

## 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, 2015. 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:

Total assets and deferred outflows of resources of the State exceeded its liabilities and deferred inflows of resources at fiscal year-end by \$19.6 billion (reported as net position), an increase of \$2.1 billion from the previous year. The net position of governmental activities increased by 12.3% while the net position of the business-type activities showed an increase of 11.2%.

As a result of implementing GASB Statement 68, *Accounting and Financial Reporting for Pensions*, the State recorded \$32.7 million net pension asset, \$57 million deferred outflows of resources, \$365 million net pension liability, and \$81 million deferred inflows of resources for the primary government.

#### Fund Level:

As of the close of fiscal year 2015 the State's governmental funds reported combined ending fund balances of \$13.3 billion, an increase of \$1.2 billion. Of this amount, \$3.6 billion is non-spendable, primarily for legal requirements. Spendable fund balance consists of \$6 billion restricted for specific purposes such as transportation, and \$2.6 billion committed, with the unassigned fund balance making up the remaining amount of \$1.1 billion. At the end of the fiscal year, unassigned fund balance for the General Fund was \$1.1 billion.

The enterprise funds reported net position at year-end of \$2.9 billion, an increase of \$298 million during the year.

#### Long-term Debt:

The State's total debt (bonds and notes payable) increased approximately 8% during the fiscal year to \$1.68 billion, an increase of \$129 million, which represents the net difference between new issuances and payments. During the year the State issued \$158 million in bonds and \$603 million in notes.

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

### 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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 Position presents all of the State's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as "net position". Over

time, increases and decreases in net position is 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 position changed during the most recent fiscal year. All changes in net position 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 Position and Changes in Fiduciary Net Position. 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. In addition, the required supplementary information includes up to ten years of information on the State's pension plans, including schedules on the employer proportionate share of the net pension liability, changes in the net pension liability, and employer contributions.

## 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 position may serve over time as a useful indicator of a government's financial position. The State's combined net position (governmental and business-type activities) totaled \$19.6 billion at the end of fiscal year 2015. Net position increased 12.2% from the prior fiscal year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014*	2015	2014*	2015	2014*	2015
Current and Other Assets	\$13,122,425	\$14,402,938	\$9,923,413	\$10,335,283	\$23,045,838	\$20,590,423
Capital Assets	2,622,367	3,715,887	1,132,736	1,321,495	3,755,103	5,037,382
Total Assets	15,744,792	18,118,825	11,056,149	11,656,778	26,800,941	25,627,805
Deferred Outflows of Resources	-	41,803	12,715	32,194	12,715	73,997
Long-Term Liabilities						
Outstanding	225,992	190,154	2,602,155	2,789,412	2,828,147	2,979,565
Other Liabilities	930,133	1,218,230	5,734,314	5,931,527	6,664,447	3,001,959
Total Liabilities	1,156,125	1,408,384	8,336,469	8,720,939	9,492,594	5,981,524
Deferred Inflows of Resources	-	62,302	415	19,778	415	82,080
Net Position						
Invested in Capital Assets, Net of Related Debt	2,502,235	3,622,722	844,395	1,023,385	3,346,630	4,646,107
Restricted	4,966,178	6,254,674	600,270	485,012	5,566,448	6,739,686
Unrestricted	7,120,254	6,812,546	1,287,315	1,439,859	8,407,569	8,252,405
Total Net Position	\$14,588,667	16,689,942	\$2,731,980	2,948,256	\$17,320,647	19,638,198

\*The 2014 amounts presented here have not been restated for the implementation of GASB Statement 68 for pensions or other adjustments. Complete information necessary to fully restate the 2014 amounts was not available. See Note 2.

The largest component (42%) of the State's net position is unrestricted net position. Unrestricted net position may be used at the State's discretion, but often have limitations on use based on State statutes. Restricted net position make up thirty-four percent (34%) of the state's net position. Restricted net position represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used.

Twenty-four percent (24%) of the State's net position 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.



