Index

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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, 2015, 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, 2014, 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, 2014, 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

June 30, 2015, and their report has been previously issued under a separate cover.

State Historical Society of North Dakota Foundation – The mission of the State Historical Society of North Dakota Foundation is to provide fundraising and membership development activities to support the State Historical Society of North Dakota and its people. The Fund of the State Historical Society of North Dakota Foundation were audited by other independent auditors for the fiscal year ended June 30, 2015, 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, #10, Bismarck, ND 58505.

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 58505-0840

Comprehensive Health Association
4510 13th Avenue South
Fargo, ND 58121

Public Finance Authority
1200 Memorial Highway
Bismarck, ND 58504

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

State Historical Society of North Dakota Foundation
P.O. Box 1976
Bismarck, ND 58502

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position 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 Position presents the reporting entity's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets 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 position result when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. Net position restricted by enabling legislation are subject to change by a majority vote of the Legislative Assembly.

Unrestricted net position consist of net position that do not meet the definition of the two preceding categories. Unrestricted net position often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net position often have constraints on resources which are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue.

FUND FINANCIAL STATEMENTS

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide statements are reported using the economic resources management focus and the accrual basis of accounting, as are the proprietary and fiduciary fund (agency funds are excluded as they have no measurement focus) financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

The State follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard-setting body for establishing accounting principles generally accepted in the United States of America for governmental entities.

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 University System Fund accounts for all financial transactions of the colleges and universities that compose the University System of North Dakota.

The Workforce Safety & Insurance Fund is financed entirely by premiums assessed to the employers of North Dakota and provides no-fault medical and disability insurance to all North Dakota employees.

Additionally, the State reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

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

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

PROPRIETARY FUND TYPES

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

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

FIDUCIARY FUND TYPES

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

Investment Trust Funds account for the transactions, assets, liabilities, and fund equity of the external pool participants (City of Bismarck, ND Association of Counties, and City of Fargo Fargodome Retirement and Investment Office 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 2013-2015 biennium, there were general, federal and other funds supplemental appropriations totaling $498,327,735.

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 Position, 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 Position as "Cash and Cash Equivalents".

The State had no cash overdrafts from pooled cash and investments at June 30, 2015.

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 Position, 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 Position as "Investments."

Differences on the Fund Balance Sheets between the assets, "Cash at the Bank of North Dakota" and "Investments at the Bank of North Dakota," and the liability, "Deposits Held for Other Funds," is attributable to timing differences resulting from the Bank of North Dakota having a different fiscal year end than many of the other state agencies.

G. SECURITIES LENDING

GASB Statement No. 28 "Accounting and Financial Reporting for Securities Lending Transactions," establishes accounting and financial reporting standards for securities lending transactions. The standard requires governmental entities to report securities lent as assets in their balance sheets. Cash received as collateral and investments made with that cash must also be reported as both an asset and a liability. 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 Agent lends securities of the type on loan at June 30, 2015, 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, 2015, 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, 2015, was one day. The Average Weighted Maturity of collateral investments as of June 30, 2015, was 125 days. The interest rate sensitivity (duration) of the securities on loan had an interest sensitivity of 37 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 Position, except for the residual amounts due between governmental and business-type activities.

I. INVENTORIES AND PREPAID ITEMS

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

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

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

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

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

J. BOND PREMIUMS / DISCOUNTS

Bond premiums and discounts 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:

Assets	Years
Buildings	10-50
Infrastructure	10-50
Furniture, Automobiles, and Equipment	3-20
Intangibles	3-99

L. DEFERRED OUTFLOWS OF RESOURCES

Deferred outflow of resources represents a consumption of net position by the government that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources are reported in the applicable governmental or business-type activities columns, or in the component units column on the government-wide Statement of Net Position.

M. LEASE COMMITMENTS

The State leases land, office facilities, office and computer equipment, and other assets. Leases are classified according to GASB 62. Many of these leases have fiscal funding clauses; however, these clauses have no effect on classifying these leases for accounting purposes. Leases which represent acquisitions are classified as capital leases, and the related assets and liabilities are recorded in the financial statements at the inception of the lease. Other leases are classified as operating leases with the lease payments recorded as expenditures or expenses during the life of the lease.

N. 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.

O. 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.

P. 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.

Q. DEPOSITS

The following two liability line items are presented in the Government-wide Statement of Net Position 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 Position, 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.

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 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. PENSIONS

For purposes of measuring the net pension liability and deferred outflows/inflows related to pension, and pension expense, information about the fiduciary net position of the North Dakota Public Employee Retirement System (PERS) and additions to / deductions from PERS's fiduciary net position have been determined on the same basis as they are reported for PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The primary government's proportionate share of pension amounts were further reallocated to t propriety funds (business-type activities) based on the amount of employer contributions paid by each proprietary fund. Pension investments are reported at fair value.

T. DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources represent an acquisition of net position that applies to a future period, and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are reported in the applicable governmental or business-type activities columns or in the component units column on the government-wide Statement of Net Position. Deferred inflows of resources of governmental funds, proprietary fund, and discrete component units are reported in detail in their respective fund statements.

U. NET POSITION/FUND BALANCE

The difference between fund assets and liabilities is "Net Position" 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 on-half percent below the general fund revenue projections for the biennium. The Budget Stabilization Fund, fund balance at June 30, 2015 was $574,012,127. Based on past experiences in utilization of the fund, the fund is not expected to be expended in the foreseeable future.

NOTE 2 – RESTATEMENTS

The following changes to beginning net position as previously reported, is summarized in the following table (expressed in thousands):

	Government-wide Gov't activities	Business-type activities	Component Units (GASB Based)
June 30, 2014, net position, as previously reported	$ 14,588,667	$ 2,731,980	$ 455,825
Prior period adjustment:			
GASB 68 and 71 adjustment			
Governmental activities	(271,143)	-	-
Bank of North Dakota	-	(7,523)	-
Housing Finance	-	(1,632)	-
University System	-	(72,361)	-
Workforce Safety and Insurance	-	(6,416)	-
Other Enterprise Funds	-	(7,374)	-
Component unit – North Dakota Public Finance Authority	-	-	(136)
Correction of errors	542,971	13,538	-
June 30, 2015, net position, as restated	$ 14,860,495	$ 2,650,212	$ 455,689

A. CORRECTION OF ERRORS

The beginning net position of the Government-wide Governmental Activities were restated due to an under (over) statement in the following accounts on the previous year financial statements.

Accounts Receivable	$ 3,619
Interest receivable	1,985
Prepaid items	861
Nondepreciable capital assets - construction in process*	537,804
Accounts payable	(1,298)
Total correction of errors	$ 542,971

*Construction in process was restated to properly recognize capital asset payments made in prior years.

The beginning net position of the Government-wide Business Activities were restated $13,776,964 due to an understatement of capital assets and an overstatement of due from component unit of $239,357 on the previous year financial statements. The understatement of capital assets was a result of erroneously using the incorrect number of year to depreciate capital assets over.

B. GASB 68 & 71 ADJUSTMENT

The State implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GAS Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.*

These Statements established standards for measuring and recognizing liabilities, assets, deferred inflows of resources and expense/expenditures for pensions provided to employees of the primary government and component units. It requires the State to record the State's proportionate share of the net pension liability in the government-wide financial statements and in the proprietary funds and component units financial statements.

The cumulative effect of implementing GASB Statement No. 68 for Governmental Activities was an increase in pension assets of $22,712 million, an increase in deferred outflows of $27,855 million and an increase in net pension liability of $321,710 million on the Statement of Net Position and a net decrease in net position of $271,143 million on Statement of Activities.

The cumulative effect of implementing GASB Statement No. 68 for Business-Type Activities was an increase in deferred outflows of $11,237 million and an increase in net pension liability of $106,543 million on the Statement of Net Position and a net decrease in net position of $95,306 million on Statement of Activities.

The cumulative effect of implementing GASB Statement No. 68 for the component unit was an increase in net pension liability of $136 million on the Statement of Net Position and a net decrease in net position of $136 million on Statement of Activities.

See note 6 for further information on pension reporting.

NOTE 3 - DETAILED NOTES ON ACCOUNT BALANCES

A. DEPOSITS

CUSTODIAL CREDIT RISK

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

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

At June 30, 2015, the bank balance of the primary government's deposits was $265,035,037. Of the bank amount, $162,081,652 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, 2015. Their uninsured and uncollateralized deposits totaled $144.4 million and $17.7 million, and their bank deposits totaled $145.5 million and $20.2 million, respectively.

At June 30, 2015, the bank balance of the major component units' deposits was $61,795,747. Of the bank amount, $53,617,123 was uncollateralized and uninsured.

The internal receivable amount in the governmental activities column in the Statement of Net Position 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 Department of Trust Lands, the Bank of North Dakota, and the North Dakota State Treasurer's Office. Management responsibilities and investment instruments as authorized by statute are as follows:

1. State Investment Board (SIB) – NDCC 21-10 designates the SIB with investment responsibilities for the Public Employees' Retirement System, Bonding Fund, Teachers' Fund for Retirement, Fire and Tornado Fund, Workforce Safety & Insurance Fund, and other specific funds. The Century Code states the SIB shall apply the prudent investor rule in investing funds under its supervision. The retirement funds belonging to the teachers' fund for retirement and the public employees' retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives.

   The State Investment Board's investment policy allows investment managers to use derivative securities 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, 2015: futures, options, swaps and currency forwards.

2. North Dakota Department of Trust Lands – The Century Code states that the Department of Trust 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, 2015, the following table shows the debt securities of the primary government by investment type and maturity (expressed in thousands).

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	$ 189,275	$ 165	$ 63,023	$ 21,321	$ 104,766
Commercial Mortgage-Backed	1,188,566	-	1,034,006	676	153,884
Commercial Paper	9,999	9,999	-	-	-
Corporate Bonds	2,124,848	104,700	964,018	672,258	383,872
Corporate Convertible Bonds	18,159	4,215	8,782	3,355	1,807
Government Agencies	2,509,628	132,534	1,991,433	124,178	261,483
Government Bonds	860,984	17,649	307,036	437,843	98,456
Government Mortgage-Backed	1,026,296	-	18,174	38,542	969,580
Repurchase Agreements	138,070	138,070	-	-	-
Index-Linked Government Bonds	159,986	8,109	-	145,077	6,800
Municipal/Provincial Bonds	44,945	66	17,167	6,463	21,249
Non-Government-Backed CMOs	80,905	-	5,621	4,331	70,953
Short Term Bills and Notes	132,777	132,777	-	-	-
Short Term Investment Funds	196,344	196,344	-	-	-
Pooled Investments	1,845,553	71,470	401,499	913,759	458,825
Total Debt Securities	$ 10,526,335	$ 816,098	$ 4,810,759	$ 2,367,803	$ 2,531,675

Major Component Units

Investment Type	Total Market Value	Less Than 1 Year	1 - 6 Years	6 - 10 Years	More Than 10 Years
Government Bonds	$ 59,490	$ 32,333	$ 27,157	$ -	$ -
Commercial Paper	21,485	21,485	-	-	-
Total Debt Securities	$ 80,975	$ 53,818	$ 27,157	$ -	$ -

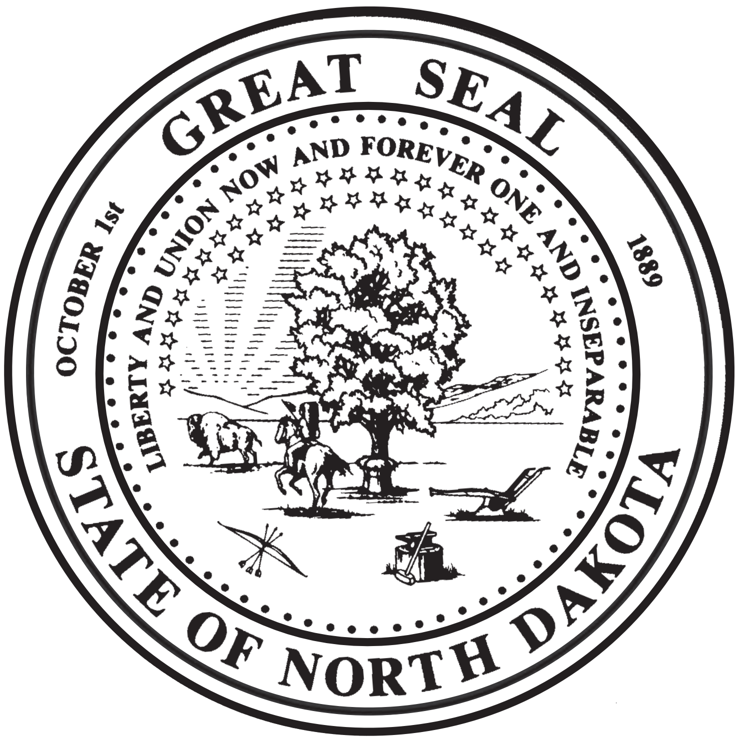
The fair values of inflation indexed bonds are reflected in the columns above, based on their stated maturity dates. The principal balances of these bonds are adjusted every six months based on the inflation index for that period.

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.



(This page left blank intentionally.)

As of June 30, 2015, the following tables present the debt securities of the primary government and their respective ratings (expressed in thousands).

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

	Total Market Value	AAA	AA	A	BBB
Asset Backed Securities	$ 188,537	$ 98,402	$ 18,259	$ 22,369	$ 12,112
Commercial Mortgage-Backed	123,376	65,357	14,429	9,834	6,127
Commercial Paper	9,999	-	-	-	-
Corporate Bonds	2,124,850	2,700	113,437	630,446	1,002,820
Corporate Convertible Bonds	18,159	-	-	1,238	2,789
Government Agencies	2,479,228	2,272,687	100,923	7,084	6,916
Government Bonds	264,593	39,592	16,934	37,323	90,146
Government Mortgage Backed	1,807,393	1,033,195	447,329	-	-
Index Linked Government Bonds	130,815	-	-	-	130,754
Municipal/Provincial Bonds	30,943	5,261	16,933	4,880	3,574
Non-Government Backed CMOs	78,949	9,246	9,764	9,097	5,861
Repurchase Agreements	138,070	-	-	-	-
Short-Term Investment Funds	5,500	-	5,500	-	-
Pooled Investments	2,041,897	99,882	557,304	457,712	309,615
Total Credit Risk Debt Securities	$ 9,442,309	$ 3,626,322	$ 1,300,812	$ 1,179,983	$ 1,570,714
US Gov't & Agencies	1,084,115				
Total Debt Securities	$ 10,526,424				
Major Component Units					
Commercial Paper	$ 21,485	$ -	$ -	$ 21,485	$ -
Total Credit Risk Debt Securities	$ 21,485	$ -	$ -	$ 21,485	$ -
US Gov't & Agencies	59,490				
Total Debt Securities	$ 80,975				

*Majority of debt securities rated by S&P, however some were determined by Moody's, Fitch or manager determined. If no ratings are available, then the investment is classified as not rated.

**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. Implicitly guaranteed agency securities included in the *Gov't Issued Commercial & Gov't Mortgage Backed, Gov't Agencies, Non-Gov't Backed CMOs,* and *Short Term Bills and Notes* categories are issued by FNMA, FDIC, FHLB, FHLMC, FICO, FAMC and Federal Farm Credit.

BB	B	CCC	CC	C	D	Not Rated
$ 3,591	$ 5,043	$ 11,097	$ 2,057	$ -	$ 592	$ 15,015
6,611	12,310	817	-	-	1,772	6,119
-	-	-	-	-	-	9,999
257,126	94,412	11,739	197	-	91	11,882
5,884	1,340	-	-	-	-	6,908
-	-	-	-	-	-	91,618
13,433	-	283	-	-	-	66,882
-	-	-	-	-	-	326,869
-	-	-	-	-	-	61
295	-	-	-	-	-	-
456	2,612	4,454	2,258	-	4,364	30,837
-	-	-	-	-	-	138,070
-	-	-	-	-	-	-
37,639	188,607	70,769	-	-	-	320,369
$ 325,035	$ 304,324	$ 99,159	$ 4,512	$ -	$ 6,819	$ 1,024,629

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, 2015 (expressed in thousands):

	Amount	Percent
Federal Agency		
Federal Home Loan Bank	$ 615,305	21.0%
Fannie Mae	520.552	17.7%
Freddie Mac	373,909	12.7%
Farm Credit	152,063	5.2%
Mortgage-backed		
Fannie Mae	673,746	23.0%
Freddie Mac	314,673	10.7%
Federal Home Loan Bank stock	34,026	1.2%
Others less than 5%	249,296	8.5%
	$ 2,933,570	100.0%

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 Department of Trust 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 items that adds diversity to the overall portfolio. For foreign bonds, the Board fully hedges the currency exposure, as the purpose of this portfolio is to generate more consistent returns. The board does not have a formal policy regarding foreign currency risk.

At June 30, 2015, foreign currency risk exposure on investments managed by the Department of Trust Lands and State Investment Board were as follows (expressed in thousands).

