705)	4,786,630	1,273,263	3,513,367
Water Commission	53,984,383	-	53,984,383	15,448,142	38,536,241
Transportation:					
Aeronautics Commission	4,696,000	-	4,696,000	34,024	4,661,976
Department of Transportation	681,020,398	358,407,585	1,039,427,983	527,115,166	512,312,817
Total Charges to Appropriations	<u>3,279,019,744</u>	<u>963,863,091</u>	<u>4,242,882,835</u>	<u>1,728,251,586</u>	<u>2,514,631,249</u>
Ending Budgetary Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -

STATE OF NORTH DAKOTA

Required Supplemental Information Budgetary Comparison Schedule Budget to GAAP Reconciliation Federal Fund For the Fiscal Year ended June 30, 2012

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

Sources/Inflows of resources

Actual Amounts (budgetary basis) "total revenue inflows" from the budgetary comparison schedule	1,728,251,586
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	(9,232,030)
Total revenues and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 1,719,019,556</u>

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	1,728,251,586
Differences-Budget to GAAP:	
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	5,088,130
New Loans issued are expenditures for Budget but not for GAAP	1,033,996
GAAP, but not Budget expenditures are reduced by year end inventory balances	5,870,749
Intrafund activity eliminated for GAAP	(20,632,925)
Total expenditures and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 1,719,611,536</u>

STATE OF NORTH DAKOTA

Required Supplemental Information Budgetary Comparison Schedule State Fund For the Fiscal Year Ended June 30, 2012

	Approved Budget 2011-2013 Biennium	Appropriation Adjustments 2011-2013 Biennium	Adjusted Budget 2011-2013 Biennium	Actual Biennium To Date Thru 6-30-12	Difference Uncollected/ Unspent Thru 6-30-12
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):					
Other Budgeted Income	2,156,778,567	309,754,212	2,466,532,779	956,567,052	(1,509,965,727)
Total Revenue Inflows	2,156,778,567	309,754,212	2,466,532,779	956,567,052	(1,509,965,727)
Amounts Available for Appropriation	2,156,778,567	309,754,212	2,466,532,779	956,567,052	1,509,965,727
Charges to Appropriations (Outflows):					
General Government:					
Governor's Office	-	-	-	-	-
Secretary of State	730,172	352,526	1,082,698	432,642	650,056
Office of Management & Budget	10,514,461	-	10,514,461	4,333,038	6,181,423
Information Technology	134,751,683	19,346,077	154,097,760	54,315,840	99,781,920
State Auditor	1,508,939	-	1,508,939	638,706	870,233
Attorney General	14,063,696	553,675	14,617,371	4,658,954	9,958,417
Tax Department	-	-	-	-	-
Administrative Hearings	1,827,199	-	1,827,199	1,069,497	757,702
Legislative Assembly	70,000	-	70,000	66,471	3,529
Supreme Court	325,499	-	325,499	141,932	183,567
Legal Counsel for Indigents	1,970,852	-	1,970,852	222,827	1,748,025
Public Employees Retirement System	6,867,890	597,338	7,465,228	3,103,018	4,362,210
Education:					
Public Instruction	108,534,609	-	108,534,609	55,024,400	53,510,209
Land Department	105,465,189	5,000,000	110,465,189	12,752,006	97,713,183
State Library	91,852	-	91,852	786	91,066
School for the Deaf	1,821,306	160,000	1,981,306	369,748	1,611,558
School for the Blind	835,091	-	835,091	76,024	759,067
Vocational Education	204,974	-	204,974	2,538	202,436
Health & Human Services:					
Dept. of Health	38,267,128	-	38,267,128	6,930,694	31,336,434
Tobacco Prevention & Control	12,922,614	-	12,922,614	5,717,891	7,204,723
Veteran's Home	15,343,323	30,894	15,374,217	6,736,080	8,638,137
Indian Affairs	-	-	-	-	-
Dept. of Human Services-Management	1,997,030	-	1,997,030	839,488	1,157,542
Dept. of Human Services-Program and Policy	82,988,414	-	82,988,414	27,850,522	55,137,892
Dept. of Human Services-Centers	29,057,624	-	29,057,624	12,101,020	16,956,604
Protection and Advocacy	-	-	-	-	-
Job Service	516,724	2,500,000	3,016,724	4,866,448	(1,849,724)
Regulatory:					
Insurance Department	16,588,979	(808,418)	15,780,561	6,958,645	8,821,916
Industrial Commission	46,503,271	-	46,503,271	16,177,743	30,325,528
Labor Commission	-	-	-	-	-
Public Service Commission	1,025,000	-	1,025,000	7,129	1,017,871
Financial Institutions	6,836,318	-	6,836,318	3,094,001	3,742,317
Securities Commission	317,199	-	317,199	43,361	273,838
Public Safety and Corrections:					
Highway Patrol	5,025,762	-	5,025,762	2,512,881	2,512,881
Division of Emergency Management	-	-	-	-	-
Corrections & Rehab	23,356,682	44,534,196	67,890,878	35,780,966	32,109,912
Adjutant General	41,268,554	37,756,693	79,025,247	17,019,110	62,006,137
Agriculture & Commerce:					
Department of Commerce	8,766,334	836,767	9,603,101	1,478,220	8,124,881
Department of Agriculture	7,321,754	36,000	7,357,754	3,174,760	4,182,994
State Seed Department	6,894,011	-	6,894,011	2,503,066	4,390,945
Racing Commission	130,000	-	130,000	30,080	99,920
Natural Resources:					
Historical Society	-	12,060,000	12,060,000	-	12,060,000
Council of Arts	63,515	-	63,515	845	62,670
Game and Fish	35,785,135	(643,582)	35,141,553	16,535,075	18,606,478
Parks and Recreation	5,912,197	2,000,000	7,912,197	3,682,459	4,229,738
Water Commission	390,435,838	50,000,000	440,435,838	184,635,741	255,800,097
Transportation:					
Aeronautics Commission	7,837,688	1,251,645	9,089,333	3,384,330	5,705,003
Department of Transportation	982,034,061	134,190,401	1,116,224,462	457,298,070	658,926,392
Total Charges to Appropriations	2,156,778,567	309,754,212	2,466,532,779	956,567,052	1,509,965,727
Ending Budgetary Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -

STATE OF NORTH DAKOTA

Required Supplemental Information Budgetary Comparison Schedule Budget to GAAP Reconciliation State Fund For the Fiscal Year ended June 30, 2012

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	956,567,052
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	1,156,957,789
Total revenues and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u><u>\$ 2,113,524,841</u></u>

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	956,567,052
Differences-Budget to GAAP:	
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	1,212,946,424
New Loans issued are expenditures for Budget but not for GAAP	(25,830,824)
GAAP, but not Budget expenditures are reduced by year end inventory balances	(419,685)
Intrafund activity eliminated for GAAP	(231,664,096)
Certain due to other funds are recorded under GAAP, but not for Budget	(3,929,314)
Total expenditures and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u><u>\$ 1,907,669,557</u></u>

STATE OF NORTH DAKOTA

Note To Required Supplemental Information - Budgetary Reporting For the Fiscal Year Ended June 30, 2012

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 2011-2013 Biennium Budget and Actual Detail (Budgetary Basis) For the Fiscal Year Ended June 30, 2012." This budget information is available through the Office of Management and Budget, 600 East Boulevard Ave Dept. 110, Bismarck, ND 58505. For the 2011-2013 biennium there were general, federal, and special fund supplemental appropriations of \$1,529,876,161.

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, 2012, 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, 2012**

	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	\$ 360,057	\$ 174,000	\$ 62,202	\$ -	\$ 236,202	\$ 2,931,000	\$ 3,527,259
Cash and Cash Equivalents	-	-	-	1,588,455	1,588,455	-	1,588,455
Investments at the Bank of ND	-	6,038,000	-	7,989,898	14,027,898	-	14,027,898
Investments	44,349,731	-	-	984,000	984,000	-	45,333,731
Taxes Receivable - Net	260,414	-	-	-	-	-	260,414
Interest Receivable - Net	168,254	-	-	40,404	40,404	-	208,658
Due from Other Funds	-	6,000	-	-	6,000	-	6,000
Loans and Notes Receivable - Net	29,875,898	-	-	-	-	-	29,875,898
Total Assets	\$ 75,014,354	\$ 6,218,000	\$ 62,202	\$ 10,602,757	\$ 16,882,959	\$ 2,931,000	\$ 94,828,313
LIABILITIES AND FUND BALANCE							
Liabilities:							
Accounts Payable	\$ 11,074	\$ 32,000	\$ -	\$ -	\$ 32,000	\$ -	\$ 43,074
Securities Lending Collateral	10,301,052	-	-	-	-	-	10,301,052
Due to Other Funds	341,973	-	-	-	-	224,000	565,973
Total Liabilities	10,654,099	32,000	-	-	32,000	224,000	10,910,099
Fund Balances:							
Nonspendable	64,342,175	-	-	-	-	-	64,342,175
Restricted	-	6,186,000	62,202	10,602,757	16,850,959	2,707,000	19,557,959
Committed	18,080	-	-	-	-	-	18,080
Total Fund Balances	64,360,255	6,186,000	62,202	10,602,757	16,850,959	2,707,000	83,918,214
Total Liabilities and Fund Balances	\$ 75,014,354	\$ 6,218,000	\$ 62,202	\$ 10,602,757	\$ 16,882,959	\$ 2,931,000	\$ 94,828,313

STATE OF NORTH DAKOTA

Combining Statement of Revenues, Expenditures and Changes in Fund Balance Nonmajor Governmental Funds For the Fiscal Year Ended June 30, 2012

	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	\$ 3,162,664	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,162,664
Intergovernmental	-	-	4,868,418	-	4,868,418	-	4,868,418
Sales and Services	-	-	-	1,344,447	1,344,447	-	1,344,447
Interest and Investment Income	1,064,427	203,000	219	46,815	250,034	118,000	1,432,461
Total Revenues	4,227,091	203,000	4,868,637	1,391,262	6,462,899	118,000	10,807,990
EXPENDITURES							
Current:							
General Government	67,182	-	-	-	-	-	67,182
Debt Service:							
Principal	-	7,106,000	3,595,000	5,541,961	16,242,961	-	16,242,961
Interest and Other Charges	-	3,211,000	1,726,615	4,372,017	9,309,632	-	9,309,632
Total Expenditures	67,182	10,317,000	5,321,615	9,913,978	25,552,593	-	25,619,775
Revenues over (under) Expenditures	4,159,909	(10,114,000)	(452,978)	(8,522,716)	(19,089,694)	118,000	(14,811,785)
OTHER FINANCING SOURCES (USES)							
Refunding Bonds Issued	-	20,004,000	-	-	20,004,000	-	20,004,000
Payment on Refunded Bonds	-	(25,041,000)	-	-	(25,041,000)	-	(25,041,000)
Transfers In	-	11,095,000	476,678	8,369,758	19,941,436	-	19,941,436
Transfers Out	(3,249,221)	-	-	-	-	(374,000)	(3,623,221)
Total Other Financing Sources (Uses)	(3,249,221)	6,058,000	476,678	8,369,758	14,904,436	(374,000)	11,281,215
Net Change in Fund Balances	910,688	(4,056,000)	23,700	(152,958)	(4,185,258)	(256,000)	(3,530,570)
Fund Balances - Beginning of Year	63,449,567	10,242,000	38,502	10,755,715	21,036,217	2,963,000	87,448,784
Fund Balances - End of Year	\$ 64,360,255	\$ 6,186,000	\$ 62,202	\$ 10,602,757	\$ 16,850,959	\$ 2,707,000	\$ 83,918,214

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.

Bank Of North Dakota

985 – Rebuilders Loan Program

Fund used to make loans to North Dakota 2011 flood-damaged homeowners to provide financial assistance needed to repair their home.

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, 2012

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Developmentally Disabled Facility Loan	Fire and Tornado	Guaranteed Student Loan	HIT Planning Loan Fund
ASSETS							
Current Assets:							
Cash Deposits at the Bank of ND	\$ 10,099,979	\$ 1,472,724	\$ 6,053,894	\$ -	\$ 2,693,390	\$ 3,948,613	\$ -
Cash and Cash Equivalents	-	-	-	-	-	-	-
Investments at the Bank of ND	-	-	-	-	-	9,946,102	-
Investments	-	1,658,363	-	-	21,985,743	-	-
Accounts Receivable - Net	-	29,791	-	-	66,374	74,028	-
Interest Receivable - Net	-	26,945	201,993	-	129,089	-	2,327
Intergovernmental Receivable - Net	-	-	-	-	-	2,499,665	-
Due from Other Funds	-	-	-	-	-	314,068	-
Due from Fiduciary Funds	-	-	-	-	-	-	-
Prepaid Items	1,385,316	-	-	-	198,360	-	-
Inventory	-	-	-	-	-	-	-
Loans and Notes Receivable - Net	-	-	665,397	-	-	-	517,410
Other Assets	-	-	-	-	-	-	-
Restricted Cash at the Bank of ND	-	-	-	-	-	3,716,521	385,154
Restricted Investments at the Bank of ND	-	-	-	-	-	5,500,000	-
Total Current Assets	11,485,295	3,187,823	6,921,284	-	25,072,956	25,998,997	904,891
Noncurrent Assets:							
Restricted Cash at the Bank of ND	-	-	-	-	-	-	-
Restricted Investments	-	-	-	-	-	-	-
Loans and Notes Receivable - Net	-	-	15,192,250	-	-	-	3,940,662
Restricted Loans Receivable - Net	-	-	-	-	-	-	-
Unamortized Bond Issuance Costs	-	-	-	-	-	-	-
Other Noncurrent Assets	3,029,068	-	-	-	-	-	-
Capital Assets:							
Nondepreciable	-	-	-	-	-	-	-
Depreciable, Net	-	-	-	-	-	-	-
Total Noncurrent Assets	3,029,068	-	15,192,250	-	-	-	3,940,662
Total Assets	14,514,363	3,187,823	22,113,534	-	25,072,956	25,998,997	4,845,553
LIABILITIES							
Current Liabilities:							
Accounts Payable	-	49	-	-	7,367	358,286	5,424
Accrued Payroll	-	1,341	-	-	42,779	-	-
Interest Payable	-	983	-	-	20,233	-	-
Intergovernmental Payable	-	-	-	-	-	1,422,187	-
Due to Other Funds	-	740	20,738	-	55,956	1,677,696	-
Due to Fiduciary Funds	-	-	-	-	-	-	-
Claims/Judgments Payable	-	205,280	-	-	516,545	-	-
Compensated Absences Payable	-	92	-	-	2,692	-	-
Bonds Payable	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	1,171,000	-
Total Current Liabilities	-	208,485	20,738	-	645,572	4,629,169	5,424
Noncurrent Liabilities:							
Intergovernmental Payable	-	-	-	-	-	6,705,362	-
Claims/Judgments Payable	-	-	-	-	1,295,000	-	-
Compensated Absences Payable	-	1,753	-	-	51,140	-	-
Bonds Payable	-	-	-	-	-	-	-
Other Noncurrent Liabilities	-	-	-	-	-	9,043,259	-
Total Noncurrent Liabilities	-	1,753	-	-	1,346,140	15,748,621	-
Total Liabilities	-	210,238	20,738	-	1,991,712	20,377,790	5,424
Net Assets							
Invested in Capital Assets, Net of Related Debt	-	-	-	-	-	-	-
Restricted for:							
Debt Service	-	-	-	-	-	-	-
Loan Purposes	-	-	-	-	-	600,658	-
Unemployment Compensation	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Unrestricted	14,514,363	2,977,585	22,092,796	-	23,081,244	5,020,549	4,840,129
Total Net Assets	\$ 14,514,363	\$ 2,977,585	\$ 22,092,796	\$ -	\$ 23,081,244	\$ 5,621,207	\$ 4,840,129