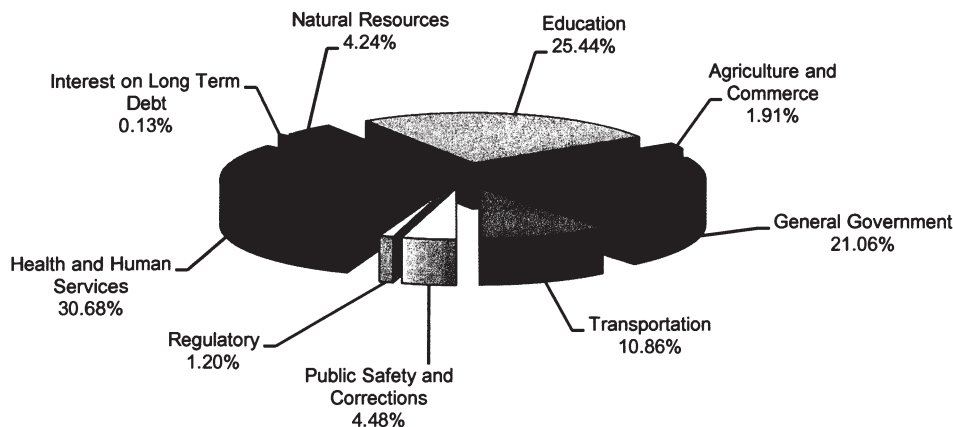
The condensed financial information on the following page was derived from the government-wide Statement of Activities and reflects how the State's net position changed during the fiscal year:

**State of North Dakota's Changes in Net Position**  
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014*	2015	2014*	2015	2014*	2015
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$344,338	\$361,967	\$1,462,622	\$1,786,539	\$1,806,960	\$2,148,506
Operating Grants & Contributions	2,083,790	1,888,798	439,951	312,136	2,523,741	2,200,934
Capital Grants & Contributions	11,046	1,388	18,704	36,923	29,750	38,311
General Revenues:						
Income Taxes	700,868	732,975	-	-	700,868	732,975
Sales Taxes	1,756,778	1,804,380	-	-	1,756,778	1,804,380
Other Taxes	3,418,372	2,827,444	-	-	3,418,372	2,827,444
Investment Earnings	130,011	117,643	-	-	130,011	117,643
Tobacco Settlement	23,653	21,790	-	-	23,653	21,790
Other	198,533	161,725	2,214	9,562	200,747	171,287
<b>Total Revenues</b>	<b>8,667,389</b>	<b>7,918,110</b>	<b>1,923,491</b>	<b>2,145,160</b>	<b>10,590,880</b>	<b>10,063,270</b>
<b>Expenses</b>						
General Government	1,283,916	1,171,208	-	-	1,283,916	1,171,208
Education	1,075,062	1,415,255	-	-	1,075,062	1,415,255
Health and Human Services	1,433,599	1,706,333	-	-	1,433,599	1,706,333
Regulatory	54,728	66,744	-	-	54,728	66,744
Public Safety and Corrections	243,149	249,291	-	-	243,149	249,291
Agriculture and Commerce	96,055	106,455	-	-	96,055	106,455
Natural Resources	119,396	236,079	-	-	119,396	236,079
Transportation	1,066,104	603,813	-	-	1,066,104	603,813
Interest on Long Term Debt	7,602	7,155	-	-	7,602	7,155
Bank of North Dakota	-	-	76,367	71,053	76,367	71,053
Housing Finance	-	-	40,902	37,511	40,902	37,511
Loan Programs	-	-	12,759	11,366	12,759	11,366
State Lottery	-	-	19,264	20,360	19,264	20,360
Unemployment Compensation	-	-	113,989	144,921	113,989	144,921
University System	-	-	1,129,869	1,170,159	1,129,869	1,170,159
Workforce Safety and Insurance	-	-	418,501	377,926	418,501	377,926
Other	-	-	269,600	549,799	269,600	549,799
<b>Total Expenses</b>	<b>5,379,611</b>	<b>5,562,333</b>	<b>2,081,251</b>	<b>2,383,095</b>	<b>7,460,862</b>	<b>7,945,428</b>
Increase (decrease) in Net Position Before Contributions & Transfers	3,287,777	2,355,777	(157,761)	(237,935)	3,130,016	2,117,842
Contributions to Permanent Fund Principal	14,251	16,382	-	-	14,251	16,382
Transfers	(424,008)	(542,713)	455,888	535,980	31,880	(6,733)
<b>Increase in Net Position</b>	<b>2,878,020</b>	<b>1,829,446</b>	<b>298,127</b>	<b>298,045</b>	<b>3,176,147</b>	<b>2,127,491</b>
Net Position - Beginning -As Restated	11,710,647	14,860,495	2,433,853	2,650,211	14,144,500	17,510,706
<b>Net Position- Ending</b>	<b>\$14,588,667</b>	<b>\$16,689,941</b>	<b>\$2,731,980</b>	<b>\$2,948,256</b>	<b>\$17,320,647</b>	<b>\$19,638,197</b>