Primary Government (includes Pension and Investment Trust Funds)

Currency	Short-Term	Debt	Equity	Total
Australian dollar	$ 78	$ 11,393	$ 69,341	$ 80,812
Brazilian real	(392)	8,585	5,569	13,762
British pound sterling	(530)	5,014	291,246	295,730
Canadian dollar	(132)	3,412	30,690	33,970
Chilean peso	9,468	907	195	10,570
Chinese yuan renminbi	1	-	-	1
Czech koruna	9	-	1,015	1,024
Danish krone	-	-	26,268	26,268
Euro	(21,035)	17,372	495,400	491,737
Hong Kong dollar	443	-	68,755	69,198
Hungarian forint	16	5,005	1,036	6,057
Indian rupee	-	7,516	-	7,516
Indonesian rupiah	-	5,935	-	5,935
Israeli shekel	33	-	9,549	9,582
Japanese yen	(1,707)	307	322,415	321,015
Malaysian ringgit	63	3,658	-	3,721
Mexican peso	1,694	25,297	-	26,991
New Zealand dollar	(4,036)	4,380	1,950	2,294
Norwegian krone	4,373	-	18,547	22,920
Peruvian neuvo sol	(7)	-	-	(7)
Philippine peso	-	2,087	-	2,087
Polish zloty	15	2,547	1,967	4,529
Singapore dollar	(463)	(185)	15,933	15,285
South African rand	(44)	5,435	4,067	9,458
South Korean won	(1,269)	5,633	9,471	13,835
Swedish krona	4,223	-	43,825	48,048
Swiss franc	24	-	136,517	136,541
Taiwan dollar	-	-	679	679
Thai baht	239	-	3,952	4,191
Turkish lira	-	-	1,789	1,789
International commingled funds (various currencies)	-	99,367	739,304	838,671
Total international investment securities	$ (8,936)	$ 213,665	$ 2,299,480	$ 2,504,209

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 Position. At June 30, 2015, 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 Position and totaled $43.1 million. At June 30, 2015, the State investment portfolio had the notional futures shown below (expressed in thousands).

Futures	Notional Value
Cash and cash equivalent derivative futures	
Long	$ -
Short	(1,035,636)
Equity derivative futures	
Long	604,691
Short	-
Fixed income derivative futures	
Long	246,728
Short	(95,736)
Total futures	$ (279,953)

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 credit 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 Position and totaled $2.5 million. At June 30, 2015, the State had the following option balances (expressed in thousands):

Options	Fair Value
Cash & Other Options	
Call	$ (36)
Put	(84)
Fixed Income Options	
Call	(223)
Put	(27)
Total options	$ (370)

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, inflation, credit and currency 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.

Inflation risk represents the exposure to fair value losses arising from future changes in prevailing market inflation. In an inflation swap, one party pays a fixed rate on a notional principal amount, while the other party pays a floating rate linked to an inflation index, such as the Consumer Price Index (CPI).

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.

Currency risk represents the exposure to fair value losses arising from the change in price of one currency against another. A currency swap is a foreign-exchange agreement between two parties to exchange principal and interest in one currency for the same in another currency.

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 Position and totaled $(1.3) thousand. The maximum loss that would be recognized at June 30, 2015, if all counterparties failed to perform as contracted is $3.25 million. Swap fair values are determined by a third party pricing source. At June 30, 2015, the States' investment portfolio had the swap fair value balances as shown below (expressed in thousands).

Credit Default Swaps

Counterparty/Moody's Rating	Notional Amount	Expiration Date	Fair Value
Bank of America/A2 (4 contracts)	$ (3,700)	9/2015 - 9/2019	$ 32
Barclays/A2 (5 contracts)	(3,350)	6/2019-9/2019	48
BNP Paribas/A2	(400)	6/2019	(43)
Citibank/A3 (5 contracts)	(13,300)	12/2018 - 12/2019	311
Citigroup Global Markets	(6,500)	12/2018	105
Credit Suisse First Boston/A1 (8 contracts)	(13,200)	6/2020	463
Credit Suisse International/A1	(800)	9/2016	-
Deutsche Bank/A2 (2 contracts)	3,600	12/2016 - 6/2017	(100)
Goldman Sachs/A3 (9 contracts)	(7,342)	9/2015 - 10/2052	(208)
HSBC Bank/A1 (3 contracts)	(4,200)	6/2019 - 9/2019	(26)
JP Morgan Chase/Aa3 (12 contracts)	25,726	11/2016 - 11/2024	(292)
Total credit default swaps	$ (23,466)		$ 290

Currency Swaps

Counterparty/Moody's Rating	Notional Amount	Expiration Date	Fair Value
Deutsche Bank London/A2	$ 281	5/2017	$ 46
Goldman Sachs/A3	150	1/2017	3
HSBC Bank USA/A1	500	9/2015	(45)
JP Morgan Chase/Aa3 (5 contracts)	177,287	11/2016 - 11/2024	27
Total currency swaps	$ 178,218		$ 31

Interest Rate Swaps

Counterparty/Moody's Rating	Notional Amount	Expiration Date Range	Fair Value
Bank of America/A2 (3 contracts)	$ 10,529	1/2018 - 1/2021	$ (64)
Barclays/A2 (3 contracts)	3,325	7/2015 - 12/2032	6
BNP Paribas/A2 (3 contracts)	2,869	1/2021	(12)
Citibank/A3 (9 contracts)	5,826	7/2015 - 12/2032	188
Citigroup Global Markets/A1 (4 contracts)	(5,455)	9/2015 - 8/2020	(90)
Credit Suisse First Boston/A1 (28 contracts)	162,650	6/2016 - 12/2045	(222)
Credit Suisse International/A1 (6 contracts)	(16,944)	6/2018 - 5/2023	(18)
Deutsche Bank/A2 (8 contracts)	163,610	11/2018 - 1/2021	(16)
Goldman Sachs/A3 (3 contracts)	10,671	1/2018 - 4/2024	(8)
HSBC Bank/A1 (9 contracts)	178,144	7/2015 - 9/2033	(22)
JP Morgan Chase/Aa3 (50 contracts)	160,790	9/2015 - 7/2034	771
Morgan Stanley/Baa1 (2 contracts)	7,400	12/2015 - 5/2022	9
Total Interest Rate Swaps	$ 683,415		$ 522

Inflation Swaps

Counterparty/Moody's Rating	Notional Amount	Expiration Date	Fair Value
Bank of America/A2 (9 contracts)	$ 740	1-2020 - 12/2044	$ 31
BNP Paribas/A2 (4 contracts	620	1/2020 - 12/2044	26
Citibank/A3 (4 contracts)	520	3/2020 - 6/2030	4
Credit Suisse International/A1 (3 contracts)	42	11/2044 - 12/2044	3
Goldman Sachs/A3 (11 contracts)	4,430	1/2020 - 1/2030	99
Total Inflation Rate Swaps	$ 6,352		$ 163

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 (positive) or sell (negative) 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 Position and totaled $32.5 million. At June 30, 2015, the States' investment portfolio included the currency forwards balances shown below (expressed in thousands).

Currency	Cost	Purchases	Sales	Fair Value
Australian dollar	$ (23,201)	$ -	$ (23,090)	$ (23,099)
Brazilian real	(5,563)	651	(6,324)	(5,668)
British pound sterling	(724)	36	(760)	(751)
Canadian dollar	(4,198)	49	(4,169)	(4,120)
Chilean peso	9,614	9,614	-	9,468
Euro	(68,876)	6,293	(75,543)	(69,032)
Hungarian forint	(20)	42	(62)	(19)
Indian rupee	6,360	6,572	(212)	6,426
Japanese yen	(3,174)	3,737	(6,911)	(3,199)
Mexican peso	(6,180)	3,744	(9,778)	(6,025)
New Zealand dollar	(11,810)	-	(11,370)	(10,995)
Norwegian krone	4,064	4,064	-	4,027
Peruvian nuevo sol	(7)	-	(7)	(7)
Polish zloty	(7,804)	-	(7,665)	(7,665)
Russian ruble	-	-	-	-
Singapore dollar	(4,475)	-	(4,560)	(4,556)
South African rand	(4,943)	-	(4,938)	(4,931)
South Korean won	(1,632)	170	(1,802)	(1,600)
Swedish krona	4,052	4,052	-	4,220
Turkish lira	(194)	-	(194)	(199)
United Kingdom pound	(23,367)	-	(24,050)	(24,050)
United States dollar	142,078	180,679	(38,600)	142,079
Total forwards subject to currency risk				$ 304

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, 2015, 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	$ (884,643)	$ (797,624)	$ 144,609	$ (165,051)	$ (66,577)	$ -

	Total Fair Value	3 Months or Less	3 to 6 Months	6 to 12 Months	1-5 Years	Greater Than 5 Years
Options on interest rate futures	$ (303)	$ (257)	$ (46)	$ -	$ -	$ -
Options - interest rate contracts	8	-	-	-	8	-
Swaps - interest rate contracts	684	203	(4)	(140)	(468)	1,093
Total	$ 389	$ (54)	$ (50)	$ (140)	$ (460)	$ 1,093

Mill and Elevator Derivative Financial Instruments – The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2015, and the changes in fair value of such derivative instruments for the year then ended as reported in the State's financial statements are $1,411,163, classified as derivative instrument (one contract equals 5,000 bushels) and $1,411,163, classified as deferred inflow of resources – accumulated increase in fair value of hedging derivatives. The fair value of the grain futures contracts was determined on the Minneapolis Grain Exchange. The margin requirement is $0.60 per bushel, unless the market price changes the limit for two consecutive days, then the margin requirement is $0.90 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 2015	ADM Investor Services	(121)	$5.8962	$6.3725	June 2015
Sept 2015	RJ O'Brien	(144)	5.9039	6.3725	June 2015
Dec 2015	ADM Investor Services	162	5.8597	6.5150	June 2015
Dec 2015	RJ O'Brien	166	5.8365	6.5150	June 2015
Mar 2016	ADM Investor Services	135	5.9810	6.6225	June 2015
Mar 2016	RJ O'Brien	103	6.0678	6.6225	June 2015
May 2016	ADM Investor Services	23	6.0391	6.6900	June 2015
May 2016	RJ O'Brien	20	5.8938	6.6900	June 2015
July 2016	RJ O'Brien	19	5.9753	6.7075	June 2015

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, 2015, the table below shows the hedge ratio by futures month going forward:

Period	Hedge Ratio
Sept 2015	1.1
Dec 2015	1.2
Mar 2016	0.9
May 2016	1.0
July 2016	1.0
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.

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 fair 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.

C. SECURITIES LENDING

The following represents the balances relating to the securities lending transactions at June 30, 2015 (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	$ 6,859	$ -	$ 6,996
US government securities	70,700	-	72,195
US corporate fixed income securities	49,957	-	50,998
Global government fixed income securities	12,785	-	13,637
Global corporate fixed	917	-	987
US equities	38,671	-	39,502
Lent for non-cash collateral:			
US agency securities	-	-	-
US government securities	-	-	-
US corporate fixed income securities	-	-	-
US equities	-	-	-
Total	$ 179,889	$ -	$ 184,315

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. For UND, distributions for spending endowments each year will be calculated once annually with the quarter ended December 31 unitized market value and is based on the set spending rate, currently four percent, applied to the average market value for the four preceding quarters of 2013, eight quarter year average in 2014, building to a twelve quarter average which will begin in 2015. All endowment in existence at December 31 for one year will receive a distribution spending allocation. The available amount will be forecast to UND for planning purposes by February 1, and these distributions will be available for spending in the upcoming fiscal year. 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, 2015:

			Reflected in net position as:
Mayville State University	$	3,170	Expendable scholarships & fellowships
North Dakota State University		144,701	Expendable scholarships & fellowships
University of North Dakota		961,946	Non-expendable scholarships & fellowships
Williston State College		2,933	Non-expendable scholarships & fellowships
Total NDUS	$	1,112,750	

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 and Lake Region 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, 2015 are approximately $140.8 million and $2.7 million respectively.

E. REVERSE REPURCHASE AGREEMENTS

State statutes permit the State to enter into reverse repurchase agreements, that is, the sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in fair value of the securities. All sales of investments under these agreements are for fixed terms. In investing the proceeds of these agreements, State policy is for the term to maturity of the investment to be the same as the term of the agreement. Such matching existed at year end. These agreements are secured by Fed book-entry securities held in the State's name. At June 30, 2015, 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, 2015, consist of the following (expressed in thousands):

	General	Federal	State	Other Governmental Funds	Bank of North Dakota	Housing Finance	University System
Receivables:							
Accounts	$ 15,680	$ 17,923	$ 98,057	$ -	$ -	$ 413	$ 33,127
Less Allowance	(7,116)		(21,300)	-	-	-	(6,062)
Taxes	523,457		128,058	250	-	-	-
Less Allowance	(104,254)		(1,231)	-	-	-	-
Interest	13,521		12,992	134	41,748	2,618	-
Less Allowance	-		(2,278)	-	-	-	-
Intergovernmental	-	198,339	7,231	-	-	170	27,146
Less Allowance	-		(1)	-	-	-	-
Current Loans and Notes	26		166,622	49,808	929,633	16,043	7,410
Less Allowance	-		(2,467)	-	-	-	-
Noncurrent Loans and Notes	25,001		86,527	-	2,873,851	645,512	32,680
Less Allowance				-	(58,346)	-	(6,298)
Net Receivables	$ 466,315	$ 216,262	$ 472,210	$ 50,192	$ 3,786,886	$ 664,756	$ 88,003

	Workforce Safety & Insurance	Other Enterprise Funds	Internal Service Funds	Fiduciary Funds	Major Component Units	Total
Receivables:						
Accounts	$ 61,544	$ 84,077	$ 187	$ 11,257	$ 1,382	$ 323,647
Less Allowance	(9,500)	(12,913)	-	-	(22)	(56,913)
Taxes	-	-	-	43,571	-	695,336
Less Allowance	-	-	-	(7,516)	-	(113,001)
Interest	9,591	1,626	49	13,573	4,380	100,232
Less Allowance	-	-	-	-	-	(2,278)
Intergovernmental	-	8,492	872	-	-	242,250
Less Allowance	-	-	-	-	-	(1)
Current Loans and Notes	-	9,050	-	-	4,859	1,183,451
Less Allowance	-	-	-	-	-	(2,467)
Noncurrent Loans and Notes	-	89,719	-	-	8,297	3,761,587
Less Allowance	-	(5,117)	-	-	(4,910)	(74,671)
Net Receivables	$ 61,635	$ 174,934	$ 1,108	$ 60,885	$ 13,986	$ 6,057,172

G. INTERFUND ACCOUNTS AND TRANSFERS

DUE FROM OTHER FUNDS/DUE TO OTHER FUNDS

Interfund balances at June 30, 2015, consist of the following (expressed in thousands):

Due To General Fund From:	
Federal Fund	$ 63,094
State Fund	31,319
Bank of North Dakota	722
Nonmajor Enterprise Funds	24,431
All Others	14
Total Due To General Fund	$ 119,580

Included in the Nonmajor Enterprise Funds amount is a loan to the Rebuilders' Loan Program for $14,922,350. This is not expected to be repaid within one year.

Due To Federal Fund From:	
General Fund	$ 8,937
State Fund	6,237
All Others	5
Total Due To Federal Fund	$ 15,179

Due To State Fund From:	
General Fund	$ 3,812
Federal Fund	9,760
Internal Service Funds	3,430
Nonmajor Enterprise Funds	50,733
All Others	173
Total Due To State Fund	$ 67,908

Included in the Internal Service Funds amount is an advance to Fleet Services from the Highway Fund for $3,000,000. This is not expected to be repaid within one year.

Due To Internal Service Funds From:	
General Fund	$ 5,078
State Fund	1,517
University System	1,248
All Others	1,101
Total Due To Internal Service Funds	$ 8,944

Due To Bank of North Dakota From:	
State Fund	$ 990
General Fund	1,578
Nonmajor Enterprise Funds	39,913
Housing Finance	21,134
All Others	196
Total Due To Bank of North Dakota	$ 63,811

Included in the Nonmajor Enterprise Funds amount is a loan to the Rebuilder's Loan Program for $25,550,000, of which $23,382,000 is not expected to be repaid within one year.

Due To University System From:	
General Fund	$ 38,049
Federal Fund	2,410
State Fund	895
All Others	414
Total Due To University System	$ 41,768

Due To All Other Funds From:	
All Other	$ 2,030

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, 2015.