Mill and Elevator	PERS Uniform Group Insurance	Rebuilders Loan Program	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 409,809	\$ 7,934,070	\$ 131,672	\$ 1,144,435	\$ 2,541,701	\$ 8,003,166	\$ 533,000	\$ 144,700	\$ 45,111,153
-	5,871,098	-	900	-	-	-	125,962,722	131,834,720
-	-	-	-	-	-	9,014,000	-	18,960,102
-	-	-	-	-	-	-	-	23,644,106
40,881,659	349,826	-	441,959	114,275	308,411	-	31,938,970	74,205,293
-	-	39,805	-	-	-	324,000	864,121	1,588,280
-	-	-	-	2,569,030	-	30,000	795,936	5,894,631
-	1,315	-	156,687	-	-	12,000	21	484,091
-	53,245	-	-	-	-	-	-	53,245
442,004	-	-	33,093	38,702	4,447	-	-	2,101,922
25,523,902	-	-	1,850,641	-	-	-	-	27,374,543
593,971	-	-	-	-	-	5,913,000	-	7,689,778
-	-	12,150	-	-	-	-	-	12,150
-	-	-	-	-	-	-	-	4,101,675
-	-	-	-	-	-	500,000	-	6,000,000
67,851,345	14,209,554	183,627	3,627,715	5,263,708	8,316,024	16,326,000	159,706,470	349,055,689
-	-	-	-	250,871	-	-	-	250,871
-	-	-	-	219,055	-	-	-	219,055
-	-	22,945,096	-	-	-	29,161,000	-	71,239,008
-	-	-	-	-	-	3,200,000	-	3,200,000
-	-	-	-	556	-	32,000	-	32,556
315,228	-	218,700	-	-	1,245,341	-	-	4,808,337
5,029,052	76,626	-	-	390,816	-	-	-	5,496,494
33,310,653	2,295,009	-	1,211,670	23,014,385	18,129	-	-	59,849,846
38,654,933	2,371,635	23,163,796	1,211,670	23,875,683	1,263,470	32,393,000	-	145,096,167
106,506,278	16,581,189	23,347,423	4,839,385	29,139,391	9,579,494	48,719,000	159,706,470	494,151,856
15,124,854	341,587	-	174,846	1,819,675	599,726	11,000	2,658,218	21,101,032
158,024	55,121	-	132,149	-	58,739	-	-	448,153
-	-	-	243	6,440	-	2,000	-	29,899
-	-	-	-	-	-	-	2,872,571	4,294,758
28,225,409	15,278	20,537	262,325	1,055,793	7,016,102	480,000	104,841	38,935,415
-	462,804	-	-	-	-	-	-	462,804
-	-	-	-	-	-	-	-	721,825
41,508	4,268	-	5,228	30,000	-	-	-	83,788
-	-	-	-	418,539	-	-	-	418,539
-	4,729,052	-	8,805	-	364,302	-	-	6,273,159
43,549,795	5,608,110	20,537	583,596	3,330,447	8,038,869	493,000	5,635,630	72,769,372
-	-	-	-	-	-	-	-	6,705,362
-	-	-	-	-	-	-	-	1,295,000
788,657	69,185	-	131,886	31,777	41,921	-	-	1,116,319
-	-	-	-	-	-	3,200,000	-	3,200,000
-	-	-	-	-	-	-	-	9,043,259
788,657	69,185	-	131,886	31,777	41,921	3,200,000	-	21,359,940
44,338,452	5,677,295	20,537	715,482	3,362,224	8,080,790	3,693,000	5,635,630	94,129,312
38,339,705	2,371,635	-	949,345	22,986,662	18,129	-	-	64,665,476
-	-	-	-	469,926	-	431,000	-	900,926
-	-	-	-	-	-	-	-	600,658
-	-	-	-	-	-	-	154,070,840	154,070,840
-	5,727,424	-	-	-	1,245,341	-	-	6,972,765
23,828,121	2,804,835	23,326,886	3,174,558	2,320,579	235,234	44,595,000	-	172,811,879
\$ 62,167,826	\$ 10,903,894	\$ 23,326,886	\$ 4,123,903	\$ 25,777,167	\$ 1,498,704	\$ 45,026,000	\$ 154,070,840	\$ 400,022,544

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, 2012

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Developmentally Disabled Facility Loan	Fire and Tornado	Guaranteed Student Loan	HIT Planning Loan Fund
OPERATING REVENUES							
Sales and Services	\$ -	\$ 1,009,476	\$ -	\$ -	\$ 4,513,749	\$ 4,303,912	\$ -
Royalties and Rents	-	-	-	-	-	-	-
Interest and Investment Income	137,539	-	497,691	21,212	-	-	44,797
Miscellaneous	-	-	-	-	-	-	-
Total Operating Revenues	137,539	1,009,476	497,691	21,212	4,513,749	4,303,912	44,797
OPERATING EXPENSES							
Cost of Sales and Services	-	-	-	-	-	-	-
Salaries and Benefits	-	14,495	-	-	504,520	-	-
Operating	721,137	970,697	88,130	6,681	2,917,860	3,734,941	87,759
Claims	-	3,529	-	-	1,461,273	-	-
Interest	-	-	-	14,574	-	-	-
Depreciation	-	-	-	-	-	-	-
Miscellaneous	4,500	-	-	-	-	-	-
Total Operating Expenses	725,637	988,721	88,130	21,255	4,883,653	3,734,941	87,759
Operating Income (Loss)	(588,098)	20,755	409,561	(43)	(369,904)	568,971	(42,962)
NONOPERATING REVENUES (EXPENSES)							
Grants and Contracts	-	-	-	-	-	-	-
Interest and Investment Income	9,137	138,243	9,191	43	1,206,628	114,981	-
Interest Expense	-	(4,496)	-	-	(62,189)	-	-
Gain (Loss) on Sale of Capital Assets	-	-	-	-	-	-	-
Other	-	21,077	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	9,137	154,824	9,191	43	1,144,439	114,981	-
Income (Loss) Before Contributions and Transfers	(578,961)	175,579	418,752	-	774,535	683,952	(42,962)
Transfers In	1,400,000	-	-	-	-	-	-
Transfer Out	-	-	-	-	-	-	-
Change in Net Assets	821,039	175,579	418,752	-	774,535	683,952	(42,962)
Total Net Assets - Beginning of Year	13,693,324	2,802,006	21,674,044	-	22,306,709	4,937,255	4,883,091
Total Net Assets - End of Year	\$ 14,514,363	\$ 2,977,585	\$ 22,092,796	\$ -	\$ 23,081,244	\$ 5,621,207	\$ 4,840,129

Mill and Elevator	PERS Uniform Group Insurance	Rebuilders Loan Program	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 262,662,335	\$ 1,000,083	\$ -	\$ 6,449,182	\$ 1,298,850	\$ 26,587,851	\$ -	\$ 126,040,929	\$ 433,866,367
-	-	-	63,664	-	-	-	-	63,664
-	-	40,674	-	-	-	1,141,000	-	1,882,913
-	987,129	-	83,054	-	-	-	-	1,070,183
262,662,335	1,987,212	40,674	6,595,900	1,298,850	26,587,851	1,141,000	126,040,929	436,883,127
234,262,111	-	-	3,702,257	-	-	-	-	237,964,368
11,316,337	632,845	-	1,945,399	1,309,721	678,964	-	-	16,402,281
5,296,177	442,369	2,582,142	179,806	1,180,443	18,194,257	770,000	-	37,172,399
-	44,394	-	-	-	-	-	89,236,878	90,746,074
-	-	-	-	-	-	83,000	-	97,574
3,017,364	278,261	-	160,817	1,317,930	4,028	-	-	4,778,400
-	-	-	-	-	-	-	-	4,500
253,891,989	1,397,869	2,582,142	5,988,279	3,808,094	18,877,249	853,000	89,236,878	387,165,596
8,770,346	589,343	(2,541,468)	607,621	(2,509,244)	7,710,602	288,000	36,804,051	49,717,531
-	-	-	-	3,347,639	-	-	-	3,347,639
22,635	55,652	-	-	6,510	4,351	27,000	3,391,686	4,986,057
(757,014)	(1,000)	-	(7,014)	(21,111)	-	-	-	(852,824)
-	-	-	(88,656)	-	-	-	-	(88,656)
12,431	(224,090)	-	-	(2,858,107)	-	-	-	(3,048,689)
(721,948)	(169,438)	-	(95,670)	474,931	4,351	27,000	3,391,686	4,343,527
8,048,398	419,905	(2,541,468)	511,951	(2,034,313)	7,714,953	315,000	40,195,737	54,061,058
-	-	25,868,354	-	17,370	-	-	-	27,285,724
(4,259,581)	-	-	-	-	(7,622,500)	(1,082,000)	-	(12,964,081)
3,788,817	419,905	23,326,886	511,951	(2,016,943)	92,453	(767,000)	40,195,737	68,382,701
58,379,009	10,483,989	-	3,611,952	27,794,110	1,406,251	45,793,000	113,875,103	331,639,843
\$ 62,167,826	\$ 10,903,894	\$ 23,326,886	\$ 4,123,903	\$ 25,777,167	\$ 1,498,704	\$ 45,026,000	\$ 154,070,840	\$ 400,022,544

STATE OF NORTH DAKOTA

Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Fiscal Year Ended June 30, 2012

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Develop- mentally Disabled Facility Loan	Fire and Tornado	Guaranteed Student Loan	HIT Planning Loan Fund
Cash Flows from Operating Activities:							
Receipts from Customers and Users	\$ -	\$ 38,732	\$ -	\$ -	\$ 4,459,743	\$ 2,363,853	\$ -
Interest Income on Loans	320,595	-	-	-	-	-	44,459
Receipts from Loan Principal Repayments	-	-	-	-	-	15,331,912	506,592
Receipts from Other Funds	-	-	-	-	9,896	-	-
Receipts from Others	-	-	-	-	-	-	-
Payments to Other Funds	-	364	-	-	8,954	-	-
Payments for Loan Funds	-	-	-	-	-	(14,298,186)	-
Payments to Suppliers	(1,959,306)	(9,257)	(89,124)	(7,525)	(2,781,792)	(2,803,772)	(20,944)
Payments to Employees	-	(14,790)	-	-	(503,167)	-	(1,041,776)
Claim Payments	-	-	-	-	(2,784,953)	-	-
Payments to Others	(5,485)	-	-	-	(136,476)	-	-
Other	-	-	-	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	(1,644,196)	15,049	(89,124)	(7,525)	(1,727,795)	593,807	(511,669)
Cash Flows from Noncapital Financing Activities:							
Proceeds from Sale of Notes and Other Borrowings	-	-	-	-	-	-	-
Principal Payments - Bonds	-	-	-	-	-	-	-
Principal Payments - Notes and Other Borrowings	-	-	-	-	-	-	-
Interest Payments - Bonds	-	-	-	-	-	-	-
Interest Payments - Notes and Other Borrowings	-	-	-	(21,575)	-	-	-
Transfers In	1,400,000	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-
Principal Payments on Due To Other Funds	-	-	-	(1,262,472)	-	-	-
Grants Received	-	-	-	-	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	1,400,000	-	-	(1,284,047)	-	-	-
Cash Flows from Capital and Related Financing Activities:							
Acquisition and Construction of Capital Assets	-	-	-	-	-	-	-
Payments For Discontinued Operations	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Net Cash Used for Capital and Related Financing Activities	-	-	-	-	-	-	-
Cash Flows from Investing Activities:							
Proceeds from Sale and Maturities of Investment Securities	-	-	-	-	696,568	21,797,556	-
Purchase of Investment Securities	-	(32,641)	-	-	-	(19,993,658)	-
Interest and Dividends on Investments	9,137	93,931	9,191	43	969,278	241,881	-
Term Federal Funds Sold	-	-	-	-	-	-	-
Receipt of Loan Principal Repayments	-	-	1,171,952	86,219	-	-	-
Proceeds from Collection of Loans and Notes Receivable	1,423,945	-	-	1,159,690	-	-	-
Loan Income Received	(2,845,518)	-	493,546	23,173	-	-	-
Proceeds from Sale of Loans	9,994,000	-	-	-	-	-	-
Net Cash Provided by (Used for) Investing Activities	8,581,564	61,290	1,674,689	1,269,125	1,665,846	2,045,779	-
Net Change in Cash:							
Net Increase (Decrease) in Cash and Cash Equivalents	8,337,368	76,339	1,585,565	(22,447)	(61,949)	2,639,586	(511,669)
Cash and Cash Equivalents at June 30, 2011	1,762,611	1,396,385	4,468,329	22,447	2,755,339	5,025,548	896,823
Cash and Cash Equivalents at June 30, 2012	\$ 10,099,979	\$ 1,472,724	\$ 6,053,894	\$ -	\$ 2,693,390	\$ 7,665,134	\$ 385,154
Reconciliation:							
Current:							
Cash Deposits at the Bank of North Dakota	\$ 10,099,979	\$ 1,472,724	\$ 6,053,894	\$ -	\$ 2,693,390	\$ 3,948,613	\$ -
Cash and Cash Equivalents	-	-	-	-	-	-	-
Restricted Cash Deposits at the Bank of North Dakota	-	-	-	-	-	3,716,521	385,154
Noncurrent:							
Restricted Cash Deposits at The Bank of North Dakota	-	-	-	-	-	-	-
Cash and Cash Equivalents	\$ 10,099,979	\$ 1,472,724	\$ 6,053,894	\$ -	\$ 2,693,390	\$ 7,665,134	\$ 385,154