\*The 2014 amounts presented here have not been restated for the implementation of GASB Statement 68 for pensions or other adjustments. Complete information necessary to fully restate the 2014 amounts was not available. See Note 2.

### Expenditures - Governmental Activities Fiscal Year Ending June 30, 2015



### Business-type Activities

Net position of the business-type activities increased by \$298 million during the fiscal year.

Workforce Safety and Insurance's (WSI) net position increased \$22.1 million. Policyholder count continues to increase but at a slower pace than 2014. In fiscal year 2015, an additional 131 policyholders came on board for a total of 25,520. In fiscal years 2014 and 2013, there were 596 and 981 new policyholders. Written premium for fiscal year 2015 totaled 372.6 million, surpassing fiscal year 2014's total of \$350.2 million. WSI would expect to see a reduction of reported payroll, and the related premium in fiscal year 2016 if the decline continues. WSI's investment portfolio yielded a year to date return of 3.27% (net of fees), a gain of \$60.2 million. Incurred losses were \$248 million in fiscal year 2015. If the decline in oil activity continues, it is likely WSI will see a decrease in incurred cost going forward.

The Bank of North Dakota net position increased \$102.6 million. Net position increased because of an increase in assets attributable to increased loan demand. Operating income increased due to an increase in net interest income and a net increase in the fair value of securities. Also a decrease in expenses attributed to the increase in net position. This decrease was due to a decrease in prepayments of long-term debt as well as other operating expenses in prior year contained a one-time payment to the North Dakota Investment Board.

The University System's net position increased \$163.3 million. Net position increased due to a slight increase in tuition and fee revenues (2%) and state appropriations, excluding capital assets, increased five percent. In addition, state appropriations-capital assets increased 162 percent from fiscal year 2014.

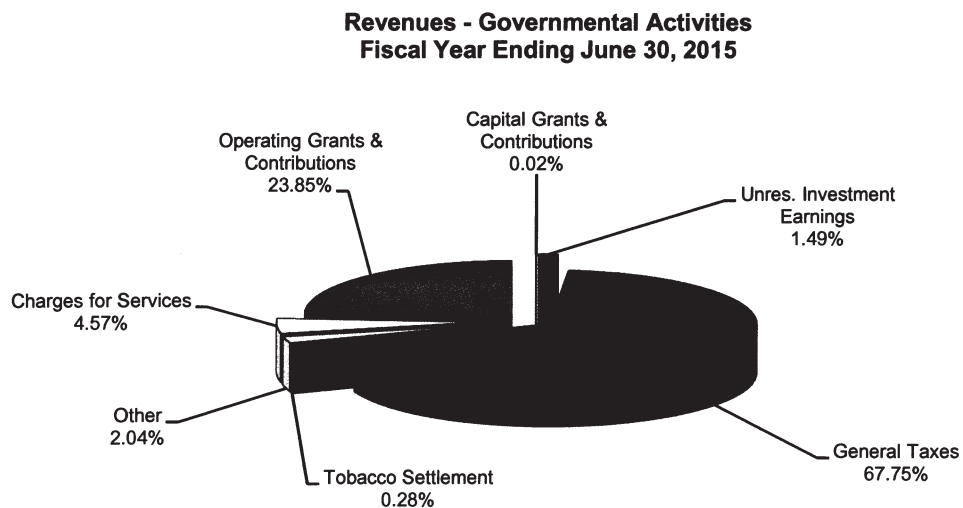
Housing Finance net position increase of \$10.5 million was similar to the prior year's net position change as revenues and expenses remained fairly consistent.