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

Due From's		$ 319,220
General Fund/Bank of ND	(227)	
Bank of ND/Housing Finance	(11,031)	
Mill & Elevator/Bank of ND	(5,000)	
Bank of ND/University System	1,205	
Bank of ND/Student Loan Trust	(15)	
Bank of ND/Guaranteed Student Loan	1,427	
Governmental Agencies/Bank of ND	632	
Bank of ND/Enterprise Funds	1,128	
Total Differences		(11,881)
Due To's		$ 307,339

The previous table 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, 2015, follows (expressed in thousands):

	General	Special Revenue Federal	Special Revenue State	Non-major Governmental	Housing Finance	University System	Non-major Enterprise	Total
Transfers Out								
General	$ -	$ 71	$ 549,325	$ 2,292	$ 1,494	$ 556,938	$ 2,426	$ 1,112,546
Special Revenue - Federal	8	-	20,954	300	417	-	141	21,820
Special Revenue - State	545,496	78	-	20,734	33	10,083	5,000	581,424
Non-major Governmental	854	-	2,269	-	-	-	-	3,123
Bank of North Dakota	-	-	14,188	-	-	-	3,200	17,388
Housing Finance	-	-	30	-	-	-	-	30
University System	-	-	-	5,327	-	-	-	5,327
Non-major Enterprise	9,509	-	1,492	-	-	-	5,000	16,001
Total	$ 555,867	$ 149	$ 588,258	$ 28,653	$ 1,944	$ 567,021	$ 15,767	$ 1,757,659

(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, 2015, legislatively-mandated transfers were made to the general fund of $6.1 million from the State Lottery, $3,408,600 from Mill and Elevator and $5,445,434 from the Insurance Regulatory Trust Fund.

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

Transfers In		$ 1,750,925
Differences:		
Bank of ND/Ag PACE	(400)	
Bank of ND/PACE	3,700	
Bank of ND/Community Water Facility Loan Fund	(5,000)	
Bank of ND	(25)	
Guaranteed Student Loan Program	(5,000)	
Special Rev – State/State Fair	(7)	
Federal	(2)	
Total Differences		(6,734)
Transfers Out		$ 1,757,659

The above timing differences of $6,734,000 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, Guaranteed Student Loan Program. This difference is also the total net transfers on the Government-wide Statement of Activities.

H. CAPITAL ASSETS

PRIMARY GOVERNMENT:

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

Description	Balance July 1, 2014 Restated*	Increases	Decreases	Balance June 30, 2015
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	$ 132,263	$ 5,869	$ -	$ 138,132
Construction in Progress	1,336,417	548,910	(253,646)	1,631,681
Total Capital Assets Not Being Depreciated	1,468,680	554,779	(253,646)	1,769,813
Capital Assets Being Depreciated:				
Buildings and Improvements	601,615	54,845	(968)	655,492
Equipment	285,109	41,421	(17,067)	309,463
Intangibles				
Software	91,360	10,609	(1,617)	100,352
Other	10,992	717	-	11,709
Infrastructure	3,829,668	265,250	(26,619)	4,068,299
Total Capital Assets Being Depreciated	4,818,744	372,842	(46,271)	5,145,315
Less Accumulated Depreciation for:				
Buildings and Improvements	(236,412)	(15,779)	532	(251,659)
Equipment	(138,680)	(21,559)	12,535	(147,704)
Intangibles				
Software	(58,205)	(9,215)	88	(67,332)
Other	(2,575)	(493)	-	(3,068)
Infrastructure	(2,691,382)	(62,650)	24,554	(2,729,478)
Total Accumulated Deprecation	(3,127,254)	(109,696)	37,709	(3,199,241)
Total Capital Assets Being Depreciated, Net	1,691,490	263,146	(23,305)	1,946,074
Governmental Activities Capital Assets, Net	$ 3,160,170	$ 817,925	$ (8,562)	$ 3,715,887

*See note 2 for details on restatement.

Infrastructure assets of the State Water Commission, with a carrying value of $30,516,290 are considered temporarily impaired at June 30, 2015.

Description	Balance July 1, 2014 Restated*	Increases	Decreases	Balance June 30, 2015
Business-Type Activities:				
Capital Assets Not Being Depreciated				
Land	$ 19,169	$ 1,281	$ (5)	$ 20,445
Construction in Progress	89,321	185,725	(45,283)	229,763
Total Capital Assets Not Being Depreciated	108,490	187,006	(45,288)	250,208
Capital Assets Being Depreciated:				
Buildings and Improvements	1,248,224	57,907	(6,234)	1,299,897
Equipment	480,851	29,406	(17,273)	492,984
Intangibles				
Software	40,655	938	(222)	41,371
Other	904	-	-	904
Infrastructure	194,438	19,926	(4,746)	209,618
Total Capital Assets Being Depreciated	1,965,072	108,177	(28,475)	2,044,774
Less Accumulated Depreciation for:				
Buildings and Improvements	(515,559)	(30,415)	17,352	(528,622)
Equipment	(306,098)	(28,879)	15,218	(319,759)
Intangibles				
Software	(28,254)	(2,805)	355	(30,704)
Other	(220)	(143)	-	(363)
Infrastructure	(90,694)	(5,447)	2,102	(94,039)
Total Accumulated Deprecation	(940,825)	(67,689)	35,027	(973,487)
Total Capital Assets Being Depreciated, Net	1,024,247	40,488	6,552	1,071,287
Business-Type Activities Capital Assets, Net	$ 1,132,737	$ 227,494	$ (38,736)	$ 1,321,495

Description	Balance July 1, 2014 Restated*	Increases	Decreases	Balance June 30, 2015
Major Component Units:				
Capital Assets Not Being Depreciated				
Land	$ 3,271	$ 14	$ -	$ 3,285
Construction in Progress	377	6,283	-	6,660
Total Capital Assets Not Being Depreciated	3,648	6,297	-	9,945
Capital Assets Being Depreciated:				
Buildings and Improvements	174,535	13,723	(155)	188,103
Equipment	40,689	8,345	(1,400)	47,634
Intangibles	78	-	-	78
Infrastructure	1,168	66	-	1,234
Total Capital Assets Being Depreciated	216,470	22,134	(1,555)	237,049
Less Accumulated Depreciation for:				
Buildings and Improvements	(58,071)	(4,409)	155	(62,325)
Equipment	(17,955)	(3,226)	919	(20,262)
Intangibles	(78)	-	-	(78)
Infrastructure	(605)	(47)	-	(652)
Total Accumulated Deprecation	(76,709)	(7,682)	1,074	(83,317)
Total Capital Assets Being Depreciated, Net	139,761	14,452	(481)	153,732
Major Component Unit Capital Assets, Net	$ 143,409	$ 20,749	$ (481)	$ 163,677

Beginning capital asset balances were adjusted for certain reclassifications.

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

Governmental Activities:	
General Government	$ 12,026
Education	855
Health and Human Services	4,719
Regulatory	300
Public Safety & Corrections	13,618
Agriculture and Commerce	213
Natural Resources	13,651
Transportation	64,314
Total Governmental Activities Depreciation Expense	$ 109,696

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

Project Description:

Governmental Activities	Amount Authorized	Amount Expended Through June 30, 2015	Balance Authorized
Office of Management and Budget	$ -	$ 87	$ (87)
Office of Attorney General	2,401	941	1,460
Secretary of State	9,116	5,645	3,471
Department of Human Services	140,191	84,136	56,055
Adjutant General	28,344	10,641	17,703
Game and Fish Department	245	-	245
Water Commission	77	22	55
Job Service North Dakota	312	312	-
Department of Transportation	1,941,453	1,529,178	412,275
ND School for the Deaf	75	-	75
Information Technology Department	1,320	720	600
Total Governmental Activities	$ 2,123,534	$ 1,631,682	$ 491,852

Business-Type Activities	Amount Authorized	Amount Expended Through June 30, 2015	Balance Authorized
Mill and Elevator	$ 38,195	$ 10,493	$ 27,702
State Fair Association	4,963	3,378	1,585
University System	393,690	220,887	172,803
Total Business-Type Activities	$ 436,848	$ 234,758	$ 202,090

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, 2015, amounted to $17,132,587 for governmental activities and $14,467,521 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, 2015, for all fund types are as follows (expressed in thousands):

Year Ending June 30	Governmental Activities	Business-type Activities
2016	$ 10,411	$ 11,010
2017	8,488	8,615
2018	4,579	5,714
2019	3,939	3,849
2020	3,218	1,884
2021-2025	10,192	1,785
2026-2030	901	473
2031-2035	-	425
Total Minimum Lease Payments	$ 41,728	$ 33,755

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, 2015 (expressed in thousands):

Year Ending June 30	Governmental Activities	Business-type Activities	Major Component Units
2016	$ 318	$ 5,679	$ 126
2017	210	5,386	126
2018	83	7,044	126
2019	35	4,420	126
2020	10	4,109	127
2021-2025	-	14,340	632
2026-2030	-	6,272	632
2031-2035	-	3,449	442
2036-2040	-	1,233	-
Total Minimum Lease Payments	656	51,932	2,337
Less: Amount Representing Interest	(56)	(10,708)	(788)
Present Value of Future Minimum Lease Payments	$ 600	$ 41,224	$ 1,549

The historical costs of assets acquired under capital leases, and included as capital assets on the government-wide Statement of Net Position at June 30, 2015, is as follows (expressed in thousands):

	Governmental Activities	Business-Type Activities	Major Component Units
Infrastructure	$ -	$ 559	$ -
Buildings	-	55,099	1,979
Intangibles	-	121	-
Equipment	2,124	11,637	-
Less: Accumulated Depreciation	(1,516)	(16,164)	(764)
Total	$ 608	$ 51,252	$ 1,215

K. *DEFERRED OUTFLOWS OF RESOURCES*

FINANCIAL DERIVATIVE INSTRUMENT

The State enters into interest rate swap agreements to modify interest rates on certain liabilities. The fair values of both hedging derivatives and investment derivatives (if any) are presented on the Statement of Net Position, either as a derivative liability (negative fair value) or as a derivative asset (positive fair value). The change in the total fair value of derivatives that are determined to be effective hedges is recorded as a deferred inflow or outflow of resources on the Statement of Net Position. If a derivative were determined to be an ineffective hedge, it would be classified as an investment derivative, and the change in the total fair value would be presented as part of investment earnings.

DEFERRED LOSS ON BOND REFUNDING

A deferred charge on refunded debts results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

L. *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, 2015, 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 2015 were $8.2 million. For fiscal year 2015, principal and interest paid by the Authority on the bonds was $8.2 million. The total principal and interest remaining to be paid as of June 30, 2015, is $60.0 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 February 1 and August 1 for the Series 2005 A and 2005 B Serial 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 2015 were $19.8 million. The total principal and interest remaining to be paid on the bonds is $66.2 million payable through August 1, 2025. For fiscal year 2015, principal and interest paid by the Commission on the bonds was $29.1 million.

On November 18, 2014, the State Water Commission defeased the outstanding $13.67 million Water Development Revenue Refunding Bonds, Southwest Pipeline Project, 2007 Series B without issuing refunding bonds. A deposit was made into an irrevocable trust account with an escrow agent to provide for all the future debt service payments. As of June 30, 2015, $11,085,000 of the 2007 Series B Bonds outstanding are considered defeased and the liability for those 2007 Series B Bonds is not reflected in the State's financial statements.

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 $26.6 million payable through June 2020. 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. The funds pledged for the NDDOT 2005 bond issue consist of state funds in the State Highway Fund from the following sources: Highway Tax Distribution Fund, fee and permit revenues, interest revenue and miscellaneous sales of scrap materials and obsolete equipment. The pledged funds do not include any funding deposited into the State Highway Fund from the State General Fund. The proportion of the specific revenue stream pledged was 98.5% in 2015.

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.

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 0.7% or Federal Home Loan Bank plus 0.7%. 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.

The total principal and interest remaining to be paid on the outstanding bond is $1.1 million payable through June 2029. For fiscal year 2015, revenue pledged and total principal and interest paid by Student Loan Trust were $245,000 and $9,000, 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.

Revenues Pledged – The agency has homeownership bonds outstanding in the amount of $637.1 million maturing at various times from January 1, 2016 through January 1, 2046. 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 $141.4 million and $18.2 million, respectively. Bond principal was reduced through customer revenues and the refunding of older bonds with proceeds from new bond issues.

Pursuant to the Series Resolutions adopted to date and under the 1994 and 2009 General Resolutions, the revenues generated by the Program Loans (but not the Program Loans themselves) are pledged to secure the Bonds. The Agency is permitted by terms of the General Resolutions to issue Bonds and pledge Revenues pursuant to the Series Resolution which exceed the amount required to meet the obligations of that Series of Bonds. In such event, it is likely that any such Series of bonds would produce excess Revenues which could be available to redeem the related Series of bonds or any other Series of Bonds prior to the state maturities thereof.

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 2015 were $19.0 million. Principal and interest paid for the current fiscal year were $19.2 million, with total remaining principal and interest of $344.9 million payable through August 2044.

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 2015 were $17.6 million. Principal and interest paid for the current fiscal year were $13.3 million, with total remaining principal and interest of $393.4 million payable through June 2041.

Revenue Bonds outstanding (expressed in thousands):

Fund Type/Fund	Maturities	Interest Rates	Balance 6/30/15	
Primary Government				
Governmental:				
Building Authority	2016-2030	1.50-6.25	$ 51,394	
Water Commission	2016-2025	4.25-5.00	54,472	1)
Department of Transportation	2016-2020	3.00-5.00	23,479	
Proprietary:				
Student Loan Trust	6/1/2029	0.86	1,000	2)
Housing Finance:				
Homeownership	2016-2046	0.20-5.75	637,155	2)
University System:				
VCSU—Valley City	2016-2040	2.80-7.05	5,790	
Williston State College	2016-2041	3.00-6.90	8,550	
Lake Region State College	2016-2017	3.00-5.125	285	
UND—Grand Forks	2016-2045	0.75-5.00	95,666	
NDSU—Fargo	2016-2040	1.50-6.50	96,425	
NDSCS—Wahpeton	2016-2037	3.76	8,465	
MiSU–Minot	2016-2041	2.00-6.60	16,605	
MaSU—Mayville	2016-2030	1.55-6.63	4,675	
BSC—Bismarck	2016-2033	2.00-4.00	9,470	
Total Revenue Bonds Payable—Primary Government			$ 1,013,431	
Major Component Units				
Proprietary:				
Public Finance Authority	2016-2041	0.24-8.25	$ 296,936	
University System Foundation	2018-2038	0.75-5.25	57,003	
Total Revenue Bonds Payable—Major Component Units			$ 353,939	

1) Approximately $39 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.

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

Fiscal Year	Principal	Interest
2016	$ 16,510	$ 5,517
2017	15,960	4,795
2018	16,695	4,055
2019	14,075	3,365
2020	14,040	2,731
2021-2025	42,620	6,442
2026-2030	5,860	327
2031-2035	200	6
2036-2040	-	-
2041-2045	-	-
2046-2050	-	-
Bond Premium	3,385	(3,385)
Total	$ 129,345	$ 23,853

Business-type Activities

Fiscal Year	Principal	Interest
2016	$ 24,212	$ 30,887
2017	32,236	30,990
2018	30,487	30,246
2019	30,886	29,407
2020	32,341	28,499
2021-2025	150,013	126,335
2026-2030	165,441	97,486
2031-2035	178,855	63,324
2036-2040	165,670	30,627
2041-2045	63,800	4,173
2046-2050	1,110	18
Bond Premium	9,035	(9,035)
Total	$ 884,086	$ 462,957

Major Component Units

Fiscal Year	Principal	Interest
2016	$ 18,771	$ 12,586
2017	21,439	13,220
2018	26,218	12,465
2019	27,207	11,599
2020	20,747	10,689
2021-2025	81,788	36,904
2026-2030	82,114	23,159
2031-2035	51,848	6,435
2036-2040	7,618	1,029
2041-2045	1,463	65
Bond Premium	14,726	(14,726)
Total	$ 353,939	$ 113,425

2. NOTES PAYABLE

The following is a schedule of notes payable outstanding at June 30, 2015 (expressed in thousands):

Fund Type/Fund	Maturities	Interest Rates	Balance 6/30/14
Primary Government			
Governmental:			
Department of Transportation	2016-2022	4.18	$ 1,449
Office of Management and Budget	2016-2022	4.18	2,827
School for the Deaf	2016-2021	4.8408	136
Proprietary:			
Bank of North Dakota	2016-2030	1.12-5.56	644,574
University System	2016-2030	1.75-9.90	21,218
Major Component Units			
University System Foundation	2016-2020	0.00-4.35	12,484

(1) The Bank of North Dakota issued short-term debt to fund loans on a short-term basis.