Mill and Elevator	PERS Uniform Group Insurance	Rebuilders Loan Program	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 315,351,281	\$ 250,596,375	\$ -	\$ 6,738,977	\$ 1,197,581	\$ 20,111,301	\$ 7,126,000	\$ 101,435,118	\$ 709,418,961
-	-	-	-	-	-	-	-	365,054
-	-	-	-	-	-	-	-	15,838,504
-	-	-	98,107	-	-	-	-	108,003
-	-	-	-	-	-	-	141,551	141,551
-	-	-	(3,039)	-	-	-	-	6,279
-	(248,480,652)	-	(4,502,227)	(2,267,105)	(11,686,376)	(786,000)	(14,059,956)	(14,298,186)
(280,384,204)	(628,989)	-	(1,979,597)	(1,302,410)	(681,938)	-	(196,776)	(289,454,036)
(12,154,118)	-	-	-	-	-	-	(56,542,873)	(286,733,647)
-	-	(243,000)	-	-	(99,510)	-	-	(71,481,944)
-	(224,090)	-	-	-	-	-	-	(484,471)
-	-	-	-	-	-	-	-	(224,090)
22,812,959	1,262,644	(243,000)	352,221	(2,371,934)	7,643,477	6,340,000	30,777,064	63,201,978
23,750,000	-	-	-	-	-	-	-	23,750,000
-	-	-	-	-	-	(2,000,000)	-	(2,000,000)
(32,288,297)	-	-	-	-	-	-	-	(32,288,297)
-	-	-	-	-	-	(39,000)	-	(39,000)
(757,014)	-	-	-	-	-	-	-	(778,589)
-	-	-	-	1,043,932	-	-	-	2,443,932
(8,480,384)	-	-	-	-	(5,922,500)	(774,000)	-	(15,176,884)
-	-	-	-	778,609	-	-	-	(1,262,472)
-	-	-	-	-	-	-	-	778,609
(17,775,695)	-	-	-	1,822,541	(5,922,500)	(2,813,000)	-	(24,572,701)
(5,275,394)	(213,339)	-	(139,381)	(322,442)	-	-	-	(5,950,556)
-	-	-	-	(1,047,333)	-	-	-	(1,047,333)
-	-	-	-	1,073,698	-	-	-	1,073,698
-	-	-	-	(185,000)	-	-	-	(185,000)
-	-	-	(97,285)	(17,905)	-	-	-	(115,190)
-	-	-	-	(23,886)	-	-	-	(23,886)
-	-	-	(7,014)	-	-	-	-	(7,014)
-	-	-	(100)	-	-	-	-	(100)
(5,275,394)	(213,339)	-	(243,780)	(522,868)	-	-	-	(6,255,381)
-	-	-	-	221,000	-	7,142,000	-	29,857,124
-	-	-	-	(221,000)	-	(11,260,000)	-	(31,507,299)
8,110	54,652	-	-	8,440	4,540	27,000	3,408,968	4,835,171
-	-	25,868,354	-	-	-	-	-	25,868,354
-	-	(25,625,354)	-	-	-	-	-	(24,367,183)
-	-	130,803	-	-	-	-	-	2,714,438
-	-	-	-	-	-	-	-	(2,328,799)
-	-	869	-	-	-	-	-	9,994,869
8,110	54,652	374,672	-	8,440	4,540	(4,091,000)	3,408,968	15,066,675
(230,020)	1,103,957	131,672	108,441	(1,063,821)	1,725,517	(564,000)	34,186,032	47,440,571
639,829	12,701,211	-	1,036,894	3,856,393	6,277,649	1,097,000	91,921,390	133,857,848
\$ 409,809	\$ 13,805,168	\$ 131,672	\$ 1,145,335	\$ 2,792,572	\$ 8,003,166	\$ 533,000	\$ 126,107,422	\$ 181,298,419
\$ 409,809	\$ 7,934,070	\$ 131,672	\$ 1,144,435	\$ 2,541,701	\$ 8,003,166	\$ 533,000	\$ 144,700	\$ 45,111,153
-	5,871,098	-	900	-	-	-	125,962,722	131,834,720
-	-	-	-	-	-	-	-	4,101,675
-	-	-	-	250,871	-	-	-	250,871
\$ 409,809	\$ 13,805,168	\$ 131,672	\$ 1,145,335	\$ 2,792,572	\$ 8,003,166	\$ 533,000	\$ 126,107,422	\$ 181,298,419

STATE OF NORTH DAKOTA

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds (Continued)
For the Fiscal Year Ended June 30, 2012**

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Develop- mentally Disabled Facility Loan	Fire and Tornado	Guaranteed Student Loan	HIT Planning Loan Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:							
Operating Income (Loss)	\$ (588,098)	\$ 20,755	\$ 409,561	\$ (43)	\$ (369,904)	\$ 568,971	\$ (42,962)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:							
Depreciation	-	-	-	-	-	-	-
Amortization/Accretion	-	-	-	-	-	-	-
Reclassification of Interest Revenue/Expense	-	-	(497,691)	16,362	-	-	-
Loss On Sale of Real Estate	-	-	-	-	-	-	-
Interest Received on Program Loans	-	-	-	-	-	-	-
Receipt of Loan Principal Repayments	-	-	-	-	-	-	-
Provision for Losses	(609,367)	-	-	(23,000)	-	142,895	-
Premiums Collected	-	-	-	-	-	-	66,000
Other	-	-	-	-	-	74,592	-
Change in Assets and Liabilities:							
(Increase) Decrease in Accounts Receivable	-	(9,321)	-	-	(54,006)	(21,942)	-
(Increase) Decrease in Interest Receivable	183,026	-	-	-	-	-	(338)
Decrease in Due From	-	-	-	-	9,896	25,217	-
Decrease in Intergovernmental Receivable	-	-	-	-	-	170,711	-
Increase in Notes Receivable	-	-	-	-	-	-	(535,183)
(Increase) Decrease in Prepaid Items	(617,845)	-	-	-	(3,262)	-	-
Increase in Inventories	-	-	-	-	-	-	-
(Increase) Decrease in Other Assets	-	-	-	-	-	-	-
Increase (Decrease) in Accounts Payable	-	381	-	-	2,853	(19,534)	814
Increase in Interest Payable	-	-	-	-	-	-	-
Increase (Decrease) in Claims/Judgments Payable	-	3,529	-	-	(1,323,680)	-	-
Increase (Decrease) in Intergovernmental Payable	-	-	-	-	-	(464,833)	-
Increase (Decrease) in Accrued Payroll	-	117	-	-	1,764	-	-
Increase (Decrease) in Compensated Absences Payable	-	(412)	-	-	(410)	-	-
Increase (Decrease) in Due To	(10,957)	-	(994)	(844)	8,954	(233,500)	-
Increase in Deferred Revenue	-	-	-	-	-	351,230	-
Decrease in Other Liabilities	(955)	-	-	-	-	-	-
Total Adjustments	(1,056,098)	(5,706)	(498,685)	(7,482)	(1,357,891)	24,836	(468,707)
Net Cash Provided by (Used for) Operating Activities	\$ (1,644,196)	\$ 15,049	\$ (89,124)	\$ (7,525)	\$ (1,727,795)	\$ 593,807	\$ (511,669)
Noncash Transactions:							
Net Change in Fair Value of Investments	\$ -	\$ 60,912	\$ -	\$ -	\$ 169,186	\$ -	\$ -
Amortization of Bond Discount	-	-	-	-	-	-	-
Amortization of Bond Issuance Costs	-	-	-	-	-	-	-
Interest Revenue on Prize Reserves	-	-	-	-	-	-	-
FEMA Receivable from Federal & State Governments	-	-	-	-	-	-	-
Total Noncash Transactions	\$ -	\$ 60,912	\$ -	\$ -	\$ 169,186	\$ -	\$ -

Mill and Elevator	PERS Uniform Group Insurance	Rebuilder's Loan	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 8,770,346	\$ 589,343	\$ (2,541,468)	\$ 607,621	\$ (2,509,244)	\$ 7,710,602	\$ 288,000	\$ 36,804,051	\$ 49,717,531
3,017,364	-	-	160,817	1,317,930	4,029	-	-	4,500,140
-	278,262	-	-	-	-	96,000	-	374,262
-	-	-	-	-	-	37,000	-	(444,329)
-	-	(40,674)	-	-	-	-	-	(40,674)
-	-	-	-	-	-	124,000	-	124,000
-	-	-	-	-	-	5,817,000	-	5,817,000
387,009	-	-	-	-	-	4,000	-	(98,463)
-	-	2,549,455	-	-	-	-	-	2,615,455
56,773	(224,090)	-	-	-	-	-	-	(92,725)
4,856,774	(53,480)	-	135,239	(101,269)	(128,118)	-	(6,496,172)	(1,872,295)
-	-	-	-	-	-	-	-	182,688
-	82,211	-	98,107	-	-	-	1,595	217,026
-	-	-	-	-	-	-	8,163	178,874
-	-	-	-	-	-	-	-	(535,183)
8,127	-	-	(20,938)	(2,560)	2,275	-	-	(634,203)
5,044,528	-	-	(530,955)	-	-	-	-	4,513,573
(12,752)	-	(230,850)	168	-	(100,533)	-	-	(343,967)
1,497,701	300,126	-	(71,019)	(1,084,102)	196,956	-	599,597	1,423,773
-	-	-	-	-	-	(2,000)	-	(2,000)
-	-	-	-	-	-	-	-	(1,320,151)
-	2,052	-	-	-	-	-	(105,589)	(568,370)
(839,395)	(11)	-	(11,555)	-	384	-	-	(848,696)
1,613	3,865	-	(22,643)	7,311	(3,086)	-	-	(13,762)
-	183,413	20,537	-	-	(65,983)	(24,000)	(34,581)	(157,955)
-	100,953	-	7,838	-	26,951	-	-	486,972
24,871	-	-	(459)	-	-	-	-	23,457
14,042,613	673,301	2,298,468	(255,400)	137,310	(67,125)	6,052,000	(6,026,987)	13,484,447
\$ 22,812,959	\$ 1,262,644	\$ (243,000)	\$ 352,221	\$ (2,371,934)	\$ 7,643,477	\$ 6,340,000	\$ 30,777,064	\$ 63,201,978
\$ -	\$ -	\$ -	\$ -	\$ (1,930)	\$ -	\$ -	\$ -	\$ 228,168
-	-	-	-	8,754	-	-	-	8,754
-	-	-	-	3,335	-	-	-	3,335
-	-	-	-	-	105	-	-	105
-	-	-	-	2,569,030	-	-	-	2,569,030
\$ -	\$ -	\$ -	\$ -	\$ 2,579,189	\$ 105	\$ -	\$ -	\$ 2,809,392

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, 2012

	Central Services	Fleet Services	Information Technology Department	Risk Management	Total
ASSETS					
Current Assets:					
Cash Deposits at the Bank of ND	\$ 1,542,852	\$ 2,028,407	\$ 7,680,592	\$ 2,704,416	\$ 13,956,267
Cash and Cash Equivalents	6,992	654,546	-	1,004	662,542
Investments	-	-	-	9,723,321	9,723,321
Accounts Receivable - Net	28,185	48,459	192,346	-	268,990
Interest Receivable - Net	-	-	-	55,912	55,912
Intergovernmental Receivable - Net	75,858	-	122,223	-	198,081
Due from Other Funds	214,439	1,600,298	4,966,963	19,235	6,800,935
Prepaid Items	4,295	26,144	1,416,493	-	1,446,932
Inventory	85,163	-	-	-	85,163
Total Current Assets	1,957,784	4,357,854	14,378,617	12,503,888	33,198,143
Noncurrent Assets:					
Unamortized Bond Issuance Costs	-	-	19,948	-	19,948
Capital Assets:					
Depreciable, Net	169,033	81,775,743	10,954,318	32,783	92,931,877
Total Noncurrent Assets	169,033	81,775,743	10,974,266	32,783	92,951,825
Total Assets	2,126,817	86,133,597	25,352,883	12,536,671	126,149,968
LIABILITIES					
Current Liabilities:					
Accounts Payable	101,592	688,347	1,230,540	215	2,020,694
Accrued Payroll	72,726	166,847	1,891,261	29,991	2,160,825
Interest Payable	-	-	-	8,250	8,250
Intergovernmental Payable	-	-	696	-	696
Due to Other Funds	6,077	14,094,311	25,474	3,928	14,129,790
Claims/Judgments Payable	-	-	-	1,861,586	1,861,586
Compensated Absences Payable	3,474	3,985	93,639	2,015	103,113
Capital Leases Payable	93,971	-	-	-	93,971
Bonds Payable	-	-	710,658	-	710,658
Total Current Liabilities	277,840	14,953,490	3,952,268	1,905,985	21,089,583
Noncurrent Liabilities:					
Claims/Judgments Payable	-	-	-	5,437,918	5,437,918
Compensated Absences Payable	66,001	73,091	1,717,552	32,671	1,889,315
Capital Leases Payable	50,005	-	-	-	50,005
Bonds Payable	-	-	819,565	-	819,565
Total Noncurrent Liabilities	116,006	73,091	2,537,117	5,470,589	8,196,803
Total Liabilities	393,846	15,026,581	6,489,385	7,376,574	29,286,386
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	25,057	81,775,743	10,954,318	32,783	92,787,901
Unrestricted	1,707,914	(10,668,727)	7,909,180	5,127,314	4,075,681
Total Net Assets	\$ 1,732,971	\$ 71,107,016	\$ 18,863,498	\$ 5,160,097	\$ 96,863,582

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, 2012

	Central Services	Fleet Services	Information Technology Department	Risk Management	Total
OPERATING REVENUES					
Sales and Services	\$ 3,580,907	\$ 28,477,452	\$ 53,268,445	\$ 5,820,284	\$ 91,147,088
Miscellaneous	-	33,284	-	-	33,284
Total Operating Revenues	3,580,907	28,510,736	53,268,445	5,820,284	91,180,372
OPERATING EXPENSES					
Cost of Sales and Services	1,335,950	-	-	-	1,335,950
Salaries and Benefits	910,262	2,099,106	22,029,781	416,675	25,455,824
Operating	462,600	18,460,382	25,270,564	660,510	44,854,056
Claims	-	-	-	4,950,529	4,950,529
Depreciation	88,100	8,539,603	4,900,781	15,954	13,544,438
Total Operating Expenses	2,796,912	29,099,091	52,201,126	6,043,668	90,140,797
Operating Income (Loss)	783,995	(588,355)	1,067,319	(223,384)	1,039,575
NONOPERATING REVENUES (EXPENSES)					
Interest and Investment Income	-	-	-	656,528	656,528
Interest Expense	(14,447)	-	(89,028)	(22,261)	(125,736)
Gain on Sale of Capital Assets	-	731,676	-	-	731,676
Other	1,142	-	16,108	-	17,250
Total Nonoperating Revenues (Expenses)	(13,305)	731,676	(72,920)	634,267	1,279,718
Income Before Contributions and Transfers	770,690	143,321	994,399	410,883	2,319,293
Capital Grants and Contributions Transfers In	-	480,193	-	-	480,193
	-	296,293	-	-	296,293
Changes in Net Assets	770,690	919,807	994,399	410,883	3,095,779
Total Net Assets - Beginning of Year	962,281	70,187,209	17,869,099	4,749,214	93,767,803
Total Net Assets - End of Year	\$ 1,732,971	\$ 71,107,016	\$ 18,863,498	\$ 5,160,097	\$ 96,863,582

STATE OF NORTH DAKOTA

Combining Statement of Cash Flows Internal Service Funds For the Fiscal Year Ended June 30, 2012