## Governmental Activities

Governmental Activities increased the State's net position by \$1.8 billion. Revenues decreased 8.6%, with the largest dollar decrease in the State's revenues for fiscal year 2015 coming from oil, gas, and coal taxes, a decrease of \$602 million. This decrease is due to the decreased level of oil and gas production in the state and relatively low oil prices.

Expenses for governmental activities remained relatively consistent with only an increase of 3%.

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:

## **FINANCIAL ANALYSIS OF THE STATE'S FUNDS**

### **Governmental Funds**

As the State completed the year, its governmental funds reported combined fund balances of \$13.3 billion, an increase of \$1.2 billion from the prior fiscal year. Of the \$13.3 billion in net position, \$3.6 billion is non-spendable, \$6 billion is restricted, \$2.6 billion is committed, and \$1.1 billion is unassigned. These fund balance categories are a result of GASB Statement 54. Note 1U provides definitions for these categories. The following analysis of funds provides the explanation for the overall change in net position 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 \$1.1 billion, non-spendable was \$3.5 billion and \$1.3 billion was committed for expenditure by various governmental functions.

Total General fund balance increased during the fiscal year by \$625 million. Revenues decreased approximately 15%, due primarily to decreases in oil, gas, and coal taxes of approximately \$604 million. Explanation for this decrease was explained with the increase in net position for governmental activities.

General fund expenditures decreased by 16.5%. Transportation expenditures decreased because of a decrease in spending for oil impacted projects as previously discussed.

The State Special Revenue ending fund balance grew by \$580 million resulting in \$7.3 billion fund balance. Revenues decreased 13% and expenditures increased 49%. Revenues decreased in the state special revenue fund primarily due to a decrease in interest and investment income revenues as capital markets produced lower gains during fiscal year 2015. General Government expenditures saw the highest increase in expenses due to an increase in tax distributions to the counties.

The June 30 Federal Fund balance of \$12.5 million consists of non-spendable items such as prepaids and inventory and unavailable 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 position 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, 2015, was the second year of the 2013-15 budget cycle. The original budget decreased \$47.5 million.

At the beginning of the 2013-15 budget cycle, there was an increase in the original budget of \$63.7 million due to the authorized carryover of general fund appropriation authority from the 2011-13 biennium, and a \$19.7 million increase for capital construction carryover. There was also a decrease to the original budget of \$163.8 million in the 13-15 budget cycle due to emergency clause expenditures given in the 13-15 biennium that was used in the 11-13 biennium.

The increases to the beginning appropriated budget are from authorized carryover of general fund appropriation authority and the larger ones are noted below.

Several state agencies were authorized by appropriation laws to carryover a portion or all of their general fund appropriation for various purposes, including the Department of Trust Lands, \$26.2 million, the University System, \$10.7 million, the Historical Society, \$5.7 million, Legislative Council, \$4.3 million, the Adjutant General, \$3.3 million and the Office of Management & Budget, \$3.1 million.



Of the \$19.7 million in capital construction carryover dollars, \$8.5 million was for the Department of Human Services; \$3.7 million was for the Information Technology Department; \$3.3 million was for the Department of Transportation; \$2.8 million was for the Office of Management and Budget and various smaller amounts for several other state agencies.

Of the \$163.8 million in decreases, \$100.4 million was for the Treasurer's Office and \$60.9 million was for the Department of Transportation. These amounts were appropriated as emergency appropriations in the 13-15 biennium and was used in the 11-13 biennium and therefore was decreased out of the agencies 13-15 biennium general fund budget. The Treasurer's Office emergency appropriation was for the purpose of providing transportation funding distributions. The Department of Transportation received emergency appropriation to match a federal grant for railroad improvements.