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

Primary Government:

Governmental Activities

Fiscal Year	Principal	Interest
2016	$ 520	$ 180
2017	563	158
2018	610	132
2019	658	107
2020	709	78
2021–2025	1,352	67
2026–2030	-	-
Total	$ 4,412	$ 722

Business-type Activities

Fiscal Year	Principal	Interest
2016	$ 108,293	$ 18,111
2017	8,612	17,831
2018	8,932	17,532
2019	89,265	15,814
2020	49,610	14,371
2021–2025	356,180	37,465
2026–2030	44,900	3,340
Total	$ 665,792	$ 124,464

Major Component Units

Fiscal Year	Principal	Interest
2016	$ 1,867	$ -
2017	1,660	398
2018	1,407	318
2019	1,162	276
2020	2,901	202
2021–2025	3,080	55
2026–2030	98	78
2031–2035	122	55
2036-2040	152	25
2041-2045	35	1
Total	$ 12,484	$ 1,408

Changes in General Long-Term Liabilities

Changes in Long-Term Liabilities for the year ended June 30, 2015, are summarized as follows (expressed in thousands):

	Beginning Balance Restated	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Notes Payable	$ 4,981	$ -	$ (569)	$ 4,412	$ 520
Bonds Payable	163,031	-	(33,686)	129,345	16,657
Capital Leases Payable	667	252	(319)	600	288
Compensated Absences	45,452	31,272	(30,847)	45,877	3,366
Claims/Judgments Payable	9,376	5,040	(5,562)	8,854	2,144
OPEB Obligation	907	471	(312)	1,066	-
Total Long-Term Liabilities	$ 224,414	$ 37,035	$ (71,295)	$ 190,154	$ 22,975
Business-Type Activities:					
Notes Payable	$ 484,763	$ 602,500	$ (421,471)	$ 665,792	$ 108,293
Bonds Payable	901,527	158,018	(175,459)	884,086	24,212
Capital Leases Payable	44,774	4,023	(7,573)	41,224	4,170
Intergovernmental Payable	9,580	946	(895)	9,631	473
Compensated Absences	35,630	3,744	(3,335)	36,039	4,475
Dividends Payable	121,733	97,926	(116,604)	103,055	103,055
Claims/Judgments Payable	1,054,713	276,601	(234,073)	1,097,241	132,167
Total Long-Term Liabilities	$ 2,652,720	$ 1,143,758	$ (959,411)	$ 2,837,068	$ 376,845
Major Component Units:					
Notes Payable	$ 6,657	$ 7,350	$ (1,523)	$ 12,484	$ 1,867
Bonds Payable	334,471	44,790	(25,322)	353,939	21,306
Capital Leases Payable	1,600	-	(51)	1,549	54
Intergovernmental Payable	557	6	(173)	390	26
Compensated Absences	21	10	-	31	31
Total Long-Term Liabilities	$ 343,306	$ 52,156	$ (27,069)	$ 368,393	$ 23,284

*Notes Payable, Bonds Payable, Capital Leases Payable and Intergovernmental Payable includes $12,483,771, $57,003,307, $1,548,706 and $378,006 respectively, classified as Due to Component Units in the Statement of Net Position for the University System. Of the above amounts, $1,867,347, $3,475,997, $54,024 and $26,254 are shown as current.

Bonds payable reductions include amortization of premium.

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, $2,247,700 of internal service fund compensated absences and $7,696,880 of claims and judgments are included in the above amounts. Other governmental activities compensated absences generally have been liquidated by the General Fund (62%), the Highway Fund (12%), the Federal Fund (15%), and other various funds. Other governmental activities claims and judgments have all been liquidated by the Petroleum Release Compensation Fund.

3. REFUNDED DEBT

University System

Bismarck State College

Bismarck State College issued $3.335 million of Housing & Auxiliary Facilities bonds with an interest rate of 2.74 percent. The bonds were used to recall $3.335 million of outstanding Series 2005 Housing & Auxiliary Facilities bonds. The bonds were refunded to reduce total debt service payments over the next fifteen years by $845,589. The economic gain realized as a result of the refunding was $693,040.

North Dakota State University

North Dakota State University issued $21.195 million Housing & Auxiliary Facilities bonds with an interest rate ranging from 3.0 percent to 5.0 percent. The bonds were used to recall $16.2 million, $8.5 million and $2.3 million of outstanding Series 2005, Series 2006A, Series 2006B Housing & Auxiliary Facilities bonds, respectively. The bonds were refunded to reduce total debt service payments over the next twenty years by $9.4 million. The economic gain realized as a result of the refunding was $5,297,981.

M. 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 $98,000 at June 30, 2015. These amounts are reported in the Government-wide and Proprietary Fund Type financial statements as an intergovernmental payable.

N. DEFERRED INFLOWS OF RESOURCES

GRANTS RECEIVED PRIOR TO TIME REQUIREMENTS

This amount represents unavailable revenue. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available

INCREASE IN FAIR VALUE OF HEDGING DERIVATIVES

This amount represents the changes in fair value of futures.

NOTE 4 – NET POSITION

The government-wide Statement of Net Position reports $6,254,673,532 of restricted net position, of which $1,428,955,990 is restricted by enabling legislation.

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. Below is a summary of the revenues and other financing sources for this fund.

	Total
Intergovernmental	$ 1,596,314,838
Sales and Services	1,639,419
Royalties and Rents	6,976
Interest and Investment Income	1,951
Miscellaneous	3,614,627
Transfers In	146,807
Total Federal Special Revenue	$ 1,601,724,618

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. Below is a summary of the revenues and other financing sources for this fund.

	Total
Individual and Corporate Income Taxes	$ 1,997,832
Sales and Use Taxes	366,310,920
Oil, Gas, and Coal Taxes	1,770,922,298
Business and Other Taxes	34,429,413
Licenses, Permits and Fees	196,879,900
Intergovernmental	24,929,464
Sales and Services	76,837,582
Royalties and Rents	374,637,098
Fines and Forfeits	20,478,901
Interest and Investment Income	32,061,012
Tobacco Settlement	30,512,364
Commodity Assessments	23,662,092
Miscellaneous	12,389,634
Transfers In	591,533,343
Total State Special Revenue	$ 3,557,581,853

Governmental Fund Balance By Purpose

	General	Special Revenue Federal	Special Revenue State	Nonmajor Governmental Funds	Total
Fund Balances:					
Nonspendable					
Inventory	$ 2,803,312	$ 10,486,136	$ 9,508,043	$ -	$ 22,797,491
Long – Term Receivables	25,158,896	-	86,390,080	-	11,548,976
Prepaid Expenditures	2,643,490	1,713,376	4,828,199	-	9,185,065
Legal Requirements	3,435,327,785	-	-	-	3,435,327,785
Permanent Trust Fund	-	-	-	67,050,990	67,050,990
Total Nonspendable	3,465,933,483	12,199,512	100,726,322	67,050,990	3,645,910,307
Restricted for:					
State Education Aid	-	-	617,625,443	-	617,625,443
Distribution to Common Schools	-	-	3,642,517,853	-	3,642,517,853
Federal Programs	-	297,267	-	-	297,267
Health & Human Services	-	-	2,648,193	-	2,648,193
Judicial & Legal	-	-	170,117	-	170,117
Public Safety & Corrections	-	-	1,770,209	-	1,770,209
Agriculture & Commerce	-	-	33,925,620	-	33,925,620
Highway Projects	-	-	983,954,294	-	983,954,294
Transportation	-	-	26,963,793	-	26,963,793
Debt Services	-	-	-	14,164,548	14,164,548
Strategic Investments & Improvements	-	-	17,881,832	-	17,881,832
Other	-	-	693,048,229	2,141,000	695,189,229
Total Restricted	-	297,267	6,020,505,583	16,305,548	6,037,108,398
Committed to:					
Tobacco Prevention	-	-	55,254,421	-	55,254,421
Judicial & Legal	-	-	9,333,674	-	9,333,674
Public Safety & Corrections	75,906,871	-	1,112,531	-	77,019,402
Agriculture & Commerce	20,879,259	-	16,534,703	-	37,413,962
Strategic Investments & Improvements	-	-	891,491,395	-	891,491,395
Property Tax Relief	657,000,000	-	-	-	657,000,000
Stabilization	574,012,127	-	-	-	574,012,127
Other	5,007,201	-	256,399,488	320,350	261,727,039
Total Committed	1,332,805,458	-	1,230,126,212	320,350	2,563,252,020
Unassigned	1,061,519,282	-	(8,477,525)	-	1,053,041,757
Total Fund Balances	$ 5,860,258,223	$ 12,496,779	$ 7,342,880,592	$ 83,676,888	$ 13,299,312,482

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. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. 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. Effective August 1, 2015, current and newly eligible members of the National Guard System will transfer to the Law Enforcement System. 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, 2015, the number of participating political subdivisions in PERS was:

Cities and Park Districts	88
Counties	49
School Districts	122
Other	74
Total Participating Local Political Subdivisions	333

Administration

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.

Responsibility for administration of the three defined benefit pension plans is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees. Effective July 1, 2105, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

The costs of administering the three defined benefit pension plans are financed through the contributions and investment earnings of each plan.

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. Members are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equals or exceeds 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The annual pension benefit is 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. Supreme and district court judges are entitled to unreduced monthly pension benefits beginning at the normal retirement age (65) or Rule of 85. The monthly pension benefit for Supreme and district court judges 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 the average monthly salary times the second 10 years of service, plus 1.25% of 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 plan permits early retirement at ages 55-64, with five or more years of service for supreme and district court judges. The monthly pension benefit for National Guard at normal retirement age (55). Effective August 1, 2015, the National Guard System will become part of the Law Enforcement System. Members of the Law Enforcement are entitled to unreduced monthly pension benefits at normal retirement age (55) or the rule of 85. The monthly pension benefit for the National Guard/Law Enforcement is equal to 2.00 percent 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 50-55 with three or more years of service for members.

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

Death and Disability Benefits

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.

Contributions

Contribution rates are set by state statute and are a percentage of salaries and wages.

In 2011, the Legislative Assembly passed an increase in the employee and employer contribution rates for the PERS, Judges and Law Enforcement plans. Both the employee and employer contribution rates increased for each of the plans by an additional 1% (.5% for the Law Enforcement Plans for political subdivisions) effective January 2012 and January 2013. The 2013 Legislative Assembly also passed an increase in the employee and employer contribution rates for the PERS, Judges, National Guard and Law Enforcement plans. Effective January 2014, both the employee and employer contribution rates were increased for each of the plans by an additional 1% (.5% for the National Guard and Law Enforcement Plans for political subdivisions).

Member contributions are set by state statue and are a percentage of salaries and wages. During the 1983-1985 biennium, the State implemented the employer pickup provision of the IRS code, whereby a portion or all of the required member contributions are made by the employer. The State is paying 4% of the full member contribution. Some of the political subdivisions are paying all or part of the member contributions. Employer contributions are set by statue except the contribution rates for the National Guard/Law Enforcement Plans which are set by the Board. Contribution rates are established as a percent of covered compensation as follows:

	Member Contributions	Employer Contributions
PERS	7.00%	7.12%
Judges Retirement System	8.00%	17.52%
National Guard Retirement System*	4.50%	7.00%
Law Enforcement with previous service		
State	6.00%	10.31%
Political subdivisions	5.00%	10.31%
Law Enforcement without previous service	5.00%	7.93%

*Effective August 1, 2015, the National Guard System will be moved under the Law Enforcement System with previous service. The member contribution rate for the National Guard members will be 6.00% and the employer rate will be 9.81%.

Except for Supreme and district court judges, the member's account balance includes the vested employer contributions equal to the members 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. Currently, the present rate of contributions for the PERS and Law Enforcement without previous service plans are not sufficient to meet the actuarially determined requirement for 2015-2016.

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.

Administration

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.

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 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 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.

Death and Disability Benefits

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.

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.

Contributions

Contribution rates for NDHPRS are set by state statute and are a percentage of salaries and wages.

In 2011, the Legislative Assembly passed an increase in the employee and employer contribution rates for the Highway Patrol plan. Both the employee and employer contribution rates increased for each of the plans by an additional 1% effective January 2012 and January 2013. The 2013 Legislative Assembly also passed an increase in the employee and employer contribution rates for the Highway Patrol plan. Effective January 2014, both the employee and employer contribution rates were increased for each plan by an additional 1%.

Member and employer contributions are set by statue as a percent of covered compensation. The State is paying 4% of the member contribution. The member contribution rate is 13.3% and the employer rate is 19.7%.

The required contributions are determined using an entry age normal cost method.

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 by the Board. 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.

Participation in the plan is limited to employees participating in the plan as of September 30, 1980.

Administration

On August 1, 2003, the administrative authority and the net position 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.

Benefits

Benefits are established through the plan document, as amended by the Board. 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.

Death and Disability Benefits

The plan provides retirement, disability and death benefits. If document 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.

Refunds of Member Contributions

Upon termination, if a member of the plan is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contrition and is subsequently reemployed, they have the option of repurchasing their previous service.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is $25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or $25
- 12 to 25 months of service – Greater of two percent of monthly salary or $25
- 25 to 36 months of service – Greater of three percent of monthly salary or $25
- Longer than 36 months of service – Great of four percent of monthly salary or $25

Contributions

Contribution rates for the Job Service Retirement Plan are established in the plan document, as amended, which prescribes that they are actuarially determined using the frozen initial liability actuarial cost method which is the same as the aggregate cost method.

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 funding policy of the plan provides for employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. Benefit and contribution provisions of the JSND are administered in accordance with chapter 52-11 of the North Dakota Century Code. Effective July 1, 1999, the "scheduled contribution" will be zero as long as the Plan's actuarial value of assets exceeds the actuarial present value of projected benefits. The "scheduled contribution" and amortization will be determined when the plan is not in surplus and will be based on a funding policy adopted by the employer.

TEACHERS' FUND FOR RETIREMENT (TFFR)

The North Dakota Teachers' Fund for Retirement is a cost-sharing multiple-employer defined benefit pension plan covering all North Dakota public teachers and certain other teachers who meet various membership requirements. TFFR provides for pension, death and disability benefits. The cost to administer the TFFR plan is financed by investment income and contributions.

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, 2015, the number of participating employer units in TFFR was:

Type	Number
Public School Districts	177
County Superintendents	6
Special Education Units	19
Vocational Education Units	5
Other	9
Total	216

Administration

Responsibility for administration of the TFFR benefits program is assigned to a seven-member Board of Trustees (Board). The Board consists of the State Treasurer, the Superintendent of Public Instruction, and five members appointed by the Governor. The appointed members serve five-year terms which end on June 30 of alternate years. The appointed Board members must include two active teachers, one active school administrator, and two retired members. The Board submits any necessary or desirable changes in statues relating to the administration of the fund, including benefit terms, to the Legislative Assembly for consideration. The Legislative Assembly has final authority for changes to benefit terms and contributions rates.

Benefits

For purposes of determining pension benefits, members are classified within one of three categories. Tier 1 grandfathered and Tier 1 non-grandfathered members are those with service credit on file as of July 1, 2008. Tier 2 members are those newly employed and returning refunded members on or after July 1, 2008.

Tier 1 Grandfathered - A Tier 1 grandfathered member is entitled to receive unreduced 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 1 Non-grandfathered - A Tier 1 non-grandfathered member is entitled to receive unreduced 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 the member has reached the age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55-64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. 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 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 Tier 2 member is entitled to receive unreduced 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 has reached age 60 and 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 8% per year from the earlier of age 60/Rule of 90 or age 65. 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.

Death and Disability Benefits

Death 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 uses the member's actual years of credited service. There is no actuarial reduction for reason of disability retirement.

Contributions

Member and employer 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 11.75% 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 12.75% of the teacher's salary. Member and employer contributions will be reduced to 7.75% each when the fund reaches 100% funded ratio on an actuarial basis.

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% or defer payment until eligible for pension benefits. A nonvested member who terminates covered employment must claim a refund of contributions paid before 70½.

EMPLOYEE MEMBERSHIP DATA

The following table summarizes employee membership information by plan at the actuarial valuation date:

	PERS	NDHPRS	JSND	TFFR
Retirees and beneficiaries currently receiving benefits:	10,060	128	206	8,025
Special prior service retirees:	3	-	-	-
Terminated Employees:				
Vested	4,733	11	1	1,607
Nonvested	4,481	11	-	660
Active Employees:				
Vested	15,645	62	11	7,369
Nonvested	7,200	99	-	3,145
Total plan membership	42,122	311	218	20,806
Date of annual valuation	July 1, 2015	July 1, 2015	July 1, 2014	July 1, 2015

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.

INVESTMENT POLICY

The System's Board is responsible for establishing the investment policy for the fund assets, which includes setting investment goals and specifying the percentage of assets to be invested in various types of investments. The investment goals are viewed over the long term. The Board recognizes the plans' performance objectives, benefit projections, and capital market expectations when determining the asset allocation. The SIB is responsible for managing the System's investments in accordance with the investment policy. The following was the System's asset allocation policy as of June 30, 2015:

PERS and NDHPRS

	Target Allocation
Domestic equities	31.0%
International equities	21.0%
Private equity	5.0%
Domestic fixed income	17.0%
International fixed income	5.0%
Global real assets	20.0%
Cash equivalents	1.0%
Total	100.00%

JSND

	Target Allocation
Domestic equities	31.0%
International equities	9.0%
Domestic fixed income	55.0%
International fixed income	5.0%
Total	100.00%

The TFFR Board is responsible for establishing investment policy for the fund assets under NDCC 15-39.1-05.2. Benefit payments are projected to occur over a long period of time. This allows TFFR to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting established impact of funded status and contribution rates.

TFFR

	Target Allocation
Global equity*	57.0%
Global fixed income	22.0%
Global real assets	20.0%
Cash equivalents	1.0%
Total	100.00%

*Private equity is included in the Global Equity asset class.

INVESTMENT RATE OF RETURN

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was as follows for June 30, 2015:

PERS	3.61%
NDHPRS	3.66%
JSND	3.41%
TFFR	3.56%

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.