	Central Services	Fleet Services	Information Technology	Risk Management	Total
Cash Flows from Operating Activities:					
Receipts from Customers and Users	\$ 3,566,309	\$ 28,545,576	\$ 53,030,278	\$ 5,820,284	\$ 90,962,447
Receipts from Other Funds	-	7,897	-	-	7,897
Payments to Other Funds	-	(104,947)	-	-	(104,947)
Payments to Suppliers	(1,909,660)	(19,155,540)	(24,344,949)	(672,999)	(46,083,148)
Payments to Employees	(840,623)	(2,084,368)	(21,632,904)	(426,038)	(24,983,933)
Claim Payments	-	-	-	(335,713)	(335,713)
Payments to Others	-	-	-	(3,913,258)	(3,913,258)
Net Cash Provided by Operating Activities	816,026	7,208,618	7,052,425	472,276	15,549,345
Cash Flows from Noncapital Financing Activities:					
Interest Payments - Notes and Other Borrowings	(448)	-	-	-	(448)
Transfers In from Other Funds	-	296,293	-	-	296,293
Collection of Advances to Other Funds	-	11,000,000	-	-	11,000,000
Other	27,691	-	-	-	27,691
Net Cash Provided by Noncapital Financing Activities	27,243	11,296,293	-	-	11,323,536
Cash Flows from Capital and Related Financing Activities:					
Acquisition and Construction of Capital Assets	(24,500)	(19,900,871)	(4,613,599)	-	(24,538,970)
Proceeds from Sale of Capital Assets	-	3,634,066	-	-	3,634,066
Principal Payments - Notes and Other Borrowings	-	-	(694,550)	-	(694,550)
Interest Payments - Notes and Other Borrowings	-	-	(89,028)	-	(89,028)
Payment on Capital Leases	(94,072)	-	-	(1,573)	(95,645)
Interest Payments - Capital Leases	(13,999)	-	-	(62)	(14,061)
Net Cash Used for Capital and Related Financing Activities	(132,571)	(16,266,805)	(5,397,177)	(1,635)	(21,798,188)
Cash Flows from Investing Activities:					
Purchase of Investment Securities	-	-	-	(1,807,277)	(1,807,277)
Interest and Dividends on Investments	-	-	-	383,642	383,642
Net Cash Used for Investing Activities	-	-	-	(1,423,635)	(1,423,635)
Net Change in Cash:					
Net Increase (Decrease) in Cash and Cash Equivalents	710,698	2,238,106	1,655,248	(952,994)	3,651,058
Cash and Cash Equivalents at June 30, 2011	839,146	444,847	6,025,344	3,658,414	10,967,751
Cash and Cash Equivalents at June 30, 2012	\$ 1,549,844	\$ 2,682,953	\$ 7,680,592	\$ 2,705,420	\$ 14,618,809
Reconciliation:					
Cash Deposits at the Bank of North Dakota	\$ 1,542,852	\$ 2,028,407	\$ 7,680,592	\$ 2,704,416	\$ 13,956,267
Cash and Cash Equivalents	6,992	654,546	-	1,004	662,542
Cash and Cash Equivalents	\$ 1,549,844	\$ 2,682,953	\$ 7,680,592	\$ 2,705,420	\$ 14,618,809
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) for Operating Activities:					
Operating Income (Loss)	\$ 783,995	\$ (588,356)	\$ 1,067,319	\$ (223,384)	\$ 1,039,574
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	88,100	8,539,603	4,894,132	15,954	13,537,789
Amortization/Accretion	-	-	6,649	-	6,649
Other	(26,549)	-	-	-	(26,549)
Change in Assets and Liabilities:					
Decrease in Accounts Receivable	988	34,840	52,805	-	88,633
(Increase) Decrease in Due From	30,972	-	(366,167)	1,182	(334,013)
(Increase) Decrease in Intergovernmental Receivable	(43,760)	(104,947)	75,195	-	(73,512)
(Increase) Decrease in Prepaid Items	-	(26,144)	628,101	-	601,957
Decrease in Inventories	5,765	-	-	-	5,765
Increase (Decrease) in Accounts Payable	(16,086)	(669,013)	321,829	(1,080)	(364,350)
Increase in Claims/Judgments Payable	-	-	-	697,385	697,385
Increase in Intergovernmental Payable	-	7,897	113	-	8,010
Increase (Decrease) in Accrued Payroll	(2,466)	7,618	224,514	(3,617)	226,049
Increase (Decrease) in Compensated Absences Payable	(3,088)	7,120	172,363	(5,746)	170,649
Decrease in Due To	(1,845)	-	(24,428)	(8,418)	(34,691)
Total Adjustments	32,031	7,796,974	5,985,106	695,660	14,509,771
Net Cash Provided by Operating Activities	\$ 816,026	\$ 7,208,618	\$ 7,052,425	\$ 472,276	\$ 15,549,345
Noncash Transactions:					
Net Increase in Fair Value of Investments	\$ -	\$ -	\$ -	\$ 250,121	\$ 250,121
Decrease in Securities Lending Collateral	-	-	-	(153)	(153)
Total Noncash Transactions	\$ -	\$ -	\$ -	\$ 249,968	\$ 249,968

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 SAVE

940 - College SAVE

Program established by the State of North Dakota to encourage the investment of funds to be used for qualified higher education expenses at institutions of higher education.

MANDAN REMEDIATION TRUST

943 - Mandan Remediation Trust

Accounts for the funds obtained from a lawsuit settlement for the remediation efforts of the North Dakota Health Department and the City of Mandan.

Agency Funds

BONDING

402 - Sales and Use Tax Deposit Fund

Accounts for cash received in lieu of a surety bond for sales tax permit holders.

403 - Motor Fuel Cash Bond Deposit Fund

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

939 - Public Service Commission Trustee Account

Accounts for savings certificates posted in lieu of performance bonds for surface mining activities and grain elevator insolvency cases.

942 - Agriculture Cash and Investment

Accounts for securities or bonds in lieu of a surety bond relating to the operation of livestock dealers, auction markets and dairy plants.

944 - Cash Bonds

Accounts for the financial resources for the plugging of abandoned oil and gas wells and the reclamation of abandoned oil and gas well sites.

945 - Insurance Company Deposits

Accounts for securities of domestic insurance companies required by the NDCC to keep on deposit with the Insurance Commissioner securities in a value equal to the policies they have in force.

947 - District Court Bond Fund

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

PAYROLL

461 - OMB Unemployment/Payroll Clearing Fund

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

CHILD SUPPORT

463 - Child Support Disbursement Unit Fund

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

STUDENT AND OTHER

406 - Drivers License Trust Fund

Accounts for cash received from a motor vehicle operator involved in an accident and has no automobile liability policy and the driver was negligent.

946 - District Court Collection Fund

Accounts for collections for third parties.

986 - Developmental Center Residents' Funds

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

990 - Veteran's Home-Custodial

Accounts for resident's personal funds.

991 - State Hospital Patients

Accounts for patient's personal funds.

992 - Prisoner Accounts

Accounts for prisoner's personal fund.

993 - Youth Correctional Center Student Accounts

Account for the student's personal funds.

994 - School for the Deaf Students

Account for the students personal funds.

TAX COLLECTION

434 - City Lodging Tax Suspense

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

435 - City Sales Tax Suspense

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

437 - City Motor Vehicle Rental Tax

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

438 - City Restaurant and Lodge Tax Suspense

A city tax, at a rate not to exceed one percent, upon the gross receipts of retailers on the leasing or renting of hotel, motel, or tourist court accommodations within the city and gross receipts of a restaurant from any sales of prepared food or beverages, not including alcoholic beverages for consumption off the premises where purchased is collected by the State Tax Commissioner. Proceeds, net of a 3% administrative fee which is deposited into the general fund, are remitted quarterly to each city collecting the tax.

STATE OF NORTH DAKOTA

Combining Statement of Fiduciary Net Assets Pension, Investment and Private-Purpose Trust Funds June 30, 2012

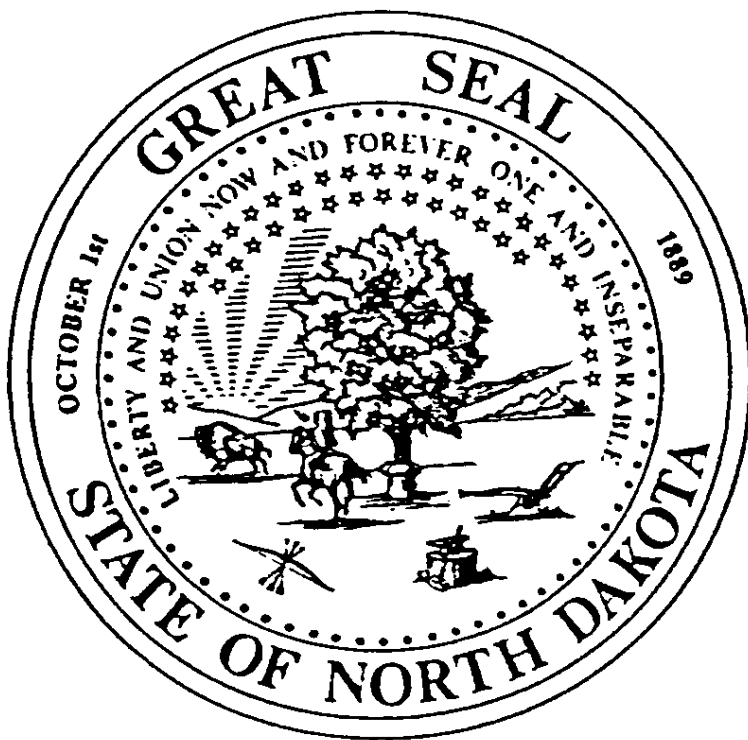
Pension and Other Employee Benefit Trust Funds						
	Deferred Compensation	Defined Contribution Retirement	Highway Patrolmen's Retirement	Job Service Retirement	PERS Flexcomp	Prefunded Retiree Health Program
ASSETS						
Cash Deposits at the Bank of ND Cash and Cash Equivalents	\$ 104,069	\$ 80,724	\$ -	\$ 176	\$ 214,422	\$ 55,282
Receivables:						
Contributions Receivable	-	155,579	-	6,341	550,377	711,331
Accounts Receivable - Net	-	-	-	-	-	-
Interest Receivable - Net	-	-	77,746	63,276	-	67,527
Due from Other Funds	-	-	-	-	-	420,349
Due from Fiduciary Funds	22,085	-	1,111	12,956	14,452	115,854
Total Receivables	22,085	155,579	78,857	82,573	564,829	1,315,061
Investments, at Fair Value:						
Investments at the Bank of ND	-	-	-	-	-	-
Equity Pool	-	-	25,722,266	34,308,190	-	36,131,488
Fixed Income Pool	-	794,568	11,690,739	50,097,236	-	25,920,425
Cash and Cash Pool	-	-	822,919	284,806	-	-
Real Estate Pool	-	-	9,946,907	-	-	-
Alternative Investments	-	-	2,981,381	-	-	-
Annuities	83,974	-	-	-	-	-
Mutual Funds	40,023,768	21,781,144	-	-	-	-
Total Investments	40,107,742	22,575,712	51,164,212	84,690,232	-	62,051,913
Invested Securities Lending Collateral	-	-	-	-	-	-
Prepaid Items	354	-	-	-	177	525,768
Capital Assets (Net of Depreciation)	1,581,090	21,711	27,414	18,561	790,545	301,873
Total Assets	41,815,340	22,833,726	51,270,483	84,791,542	1,569,973	64,249,897
LIABILITIES						
Accounts Payable	15,532	-	-	77,024	11,202	39,229
Accrued Payroll	31,828	-	-	-	20,837	-
Securities Lending Collateral	-	-	-	-	-	-
Due to Other Funds	9,047	-	-	2,026	4,665	51,219
Due to Fiduciary Funds	-	5,506	27,368	5,952	-	240,372
Deferred Revenue	14,575	-	-	-	-	-
Compensated Absences Payable	39,366	-	-	-	26,605	-
Total Liabilities	110,348	5,506	27,368	85,002	63,309	330,820
NET ASSETS						
Net Assets Held in Trust for:						
Pension Benefits	41,704,992	22,828,220	51,243,115	84,706,540	-	63,919,077
Other Employee Benefits	-	-	-	-	1,506,664	-
External Investment Pool Participants	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-
Total Net Assets	\$ 41,704,992	\$ 22,828,220	\$ 51,243,115	\$ 84,706,540	\$ 1,506,664	\$ 63,919,077

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
\$ 3,703,624	\$ 14,370,170	\$ 18,528,467	\$ 45,332	\$ 210,472	\$ -	\$ 277,854	\$ 533,658
-	-	-	-	-	-	-	-
6,587,177	11,081,895	19,092,700	-	-	-	-	-
-	-	-	-	-	-	-	-
2,618,666	6,832,046	9,659,261	51,429	1,987	-	30,127	83,543
42,545	-	462,894	-	-	-	-	-
239,522	1,461	407,441	-	-	-	-	-
9,487,910	17,915,402	29,622,296	51,429	1,987	-	30,127	83,543
-	-	-	-	-	-	-	-
864,941,012	812,749,740	1,773,852,696	40,793,336	493,924	26,763,559	31,973,596	100,024,415
393,114,636	370,045,662	851,663,266	27,740,940	945,998	11,541,195	22,812,611	63,040,744
27,671,620	21,082,755	49,862,100	763,380	-	881,086	425,720	2,070,186
334,476,268	315,768,906	660,192,081	17,852,997	-	6,790,996	4,569,923	29,213,916
100,252,385	104,823,271	208,057,037	1,464,177	-	2,475,378	1,593,469	5,533,024
-	-	83,974	-	-	-	-	-
-	-	61,804,912	-	-	-	-	-
1,720,455,921	1,624,470,334	3,605,516,066	88,614,830	1,439,922	48,452,214	61,375,319	199,882,285
-	-	-	-	-	-	-	-
707	-	527,006	-	-	-	-	-
3,140,468	762	5,882,424	-	-	-	-	-
1,736,788,630	1,656,756,668	3,660,076,259	88,711,591	1,652,381	48,452,214	61,683,300	200,499,486
2,444,323	2,592,998	5,180,308	112,306	1,494	71,234	108,870	293,904
71,568	-	124,233	-	-	-	-	-
-	-	-	-	-	-	-	-
22,268	14,011	103,236	-	-	-	-	-
126,783	-	405,981	-	-	-	-	-
-	-	14,575	-	-	-	-	-
83,792	-	149,763	-	-	-	-	-
2,748,734	2,607,009	5,978,096	112,306	1,494	71,234	108,870	293,904
1,734,039,896	1,654,149,659	3,652,591,499	-	-	-	-	-
-	-	1,506,664	-	-	-	-	-
-	-	-	88,599,285	1,650,887	48,380,980	61,574,430	200,205,582
-	-	-	-	-	-	-	-
\$ 1,734,039,896	\$ 1,654,149,659	\$ 3,654,098,163	\$ 88,599,285	\$ 1,650,887	\$ 48,380,980	\$ 61,574,430	\$ 200,205,582

STATE OF NORTH DAKOTA

Combining Statement of Fiduciary Net Assets Pension, Investment and Private-Purpose Trust Funds (Continued) June 30, 2012

	Private-Purpose Trust Funds			
	Student and Cultural Donations	Mandan Remediation Trust	College SAVE	Total
ASSETS				
Cash Deposits at the Bank of ND	\$ 118,827	\$ 7,975,795	\$ -	\$ 8,094,622
Cash and Cash Equivalents	12,400	1,573,157	569,457	2,155,014
Receivables:				
Contributions Receivable	-	-	-	-
Accounts Receivable - Net	-	-	466,763	466,763
Interest Receivable - Net	1,121	-	-	1,121
Due from Other Funds	-	-	-	-
Due from Fiduciary Funds	-	-	-	-
Total Receivables	1,121	-	466,763	467,884
Investments, at Fair Value:				
Investments at the Bank of ND	21,512	-	-	21,512
Equity Pool	-	-	-	-
Fixed Income Pool	716,666	-	-	716,666
Cash and Cash Pool	-	-	-	-
Real Estate Pool	-	-	-	-
Alternative Investments	-	-	-	-
Annuities	-	-	-	-
Mutual Funds	-	-	307,370,982	307,370,982
Total Investments	738,178	-	307,370,982	308,109,160
Invested Securities Lending Collateral	46,317	-	-	46,317
Prepaid Items	-	-	-	-
Capital Assets (Net of Depreciation)	-	-	-	-
Total Assets	916,843	9,548,952	308,407,202	318,872,997
LIABILITIES				
Accounts Payable	353	46,129	1,042,242	1,088,724
Accrued Payroll	-	-	-	-
Securities Lending Collateral	46,317	-	-	46,317
Due to Other Funds	-	-	-	-
Due to Fiduciary Funds	-	-	-	-
Deferred Revenue	-	-	-	-
Compensated Absences Payable	-	-	-	-
Total Liabilities	46,670	46,129	1,042,242	1,135,041
NET ASSETS				
Net Assets Held in Trust for:				
Pension Benefits	-	-	-	-
Other Employee Benefits	-	-	-	-
External Investment Pool Participants	-	-	-	-
Other Purposes	870,173	9,502,823	307,364,960	317,737,956
Total Net Assets	\$ 870,173	\$ 9,502,823	\$ 307,364,960	\$ 317,737,956



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STATE OF NORTH DAKOTA

Combining Statement of Changes in Fiduciary Net Assets Pension, Investment and Private-Purpose Trust Funds For the Fiscal Year Ended June 30, 2012