An additional general fund budget appropriation of \$5 million was appropriated to the department of public instruction for the purpose of awarding a grant to a state agency or nonprofit organization to contrast a children's science center in the city where the state capitol is located for providing informal science education to children and others. Also \$6 million was appropriated to Dickinson State University for the purpose of awarding a grant to the Theodore Roosevelt center for the construction of a Theodore Roosevelt presidential library.

There were no expenditures in excess of general fund authority.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: At the end of the fiscal year 2015, the State had invested \$4.6 billion, net of accumulated depreciation, in a broad range of capital assets. Depreciation charges for this fiscal year totaled \$177 million.

(Net of Depreciation, Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014 Restated	2015	2014	2015	2014 Restated	2015
Land and Land Improvements	\$132,263	\$138,132	\$19,169	\$20,445	\$151,432	\$158,577
Building & Building Improvements	365,203	403,833	732,665	771,275	1,097,868	1,175,108
Equipment	146,429	161,759	174,753	173,225	321,182	334,984
Intangibles						
Software	33,155	33,020	12,401	10,667	45,556	43,687
Other	8,417	8,641	684	541	9,101	9,182
Infrastructure	1,138,286	1,338,821	103,744	115,579	1,242,030	1,454,400
Construction in Progress	1,336,417	1,631,681	89,321	229,763	1,425,738	1,861,444
<b>Total</b>	<b>\$3,160,170</b>	<b>\$3,715,887</b>	<b>\$1,132,737</b>	<b>\$1,321,495</b>	<b>\$4,292,907</b>	<b>\$5,037,382</b>

The total increase in the State's investments in capital assets for the current fiscal year was 17% in terms of net book value. However, actual expenditures to purchase or construct capital assets were approximately \$1.9 billion 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, 2015.

The State does have a number of revenue bonds outstanding at June 30, 2015. 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 \$645 million. The advances have a fixed rate of interest, ranging from 1.12 percent to 5.56 percent.

More detailed information regarding the State's long-term obligations is presented in Note 3L to the financial statements.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2015	2014	2015	2014	2015
Revenue Bonds	\$163,030	\$129,345	\$901,528	\$884,086	\$1,064,558	\$1,013,431
Notes Payable	4,980	4,412	484,764	665,792	489,744	670,204
Total	<u>\$168,010</u>	<u>\$133,757</u>	<u>\$1,386,292</u>	<u>\$1,549,878</u>	<u>\$1,554,302</u>	<u>\$1,683,635</u>

The State's total debt increased approximately 8% 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 2015 publication. The report depicts an economy that is beginning to show the strains of low oil prices in 2015. North Dakota's state gross domestic product (GDP), the value of goods and services produced in the state, increased by nearly 41 percent from 2010 through 2014. In sharp contrast, GDP nationally has grown by only around 8 percent during that time.

The state's unemployment rate, only 2.0 percent in October 2015, is less than half the U.S. rate of 4.8 percent and remains the lowest in the nation. The state's unemployment rate is expected to remain well below the national rate, remaining under 3 percent through 2020; the national rate is expected to remain close to 5 percent through 2020. Moody's predicts that many oil patch workers will elect to stay in the state and relocate from the oil patch to metro areas where jobs are available.

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 2010 through 2014, employment in North Dakota grew by over 22 percent; nationally, employment increased by less than 7 percent during that time. In 2015, the growth in employment in North Dakota is expected to be less than 1 percent; nationally employment will increase by 2 percent.

Median household income and per capita income for North Dakota have both surpassed the national average. For 2014, median household income in North Dakota was \$60,730 compared to \$53,657 for the U.S. Per capita income for 2014 was \$55,802 for North Dakota, while \$46,049 for the U.S.

## **CONTACTING THE STATE'S OFFICE OF FINANCIAL MANAGEMENT**

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