REALIZED GAINS AND LOSSES

Realized gains and losses on sales of investments are components of net change in fair value of investments and are computed as described in note 1. For the year ended June 30, 2015, the following are the net realized gains (losses):

PERS	$54,088,390
NDHPRS	1,550,996
JSND	1,681,081
TFFR	47,831,625
Retiree Health Insurance Credit	3,591,925
Defined Contribution	551,276
Deferred Compensation	1,086,833

C. FUNDING STATUS AND PROGRESS

NET PENSION LIABILITY OF THE PLANS

The components of the net pension liability of the Plans at June 30, 2015 were as follows:

	PERS	NDHPRS	JSND	TFFR
Total pension liability	$ 3,052,446,539	$ 80,112,217	$ 63,390,014	$ 3,449,775,982
Plan fiduciary net position	(2,371,710,809)	(66,675,728)	(96,282,892)	(2,141,920,800)
Net pension liability (asset)	$ 680,735,730	$ 13,436,489	$ (32,892,878)	$ 1,307,855,182
Plan fiduciary net position as a percentage of the total pension liability	77.70%	83.23%	151.89%	62.10%

ACTUARIAL ASSUMPTIONS

PERS and HPRS

The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions:

Inflation - 3.50%

Salary Increase (Payroll Growth) - 4.50% per annum for Highway Patrol, Main System, National Guard and Law Enforcement; 4% per annum for Judges.

Investment Rate of Return - 8.00%, net of investments expense, including inflation.

Mortality Rates - Mortality rates for active members, inactive members and healthy retirees were based on the RP-2000 Combined Healthy Mortality Table, set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table, set back one year for males (no setback for females) multiplied by 125%.

JSND

The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions:

Inflation - 3.50%

Salary Increase (Payroll Growth) - 5.00% per annum

Investment Rate of Return - 7.00%, net of investment expense, including inflation.

Cost of Living Adjustment - 3.00 per annum

Mortality Rates - Mortality rates for active members, inactive members and healthy retirees were based on the RP-2000 Combined Healthy Mortality Table, set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table, set back one year for males, (no setback for females) multiplied by 125.

TFFR

The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions:

Inflation – 2.75%

Salary Increase (Payroll Growth) – 4.25% - 14.50%; varying by service, including inflation and productivity.

Investment Rate of Return – 7.75%, net of investments expense, including inflation.

Cost of Living Adjustment - None

Mortality Rates - For active members, mortality rates were based on the RP-2014 Employee Mortality Table, projected generationally using Scale MP-2014. For healthy retirees, mortality rates were based on the RP-2014 Health Annuitant Mortality Table set back one year, multiplied by 50% for ages under 75 and grading up to , 100% by age 80, projected generationally using Scale MP-2014. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table set forward four years.

INVESTMENT RATE OF RETURN

The long-term expected rate of return on investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates to return by the target asset allocation percentage and by adding expected inflation.

Estimates of arithmetic real rates of return, for each major asset class included in the pension plan's target asset allocation is summarized in the following tables:

PERS and NDHPRS

	Long-Term Expected Real Rate of Return
Domestic equity	6.90%
International equity	7.55%
Private equity	11.30%
Domestic fixed income	1.55%
International fixed income	0.90%
Global real assets	5.38%
Cash equivalents	0.00%

JSND

	Long-Term Expected Real Rate of Return
Domestic equities	7.16%
Core fixed income	4.26%
Limited duration fixed income	3.13%
Global equity	7.10%
Diversified short-term fixed income	3.49%
Short-term corporate fixed income	2.48%
US high yield	5.98%
Emerging market debt	7.45%

TFFR

	Long-Term Expected Real Rate of Return
Global equity	7.50%
Global fixed income	1.30%
Global real assets	5.40%
Cash equivalents	0.00%

DISCOUNT RATE

The discount rate used to measure the total pension liability was as follows: 8.00% for PERS and NDHPRS, 7.00% for JSND and 7.75%% for TFFR. The projection of cash flows used to determine the discount rate assumed plan member and employer contributions will be made at rates equal to those based on the July 1, 2015 Actuarial Valuation Reports. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the services costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions (For JSND, it is assumed no future contribution will be made.), the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

SENSITIVITY OF NET PENSION LIABILITY

The following presents the net pension liability of the Plans as of June 30, 2015, calculated using the discount rate as follows: 8.00% for PERS and NDHPRS, 7.00% for JSND and 7.75%% for TFFR, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate

Net Pension Liability (Asset) As of June 30, 2015	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
PERS	$ 1,052,010,116	$ 680,735,730	$ 376,867,526
NDHPRS	23,140,230	13,436,489	5,494,139

Net Pension Liability (Asset) As of June 30, 2015	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
JSND	$ (26,578,200)	$ (32,892,878)	$ (38,280,035)

Net Pension Liability (Asset) As of June 30, 2015	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
TFFR	$ 1,728,392,470	$ 1,307,855,182	$ 957,135,967

D. SINGLE EMPLOYER PENSION PLANS

Below are the changes in net pension liability for the State's (primary government) single-employer plans:

Single-employer Plans
Changes in Net Pension Liability
Increases (Decreases)
For the Year June 30, 2015*

	JSND	NDHPRS
Total pension liability (asset)		
Service cost	$ 87,668	$ 1,894,183
Interest	5,107,459	5,750,017
Change of benefit terms	-	-
Difference between expected and actual experience	(1,607,033)	(299,964)
Changes of assumptions	-	-
Benefit payments, including refund of employee contributions	(4,594,462)	(3,784,735)
Net change in total pension liability (asset)	(1,006,368)	3,559,501
Total pension liability (asset) - beginning	66,052,801	71,873,400
Total pension liability (asset) - ending (a)	$ 65,046,433	$ 75,432,901
Plan fiduciary net position		
Contributions - employer	$ -	$ 1,864,632
Contributions - employee	55,748	1,243,520
Contributions - service credit repurchase	-	87,418
Contributions - other	-	-
Net investment income	11,887,840	9,239,929
Benefit payments, including refund of employee contributions	(4,594,462)	(3,784,735)
Administrative expense	(31,455)	(27,983)
Net change in plan fiduciary net position	7,317,671	8,622,781
Plan fiduciary net position - beginning	90,378,957	57,044,084
Plan fiduciary net position - ending (b)	$ 97,696,628	$ 65,666,865
Net pension liability (asset) - ending (a) - (b)	$ (32,650,195)	$ 9,766,036
Plan fiduciary net position as a percentage of the total pension liability (asset)	150.20%	87.05%
Covered employee payroll	$ 752,999	$ 9,318,739
Plan net pension liability (asset) as a percentage of covered employee payroll	-4336.02%	104.80%

*The 2015 information presented has a measurement date of June 30, 2014.

JOB SERVICE NORTH DAKOTA (JSND)

Net Pension Asset

At June 30, 2015, the State recorded a net pension asset of $32,650,195 for all of the Job Service North Dakota pension plan. The net pension asset was measured as of June 30, 2014 and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date.

Deferred Inflows and Outflows of Resources

For the year ended June 30, 2015 the State recognized pension expense of $(4,423,123). At June 30, 2015 the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

State of North Dakota
Deferred Outflows and Inflows of Resources
June 30, 2015
(Dollars Expressed in Thousands)

	Primary Government		Discrete Component Units	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -	$ -	$ -
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	(3,872,264)	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-	-	-
Employer contributions subsequent to the measurement date	28,652	-	-	-
Total	$ 28,652	$ (3,872,264)	$ -	$ -

$28,652 reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Primary Government	Component Units
2016	$ (986,066)	$ -
2017	(986,066)	-
2018	(986,066)	-
2019	(986,066)	-
2020	-	-
Thereafter	-	-
Total	$ (3,872,264)	$ -

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.

The following presents the State's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the State's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
State's proportionate share of the net pension asset	$ (26,305,241)	$ (32,650,195)	$ (38,110,962)

NORTH DAKOTA HIGHWAY PATROLMEN'S RETIREMENT SYSTEM (NDHPRS)

Net Pension Liability

At June 30, 2015, the State recorded a net pension liability of $9,766,036 for all of the North Dakota Highway Patrolmen's Retirement System pension plan. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date.

Deferred Inflows and Outflows of Resources

For the year ended **June 30, 2015** the State recognized pension expense of ($1,186,774). At **June 30, 2015** the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

State of North Dakota
Deferred Outflows and Inflows of Resources
June 30, 2015
(Dollars Expressed in Thousands)

	Primary Government		Discrete Component Units	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (253,386)	$ -	$ -
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	(3,760,870)	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-	-	-
Employer contributions subsequent to the measurement date	2,002,301	-	-	-
Total	$ 2,002,301	$ (4,014,256)	$ -	$ -

$2,002,301 reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended **June 30, 2016.**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Primary Government	Component Units
2016	$ (986,796)	$ -
2017	(986,796)	-
2018	(986,796)	-
2019	(986,796)	-
2020	(46,578)	-
Thereafter	(20,496)	-
Total	$ (4,014,256)	$ -

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.

The following presents the State's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the State's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
State's proportionate share of the net pension asset	$ 19,044,405	$ 9,766,036	$ 2,096,826

E. COST SHARING EMPLOYER PENSION PLANS

NORTH DAKOTA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Proportionate Share of Net Pension Asset and Liability

The North Dakota Public Employees' Retirement System (PERS) provides retirement benefits to employees of the primary government and its discrete component units as well as to other political subdivision 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. Effective August 1, 2015, current and newly eligible members of the National Guard System will transfer to the Law Enforcement System.

At June 30, 2015, the State recorded a net pension liability of $348,760,106 for all of the PERS system. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's proportion of the net pension liability was based on the State's share of covered payroll in the PERS pension plan relative to the covered payroll of all participating employers. At June 30, 2014 the State's proportion was 55.154588 percent.

The State's discrete component unit, North Dakota Public Finance Authority, also participates in. At June 30, 2015, the discrete component units recorded a net pension liability of $112,000 for all of the PERS system. The net pension liability was measured as of June 30, 2014 and the total pension liability and asset used to calculate the net pension liability was determined by an actuarial valuation as of that date. The discrete component units' proportion of the net pension liability was based on the their share of covered payroll in the PERS pension plan relative to the covered payroll of all participating employers. At June 30, 2014 the discrete component unit's proportion was 0.017653 percent.

Deferred Inflows and Outflows of Resources

For the year ended June 30, 2015 the State recognized pension expense of ($12,962,955), of which ($11,000) was attributable to the component unit. At June 30, 2015 the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

State of North Dakota
Deferred Outflows and Inflows of Resources
June 30, 2015
(Dollars Expressed in Thousands)

	Primary Government		Discrete Component Units	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 11,761,006	$ -	$ 4,000	$ -
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	(71,964,153)	-	(27,000)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-	-	-
Employer contributions subsequent to the measurement date	42,596,340	-	10,000	-
Total	$ 54,357,346	$ (71,964,153)	$ 14,000	$ (27,000)

$42,596,340 reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

	Primary Government	Component Units
2016	$ (15,421,499)	$ (5,000)
2017	(15,421,499)	(5,000)
2018	(15,421,499)	(5,000)
2019	(15,421,499)	(5,000)
2020	1,450,780	(5,000)
Thereafter	32,069	2,000
Total	$ (60,203,147)	$ (23,000)

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.

The following presents the State's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the State's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
State's proportionate share of the net pension liability	$ 545,632,928	$ 348,760,106	$ 188,841,336

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT

Proportionate Share of Net Pension Asset and Liability

The North Dakota Teachers' Fund for Retirement (TFFR) provides retirement benefits to North Dakota public teachers and certain other teachers who meet various requirements. At June 30, 2015, the State recorded a net pension liability of $6,460,089 for all of the TFFR. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's proportion of the net pension liability was based on the State's share of covered payroll in the TFFR pension plan relative to the covered payroll of all participating employers. At June 30, 2014 the State's proportion was 0.616525 percent.

Deferred Inflows and Outflows of Resources

For the year ended June 30, 2015 the State recognized pension expense of ($139,658). At June 30, 2015 the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

State of North Dakota
Deferred Outflows and Inflows of Resources
June 30, 2015
(Dollars Expressed in Thousands)

	Primary Government		Discrete Component Units	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 49,396	$ -	$ -	$ -
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	(733,881)	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-	-	-
Employer contributions subsequent to the measurement date	532,051	-	-	-
Total	$ 581,447	$ (733,881)	$ -	$ -

$532,051 reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows

Year ended June 30:

	Primary Government	Component Units
2016	$ (175,238)	$ -
2017	(175,238)	-
2018	(175,238)	-
2019	(175,238)	-
2020	8,233	-
Thereafter	8,234	-
Total	$ (684,485)	$ -

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.

The following presents the State's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the State's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
State's proportionate share of the net pension liability	$ 8,722,319	$ 6,460,089	$ 4,557,488

F. 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 elect to participate in the plan. Effective October 1, 2013, eligibility was expanded to include all state employees hired on or after October 1, 2015 through July 31, 2017, with the exception of employees eligible for the Highway Patrol Retirement System, Teachers Fund for Retirement or the alternative retirement plan of the Board of Higher Education. The Defined Contribution Plan had 312 participants as of June 30, 2015.

The administrative costs of the Defined Contribution Plan are funded by forfeitures of non-vested employees and administrative fees charged to individual participant accounts.

Benefits

Benefits are set by statute. Members are entitled to their vested account balance. A participating member is immediately 100% vested in the employee's contributions. A participating member vests in the employer contributions made on the member'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%

Members may elect to receive their account balance in a lump sum, lump sum direct rollover, or periodic distribution. Legislation was passed during the 2015 session providing eligible members of the Defined Contribution Plan a special election in which to elect to return to the NDPERS defined benefit plan.

Death and Disability Benefits

Death and disability benefits are set by statute. Upon the death of a participating member or former participating member, the vested account balance of that deceased participant is available to the participant's designated beneficiary(ies). A member 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 member must meet the criteria established by the System for being totally disabled.

Contributions

Contributions are set by state statute and are a percentage of covered compensation. The State is paying 4% of the member contribution. The member contribution rate is 7.00% and the employer rate is 7.12%. Employer contributions totaled $1.2 million for the year ended June 30, 2015.

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.

G. 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	4.50%	12.50%	17.00%
	over 10	5.00%	13.00%	18.00%
II	0 thru 2	3.50%	7.50%	11.00%
	3 thru 10	4.50%	12.50%	17.00%

	over 10	5.00%	13.00%	18.00%
IV	Closed to new participants	4.00%	12.00%	16.00%
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 $44.0 million to TIAA-CREF during the fiscal year ending June 30, 2015.

NOTE 7 - POST-RETIREMENT BENEFITS

RETIREE HEALTH INSURANCE CREDIT FUND

The Retiree Health Insurance Credit Fund, a cost-sharing multiple-employer plan, is administered by the North Dakota Retirement Board (the Board) to provide members receiving retirement benefits from the Public Employees Retirement System (which includes judges retired under NDCC 27-17), and the Highway Patrolmen's Retirement System a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit will also be available to apply towards monthly premiums under the state dental, vision and long term care plan and any other health insurance. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Employee membership is as follows:

Retirees receiving benefit	5,212
Active participants	23,237
Total Membership	28,449

The Retiree Health Insurance Credit Fund has 23,237 active participants at June 30, 2015. The employers' actuarially required contribution was $6,438,784, and the actual employer contributions were $11,478,599 for the periods ended June 30, 2015.

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

	ER Contribution Rate as % of Covered Payroll	Actuarial Accrued Liability
Changes in actuarial assumptions	(0.02)%	$ 210,531
Changes in plan provisions	0.15%	1,578,986
Changes in plan experience during the year	(0.05)%	(526,329)
	0.08%	$ 842,126

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 for a period of eight years ending October 1, 2015. 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. The benefit amount applied each year is shown as *"prefunded credit applied"* on the Statement of Changes in Plan Net Position for the pension trust funds.

Retiree health benefits and death and disability 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 or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving the surviving spouse benefit of if the member selected a joint and survivor option are eligible to receive credit toward their monthly health insurance premium under the state health plan. Effective July 1, 2015, the credit will also be available to apply towards monthly premiums under the state dental, vision and long term care plan and any other health insurance 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.

Another component of the Retiree Health Insurance Credit Fund provides health care coverage to eligible retires 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 2013-15 biennium will continue in the future.

A retiree must be receiving a retirement from NDPERS, ND TFFR or TIAA-CREF to be eligible for the retiree health care coverage. Effective July 1, 2015, eligibility for this coverage will be limited to employees who retire prior to 2015 and / or form Legislators.

The premiums for this plan are reported as employee contributions on the statement of changes in Plan Net Position 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 Net Position.

Funded Status and Funding Progress

The funded status of the plans as of the most recent actuarial valuation date is as follows (in millions):

Schedule Of Funding Progress
(Dollars In Millions)

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Value Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Annual Covered Payroll
June 30, 2013	$ 66.0	$ 114.1	$ 48.1	57.8%	$ 914.4	5.3%
June 30, 2014	77.9	116.6	38.7	66.8%	1,001.2	3.9%
June 30, 2015	89.4	128.9	39.5	69.4%	1,052.7	8.0%

The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear funding trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits, as obtained from the System's independent actuary's annual valuation reports.