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	\$ -	\$ 756,229	\$ 1,423,154	\$ -	\$ -	\$ 9,388,040
Employee	5,365,541	736,573	893,784	83,351	6,237,746	6,248,540
From Participants	-	-	-	-	-	-
Transfers from Other Funds	425,000	188,904	-	-	-	-
Transfers from Other Plans	119,785	-	-	-	-	-
Donations	-	-	-	-	-	-
Total Contributions	5,910,326	1,681,706	2,316,938	83,351	6,237,746	15,636,580
Investment Income:						
Net Change in Fair Value of Investments	(677,974)	(346,694)	(1,168,833)	456,149	-	163,508
Interest and Dividends	1,312,914	718,571	1,255,072	2,908,939	832	1,587,362
Less Investment Expense	62,828	8,453	190,880	264,891	-	146,395
Net Investment Income	572,112	363,424	(104,641)	3,100,197	832	1,604,475
Securities Lending Activity:						
Securities Lending Income	-	-	295	436	-	-
Less Securities Lending Expense	-	-	(44)	(73)	-	-
Net Securities Lending Income	-	-	339	509	-	-
Repurchase Service Credit	-	-	13,911	-	-	423,449
Miscellaneous Income	224,305	12,518	68	-	675,046	-
Total Additions	6,706,743	2,057,648	2,226,615	3,184,057	6,913,624	17,664,504
DEDUCTIONS						
Benefits Paid to Participants	3,283,524	630,885	3,661,649	4,170,969	6,306,230	6,237,718
Refunds	-	-	598	-	-	2,071
Prefunded Credit Applied	-	-	-	-	-	6,092,429
Transfer to Other Plans	-	-	-	-	200,910	-
Payments in Accordance with Trust Agreements	-	-	-	-	-	-
Administrative Expenses	739,869	17,164	26,674	25,980	438,406	171,393
Total Deductions	4,023,393	648,049	3,688,921	4,196,949	6,945,546	12,503,611
Purchase (Redemption) of Units at Net Asset Value of \$1.00 Per Unit	-	-	-	-	-	-
Change in Net Assets Held in Trust for:						
Pension Benefits	2,683,350	1,409,599	(1,462,306)	(1,012,892)	-	5,160,893
Other Employee Benefits	-	-	-	-	(31,922)	-
External Investment Pool Participants	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-
Net Assets - Beginning of Year	39,021,642	21,418,621	52,705,421	85,719,432	1,538,586	58,758,184
Net Assets - End of Year	\$ 41,704,992	\$ 22,828,220	\$ 51,243,115	\$ 84,706,540	\$ 1,506,664	\$ 63,919,077

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
\$ 38,005,854	\$ 46,126,193	\$ 95,699,470	\$ -	\$ -	\$ -	\$ -	\$ -
36,095,927	40,254,562	95,916,024	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	613,904	-	-	-	-	-
-	-	119,785	-	-	-	-	-
-	-	-	-	-	-	-	-
74,101,781	86,380,755	192,349,183	-	-	-	-	-
(38,969,879)	(55,818,260)	(96,361,983)	185,820	(21,216)	(489,579)	(320,571)	(645,546)
41,845,593	39,954,588	89,583,871	2,371,230	53,400	1,114,196	1,661,210	5,200,036
6,359,713	5,661,973	12,695,133	309,888	4,749	165,831	202,390	682,858
(3,483,999)	(21,525,645)	(19,473,245)	2,247,162	27,435	458,786	1,138,249	3,871,632
9,843	8,737	19,311	451	7	255	285	998
(1,461)	(5,384)	(6,962)	(88)	(4)	(43)	(163)	(298)
11,304	14,121	26,273	539	11	298	448	1,296
6,503,853	2,417,995	9,359,208	-	-	-	-	-
8,700	9,854	930,491	-	-	-	-	-
77,141,639	67,297,080	183,191,910	2,247,701	27,446	459,084	1,138,697	3,872,928
94,083,387	135,250,568	253,624,930	-	-	-	-	-
4,805,045	2,479,194	7,286,908	-	-	-	-	-
-	-	6,092,429	-	-	-	-	-
412,994	-	613,904	-	-	-	-	-
-	-	-	-	-	-	-	-
1,856,915	1,596,976	4,873,377	-	-	-	-	-
101,158,341	139,326,738	272,491,548	-	-	-	-	-
-	-	-	7,500,000	-	494,683	(1,775,000)	6,219,683
(24,016,702)	(72,029,658)	(89,267,716)	-	-	-	-	-
-	-	(31,922)	-	-	-	-	-
-	-	-	9,747,701	27,446	953,767	(636,303)	10,092,611
-	-	-	-	-	-	-	-
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
\$ 1,734,039,896	\$ 1,654,149,659	\$ 3,654,098,163	\$ 88,599,285	\$ 1,650,887	\$ 48,380,980	\$ 61,574,430	\$ 200,205,582

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,

	Private-Purpose Trust Funds			
	Student and Cultural Donations	Mandan Remediation Trust	College SAVE	Total
ADDITIONS				
Contributions:				
Employer	\$ -	\$ -	\$ -	\$ -
Employee	-	-	-	-
From Participants	-	-	27,221,398	27,221,398
Transfers from Other Funds	-	-	-	-
Transfers from Other Plans	-	-	-	-
Donations	8,494	-	-	8,494
Total Contributions	8,494	-	27,221,398	27,229,892
Investment Income:				
Net Change in Fair Value of Investments	(1,219)	-	(603,179)	(604,398)
Interest and Dividends	18,683	12,924	8,749,658	8,781,265
Less Investment Expense	-	-	-	-
Net Investment Income	17,464	12,924	8,146,479	8,176,867
Securities Lending Activity:				
Securities Lending Income	-	-	-	-
Less Securities Lending Expense	-	-	-	-
Net Securities Lending Income	-	-	-	-
Repurchase Service Credit	-	-	-	-
Miscellaneous Income	2,000	-	-	2,000
Total Additions	27,958	12,924	35,367,877	35,408,759
DEDUCTIONS				
Benefits Paid to Participants	-	-	-	-
Refunds	-	-	-	-
Prefunded Credit Applied	-	-	-	-
Transfer to Other Plans	-	-	-	-
Payments in Accordance with Trust Agreements	11,609	554,250	30,584,533	31,150,392
Administrative Expenses	2,899	14,270	2,326,212	2,343,381
Total Deductions	14,508	568,520	32,910,745	33,493,773
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	13,450	(555,596)	2,457,132	1,914,986
Net Assets - Beginning of Year	856,723	10,058,419	304,907,828	315,822,970
Net Assets - End of Year	\$ 870,173	\$ 9,502,823	\$ 307,364,960	\$ 317,737,956

STATE OF NORTH DAKOTA

Combining Statement of Fiduciary Assets and Liabilities
 Agency Funds
 June 30, 2012

	Bonding	Payroll	Child Support	Student and Other	Tax Collection	Total
ASSETS						
Cash Deposits at the Bank of ND	\$ 6,292,123	\$ 278,950	\$ 3,218,760	\$ 729,350	\$ 11,439,902	\$ 21,959,085
Cash and Cash Equivalents	3,699,935	-	248,328	354,696	3,213,800	7,516,759
Investments at the Bank of ND	25,760,619	-	-	115,682	-	25,876,301
Investments	250,000	-	-	4,881	-	254,881
Accounts Receivable - Net	32,495	8,348,945	-	-	-	8,381,440
Taxes Receivable - Net	-	-	-	-	31,310,273	31,310,273
Interest Receivable - Net	-	-	-	50	-	50
Total Assets	<u>\$ 36,035,172</u>	<u>\$ 8,627,895</u>	<u>\$ 3,467,088</u>	<u>\$ 1,204,659</u>	<u>\$ 45,963,975</u>	<u>\$ 95,298,789</u>
LIABILITIES						
Intergovernmental Payable	\$ -	\$ 8,499,453	\$ -	\$ -	\$ 45,962,315	\$ 54,461,768
Tax Refunds Payable	18,000	-	-	-	1,063	19,063
Amounts Held in Custody for Others	36,017,172	128,442	3,467,088	1,204,659	597	40,817,958
Total Liabilities	<u>\$ 36,035,172</u>	<u>\$ 8,627,895</u>	<u>\$ 3,467,088</u>	<u>\$ 1,204,659</u>	<u>\$ 45,963,975</u>	<u>\$ 95,298,789</u>

STATE OF NORTH DAKOTA

Combining Statement of Changes in Assets and Liabilities Agency Funds For the Fiscal Year Ended June 30, 2012

	June 30 2011	Additions	Deductions	June 30 2012
Bonding				
ASSETS				
Cash Deposits at the Bank of ND	\$ 3,698,992	\$ 2,854,280	\$ 261,149	\$ 6,292,123
Cash and Cash Equivalents	4,717,517	5,153,030	6,170,612	3,699,935
Investments at the Bank of ND	22,965,970	3,684,668	890,019	25,760,619
Investments	363,627	10,000	123,627	250,000
Accounts Receivable - Net	22,000	32,495	22,000	32,495
Taxes Receivable - Net	36	-	36	-
Interest Receivable - Net	-	-	-	-
Total Assets	<u>\$ 31,768,142</u>	<u>\$ 11,734,473</u>	<u>\$ 7,467,443</u>	<u>\$ 36,035,172</u>
LIABILITIES				
Tax Refunds Payable	\$ 6,206	\$ 18,000	\$ 6,206	\$ 18,000
Amounts Held in Custody for Others	31,761,936	11,712,473	7,457,237	36,017,172
Total Liabilities	<u>\$ 31,768,142</u>	<u>\$ 11,730,473</u>	<u>\$ 7,463,443</u>	<u>\$ 36,035,172</u>
Payroll				
ASSETS				
Cash Deposits at the Bank of ND	\$ 217,175	\$ 99,057,730	\$ 98,995,955	\$ 278,950
Accounts Receivable - Net	8,755,568	8,348,945	8,755,568	8,348,945
Total Assets	<u>\$ 8,972,743</u>	<u>\$ 107,406,675</u>	<u>\$ 107,751,523</u>	<u>\$ 8,627,895</u>
LIABILITIES				
Intergovernmental Payable	\$ 8,864,002	\$ 8,499,452	\$ 8,864,001	\$ 8,499,453
Amounts Held in Custody for Others	108,741	98,651,106	98,631,405	128,442
Total Liabilities	<u>\$ 8,972,743</u>	<u>\$ 107,150,558</u>	<u>\$ 107,495,406</u>	<u>\$ 8,627,895</u>
Child Support				
ASSETS				
Cash Deposits at the Bank of ND	\$ 1,905,261	\$ 121,710,052	\$ 120,396,553	\$ 3,218,760
Cash and Cash Equivalents	287,276	-	38,948	248,328
Total Assets	<u>\$ 2,192,537</u>	<u>\$ 121,710,052</u>	<u>\$ 120,435,501</u>	<u>\$ 3,467,088</u>
LIABILITIES				
Amounts Held in Custody for Others	\$ 2,192,537	\$ 121,975,441	\$ 120,700,890	\$ 3,467,088
Total Liabilities	<u>\$ 2,192,537</u>	<u>\$ 121,975,441</u>	<u>\$ 120,700,890</u>	<u>\$ 3,467,088</u>

	June 30 2011	Additions	Deductions	June 30 2012
Student and Other				
ASSETS				
Cash Deposits at the Bank of ND	\$ 1,096,810	\$ 2,607,154	\$ 2,974,614	\$ 729,350
Cash and Cash Equivalents	254,747	2,052,820	1,952,871	354,696
Investments at the Bank of ND	96,023	648,919	629,260	115,682
Investments	12,757	-	7,876	4,881
Interest Receivable - Net	99	50	99	50
Other Assets	-	1,038,494	1,038,494	-
Total Assets	<u>\$ 1,460,436</u>	<u>\$ 6,347,437</u>	<u>\$ 6,603,214</u>	<u>\$ 1,204,659</u>
LIABILITIES				
Amounts Held in Custody for Others	\$ 1,460,436	\$ 6,347,437	\$ 6,603,214	\$ 1,204,659
Total Liabilities	<u>\$ 1,460,436</u>	<u>\$ 6,347,437</u>	<u>\$ 6,603,214</u>	<u>\$ 1,204,659</u>
Tax Collection				
ASSETS				
Cash Deposits at the Bank of ND	\$ 9,295,184	\$ 231,102,479	\$ 228,957,761	\$ 11,439,902
Cash and Cash Equivalents	4,014,184	21,683	822,067	3,213,800
Taxes Receivable - Net	21,447,653	31,310,273	21,447,653	31,310,273
Total Assets	<u>\$ 34,757,021</u>	<u>\$ 262,434,435</u>	<u>\$ 251,227,481</u>	<u>\$ 45,963,975</u>
LIABILITIES				
Intergovernmental Payable	\$ 34,755,646	\$ 283,047,148	\$ 271,839,882	\$ 45,962,912
Tax Refunds Payable	1,375	1,063	1,375	1,063
Total Liabilities	<u>\$ 34,757,021</u>	<u>\$ 283,048,211</u>	<u>\$ 271,841,257</u>	<u>\$ 45,963,975</u>
Total -All Agency Funds				
ASSETS				
Cash Deposits at the Bank of ND	\$ 16,213,422	\$ 457,331,695	\$ 451,586,032	\$ 21,959,085
Cash and Cash Equivalents	9,273,724	7,227,533	8,984,498	7,516,759
Investments at the Bank of ND	23,061,993	4,333,587	1,519,279	25,876,301
Investments	376,384	10,000	131,503	254,881
Accounts Receivable - Net	8,777,568	8,381,440	8,777,568	8,381,440
Taxes Receivable - Net	21,447,689	31,310,273	21,447,689	31,310,273
Interest Receivable - Net	99	50	99	50
Other Assets	-	1,038,494	1,038,494	-
Total Assets	<u>\$ 79,150,879</u>	<u>\$ 509,633,072</u>	<u>\$ 493,485,162</u>	<u>\$ 95,298,789</u>
LIABILITIES				
Intergovernmental Payable	\$ 43,619,648	\$ 291,546,600	\$ 280,703,883	\$ 54,462,365
Tax Refunds Payable	7,581	19,063	7,581	19,063
Amounts Held in Custody for Others	35,523,650	238,686,457	233,392,746	40,817,361
Total Liabilities	<u>\$ 79,150,879</u>	<u>\$ 530,252,120</u>	<u>\$ 514,104,210</u>	<u>\$ 95,298,789</u>

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STATE OF NORTH DAKOTA

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

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

	2007	2008	2009	2010	2011	2012
\$	1,151,716,486	\$ 1,400,535,033	\$ 1,323,476,716	\$ 1,450,350,320	\$ 1,640,080,874	\$ 1,943,226,802
	1,384,212,299	1,458,565,511	1,502,237,251	1,984,324,201	2,470,400,337	3,094,031,766
	894,967,295	1,119,875,688	1,562,969,653	1,772,441,595	2,537,062,796	3,635,538,536
\$	3,430,896,080	\$ 3,978,976,232	\$ 4,388,683,620	\$ 5,207,116,116	\$ 6,647,544,007	\$ 8,672,797,104
\$	527,402,572	\$ 546,699,435	\$ 578,827,822	\$ 644,108,459	\$ 706,459,639	\$ 752,357,235
	478,219,512	532,954,637	500,433,232	445,609,412	452,312,013	569,991,053
	745,972,838	653,004,847	563,679,410	749,258,206	916,758,798	957,796,166
\$	1,751,594,922	\$ 1,732,658,919	\$ 1,642,940,464	\$ 1,838,976,077	\$ 2,075,530,450	\$ 2,280,144,454
\$	1,679,119,058	\$ 1,947,234,468	\$ 1,902,304,538	\$ 2,094,458,779	\$ 2,346,540,513	\$ 2,695,584,037
	1,862,431,811	1,991,520,148	2,011,110,394	2,429,933,613	2,922,712,350	3,664,022,819
	1,640,940,133	1,772,880,535	2,118,209,152	2,521,699,801	3,453,821,594	4,593,334,702
\$	5,182,491,002	\$ 5,711,635,151	\$ 6,031,624,084	\$ 7,046,092,193	\$ 8,723,074,457	\$ 10,952,941,558

STATE OF NORTH DAKOTA

Schedule 2 -- Changes in Net Assets

Last Ten Fiscal Years

(accrual basis of accounting)

	2003	2004	2005	2006
Expenses				
Governmental Activities:				
General Governmental	\$ 226,150,473	\$ 233,633,735	\$ 243,437,116	\$ 264,911,163
Education	453,869,441	469,333,531	486,221,447	496,821,495
Health and Human Services	776,275,467	803,600,511	826,832,059	854,450,025
Regulatory	18,141,782	17,756,651	17,966,367	19,676,826
Public Safety and Corrections	99,876,170	107,036,068	132,996,669	145,479,620
Agriculture and Commerce	53,050,858	57,532,612	55,795,473	54,457,817
Natural Resources	58,940,584	63,117,591	53,440,349	62,430,892
Transportation	352,535,072	360,231,121	300,321,693	372,245,432
Interest on Long Term Debt	7,602,467	7,372,042	8,103,849	12,880,933
Total Governmental Activities Expenses	2,046,442,314	2,119,613,862	2,125,115,022	2,283,354,203
Business-Type Activities:				
Bank of North Dakota	67,919,991	58,865,964	57,501,500	\$ 71,263,587
Housing Finance	55,744,846	49,646,082	45,922,148	46,579,809
Loan Programs	12,708,660	13,846,154	13,889,079	17,235,546
State Lottery	-	5,943,739	18,917,023	15,622,027
Unemployment Compensation	56,753,361	49,327,620	43,393,675	43,314,505
University System	614,871,996	656,811,533	696,918,168	743,271,216
Workers Compensation	171,406,004	125,727,859	183,465,747	116,020,938
Other	101,793,978	101,772,990	101,659,057	116,120,539
Total Business-Type Activities Expenses	1,081,198,836	1,061,941,950	1,161,666,397	1,169,428,167
Total Primary Government Expenses	\$ 3,127,641,150	\$ 3,181,555,812	\$ 3,286,781,419	\$ 3,452,782,370
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Governmental	\$ 19,420,980	\$ 21,798,406	\$ 24,128,539	\$ 23,186,427
Education	2,727,406	3,443,449	4,082,785	3,675,283
Health and Human Services	11,491,268	19,339,252	18,744,551	29,134,050
Regulatory	14,567,967	19,476,543	16,700,094	17,072,857
Public Safety and Corrections	2,834,399	5,460,128	6,931,898	7,189,302
Agriculture and Commerce	20,349,207	20,260,986	16,234,145	22,935,699
Natural Resources	19,966,065	20,873,885	23,899,425	20,685,820
Transportation	60,534,100	64,565,890	61,057,805	77,967,969
Operating Grants and Contributions	917,576,293	1,050,657,720	1,084,731,432	1,144,749,200
Capital Grants and Contributions	102,682,160	73,412,734	81,850,194	56,556,872
Total Governmental Activities Program Revenues	1,172,149,845	1,299,288,993	1,338,360,868	1,403,153,479
Business-Type Activities:				
Charges for Services:				
Bank of North Dakota	100,995,000	88,549,000	90,838,000	107,518,000
Housing Finance	46,837,000	39,327,000	36,643,000	39,209,000
Loan Programs	14,054,083	16,980,295	17,051,963	17,406,328
State Lottery	-	6,039,180	19,283,424	22,413,359
Unemployment Compensation	60,058,581	64,644,433	60,969,669	60,709,015
University System	237,138,708	270,650,811	296,896,978	331,584,391
Workers Compensation	90,747,299	99,083,053	106,195,254	94,383,040
Other	105,000,865	110,347,110	113,293,272	120,847,785
Operating Grants and Contributions	285,158,222	309,148,951	304,001,326	283,315,181
Capital Grants and Contributions	7,929,417	9,405,153	5,997,781	577,251
Total Business-Type Activities Program Revenues	947,919,175	1,014,174,986	1,051,170,667	1,077,963,350
Total Primary Government Program Revenues	\$ 2,120,069,020	\$ 2,313,463,979	\$ 2,389,531,535	\$ 2,481,116,829
Net (Expense)/Revenue				
Governmental Activities	\$ (874,292,469)	\$ (820,324,869)	\$ (786,754,154)	\$ (880,200,724)
Business-Type Activities	(133,279,661)	(47,766,964)	(110,495,730)	(91,464,817)
Total Primary Government Net Expense	\$ (1,007,572,130)	\$ (868,091,833)	\$ (897,249,884)	\$ (971,665,541)
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes:				
Individual and Corporate Income Taxes	\$ 248,068,344	\$ 266,252,580	\$ 320,048,741	\$ 432,071,872
Sales and Use Taxes	550,220,785	599,064,637	630,178,563	678,820,618
Oil, Gas and Coal Taxes	107,448,761	112,454,541	162,919,498	210,169,616
Business and Other Taxes	62,991,361	61,395,792	57,831,733	66,601,785
Unrestricted Investment Earnings	2,539,604	1,103,625	4,105,864	12,408,573
Tobacco Settlement	14,770,608	12,640,791	12,829,714	11,712,175
Miscellaneous	9,646,690	10,528,733	22,337,630	23,696,003
Contributions to Permanent Fund Principal	13,126,756	11,262,038	13,635,693	11,156,063
Special Item - Loss on Discontinuance of Computer Project	-	-	-	-
Transfers	(159,389,462)	(152,421,836)	(170,925,314)	(215,088,572)
Total Governmental Activities	849,423,447	922,280,901	1,052,962,122	1,231,548,133
Business-Type Activities:				
Miscellaneous				
Transfers	155,306,013	155,342,786	167,349,759	188,108,694
Total Business-Type Activities	155,306,013	155,342,786	167,349,759	188,108,694
Total Primary Government	\$ 1,004,729,460	\$ 1,077,623,687	\$ 1,220,311,881	\$ 1,419,656,827
Change in Net Assets				
Governmental Activities	\$ (24,869,022)	\$ 101,956,032	\$ 266,207,968	\$ 351,347,409
Business-Type Activities	22,026,352	107,575,822	56,854,029	96,643,877
Total Primary Government	\$ (2,842,670)	\$ 209,531,854	\$ 323,061,997	\$ 447,991,286

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

	2007	2008	2009	2010	2011	2012
\$	275,242,149	\$ 313,329,720	\$ 418,220,944	\$ 393,432,224	\$ 507,512,750	\$ 617,152,026
	507,384,841	537,756,698	564,818,600	849,337,255	830,649,191	843,780,168
	874,003,750	960,439,610	1,005,299,226	1,149,201,916	1,244,163,316	1,271,569,970
	21,180,817	26,265,610	26,581,606	26,187,266	28,419,774	33,988,310
	135,581,887	135,067,907	194,263,845	284,846,465	242,521,440	303,602,543
	58,591,473	67,941,955	68,057,495	85,327,633	98,038,471	91,653,406
	57,850,544	64,090,113	64,816,773	81,304,271	117,862,905	132,679,303
	321,278,940	318,241,207	382,619,328	463,845,880	468,695,689	796,123,086
	14,438,858	13,293,248	12,683,901	11,773,684	10,461,658	9,063,514
	2,265,553,259	2,438,426,068	2,737,361,718	3,345,256,594	3,548,325,193	4,099,612,325
\$	91,261,449	\$ 108,077,704	\$ 99,089,692	\$ 80,132,606	\$ 77,556,546	\$ 71,996,932
	51,178,023	58,815,920	59,769,233	62,931,910	69,824,036	56,046,981
	9,453,454	9,657,603	6,776,733	6,315,852	6,898,226	8,092,864
	16,068,060	16,205,287	16,122,996	18,177,724	17,068,826	18,877,249
	47,524,928	46,911,958	106,475,262	137,473,630	108,482,422	89,236,878
	775,600,118	835,873,088	894,733,624	963,820,452	1,008,539,618	1,047,949,521
	231,787,346	246,581,569	168,527,183	218,185,899	300,297,491	359,216,200
	143,590,245	266,193,540	249,602,025	188,406,517	237,373,095	523,164,269
	1,366,463,623	1,588,316,669	1,601,096,748	1,675,444,590	1,826,040,260	2,174,580,894
\$	3,632,016,882	4,026,742,737	4,338,458,466	5,020,701,184	5,374,365,453	6,274,193,219
\$	22,288,219	\$ 18,874,082	\$ 24,085,311	\$ 20,683,111	\$ 26,863,061	\$ 30,255,507
	3,616,003	3,994,400	4,325,036	5,440,633	6,985,958	7,515,580
	24,970,751	31,576,197	34,200,110	31,858,461	36,563,927	36,100,539
	20,267,416	21,266,588	19,418,470	23,963,949	22,122,244	30,312,566
	7,307,975	9,451,217	10,572,514	12,310,270	14,456,950	26,263,919
	19,593,774	28,180,590	22,749,832	29,530,575	29,861,552	31,026,427
	22,678,382	26,030,413	26,553,195	30,854,355	24,772,981	31,017,855
	74,146,958	71,469,872	87,100,993	90,768,728	96,023,474	111,125,056
	1,148,061,678	1,041,410,981	1,131,838,131	2,025,395,367	2,015,949,905	2,012,322,201
	71,115,382	68,471,590	57,064,724	63,034,991	12,768,330	18,099,423
	1,414,046,538	1,320,725,930	1,417,908,316	2,333,840,440	2,286,368,382	2,334,039,074
	135,843,000	158,993,000	155,951,000	138,081,000	140,043,000	145,038,000
	45,137,000	53,106,863	53,438,021	48,814,007	54,190,469	49,583,855
	12,535,071	10,522,025	6,941,602	6,013,058	5,989,229	6,185,948
	22,772,976	22,219,058	21,815,381	24,498,988	23,085,242	26,587,851
	56,855,823	51,993,327	75,137,232	115,951,800	119,074,810	126,040,929
	351,789,074	369,469,634	400,638,083	418,085,075	438,741,616	468,992,991
	130,586,004	145,487,917	163,857,781	157,710,330	193,150,136	253,677,520
	145,427,064	261,985,312	238,431,304	201,085,424	246,210,771	278,124,295
	368,697,788	258,218,249	114,158,181	412,398,322	449,392,800	601,695,091
	7,314,326	9,244,575	10,820,227	19,762,204	14,258,261	20,975,446
	1,276,958,126	1,341,239,960	1,241,188,812	1,542,400,208	1,684,136,334	1,976,901,926
\$	2,691,004,664	2,661,965,890	2,659,097,128	3,876,240,648	3,970,504,716	4,310,941,000
\$	(851,506,721)	\$ (1,117,700,138)	\$ (1,319,453,402)	\$ (1,011,416,154)	\$ (1,261,956,811)	\$ (1,765,573,251)
	(89,505,497)	(247,076,709)	(359,907,936)	(133,044,382)	(141,903,926)	(197,678,968)
\$	(941,012,218)	(1,364,776,847)	(1,679,361,338)	(1,144,460,536)	(1,403,860,737)	(1,963,252,219)
\$	449,064,105	\$ 473,235,378	\$ 503,975,529	\$ 379,938,009	\$ 605,526,736	\$ 658,905,496
	726,913,003	797,614,476	857,770,891	885,445,674	1,121,730,307	1,543,140,897
	230,118,178	469,244,783	428,669,882	633,445,059	1,059,467,528	1,670,059,257
	54,780,147	65,487,361	60,813,632	62,075,915	69,733,806	71,974,295
	25,822,610	25,149,527	12,830,321	33,925,667	21,330,843	15,500,793
	16,097,938	20,062,331	30,990,193	23,559,384	30,453,643	22,265,336
	27,836,295	42,051,636	54,636,981	150,818,789	158,447,124	170,544,538
	15,995,440	19,181,247	11,573,541	11,203,425	999,110	12,469,733
	-	-	(3,314,057)	-	-	-
	(167,116,902)	(254,648,266)	(229,267,859)	(350,496,669)	(365,304,396)	(368,204,484)
	1,379,510,814	1,657,378,473	1,728,679,054	1,829,915,253	2,702,384,702	3,796,655,862
	-	-	-	-	-	1,940,000
	185,840,985	228,140,706	270,189,481	324,785,928	376,538,823	390,214,559
	185,840,985	228,140,706	270,189,481	324,785,928	376,538,823	392,154,559
\$	1,565,351,799	1,885,519,179	1,998,868,535	2,154,701,181	3,078,923,525	4,188,810,421
\$	528,004,093	\$ 539,678,335	\$ 409,225,652	\$ 818,499,099	\$ 1,440,427,891	\$ 2,031,082,611
	96,335,488	(18,936,003)	(89,718,455)	191,741,546	234,634,897	194,475,591
\$	624,339,581	520,742,332	319,507,197	1,010,240,645	1,675,062,788	2,225,558,202

STATE OF NORTH DAKOTA

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

(modified accrual basis of accounting)

	2003	2004	2005
General Fund			
Reserved	\$ 1,202,632	\$ 1,108,857	\$ 1,532,133
Unreserved	125,713,572	195,646,056	280,287,601
Total General Fund	126,916,204	196,754,913	281,819,734
All Other Governmental Funds			
Reserved	699,229,225	772,703,412	846,154,741
Unreserved, Reported in:			
Special Revenue Funds	365,135,360	344,890,456	440,941,175
Total All Other Governmental Funds	1,064,364,585	1,117,593,868	1,287,095,916
Total Fund Balances, Governmental Funds	\$ 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 going forward.