Expressing the actuarial value of assets as a percentage of the actuarial accrued liabilities provides an indication whether the plan is becoming financially stronger or weaker. Generally, the greater the percentage the stronger the retirement plan. Trends in unfunded actuarial accrued liabilities and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liabilities as a percentage of annual covered payroll aids analysis of progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage the stronger the retirement plan.

The accompanying schedule of employer contributions, presented as required supplementary information following the notes to the financial statements, presents trend information about the amounts contributed to the plans by employers in comparison to the Annual Required Contribution (ARC). The ARC is actuarially determined in accordance with the parameters of GASB Statement 50. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Under the Projected Unit Credit Actuarial Cost Method, benefits are projected to each assumed occurrence of decrement (death, disability, retirement) using service as of the valuation date. The normal cost is equal to the actuarial present value of the benefits allocated to the current year. The actuarial accrued liability for active members is equal to the actuarial present value of the benefits allocated to all prior years. The actuarial accrued liability for members currently receiving benefits and for participants entitled to deferred benefits is the actuarial present value of the benefits expected to be paid. The unfunded actuarial accrued liability is equal to the actuarial accrued liability minus the actuarial value of assets. This amount is amortized as a level percentage of payroll over a fixed period of 40 years, of which 15 years remain. For the implicit subsidy unfunded plan, this amount is amortized as a level dollar over a fixed period of 30 years, of which 22 years remain.

Actuarial valuations for other postretirement employee benefit plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations of other postretirement employee benefit plans reflect a long-term perspective.

The actuarial methods and assumptions for the other postretirement employee benefit plan include techniques that are designed to reduce short-term volatility in the actuarial accrued liabilities and the actuarial value of assets.

Advance Funded Plan

For actuarial purposes, assets are valued utilizing a method which recognizes book value plus or minus realized and unrealized investment gains and losses amortized over a five-year period.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2015, the date of the latest actuarial valuation include:

Mortality Rates: The RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, and the RP-2000 Disabled Retiree Mortality Table set back one year for males (not set back for females), multiplied by 125%.

Withdrawal Rates: 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 an investigation of actual plan experience.

Interest Rate: 8.00% per annum, net of investment expenses.

Inflation: 3.50% per annum.

Expenses: Prior year expenses, adjusted for inflation.

Funded Status and Funding Progress

The funded status of the plans as of the most recent actuarial valuation date is as follows (in millions):

Schedule Of Funding Progress
(Dollars In Millions)

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Value Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Annual Covered Payroll
June 30, 2013	$ -	$ 29.9	$ 29.9	0.00%	$ -	0.0%

*See Retiree Health Insurance Credit Fund above for additional discussion on the Funded Status and Funding Progress

Significant actuarial assumptions employed by the actuary for funding purposes as of July 1, 2013, the date of the latest actuarial valuation include:

Mortality Rates: RP-2000 Combined Healthy Mortality Table, set back three years for males and females (set back one year for Highway Patrol). RP-2000 Disabled Retiree Mortality Table, set back one year for males (not set back for females).

Health Care Cost Trend: Select - 8.00%; Ultimate 6.0%. Select trends are reduced 0.5% each year until reaching the ultimate trend.

Retirement Age: Retirement probabilities have been developed from the assumptions for the NDPERS pension plans.

Termination: Probabilities of withdrawal for reasons other than death and retirement have been developed from the assumptions for the NDPERS pension plans.

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, 2015. The actuary determined the obligation the agency has to record as of June 30, 2014 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, 2014, the date of the latest actuarial valuation:

	Retiree Health Benefits Fund	Met Life Insurance Benefit
Retirees and beneficiaries currently receiving benefits	151	184
Terminated employees entitled to benefits but not yet receiving them	1	-
Current vested employees	13	29
Total	165	213

The funding policy of the plans thru June 30, 2015 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, 2014
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:

	Retiree Health Benefits Fund	Insurance Benefit	Total
Annual required contributions	$ 380,021	$ 125,431	$ 505,452
Interest on OPEB obligation	19,042	14,495	33,537
Adjustment to annual required contributions	(38,542)	(29,341)	(67,883)
Annual OPEB costs	360,521	110,585	471,106
Contributions made	260,155	52,019	312,174
Increase in net OPEB obligation	100,366	58,566	158,932
Net OPEB obligations, beginning of year	526,750	380,722	907,472
Net OPEB obligations, end of year	$ 627,116	$ 439,288	$ 1,066,404

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
2013	$ 378,622	$ 116,911	$ 247,112	$ 50,855	$ 197,566	60.1%
2014	360,521	110,585	256,911	51,980	162,215	65.6%
2015	360,521	110,585	260,155	52,019	158,932	66.3%

Funded Status and Funding Progress – As of June 30, 2014, the most recent actuarial valuation date, the plans were unfunded. The actuarial liability for benefits was $5,531,753, and the actuarial value of assets was $0.00 resulting in an unfunded actuarial accrued liability (UAAL) of $5,531,853. The covered payroll (annual payroll of active employees covered by the plans) was $1,659,528 and the ratio of the UAAL to the covered payroll was 306.41 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. Each participant may defer the lessor of $18,000 or 100% of gross annual compensation. 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	$	66,595	91%
Other Jurisdictions		6,443	9%
Total Value	$	73,038	100%

NOTE 9 - PERS UNIFORM GROUP INSURANCE PROGRAM

The PERS Uniform Group Insurance Program, an enterprise fund, contracts with Blue Cross Blue Shield of North Dakota (BCBS) to provide health care insurance to the employees of the State of North Dakota, or any of its political subdivision, institutions, departments or agencies. The contract for the 2011-2013 biennium provides for an accounting of premiums paid and claims incurred during the biennium. The final gain or loss is determined two years after the end of the biennium, which for the 2011-2013 biennium occurred on June 30, 2015. For this period, premiums exceeded claims, therefore, a gain of $9.5 million was returned to the System. The System has entered into a similar contract with BCBS for the 2013-2015 biennium and with Sanford Health Plan for the 2015-2017 biennium. The accumulated surplus and other invested funds in the amount of $47 million are shown as cash on the System's balance sheet. No other insurance contracts have a gain sharing provision.

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 2012 and $1.7 million during fiscal year 2011 which is included in Cash on the State's financial statements. Funding for this program is no longer available; therefore no reimbursements were received.

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, 2015, was as follows (expressed in thousands):

		Home-Ownership Bond Funds
Condensed Statement of Net Position		
Current assets – other	$	147,729
Noncurrent assets – other		654,464
Total Assets		802,193
Deferred outflow of resources		8,985
Current liabilities – other		34,961
Noncurrent liabilities – other		631,265
Total Liabilities		666,226
Net position – restricted		144,952
Total Net Position	$	144,952
Condensed Statement of Revenues, Expenses and Change in Fund Net Position		
Operating revenues	$	30,283
Operating expenses		(22,628)
Operating income		7,655
Change in net position		
Total net position, beginning of year		131,330
Equity transfer out		5,967
Total net position, end of year	$	144,952
Condensed Statement of Cash Flows		
Net cash from operating activities	$	(4,150)
Net cash used for noncapital financing activities		(20,503)
Net cash used for investing activities		(3,790)
Net change in cash and cash equivalents		(28,443)
Cash and cash equivalents, beginning of year		157,097
Cash and cash equivalents, end of year	$	128,654

NOTE 11 - MAJOR COMPONENT UNIT TRANSACTIONS

BISMARCK STATE COLLEGE AND BISMARCK STATE COLLEGE FOUNDATION

On January 25, 2007, BSC and BSC Foundation entered into a 15-year lease agreement to facilitate the construction of a Mechanical Maintenance building. Under the agreement, BSC is responsible for the payment of all rent, maintenance, and repair of the facility, maintenance of all insurance required under the lease, and restrictions of use of the facility as set forth in the lease. The amount of the rent is tied to the $1.4 million debt service retirement. Upon payment of all the bonds, BSC will have the option to purchase the premises for $100. On August 15, 2013, an addendum was made to the lease agreement to facilitate an addition to the facility. Under this addendum, the additional amount of rent through September 30, 2015 is tied to the debt service retirement of $228,000.

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 2015 report this transaction as a receivable from BSC and a long-term liability. BSC's financial statements include the capitalized asset and a long-term liability due to BSC 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:

	BSC	BSC Foundation
NECE Building	$9,338,149	$10,846,116
Accumulated Depreciation	(1,338,694)	(1,804,597)
Net Value of NECE Building	$7,999,455	$9,041,519

On September 26, 2014, BSC and Student Housing, LLC (a wholly owned subsidiary of BSC Foundation) entered into a 30-year Ground Lease to facilitate the construction and development of a student apartment housing complex on approximately 4.67 acres of land owned by BSC. Under the agreement, BSC would enter into a separate operating and lease agreement with LLC for the constructed student housing apartment complex for use as a College student housing facility. There are no separate rent payments to be paid by LLC during the term of the Ground Lease agreement in exchange for use of the land.

On October 14, 2014, BSC and Student Housing, LLC (a wholly owned subsidiary of BSC Foundation) entered into a Memorandum of Understanding (MOU) which sets forth the essential terms of an Apartment Master Lease agreement to be entered into between LLC and BSC, under which LLC will lease to BSC space in the student housing complex to be constructed by LLC on BSC property according to the terms and conditions of the Ground Lease. The 5-year renewable Apartment Master Lease Agreement will address quarterly rent payments by BSC and responsibilities for maintenance, repairs and insurance of the facilities and improvements during the term of the lease.

DICKINSON STATE UNIVERSITY AND DICKINSON STATE UNIVERSITY FOUNDATION

Arbitration - The Dickinson State University Foundation (DSUF) has ownership interest and/or management responsibilities in various real estate projects by way of its membership in Dickinson Investments, LLC (Dickinson Investments) and other entities. DSUF is involved in a dispute with another member of Dickinson Investments, Granville Brinkman and other Brinkman entities (Respondent). An arbitration claim was filed on December 26, 2013. On September 30, 2015, the arbitrator awarded the Respondent a buy-out of their equity interest in the amount of $1.260 million. The Respondent was also awarded repayment of a note, prejudgment interest and attorneys' fees and costs. DSUF and Dickinson Investments are jointly and severally liable for the buyout amount.

On October 28, 2014, the arbitrator issued a final arbitration award and ordered:

a) prejudgment interest at 6% would commence December 26, 2013,
b) the amount of attorney fees and costs to be repaid was $233,420,
c) the note prepayment amount was $133,600
d) the parties shared responsibility for arbitration fees and expenses totaling $67,620.

The final award exceeds $1.7 million. Although DSUF has an equity interest of about 6 percent in Dickinson Investments, the arbitrator has ruled that it is jointly and severally liable for the entire award, except the $133,600 loan for which Dickinson Investments is responsible.

If DSUF is unable to meet this obligation as well as its ongoing operating expenses, creditors may seek to collect from and possibly foreclose on the assets of DSUF.

Receivership - At the request of the NDUS Chancellor, on November 21, 2014, the North Dakota Attorney General petitioned the state district court for the appointment of a receiver. On December 3, 2015, the court appointed Sean Smith, JD, CPA, to be the receiver through June 2015. The court order included the following:.

- The receiver shall take immediate possession, custody, and control of all assets owned or held by DSUF;
- The DSUF board of directors shall be temporarily suspended and have no authority to act on behalf of DSUF;
- The receiver shall gather, protect and oversee DSUF's corporate and charitable assets;
- The receiver shall report to the court; and
- The receiver shall have all the authority necessary to continue the day-to-day activities of the DSUF.

The receiver filed interim reports on a regular basis through August 2015. In the seventh interim report, dated August 31, 2015, the receiver recommended that DSUF be dissolved. This recommendation is based on an inability to negotiate a mutually acceptable settlement of the outstanding Brinkman judgment against DSUF. The report indicates that dissolution should foremost prioritize DSUF obligations to honor restrictions placed on DSUF assets by donors, then address claims made by creditors, employees, and other interested parties. However, DSUF accounting reports indicate that the foundation has total net restricted assets in an amount less than total permanently and temporarily restricted donations.

The Office of Attorney General has requested the commencement of dissolution for DSUF. The dissolution will require the distribution or liquidation of DSUF assets. The receiver has recommended that protective orders should be entered to protect DSUF's corporate net assets to facilitate the dissolution process. At this time, it is anticipated the dissolution of the DSUF will be completed by September 30, 2016.

DSUF's Restated Articles of Incorporation state that upon dissolution, remaining assets shall be distributed to the SBHE for the exclusive use and benefit of the Dickinson State University or its direct successors in interest. The receiver recommended that all remaining net assets of DSUF be directed to be turned over to a new 501(c)(3) tax-exempt Foundation in keeping with DSUF's Restated Articles of Incorporation.

Financial Audit: - In fiscal year 2013, the DSUF's independent auditors issued a qualified opinion on the DSUF financial statements because they were unable to form an opinion regarding the proper amount and classification of unrestricted and temporarily restricted net assts. In fiscal year 2014, the DSUF's independent auditors are unable to issue an audit opinion on the DSUF financial statements as a result of the aforementioned arbitration and the overall condition of the DSUF financial records. An audit was not performed for fiscal year 2015. Therefore, the financial information for DSUF has not been included in the component units university system foundation financial statements presented on the FASB basis. The unaudited total assets, liabilities and net assets of DSUF were $25.3 million, $16.2 million and $9.1 million respectively as of December 31, 2014.

Additionally, it has been reported that DSUF may have used endowment funds as collateral to obtain financing and to meet monthly operating expenses of the foundation and one of its real estate projects.

The impact of the arbitration and the state of the financial records on DSUF's ability to provide funds going forward to Dickinson State University for scholarships and student-related programs is unknown.

<u>NORTH DAKOTA STATE UNIVERSITY AND NDSU RESEARCH AND TECHNOLOGY PARK, INC.</u>

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 $20.5 million.

On January 25, 2007, the city of Fargo, on behalf of the NDSU Research & Technology Park, issued $4,735 million of Series 2007A (Research 1) and $18,1 million 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 2007A and 0072B bonds. During the year ended June 30, 2011, the Series 2000 bonds were repaid in full with the funds held in escrow from the Series 2007A bond refinancing. During the fiscal year ended June 30, 2012, the Series

2002 bonds were repaid in full with the funds held in escrow from the Series 2007A bond refinancing.

The audited financial statements of RTP for fiscal year 2015 report these transactions as an operating lease and report the related capital assets and related debt as assets and debt of RTP.

On July 1, 2002, NDSU and the RTP entered into an agreement for cooperation and assistance between entities. The agreement is an annual agreement, which automatically extends for one-year periods unless cancelled by either party to the agreement.

During fiscal year 2013, NDSU and the RTP entered into renewed agreements, whereby NDSU leases Research Building #1 and #2 through June 30, 2022. During fiscal year 2015, total annual rent of $2,152,593 was paid by NDSU for these two buildings. NDSU directly pays the utility costs under these agreements. The annual rent will be re-adjusted by mutual agreement every two years. These agreements are subject to funding and legislative appropriations.

During fiscal 2015 NDSU made other payments to the RTP that were unrelated to the building leases for Research #1 & #2. These payments consist of the following: 1) $31,100 for an operating lease for lab space and miscellaneous charges in the RTP's Technology Incubator Building; 2) $181,000 for sponsorship of an RTP event called "Innovation Challenge '15" ($86,000 from grant sub-awards and $95,000 for additional event sponsorship). Also, during fiscal year 2015, the RTP paid NDSU a total of $48,583 as reimbursement of NDSU operating expenses.

NORTH DAKOTA STATE UNIVERSITY AND NDSU DEVELOPMENT FOUNDATION

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 $336,046 in fiscal year 2015 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 $1.582 million as of June 30, 2015. 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 $5.65 million 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. NDSU paid the Development Foundation $407,109 in fiscal year 2015 under this agreement. As of June 30, 2015, the outstanding balance on the bonds, reflected as "Due to Component Units" by NDSU, is $4.795 million.

BARRY HALL BUSINESS BUILDING AND KLAI 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.

In May 2012, the NDSU Development Foundation refinanced the original bonds issued in November 2007. As a result new leases were executed. Under the terms of the new leases, NDSU pays and recognized a liability for the entire amount of previously issued bonds, including the portion originally planned to be paid from the collections of pledges. During fiscal year 2015, NDSU paid $778,745 to the NDSU Development Foundation under the new leases for debt service, property taxes and insurance on Barry Hall and Klai Hall. During fiscal year 2015, the Foundation paid $319,305 to NDSU from the collection of pledges. NDSU has an option to acquire the property upon full payment of the bonds. As of June 30, 2015 the outstanding balance of the bonds, reflected as "Due to Component Unites" by NDSU, is $10.96 million and the portion payable by the Foundation to NDSU for the collection of pledges is recognized by NDSU as current and non-current "Due from Component Units" for $631,235.

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, 2015, totaled $878,554.

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 (Aerospace) reimbursed UND for salaries, building rent, aircraft rental, and goods and services under an operating agreement aggregating approximately $17.3 million in fiscal year 2015. 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. Expenses reimbursed to UND represent actual costs incurred and are included in operating expenses in the statement of activities.