	2011	2012
General Fund		
Nonspendable	\$ 4,628,040	\$ 498,042,684
Committed	682,696,887	996,737,740
Unassigned	712,046,495	1,412,091,095
Total General Fund	1,399,371,422	2,906,871,519
All Other Governmental Funds		
Nonspendable	81,757,950	82,345,060
Restricted	2,371,817,130	3,003,088,539
Committed	1,055,012,373	682,600,401
Assigned	124,052,099	66,930,266
Unassigned	(3,205,875)	(3,797,855)
Total All Other Governmental Funds	3,629,433,677	3,831,166,411
Total Fund Balances, Governmental Funds	\$ 5,028,805,099	\$ 6,738,037,930

	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)

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

	2007	2008	2009	2010	2011	2012
\$	443,215,760	\$ 469,177,140	\$ 505,011,491	\$ 380,068,970	\$ 602,185,856	\$ 643,107,392
	725,523,596	795,575,768	857,400,779	883,265,443	1,120,803,578	1,542,807,423
	230,124,520	469,231,373	428,629,782	633,497,612	1,058,519,977	1,670,529,100
	54,742,121	63,575,524	61,017,632	62,344,622	70,417,133	72,084,077
	116,236,397	123,469,151	133,219,868	143,516,524	154,090,944	183,303,744
	1,061,075,404	1,088,706,508	1,252,165,449	1,692,074,692	1,610,019,463	1,753,469,275
	41,134,852	49,459,036	48,871,700	47,993,528	53,599,656	51,864,186
	64,580,931	96,037,810	125,251,686	407,051,277	328,289,031	392,165,022
	14,834,336	10,903,234	15,774,414	13,282,502	16,213,841	18,151,711
	147,584,215	(1,522,383)	(110,353,157)	181,825,499	270,760,984	74,621,630
	29,215,336	36,478,816	39,327,032	32,839,602	30,453,643	31,277,903
	13,801,240	18,152,847	16,502,864	19,558,592	23,111,279	19,710,327
	10,327,474	10,178,935	5,863,644	11,870,275	7,622,389	25,651,998
	2,952,396,182	3,229,423,759	3,378,683,184	4,509,189,138	5,346,087,774	6,478,743,788
	94,139,748	93,444,373	165,062,399	118,135,852	174,560,163	193,919,196
	506,528,869	536,359,840	564,579,714	849,104,680	830,379,618	842,666,213
	873,992,858	956,031,462	1,002,699,816	1,147,503,138	1,240,584,657	1,267,415,392
	16,987,513	19,696,747	22,284,389	22,114,812	25,371,933	30,249,484
	129,458,229	127,347,181	187,059,227	276,719,107	233,108,649	292,979,177
	58,249,503	67,675,838	67,987,832	85,141,016	97,880,158	91,516,274
	52,990,134	58,128,187	58,433,165	73,359,931	110,413,413	123,117,235
	290,317,792	283,717,240	353,240,413	425,930,371	430,542,156	753,087,144
	181,498,302	224,406,911	253,363,580	273,118,311	326,572,267	415,775,866
	143,672,671	139,215,060	113,879,585	155,148,376	233,071,350	358,083,597
	10,215,343	16,215,727	20,207,193	30,513,501	16,869,266	18,282,996
	13,341,252	13,264,977	12,280,656	12,318,072	10,659,235	9,736,260
	2,371,392,214	2,535,503,543	2,821,077,969	3,469,107,167	3,730,012,865	4,396,828,834
	581,003,968	693,920,216	557,605,215	1,040,081,971	1,616,074,909	2,081,914,954
	1,828,225	1,426,000	3,005,000	-	2,575,000	-
	23,775,068	-	-	-	5,337,000	20,004,000
	(24,588,018)	-	-	-	-	-
	-	-	-	-	(4,940,000)	(25,041,000)
	202,754	370,888	88,245	166,951	1,402,326	147,344
	230,528	1,052,750	86,625	471,890	539,837	284,974
	-	-	-	-	-	-
	241,687,946	302,221,706	278,233,887	474,985,111	566,165,036	1,162,122,470
	(408,804,848)	(556,869,970)	(507,501,746)	(825,481,779)	(931,469,432)	(1,530,199,911)
	(165,668,345)	(251,798,626)	(226,087,989)	(349,857,827)	(360,390,233)	(372,682,123)
\$	415,335,623	\$ 442,121,590	\$ 331,517,226	\$ 690,224,144	\$ 1,255,684,676	\$ 1,709,232,831
	<1%	<1%	<1%	<1%	<1%	<1%

STATE OF NORTH DAKOTA

Schedule 5 Taxable Sales by Industry Last Ten Calendar Years

	Calendar Year			
	2002	2003	2004	2005
Mining and Oil Extraction	\$ 50,329,809	\$ 58,538,788	\$ 97,973,056	\$ 131,849,866
Construction	180,975,424	193,399,184	240,018,916	294,678,543
Manufacturing	301,919,383	307,802,595	341,688,027	494,987,751
Transportation, Communications, And Public Utilities	597,154,517	721,601,734	790,441,560	915,437,434
Wholesale	1,338,621,392	1,293,684,071	1,455,025,213	1,446,044,209
Retail	3,804,865,413	3,963,823,988	4,221,825,146	3,677,485,817
Services	709,805,170	744,082,659	787,170,817	1,558,601,437
Accommodation and Food Service (1)	-	-	-	-
Miscellaneous (1)	61,072,167	64,525,223	66,126,921	47,865,825
Total	\$7,044,743,275	\$ 7,347,458,242	\$ 8,000,269,656	\$ 8,566,950,882
Effective Tax Rate	4.98%	4.95%	4.84%	4.92%

(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 2002 and 2011 (Dollars are in Millions)

	Calendar Year 2002			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Retail Trade	11,909	43.5%	235.90	67.8%
Wholesale Trade	4,814	17.6%	14.79	4.3%
Services	6,984	25.5%	37.62	10.8%
Transportation, Communications, And Public Utilities	539	2.0%	29.86	8.6%
Manufacturing	1,073	3.9%	15.10	4.3%
Construction	1,404	5.1%	9.00	2.6%
Miscellaneous	489	1.8%	3.05	0.9%
Mining and Oil Extraction	142	0.5%	2.52	0.7%
Total	27,354	100.0%	347.89	100.0%

Source: ND State Tax Department

Calendar Year					
2006	2007	2008	2009	2010	2011
\$ 191,615,942	\$ 374,201,247	\$ 951,773,654	\$ 704,397,852	\$ 1,491,748,626	\$ 3,609,963,576
352,454,828	401,485,208	452,093,539	429,559,387	494,291,922	702,237,062
543,692,333	589,463,741	697,482,110	649,627,740	711,340,542	995,535,882
954,523,004	442,079,107	654,070,303	489,144,528	390,215,115	577,280,642
1,612,369,604	1,844,174,252	2,645,755,217	2,413,689,772	3,367,800,790	4,394,667,162
3,892,914,208	4,128,221,158	4,366,831,911	4,334,670,425	4,686,288,902	5,448,304,958
1,688,764,982	1,413,161,243	1,479,230,174	1,542,498,356	1,724,349,874	2,490,644,719
-	1,058,245,321	1,149,837,849	1,179,623,344	1,271,280,053	1,471,737,060
47,955,072	-	-	-	-	-
<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>	<u>\$ 19,690,371,061</u>
4.95%	4.95%	4.97%	4.97%	4.98%	4.86%

Calendar Year 2011			
Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
10,684	36.2%	321.45	33.6%
4,939	16.7%	193.37	20.2%
7,775	26.3%	124.53	13.0%
484	1.6%	288.64	3.0%
2,588	8.8%	497.77	5.2%
2,188	7.4%	351.12	3.7%
409	1.4%	226.15	2.4%
451	1.5%	180.50	18.9%
29,518	100.0%	956.21	100.0%

STATE OF NORTH DAKOTA

Schedule 7
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands)

	2003	2004	2005	2006
Governmental Activities				
Revenue bonds	\$ 146,795	\$ 146,384	\$ 204,240	\$ 287,016
Capital leases	2,240	1,132	5,941	6,361
Notes Payable	5,671	5,455	5,613	32,314
Total Governmental Activities	<u>154,706</u>	<u>152,971</u>	<u>215,794</u>	<u>325,691</u>
Business-type Activities				
Revenue bonds	886,185	835,535	887,350	1,038,233
Capital leases	31,798	34,130	38,746	45,088
Notes payable	427,683	535,253	445,080	283,509
Total Business-Type Activities	<u>1,345,666</u>	<u>1,404,918</u>	<u>1,371,176</u>	<u>1,366,830</u>
Total Primary Government	<u>\$ 1,500,372</u>	<u>\$ 1,557,889</u>	<u>\$ 1,586,970</u>	<u>\$ 1,692,521</u>
Debt as a Percentage of Personal Income ¹	9.0%	8.6%	8.5%	8.4%
Amount of Debt per Capita ¹	\$ 2,367	\$ 2,461	\$ 2,492	\$ 2,661

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						
2007	2008	2009	2010	2011	2012	
\$ 277,932	\$ 265,665	\$ 251,526	\$ 232,102	\$ 219,221	\$ 197,021	
5,418	5,236	4,056	2,842	2,964	1,928	
32,384	35,726	26,523	19,493	8,563	7,428	
<u>315,734</u>	<u>306,627</u>	<u>282,105</u>	<u>254,437</u>	<u>230,748</u>	<u>206,377</u>	
1,073,545	1,197,845	1,051,542	1,301,368	1,193,816	1,069,257	
46,131	50,046	68,097	72,461	75,649	73,211	
263,820	250,645	318,847	412,095	403,509	481,735	
<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>1,624,203</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>	<u>\$ 1,830,580</u>	
8.1%	8.1%	6.8%	8.1%	6.6%	6.3%	
\$ 2,666	\$ 2,822	\$ 2,682	\$ 3,181	\$ 2,822	\$ 2,714	

STATE OF NORTH DAKOTA

Schedule 8 Pledged-Revenue Coverage Last Ten Fiscal Years

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Requirements		Coverage
				Principal	Interest	
BUILDING AUTHORITY BONDS						
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
2012	11,298,000	-	11,298,000	7,106,000	3,211,000	1.10
<i>Pledged revenues include interest and lease payments.</i>						
WATER COMMISSION BONDS						
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
2012	9,761,020	-	9,761,020	5,541,961	4,372,017	0.98
<i>Pledged revenues include user fees, interest, and Tobacco Settlement funds.</i>						
LIGNITE RESEARCH BONDS (3)						
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	-	-	-	-	-	-
<i>Pledged revenues include interest and royalties.</i>						
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
2012	53,268,445	47,300,345	5,968,100	694,550	89,028	7.62
<i>Pledged revenues include user fees.</i>						
DEPARTMENT OF TRANSPORTATION BONDS (1)						
2006	\$ 1,717,002	\$ -	\$ 1,717,002	\$ -	\$ 2,144,269	0.80
2007	1,501,502	-	1,501,502	161,125	2,001,689	0.69
2008	5,723,177	-	5,723,177	3,160,000	2,162,804	1.08
2009	5,379,338	-	5,379,338	3,255,000	2,067,750	1.01
2010	5,750,480	-	5,750,480	3,355,000	2,397,783	1.00
2011	5,271,363	-	5,271,363	3,465,000	1,854,138	0.99
2012	5,345,315	-	5,345,315	3,595,000	1,726,615	1.00
<i>Pledged revenues include interest and federal (intergovernmental revenues and transfers from fund 002), highway fund appropriations, and transfers from Highway fund (200).</i>						

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Requirements		Coverage
				Principal	Interest	
STUDENT LOAN TRUST						
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
2012	1,168,000	770,000	398,000	2,000,000	39,000	0.20

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

HOUSING FINANCE AGENCY

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
2012	62,386,855	42,874,000	19,512,855	246,535,000	36,562,000	0.07

Pledged revenues include income and proceeds from mortgage loan activity.

STATE FAIR ASSOCIATION (2)

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

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)
2012	708,136,180	979,701,772	(271,565,592)	27,187,867	15,553,703	(6.35)

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

- (1) First year reported is first year Agency held bonds.
- (2) Information presented for the Fiscal Year Ended September 30.
- (3) 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, 2012

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>
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	26,879,550	40,877	3.1%	350,442
2009	664,968	26,181,372	39,372	4.1%	349,561
2010	674,629	28,646,144	42,462	3.8%	358,674
2011	683,932	32,306,315	47,236	3.5%	379,433

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	2011			2002		
	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	79,100	1	20.07%	74,250	1	22.51%
Educational and Health Services	56,500	2	14.34%	46,700	2	14.16%
Retail Trade	44,700	3	11.34%	40,650	3	12.33%
Leisure and Hospitality	34,900	4	8.86%	29,850	4	9.05%
Professional and Business Services	30,200	5	7.66%	24,100	5	7.31%
Construction	24,000	6	6.09%	15,100	10	4.58%
Manufacturing	23,600	7	5.99%	23,700	6	7.19%
Wholesale Trade	22,300	8	5.66%	18,000	8	5.46%
Financial Activities	21,100	9	5.35%	18,050	7	5.47%
Transportation, Warehousing and Utilities	18,700	10	4.74%	13,000	11	3.94%
Natural Resources and Mining	16,300	11	4.14%	3,200	13	0.97%
Other Services	15,600	12	3.96%	15,250	9	4.62%
Information	7,100	13	1.80%	7,950	12	2.41%
Total	<u>394,100</u>		<u>100%</u>	<u>329,800</u>		<u>100%</u>

Note: This schedule is based on the calendar year.

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

Schedule 13
Education Enrollment
Last Ten Academic Years

Public School Enrollment

	<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>	<u>2012-13</u>
Kindergarten	6,890	6,641	6,578	6,648	6,661	7,197	6,442	7,446	8,236	8,575
Grades 1-3	21,229	21,115	20,736	20,358	20,126	20,030	20,594	21,592	22,229	23,796
Grades 4-6	22,645	22,109	21,390	21,060	20,951	20,847	20,429	20,788	20,932	22,008
Grades 7-8	16,287	16,148	15,864	15,333	14,759	14,573	14,498	14,662	14,740	14,750
Grades 9-12	34,086	33,311	32,552	32,201	31,483	30,727	30,373	30,241	29,641	30,063
Total Enrollment	101,137	99,324	97,120	95,600	93,980	93,374	92,336	94,729	95,778	99,192
Special Education Students	13,868	14,681	13,883	13,825	13,606	13,278	13,261	13,170	13,123	NA

Source: Department of Public Instruction

University System Full-Time Equivalent Student Enrollment

	<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>	<u>2012-13</u>
Bismarck State College	2,747	2,800	2,603	2,651	2,793	2,937	3,160	3,208	3,209	2,990
Dakota College at Bottineau	473	447	386	399	401	440	490	540	524	474
Dickinson State University	1,991	2,034	2,031	2,059	2,158	2,294	2,187	2,068	1,959	1,454
Lake Region State College	739	738	738	750	764	784	868	921	988	973
Mayville State University	701	761	722	652	586	563	662	704	704	759
Minot State University	3,029	3,034	3,011	2,928	2,729	2,720	2,832	3,002	2,795	2,731
ND State College Of Science	2,322	2,271	2,223	2,171	2,097	2,041	2,076	2,217	2,366	2,354
North Dakota State University	10,348	10,745	10,807	10,890	11,221	11,794	12,577	12,708	12,606	12,707
University of North Dakota	11,811	11,931	11,155	11,381	10,967	11,137	11,306	12,018	12,319	12,728
Valley City State University	879	956	899	844	807	823	833	957	1,011	995
Williston State College	703	709	702	648	551	562	573	570	608	537
Total	35,743	36,426	35,277	35,373	35,074	36,095	37,564	38,913	39,089	38,702

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
EXECUTIVE BRANCH										
Adjutant General	125	133	132	158	169	171	174	174	172	242
Aeronautics Commission	5	5	5	5	5	5	5	6	6	6
Bank of North Dakota	170	171	169	167	181	179	179	177	177	177
Barley Council	4	4	2	2	5	6	6	6	5	5
Beef Commission	2	2	2	2	2	2	2	2	2	2
Career and Technical Education	25	26	26	25	33	33	34	34	34	34
Corn Council	1	1	2	1	2	2	3	3	3	4
Council on the Arts	5	5	4	5	5	5	5	5	5	5
Department of Agriculture	57	56	54	58	64	67	68	72	75	75
Department of Commerce	55	54	54	56	67	68	68	68	68	68
Department of Corrections and Rehabilitation	581	590	602	627	664	681	703	704	705	739
Department of Emergency Services	20	22	19	53	54	56	57	60	65	64
Department of Financial Institutions	21	21	23	24	26	26	26	29	29	29
Department of Human Services	2,095	1,951	1,946	1,938	2,133	2,297	2,275	2,222	2,232	2,201
Department of Public Instruction	90	90	88	89	95	95	98	99	101	99
Department of Transportation	1,017	1,015	1,014	1,021	1,054	1,061	1,056	1,057	1,066	1,066
Department of Trust Lands	18	19	17	17	21	21	20	21	23	26
Game and Fish Department	140	138	139	139	154	154	156	156	157	157
Highway Patrol	187	192	171	176	186	193	193	194	194	198
Historical Society	55	56	56	56	58	61	63	63	63	66
Indian Affairs Commission	4	3	3	3	3	4	4	4	4	4
Industrial Commission	58	55	48	48	53	55	58	60	68	73
Information Technology Department	243	245	244	240	313	316	338	339	341	335
Job Service North Dakota	357	357	333	286	352	309	309	309	309	309
Milk Marketing Board	4	4	4	4	6	6	6	6	6	6
ND Department of Health	316	318	295	292	324	335	343	346	341	345
ND Horse Racing Commission	0	0	0	2	2	2	2	2	2	2
ND Housing Finance Agency	38	38	40	37	38	43	42	46	46	46
ND Mill and Elevator Association	117	118	117	121	127	125	126	130	131	130
ND Vision Services/School for the Blind	28	30	26	26	30	30	32	32	33	33
North Dakota University System	7,093	7,351	7,543	7,336	6,015	7,171	7,261	7,579	7,775	7,756
Office of Administrative Hearings	5	5	6	7	7	7	7	7	7	5
Office of Management and Budget	129	129	129	120	133	133	133	133	135	134

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
EXECUTIVE BRANCH, Continued										
Office of the Attorney General	143	139	164	174	177	185	188	202	202	205
Office of the Governor	18	17	18	16	18	18	18	18	18	18
Office of the Insurance Commissioner	38	43	40	40	46	46	46	46	45	49
Office of the Labor Commissioner	10	10	10	10	12	11	12	12	12	12
Office of the State Auditor	52	51	50	53	56	56	56	56	56	56
Office of the State Tax Commissioner	133	129	125	123	133	133	133	133	133	133
Office of the State Treasurer	6	6	6	5	7	7	7	7	7	8
Oilseed Council	1	1	1	1	1	1	1	1	1	1
Parks and Recreation Department	44	44	44	42	50	49	49	52	53	53
Protection and Advocacy	25	26	24	24	25	27	28	28	29	29
Public Employees Retirement System	25	28	27	28	33	33	33	33	33	33
Public Service Commission	41	41	41	39	43	44	44	45	46	43
Retirement and Investment Office	17	18	17	16	17	17	17	17	18	18
School for the Deaf	60	55	50	49	49	44	44	50	50	50
Secretary of State	26	26	26	26	27	27	28	28	28	31
Securities Department	8	8	8	8	9	9	9	9	9	9
Seed Department	24	25	23	22	32	31	30	30	30	30
Soybean Council	3	3	3	3	5	5	5	5	5	6
State Fair Association	12	16	15	15	24	26	26	28	27	27
State Library	27	27	29	28	30	30	30	30	30	30
State Radio	29	28	28	0	0	0	0	0	0	0
Veteran's Affairs Department	6	6	6	6	6	7	7	7	7	8
Veterans Home	84	84	82	86	88	92	98	98	116	114
Water Commission	82	80	77	77	84	84	84	86	87	87
Wheat Commission	6	6	6	5	8	8	8	8	8	8
Workforce Safety and Insurance	226	223	219	216	239	239	240	241	251	251
LEGISLATIVE BRANCH										
Legislative Council	31	30	31	31	33	33	33	34	34	34
JUDICIAL BRANCH										
Judiciary Branch	329	323	323	339	352	367	368	372	342	344
Total State Employees	14,571	14,697	14,806	14,623	13,985	15,348	15,494	15,821	16,052	16,127

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Office of the Tax Commissioner										
Number of returns filed electronically ¹	103,910	129,509	147,683	166,733	186,329	203,279	222,254	242,792	289,387	319,759
Education										
Department of Public Instruction										
Public School Enrollment ²	101,137	99,324	97,120	95,600	93,980	93,374	92,336	94,729	95,778	99,192
North Dakota University System										
Full Time Equivalent Student Enrollment ³	35,743	36,426	35,277	35,373	35,074	36,095	37,564	38,899	39,089	38,702
Health and Human Services										
North Dakota Department of Health										
Number of Autopsies Performed in ND ⁴	226	195	221	240	237	274	305	300	323	NA
Air Quality - Percent of Facilities in Compliance ⁴	99	100	100	100	98	99	99	99	100	NA
Public Water Systems - Percent of Facilities in Compliance ⁴	97	92	92	94	95	95	95	96	95	NA
Department of Human Services										
Number of TANF Caseloads	5,988	5,887	5,524	5,259	5,112	4,927	4,733	4,238	3,668	3,329
Number of Medicaid Recipients	76,377	77,378	77,018	77,799	75,470	75,732	77,637	84,529	88,618	90,453
Regulatory										
Office of the Insurance Commissioner										
Licensed Insurance Agents ⁴	25,856	31,645	33,323	39,230	47,437	47,399	48,308	49,157	50,392	52,417
Public Service Commission										
Weighing and Measuring Devices Inspected	14,971	14,605	13,944	12,414	13,183	11,476	11,395	10,465	10,673	7,437
Gas Pipeline Safety Inspections	62	50	54	68	65	61	67	67	61	53
Public Safety and Corrections										
Department of Corrections and Rehabilitation										
Average Daily Adult Prison Population ⁴	1,198	1,299	1,366	1,409	1,429	1,449	1,442	1,497	1,460	NA
Office of the Attorney General-Bureau of Investigations										
Criminal Cases Opened ⁴	302	286	319	351	299	369	389	410	366	NA
Drug Cases Opened ³	549	623	553	472	425	380	372	447	421	NA
Office of the Attorney General-Crime Laboratory										
Toxicology Alcohol Blood and Breath Analyses ⁴	5,646	6,411	6,378	6,517	6,915	6,007	6,883	7,576	7,583	NA
Methamphetamine/Amphetamine Samples Processed ⁴	1,990	2,813	2,779	1,552	1,009	636	830	979	745	NA
Office of the Adjutant General										
Assigned National Guard ⁵	4,241	4,106	4,043	4,243	4,211	4,262	4,299	4,349	4,375	4,363
Agriculture and Commerce										
Department of Agriculture										
Pounds of Pesticide Waste Collected	190,759	155,158	129,994	172,791	170,817	215,521	205,021	215,594	189,996	290,932
Department of Commerce										
Net Job Growth from Nonfarm Employment ⁴	2,800	5,250	6,850	7,500	6,200	8,600	-600	8,900	18,600	NA
New Private Sector Businesses ⁴	332	458	558	429	-324	395	-53	608	1,627	NA
Natural Resources										
Game and Fish Department										
Registered Boats ⁴	49,249	52,961	44,499	49,641	53,519	46,067	51,609	56,128	47,527	NA
Hunting and Fishing Licenses Issued	321,304	323,479	314,465	332,644	324,770	330,524	319,414	326,333	330,833	NA
Department of Parks and Recreation										
Park Visitations ⁴	1,045,390	972,151	923,181	940,113	898,235	889,231	1,055,930	1,057,922	1,099,714	NA
Camping Nights ⁴	49,533	47,484	48,599	51,945	52,904	51,529	58,984	50,749	55,018	NA
Snowmobile Registrations ⁴	2,649	15,961	2,223	14,198	11,322	3,845	11,421	5,278	11,872	NA
OHV Registrations ⁴	NA	NA	NA	NA	9,200	18,237	9,118	16,335	10,841	NA
Transportation										
Department of Transportation										
Registered Vehicles ⁴	815,042	836,927	843,054	878,443	902,581	934,502	952,616	945,282	1,048,240	NA
Licensed Drivers	457,743	459,566	466,701	468,711	470,731	473,019	476,561	483,097	490,146	502,807
Unemployment Compensation										
Job Service North Dakota										
Number of Covered Workers ⁴	314,273	321,108	328,121	335,718	341,705	350,442	349,561	358,674	379,433	NA
Workforce Safety and Insurance										
Number of Claims Filed	18,753	19,184	19,887	21,588	21,309	21,061	20,543	19,384	21,693	24,643
Number of Covered Workers	301,777	304,287	311,200	318,240	326,100	332,170	340,915	340,117	348,743	369,996

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Office of Management and Budget										
Capitol Complex Buildings	7	7	7	7	7	7	7	7	7	7
Education										
Department of Land										
Common Schools Trust										
Land Acreage	635,534	635,529	635,574	632,408	632,248	632,248	597,426	632,393	631,940	631,921
ND University System										
Buildings	512	527	527	516	516	516	516	522	522	512
Buildings Square Footage	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	15,019,252
Health and Human Services										
Dept. of Human Services										
Buildings	74	74	74	74	74	74	74	74	74	74
Public Safety and Corrections										
Department of Corrections and Rehabilitation										
Buildings	70	70	71	71	71	71	72	72	72	72
Office of the Adjutant General										
Headquarters, Camp and Armory Buildings	530	539	551	567	475	475	341	282	282	283
Natural Resources										
Game and Fish Department										
Wildlife Management Areas	183	183	185	186	186	186	189	192	199	201
Boats, ATVs, Snowmobiles, Tractors, Other	NA	344	364	393	397	417	425	429	443	446
Dept. of Parks and Recreation										
Park/Recreational Sites	16	15	15	15	15	15	15	15	15	15
Park Maintenance Vehicles/Equipment	NA	196	207	222	230	235	255	255	262	291
Transportation										
Department of Transportation										
Lane Miles Maintained	8,412	8,414	8,450	8,469	8,479	8,511	8,515	8,517	8,518	8,504
Fleet Vehicles	2,988	3,097	3,137	3,220	3,316	3,307	3,273	3,493	3,564	3,567
Heavy Equipment	577	565	552	527	359	340	341	463	471	500
Buildings	77	77	77	77	79	80	81	85	94	123

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>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>	<u>2012</u>
1 Net Earned Required Contribution and Investment Revenues	\$ 175	\$ 194	\$ 193	\$ 148	\$ 221	\$ 166	\$ 48	\$ 289	\$ 357	\$ 341
2 Unallocated Expenses	22	21	25	33	40	41	31	33	30	33
3 Estimated Incurred Claims and Expense, End Of Policy Year	93	103	111	105	120	131	169	160	192	230
4 Paid (Cumulative) as of:										
End of Policy Year	19	20	22	21	21	27	32	31	39	44
One Year Later	33	36	34	36	37	47	55	52		
Two Years Later	38	42	39	41	43	54	63			
Three Years Later	41	46	42	46	47	58				
Four Years Later	44	49	45	49	50					
Five Years Later	46	52	48	53						
Six Years Later	48	54	50							
Seven Years Later	50	56								
Eight Years Later	52									
Nine Years Later										
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	93	103	111	105	120	131	169	160	192	230
One Year Later	94	103	104	112	119	140	157	151		
Two Years Later	93	99	100	113	120	133	153			
Three Years Later	89	100	101	116	110	129				
Four Years Later	90	106	101	110	108					
Five Years Later	91	105	101	110						
Six Years Later	92	104	98							
Seven Years Later	94	103								
Eight Years Later	93									
Nine Years Later										
6 Increase in Estimated Incurred Claims and Expense From End of Policy Year	1	0	(13)	3	(15)	(5)	(19)	(12)	0	0

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

Fire and Tornado Fund

	<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>	<u>2012</u>
1 Net Earned Required Contribution and Investment Revenues	\$ 6,646	\$ 4,864	\$ 5,073	\$ 5,193	\$ 6,934	\$ 7,849	\$ (492)	\$ 8,099	\$ 4,709	\$ 2,974
2 Unallocated Expenses	613	621	552	986	847	979	819	1,344	1,340	849
3 Estimated Incurred Claims and Expense, End of Policy Year	2,523	1,135	1,775	2,852	1,536	10,548	1,744	3,075	6,178	1,461
4 Paid (Cumulative) as of:										
End of Policy Year	(3,974)	(227)	986	1,660	1,133	9,434	989	1,676	3,043	(350)
One Year Later	(3,974)	(227)	986	1,660	1,133	9,434	989	1,676	3,043	
Two Years Later	(3,974)	(227)	986	1,660	1,133	9,434	989	1,676		
Three Years Later	(3,974)	(227)	986	1,660	1,133	9,434	989			
Four Years Later	(3,974)	(227)	986	1,660	1,133	9,434				
Five Years Later	(3,974)	(227)	986	1,660	1,133					
Six Years Later	(3,974)	(227)	986	1,660						
Seven Years Later	(3,974)	(227)	986							
Eight Years Later	(3,974)	(227)								
Nine Years Later	(3,974)									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	2,523	1,135	1,775	2,852	1,536	10,548	1,744	3,075	6,178	1,461
One Year Later	2,523	1,135	1,775	2,852	1,536	10,548	1,744	3,075	6,178	
Two Years Later	2,523	1,135	1,775	2,852	1,536	10,548	1,744	3,075		
Three Years Later	2,523	1,135	1,775	2,852	1,536	10,548	1,744			
Four Years Later	2,523	1,135	1,775	2,852	1,536	10,548				
Five Years Later	2,523	1,135	1,775	2,852	1,536					
Six Years Later	2,523	1,135	1,775	2,852						
Seven Years Later	2,523	1,135	1,775							
Eight Years Later	2,523	1,135								
Nine Years Later	2,523									
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>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>	<u>2012</u>
1 Net Earned Required Contribution and Investment Revenues	\$ 405	\$ 448	\$ 319	\$ 179	\$ 401	\$ 22	\$ 157	\$ 214	\$ 202	\$ 195
2 Unallocated Expenses	58	42	53	51	57	37	25	34	25	28
3 Estimated Incurred Claims and Expense, End of Policy Year	259	253	64	392	173	(268)	128	49	22	4
4 Paid (Cumulative) as of:										
End of Policy Year	(107)	(85)	(226)	(254)	(328)	(417)	(61)	(148)	(179)	(202)
One Year Later	(107)	(85)	(226)	(254)	(328)	(417)	(61)	(148)	(179)	
Two Years Later	(107)	(85)	(226)	(254)	(328)	(417)	(61)	(148)		
Three Years Later	(107)	(85)	(226)	(254)	(328)	(417)	(61)			
Four Years Later	(107)	(85)	(226)	(254)	(328)	(417)				
Five Years Later	(107)	(85)	(226)	(254)	(328)					
Six Years Later	(107)	(85)	(226)	(254)						
Seven Years Later	(107)	(85)	(226)							
Eight Years Later	(107)	(85)								
Nine Years Later	(107)									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	259	253	64	392	173	(268)	128	49	22	4
One Year Later	259	253	64	392	173	(268)	128	49	22	
Two Years Later	259	253	64	392	173	(268)	128	49		
Three Years Later	259	253	64	392	173	(268)	128			
Four Years Later	259	253	64	392	173	(268)				
Five Years Later	259	253	64	392	173					
Six Years Later	259	253	64	392						
Seven Years Later	259	253	64							
Eight Years Later	259	253								
Nine Years Later	259									
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 - 2010-2011

	2010 <u>Dollars</u> (Mil.)	2010 <u>% of U.S.</u>	2011 <u>Dollars</u> (Mil.)	2011 <u>% of U.S.</u>
Wheat	1,299.4	19.22	1,668.9	14.97
Soybeans and Products	671.8	3.62	662.2	3.77
Vegetables Fresh and Processed	152.5	5.68	125.6	4.32
Grain Products	67.1	1.82	71.3	1.74
Vegetable Oils	205.3	5.26	204.7	5.10
Feeds and Fodders	193.0	3.76	132.8	2.31
Corn	148.4	1.51	228.9	1.67
Beef, Veal and Pork	72.3	1.73	94.8	1.71
Dairy Products	7.0	0.19	8.1	0.17
Sugar and Products	186.4	12.02	192.0	10.53
Hides and Skins	32.3	1.41	38.2	1.44
Fruits Fresh and Processed	0.3	0.00	0.3	0.00
Other Products (1)	398.5	2.24	369.0	1.79
Total	<u>\$ 3,626.7</u>	3.13	<u>\$ 2,964.5</u>	2.91

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

(1) Includes live animals, other meats, animal parts, eggs, wine, beer, other beverages, coffee, cocoa, hops, nursery crops, pet food, inedible materials, and prepared foods. Totals may not add due to rounding.

2011 Crop Rank Among States

North Dakota <u>Ranks</u>	<u>Crop Description</u>	North Dakota <u>Produces</u>
1st	Flaxseed	87%
	Canola	83%
	Pinto Beans	46%
	Oil Sunflowers	40%
	Spring Wheat	37%
	Durum Wheat	36%
	Navy Beans	35%
	All Dry Edible Beans	25%

Source: North Dakota Agricultural Statistics August 2012