Aerospace recorded revenue for service and hangar, CRJ, 360-degree tower, and aircraft rental to UND of $4.480 million in fiscal year 2015, which is included in sales and service revenue in the statement of activities.

As of June 30, 2015, Aerospace had recorded accounts payable of $939,919 for reimbursable costs and services. As of June 30, 2015, Aerospace had recorded accounts receivable from UND of $321,442 which are included in accounts receivable on the statement of financial position.

Aerospace employees also have the ability, as do UND employees, to rent UND planes for personal use. Aerospace and UND employees are charged directly by UND. These costs do not flow through Aerospace, but are paid to UND directly by the employee.

Aerospace 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 Aerospace's monthly minimum payment of $12,672, beginning October 1, 2003, subject to actual cost adjustments. At the end of the 15 years of the sublease, rent will be adjusted based upon the interest rate adjustments of debt incurred by Aerospace in the construction of the hangar.

UNIVERSITY OF NORTH DAKOTA AND RE ARENA, INC.

RE Arena Inc. and the University of North Dakota, 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 University of North 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 the University of North Dakota, and (ii) RE Arena Inc. collect all sponsorship sales revenue from the University of North Dakota athletic events, RE Arena, Inc. retains 64% of such sponsorship revenue, net of direct costs, and remits 36% to the University of North Dakota net of direct costs. In addition, the University of North Dakota and RE Arena, Inc. jointly utilize the University of North Dakota 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 tickets sales were $4.298 million of which RE Arena, Inc. recognized revenue of $2.235 million with a net due to UND $2.063 million.
- Gross ticket sales for the next athletic season year are recorded in deferred revenue at gross by RE Arena, Inc. for a total of $2.317 million. RE Arena, Inc. recognized net sponsorship (advertising) revenue of $729,762 and the net due UND in sponsorship (advertising) income of $410,491.
- RE Arena, Inc. recognizes box office revenue on a cost reimbursement basis, for ticket facility fees, credit card fees and payment plan fees and expenses. The total cost that the UND Athletic Department reimbursed RE Arena, Inc. for managing and administering the box office on their behalf was $190,666. In addition, RE Arena, Inc. allocated $200,000 of net income to the UND Athletic Department for the year ended May 31, 2015.
- RE Arena, Inc. expensed $1.034 million to UND for utilities, maintenance staff, phone service and other expenses. At the end of the fiscal year RE Arena, Inc. owes UND $675,782 for the annual operating agreement and monthly services.

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 is providing payment for leasehold improvements done to the lower level of the Gorecki Alumni Center for establishing space for UND Admissions. The payments are $169,472 for a period of 5 years. The University of North Dakota is also leasing space in the Gorecki Alumni Center in the amount of $75,000. Additionally rental payments consisting of the University's share of the operating and maintenance costs for space used in the Gorecki Alumni Center are calculated annually.

During the year ended June 30, 2015, the University of North Dakota provided approximately $1.089 million of institutional support for event and database support, annual giving campaign and campaign contributions, and Director of Development support. The Organizations manage UND's endowment investments and charged them $463,368 in investment management fees during the year ended June 30, 2015. These fees and support are reported as operations, fees and miscellaneous revenue on the statement of activities.

The Organizations have entered into direct-financing lease agreements with the University of North Dakota. On July 24,2002, the Foundation issued $8.6 million of tax-exempt bonds to finance the construction of an office building and the renovation of an existing building for the Energy and Environmental Research Center (EERC) of the University of North Dakota. The Organizations recorded a receivable from UND of $8.6 million due under the direct-financing lease arrangement. The EERC bonds were refinanced as taxable bonds on October 18, 2012. The balance as of June 30, 2015 was $5.335 million. The terms for the repayment are the same as the payment terms of the related bonds.

On October 24, 2003, the Foundation issued $4.4 million of tax-exempt lease revenue bonds to finance the purchase of land and the construction of a facility for the Minot Center for Family Practice in Minot, ND. The Foundation recorded a receivable from UND of $4,400,000 due under the direct-financing lease agreement. The balance as of June 30, 2015 is $2.638 million. The terms for the repayment are the same as the payment terms of the related bonds. During fiscal year ended June 2015, the Foundation received payment of principal and interest of $156,063, respectively. The interest income is included in operations, fees and miscellaneous income on the statement of activities.

In 2008, the Foundation issued bonds to finance the UND School of Medicine construction of the Human Patient Simulation Center. The facility is being leased to the University of North Dakota for a period of 5 years for a total amount of $206,810 which is equivalent to finance the costs of the construction. In fiscal Year 2015, the Foundation received the final payment of $41,362.

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

For the year ended June 30, 2015, NDSCS paid the foundation $174,000 for the rental of the Skills & Technology Training Center Building and $10,953 for parking lots.

The NDSCSF has an agreement with NDSCS for administrative services. Under this agreement, NDSCSF paid $219,553 during fiscal year 2015.

In exchange for services provided by NDSCSF to NDSCS, NDSCSF receives office space and accounting services at no charge from NDSCS. The approximate fair market value for rent is $5,670 and for accounting services is $7,454.

WILLISTON STATE COLLEGE AND WILLISTON STATE COLLEGE FOUNDATION

In fiscal year 2012, WSC and the foundation entered into an agreement whereby the foundation lent WSC $500,000 for a dormitory geothermal heating project. The note has an eleven year term and a 5 percent fixed annual interest rate. Effective July 1, 2015 the interest rate on the loan was changed to 3 percent.

On November 1, 2013, WSC Foundation entered into a lease agreement with WSC. The Foundation is leasing a bus it had purchased to WSC. The value of the bus was $375,000. Quarterly lease payments of $15,000 are being made by WSC for a seven year lease term.

The Foundation leases two semis to WSC for $9,000 per quarter maturing on June 30, 2013. Effective July 1, 2013, the payments were reduced to $4,500 per quarter on a quarter to quarter basis. The total payments paid to the Foundations in fiscal year 2015 were $0.The semis were gifted to WSC in July 2014.

The Foundation leases five trailer homes with a cost of $153,997 and a carrying amount of $96,964 to WSC for $12,500 per quarter. The lease matured September 30, 2013 and has continued on a quarter to quarter basis. The total payments paid to the Foundations in fiscal year 2015 were $0.The semis were gifted to WSC in July 2014.

Individuals working on behalf of the Foundation and the Department of Motor Vehicles (DMV) are employees of and paid by WSC. The Foundation reimburses WSC for the time WSC employees spend on Foundation and DMV matters. Funds are reimbursed to WSC and are recorded as expenses by the Foundation. The amounts reimbursed for the years ending June 30, 2015 was $709,720. As of June 30, 2015, the outstanding amount owed to WSC was $33,223.

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	$ 1,036,020
Financial standby letters of credit	353,296
	$ 1,389,316

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 $266,825,000 at December 31, 2014. 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 $9,265,000 at December 31, 2014.

MEDICAL FACILITY INFRASTRUCTURE LOAN PROGRAM

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 $39,954,000 at June 30, 2015.

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 $49,241,000 at June 30, 2015.

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 $30,786,000 at June 30, 2015.

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 $265,932,000 at December 31, 2014.

NOTE 13 - INTEREST RATE SWAP

BANK OF NORTH DAKOTA

The Bank has an outstanding interest rate swap agreement with a notional amount totaling $50,000 to convert variable rate federal funds into fixed-rate instruments over the term of the contract.

On June 5, 2014 the bank entered into a swap agreement which matures on June 1, 2029, and the swap's notional amount is $50,000. Under the terms of the swap, the Bank pays the counterparty a fixed payment of 2.861% and receives a variable payment based on the USD-FEDERAL FUNDS-H.15 interest rate.

At December 31, 2014, the swap has a negative fair value of $4,443 because interest rates have declined since the swap was executed. Fair values for interest rate swap agreements are based upon the amounts required to settle the contracts.

At December 31, 2014, the Bank was not exposed to credit risk because the swap had negative fair value. However, should interest rates change such that the fair value of the swap becomes positive, the Bank would be exposed to credit risk in the amount swap's fair value. At December 31, 2014, the swap counterparty was rated Aa3 by Moody's Investor Services. To mitigate the potential for credit risk, the counterparty would be required to fully collateralize the fair value of the swap by depositing funds with the Bank.

The Bank is exposed to interest rate risk on its swap agreement. On its pay-fixed, receive variable interest rate swap, the Bank's net payment increases as the USD-FEDERAL FUNDS-H.15 interest rate decreases.

Either the Bank or its counterparties may terminate the interest rate swap if the other party fails to perform under the terms of the contract. Termination could result in the Bank being required to make a payment of the fair value of the swap to counterparty.
The following table summarizes the derivative financial instrument utilized at December 31, 2014:

		Fair Value		Changes in Fair Value	
	Notional Amount	Classification	Amount	Classification	Amount
Pay-fixed interest rate swap	$50,000,000	Oher liabilities	$(4,443,000)	Deferred	$(4,443,000)

Using rates as of December 31, 2014, the interest expense of the variable rate federal funds and the net swap payments are as follows. As rates vary, the federal fund interest expense and the net swap payments will vary.

Year Ended December 31:	Federal Fund	Interest Rate	Total
2015	$ 63,000	$ 1,401,000	$ 1,464,000
2016	63,000	1,401,000	1,464,000
2017	63,000	1,401,000	1,464,000
2018	63,000	1,401,000	1,464,000
2019	63,000	1,401,000	1,464,000
2020-2024	315,000	7,005,000	7,320,000
2025-2029	281,000	6,302,000	6,583,000
	$ 911,000	$ 20,312,000	$ 21,223,000

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, 2015, 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, 2015, the Agency owed the swap providers a fixed rate on the notional amount of the swaps of $2,279,000 and the swap providers owed the Agency a variable rate on the notional amounts of $152,000 making the net payment that the Agency owed the swap providers $2,127,000.

Due to the difference in the variable rate indices, the swaps had a net negative fair value of $8,985,000 as of June 30, 2015. 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, 2015. The coupon on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. All valuations are as of the valuation date indicated. Mid-Market or indicative unwind valuations may be derived from broker quotations or from proprietary models that take into consideration estimates about relevant present and future market conditions as well as the size and liquidity of the position and any related actual or potential hedging transactions. Valuations based on other models or different assumptions may yield different results.

The swap exposes the Agency to basis risk should the relationship between LIBOR and the actual variable rates converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate and the synthetic rate as of June 30, 2015. 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.

		2005 C	2006 A	2008 A	2008 B
1.	Bond Series	2005 C	2006 A	2008 A	2008 B
2.	Issuance Date	9/21/2005	5/4/2006	2/26/2008	2/26/2008
3.	Maturity Date	1/1/2036	7/1/2016	1/1/2017	7/1/2038
4.	Notional Amount	$12,000,000	$30,210,000	$13,700,000	$8,285,000
5.	Variable-rate Bonds	$12,000,000	$27,625,000	$13,155,000	$12,735,000
6.	Fixed Rate	3.889%	3.955%	3.198%	4.725%
7.	LIBOR Percentage	63.00%	63.00%	63.00%	100.00%
8.	Additional Percentage	0.31%	0.31%	0.32%	0.00%
9.	Bonds Variable-rate	0.08000%	0.09000%	0.06000%	0.13000%
10.	Fair Value	$(428,000)	$(1,553,000)	$(702,000)	$(1,053,000)
11.	Percentage of LIBOR	0.31000%	0.31000%	0.32000%	0.00000%
12.	Synthetic Rate	3.65900%	3.73500%	2.93800%	4.83500%
13.	Actual Synthetic Rate	3.74422%	3.79984%	2.96615%	5.03533%
14.	Change in Fair Value	$(180,000)	$(691,000)	$(440,000)	$(846,000)
15.	Optional Termination Date	1/1/2016	N/A	N/A	1/1/2020

		2008 D	2009 B	2014 B	2015 C
1.	Bond Series	2008 D	2009 B	2014 B	2015 C
2.	Issuance Date	8/5/2008	7/30/2009	6/24/2014	10/1/2015
3.	Maturity Date	7/1/2039	1/1/2025	7/1/2044	1/1/2046
4.	Notional Amount	$21,850,000	$34,070,000	$27,055,000	$ -
5.	Variable-rate Bonds	$21,850,000	$47,745,000	$27,055,000	$17,700,000
6.	Fixed Rate	3.919%	3.108%	2.890%	2.486%
7.	LIBOR Percentage	63.70%	64.70%	65.80%	66.20%
8.	Additional Percentage	0.20%	0.23%	0.17%	0.10%
9.	Bonds Variable-rate	0.06000%	0.06000%	0.06000%	0.07730%
10.	Fair Value	$(2,015,000)	$(1,258,000)	$(1,767,000)	$(209,000)
11.	Percentage of LIBOR	0.20000%	0.23000%	0.17000%	0.10000%
12.	Synthetic Rate	3.77900%	2.93800%	2.78000%	2.46330%
13.	Actual Synthetic Rate	3.74074%	2.84718%	2.73729%	N/A
14.	Change in Fair Value	$(1,693,000)	$(200,000)	$(1,356,000)	$(209,000)
15.	Optional Termination Date	1/1/2018	7/1/2016	N/A	7/1/2020

Using rates as of June 30, 2015, 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, 2015. As rates vary, variable-rate bond interest payments and net swap payments will vary. (Expressed in thousands.)

	Variable-Rate Bond			
Fiscal Year Ending June 30	Principal	Interest	Interest Rate Swap, Net	Total
2016	$ 5,350	$ 116	$ 4,970	$ 10,436
2017	43,650	96	3,782	47,528
2018	2,360	90	3,500	5,950
2019	1,865	89	3,430	5,384
2020	3,925	86	3,340	7,351
2021-2025	37,465	373	14,177	52,015
2026-2030	3,230	300	12,399	15,929
2031-2035	16,090	265	10,840	27,195
2036-2040	44,105	149	5,652	49,906
2041-2045	20,715	34	1,274	22,023
2046-2050	1,110	-	4	1,114
	$ 179,865	$ 1,598	$ 63,368	$ 244,831

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.

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 2015, a total of $248,084,909 in claims was recognized. Incurred but not reported claims of $1,096,674,000 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 lessor 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, 2013, and June 30, 2015:

Fiscal Year		Beginning Balance		Current Year Claims and Changes In Estimates		Claims Payments		Ending Balance
2014	$	1,647,808	$	426,098	$	359,611	$	1,714,295
2015		1,714,295		423,097		356,611		1,780,781

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, thirty claims exceeded coverage by $9,117,698.

Revenues to WCP are generated from contributions required from state agencies, boards, commissions, and the University System. The amount contributed from each agency is actuarially determined by Workforce Safety & Insurance and based upon the number of employees, the type of work done, and claims history of each entity. Each entity also pays a deductible of $250 per claim.

The WCP liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities are affected by complex factors including inflation, changes in legal doctrine, and unanticipated damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities will be re-evaluated periodically to take into consideration settled claims, the frequency of claims, and other economic and social factors. An actual study was performed for Workforce Safety & Insurance. The liability estimates are based on that study.

The following table presents the changes in claims liabilities balance for the fiscal year ending June 30, 2015:

Fiscal Year		Beginning Balance		Current Year Claims and Changes in Estimates		Claims Payments		Ending Balance
2014	$	5,733,080	$	5,106,019	$	4,553,350	$	6,285,749
2015		6,285,749		3,675,792		4,045,442		5,916,099

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 1,145 policies to participating entities for a total building and content coverage of $12.36 billion. The Bonding Fund is used to provide fidelity bonding of public employees and officials. The Fund has issued 2,397 policies to participating entities. The total coverage for the Bonding Fund is $628.67 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 based on prior year activity. Neither fund incurred any acquisition costs, which 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 on covered losses in excess of $1.0 million. 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. The amount recoverable on pending losses at June 30, 2015 was $375,000 reducing the Funds' liability.

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, 2015, coverage extended to the following employers:

Annual Premium	
$250 - $5,000	18,297
$5,001 - $50,000	6,067
$50,001 - $100,000	588
Over $100,000	568
Total Employers	25,520

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, 2015, 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)	$1,630,595	$ 1,824,275	$ 1,960,103
Present Value Basis (discounted at 5% rate)	$ 985,267	$ 1,096,674	$ 1,182,176

WSI has adjusted the estimated liability for unpaid loss and loss adjustment expense to the actuary's five percent discounted expected value of $1,096,674,000 at June 30, 2015.

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, 2015.

WSI has entered into a contract with an intermediary for reinsurance coverage for catastrophic coverage. The first layer projects against claims that exceed $3 million; the second layer for claims that exceed $5 million; the third layer for claims that exceed $10 million and the fourth layer for claims that exceed $20 million. Terms, limits and pricing are re-evaluated annually.

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	
	2015	2014	2015	2014	2015	2014
Unpaid claims and claims adjustment expenses at the beginning of the year	$ 2,133	$ 2,188	$ 72	$ 42	$ 1,052,806	$ 958,709
Incurred claims and claims adjustment expenses:						
Provision for current fiscal year	1,516	997	94	39	314,612	337,537
Change in provision for prior fiscal year	393	499	-	-	(39,387)	(2,546)
Payments and claims and adjustment expenses attributable to:						
Current fiscal year insured events	(938)	(562)	35	33	(60,697)	(64,846)
Prior fiscal years' insured events	(2,288)	(989)	(72)	(42)	(133,258)	(130,675)
Total Payments	(3,226)	(1,551)	(37)	(9)	(193,955)	(195,521)
Change in provision for discount	-	-	-	-	(37,402)	(45,373)
Total unpaid claims and claims adjustment expenses at the end of the year	$ 816	$ 2,133	$ 129	$ 72	$ 1,096,674	$ 1,052,806

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

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. The Bank had no outstanding guarantees as of December 31, 2014. The Bank had no guarantee commitments outstanding as of December 31, 2014.

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, 2014, the Bank has guarantees outstanding totaling $5,200,000 and had guarantee commitments outstanding of $394,000 included in commitments to extend credit.

H.B. 1185, Section 3 – The Bank shall transfer up to $5,000,000 to the rebuilders loan program. As of December 31, 2013, the Bank had transferred the entire amount.

S.B. 2015, Section 7 – The Bank shall transfer up to $28,000,000 from its current earnings and undivided profits to the partnership in assisting community expansion fund. As of December 31, 2014, the Bank had transferred $17,800,000.

S.B. 2015, Section 8 – The Bank shall transfer up to $2,000,000 from its current earnings and undivided profits to the agriculture partnership in assisting community expansion fund. As of December 31, 2014, the Bank had transferred $1,900,000.

S.B. 2015, Section 10 – The Bank shall transfer up to $6,000,000 of its current earnings and undivided profits to the beginning farmer revolving loan fund. As of December 31, 2014, the Bank had transferred $4,400,000.

RETIREMENT AND INVESTMENT OFFICE (RIO)

The State Investment Board has at June 30, 2015, committed to fund certain alternative investment partnerships for an amount of $1.14 billion. Funding of $827.1 million has been provided leaving an unfunded commitment of approximately $308.8 million.

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 $206,327 during 2014 for services rendered under the contract.

STATE COURTS

State Courts has entered into various contracts with third parties for services. The outstanding commitment on these contracts as of June 30, 2015 is $64,768.

INDUSTRIAL COMMISSION

Under the Lignite Vision 21 Program, 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, 2015, is $3,572,866.

Under the Lignite Research Program, the Commission has entered into several contracts with third parties to enhance, preserve and protect North Dakota's lignite resources. The balance outstanding on these contracts at June 30, 2015 is $4,867,213.

Under the Oil and Gas Research Program, the Commission has entered into several contracts with third parties for research and education to support the growth of the oil and gas industry. The balance outstanding on these contracts at June 30, 2015 is $7,861,706.

Under the Renewable Energy Program, the Commission has entered into several contracts with third parties for research, development, marketing and education to support the growth of North Dakota's renewable energy industry. The balance outstanding on these contracts at June 30, 2015 is $697,133.

Under the Outdoor Heritage Fund Program, the Commission has entered into several contracts with third parties to enhance conservation practices in the state. The balance outstanding on these contracts as of June 30, 2015 is $15,462,168.

In addition to the contracts above, the Commission has authorized projects totaling $5,820,620 for which there is no signed contract.

MILL AND ELEVATOR

As of June 30, 2015, the Mill had commitments to purchase 4,156,066 bushels of spring wheat and 29,547 bushels of durum.

PUBLIC FINANCE AUTHORITY

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, 2014, $17,995,000 of credit was available through these letters of credit and no funds have been advanced.

HOUSING INCENTIVE FUND

The Fund makes various commitments relating to construction projects to meet unmet housing needs across North Dakota. The Fund had $49,700,000 of signed commitments for construction projects as of June 30, 2015. The Fund had an additional $700,000 of conditional commitments for construction projects as of June 30, 2015. The total paid on these commitments as of June 30, 2015 was $43,336,188.

DEPARTMENT OF HUMAN SERVICES

As of June 30, 2015, the Department of Human Services had significant commitments for the purchase of various types of services totaling $706,098,112.

AERONAUTICS COMMISSION

As of June 30, 2015, the Aeronautics Commission had significant commitments of approximately $4,773,336. This amount consists of grants to political subdivisions for maintenance and improvements of their airports.

DAIRY PRODUCTS PROMOTION COMMISSION

As of June 30, 2015, the Dairy Products Commission had significant commitments of $150,000. This amount consists of a contract with Midwest Dairy Association to implement and administer programs intended to contribute to the betterment of North Dakota dairy farmers and the State's dairy industry. The contract also provides the Commission with administrative, financial, and reporting services.

NORTH DAKOTA SOYBEAN COUNCIL

As of June 30, 2015, the North Dakota Soybean Council had significant commitments of $2,265,940. This amount mainly consists of grants for the research and development of soybeans.

STATE WATER COMMISSION

As of June 30, 2015, the State Water Commission had long-term commitments of $350,142,952 for various water projects.

NORTH DAKOTA LOTTERY

The Lottery contracts with a third party to provide an online gaming system and related services through June 30, 2022. Total payment for these services during the year ended June 30, 2015 were $2,812,101 based on 10.473% of ticket sales. The Lottery's future obligation through June 30, 2022 is based on 10.473% of ticket sales, there is no minimum fee or retainer fee.

NORTH DAKOTA DEPARTMENT OF TRANSPORTATION

At June 30, 2015, the North Dakota Department of Transportation (Special Revenue Fund) had non-construction contract commitments of approximately $82.2 million. Construction commitments at June 30, 2015, totaled approximately $663.0 million, of which $145.9 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	$ 20,656	$ 19,607	$ 1,049
DSU	22	-	22
LRSC	5,370	5,339	31
MaSU	6,052	1,427	4,625
MiSU	6,373	5,728	645
NDSCS	7,493	6,755	738
NDSU	90,274	42,492	47,782
UND	185,082	124,377	60,705
VCSU	3,816	2,040	1,776
WSC	6,820	6,735	85

DICKINSON STATE UNIVERSITY

DSU is not a guarantor on the DSU Foundation debt. However, it is reasonably possible that DSU may be liable for a portion of the DSUF debt. An estimate of the range of liability is $0 to $1.9 million.

MINARD HALL

Minard Hall is the largest academic facility located in the historical district on NDSU's campus. Minard Hall experienced an unprecedented partial collapse of the north wall in the early morning hours of December 27, 2009. The partial collapse of Minard Hall's North wall, during the construction of the legislatively approved addition, resulted in a delay in the completion of the project, increased costs for construction and legal expenses, as well as numerous other issues, such as relocation of faculty, staff, and classroom space.

The SBHE approved in December 2010, plans to expand the original scope and timeline of the Minard Hall capital improvement project and subsequent collapse to include NDSU seeking legislative authorization and funding. Minard Hall construction is complete, and the building has been in full operation since the Fall 2013-14 academic term.

NDSU requested and was approved by the SBHE in November 2011 and North Dakota Legislative Budget Section in December 2011 to increase the project authorization of the Minard Hall project by $4,874,300 from $18,000,000 to $22,874,300 under NDCC 48-01.2-25 and to authorize under NDCC 15-10-12.3 the additional funding from insurance proceeds, legal settlements, and other available funds.

During the 64th Regular Legislative Assembly, NDSU sought and received an additional $600,000 in project authorization due to the filing of a lawsuit by a contractor against NDSU. Authorization was increased from $22,874,300 to $23,474,300 for related costs. In July 2015, all three litigations relating to the Minard Hall project were settled by NDSU pursuant to authority granted by the SBHE. As a result of the settlements, NDSU paid one contractor the sum of $220,000 and NDSU received from various other entities the sum of $3,020,000. All settlement payments have been made, and the litigations have been dismissed.

Legal settlement proceeds will be less than the total expenditures on the project, and NDSU will seek direction from the NDUS Chancellor for options to pay the deficit of $1,634,853 including a possible request for a deficiency appropriation.

NORTH DAKOTA DEVELOPMENT FUND

The board of directors has approved equity investments, loans, grants, and guaranty of collections at June 30, 2015, for which funds have not been disbursed or written agreements entered into in the amount of $4,877,763.

OTHER CONSTRUCTION COMMITMENTS

Secretary of State	$ 182
Office of Attorney General	1,460
ND School for the Deaf	75
Department of Human Services	56,055
Highway Patrol	675
Adjutant General	17,598
Historical Society	437
Game and Fish Department	245
Water Commission	30
Department of Transportation	395,269

B. LITIGATION

The estimated loss in all of the litigation against the State in which a loss to the State was probable was zero. Litigation that is reasonably possible to result in an unfavorable outcome is estimated at a range of $1,595,000 to $5,900,000.

The estimated gain in all the litigation brought by the State in which a gain is probable is estimated at a range of $3,000,000 to $10,000,000.

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

The State has settled cases before June 30, 2015, in which the settlement of $523,000 has not been paid as of June 30, 2015.

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, 2014, was completed and issued in December of 2014. As a result of this audit, approximately $53,250 of identifiable questioned costs was noted. Also, there were several findings which had potentially significant, unknown, questioned costs. The State is cooperating with the federal government to resolve the findings and is optimistic these findings will not have a material impact on the State.

NOTE 19 - SUBSEQUENT EVENTS

BANK OF NORTH DAKOTA

In April 2015, the Bank entered into an interest rate swap with SunTrust Bank which resulted in a fixed rate funding commitment on $50 million for 15 years. This transaction was completed to hedge fixed rate mortgage and DEAL loans. The Bank also has another interest rate swap for the same purpose with a notional amount of $50 million with Wells Fargo. The market value adjustments on these transactions are reported as an adjustment to Other Comprehensive Income. As of October 31, 2015, the market value position of these two transactions was a net loss of ($5,147,447).

The 2015 legislature used a total of $157.875 million appropriated from the Bank's capital as the funding source for several bills. These programs funded through BND's capital include the Infrastructure Loan Fund ($100 million), the BND administered special loan programs (PACE, etc.) ($40 million), the Housing Incentive Fund ($5 million plus an additional $5 million should BND's earnings surpass $130 million), and the buydown for the School Construction Loan Program ($7.875 million).

The 2015 legislature authorized a new Medical Pace Program with a $32,000,000 overall limit. The buydown for this Program will be part of the amount set aside for Special Loan Programs as well as the transfer of funds that were unused in the previous biennium. So far, BND's portion of loan commitments for 2 ND Hospitals totals $10.5 million, which will use $5,688,850 in interest buydown.

The 2015 Legislature authorized a transfer of $100 million from BND to fund an Infrastructure Loan Fund for North Dakota Cities and Counties. They also transferred an additional $50 million from the Strategic Infrastructure and Improvement Fund to this same revolving loan fund. The application period for North Dakota Communities was started on September 21st and runs through November 30th.

The 2015 Legislature approved $5 million from BND's capital to be deposited into the Housing Incentive Fund, which was removed from retained earnings and deposited on September 14, 2015. Another $5 million contribution from BND to the Housing Incentive Fund is contingent upon BND earning at least $130 million in 2015.

The 2015 Legislature approved $7,875,000 from BND's capital to fund the interest buydown during the 2015-2017 biennium on up to $250,000,000 of school construction loans. BND has committed loan funds to 8 districts totaling $67,273,858 that will use $2,492,511 in interest buydown. Another $11 million of loans to two school districts are pending that will use an additional $256,245 of buydown during the 15-17 biennium.

The 2015 Legislature allowed the State Water Commission to borrow from BND in the amount of $56 million to defease an outstanding bond issue and to provide a credit line to the State Water Commission in the amount of $200 million. BND funded a loan for $45,840,221.42 on July 29, 2015 to defease the bonds and committed to the $200 million credit line on July 7, 2015.

The 2015 Legislature approved the funding for the PACE and Beginning Farmer Loan Programs at $40 million and approved the funding source as BND's retained earnings. The breakdown of the amount approved in each program is as follows: Ag PACE $3 million, Flex PACE $10 million, Affordable Housing Flex PACE $12 million, PACE $6 million, Biofuels PACE $2 million and Beginning Farmer $7 million.

As of October 31st, $8.6 million of the $40 million appropriation for the 2015-2017 biennium has been drawn from BND's retained earnings to fund the interest buy-down in these loan programs. Withdrawals from retained earnings since January 1, 2015 total $15.2 million.

NORTH DAKOTA HOUSING FINANCE AGENCY

The Agency securitized mortgage loans to create mortgage backed securities which were sold for proceeds of $10.6 million subsequent to year end.

Subsequent to yearend, the Agency issued $70 million of bonds payable for the home mortgage program.

WATER COMMISSION

The Commission paid all outstanding balances of their bond payable on August 1, 2015. The Commission paid $13.5 million on 2005 Series A bonds payable and $39 million on 2005 Series B bonds payable. These bonds payable were paid off by the Commission acquiring a note payable with the Bank of North Dakota for $45.8 million. The note payable has a variable interest rate and 15 year term.

UNIVERSITY SYSTEMS

DICKINSON STATE UNIVERSITY FOUNDATION

The Office of Attorney General requested the commencement of dissolution of the DSUF based on a recommendation from the receiver. At this time, it is anticipated the dissolution of the DSUF will be completed by September 30, 2016.

DICKINSON STATE HERITAGE FOUNDATION

On October 16, 2015, the Dickinson State Heritage Foundation was established to replace the Dickinson State University Foundation. The new foundation is a legally separate, tax-exempt organization providing support and recognition to DSU. The foundation has an 18-member board of directors. The Interim President of DSU serves as an ex-officio member of the board.

UNIVERSITY OF NORTH DAKOTA

On August 18, 2015, UND issued $38,055,000 of Housing and Auxiliary Facilities Revenue Bonds. The issuance was used to advance refund the 2006 Housing and Auxiliary Facilities Revenue Bonds and pay cost of issuance. The bonds mature in 2035 and carry interest rates from 3.00 percent to 4.00 percent. The 2006 bonds were issued to finance the construction of University Place residence hall, a parking garage and Squires Dining Center renovations.

COMMUNITY WATER FACILITY LOAN PROGRAM

As of October 31, 2015, the cash available in loans is $14.9 million with 5 loan commitments totaling $5.8 million.

GUARANTEED STUDENT LOAN PROGRAM

Subsequent to June 30, 2015, the program received a transfer of $5 million from the North Dakota Loan Trust. These funds have been designated by the Industrial Commission for future claims.

MEDICAL FACILITY INFRASTRUCTURE LOAN FUND

As of October 31, 2015, the outstanding commitments to four hospitals totaled $40 million. One loan commitment for $10 million was funded June 1, 2105.

REBUILDERS LOAN PROGRAM

As of October 31, 2015, the outstanding loans total $44.8 million to 1,547 borrowers.

STUDENT LOAN TRUST

The 2015 Legislature approved the withdrawal of over $7.5 million to provide funding for:

- ND University System Programs - $3.5 million
- Dept. of Health Dental Loans Repayment -$350 thousand
- Dept. of Commerce Tribal College Grants - $1 million
- Addiction Counseling - $200 thousand
- Matching Grants for Advancement Initiative - $2.5 million

FARM FINANCIAL STABILITY LOAN PROGRAM

This Program was introduced and approved by the Industrial Commission in November with a December 1, 2015 start date. This program provides below market interest rates and extended terms to North Dakota farmers who have been impacted by low commodity prices or below average crop production. The Bank of North Dakota has set an overall limit of $300 million for this program, with individual limits of $750,000 on chattel loans or $1.5 million on farm real estate loans. Borrowers under this program can choose between a fixed rate of 3.75% for 5 years or a variable rate of 1% below the Bank's Base Rate (Currently 3.25%-1.00%=2.25%).

PUBLIC FINANCE AUTHORITY

Subsequent to June 30, 2015, the Authority issued the following bonds.

$1,945,000 of Capital Financing Program Bonds, Series 2015A. The bonds are payable in annual principal payments and semi-annual interest payments through 2029. The interest rate on the bonds vary from 3.0% to 4.0%.

$119,195,000 of State Revolving Fund Program Bonds, Series 2015A. The bonds are payable in annual principal payments and semi-annual interest payments through 2035. The interest rate on the bonds vary from 3.0% to 5.0%.

$25,620,000 of Capital Financing Program Bonds, Series 2015B. The bonds are payable in annual principal payments and semi-annual interest payments through 2035. The interest rate on the bonds vary from 2.0% to 5.25%.

$32,280,000 of Capital Financing Program Bonds, Series 2015C. The bonds are payable in annual principal payments and semi-annual interest payments through 2036. The interest rate on the bonds vary from 2.0% to 5.0%.

HOUSING INCENTIVE FUND

Subsequent to year end, the Fund made additional commitments for construction projects of $34,708,123. These commitments are dependent upon on the Fund receiving enough contributions from taxpayers to fund the projects and the projects meeting the final construction requirement to receive those funds.

NOTE 20 – NEW PRONOUNCEMENTS

The State implemented the following new pronouncement for fiscal year 2015:

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.

GASB Statement No. 69, "Government Combinations and Disposals of Government Operations", establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement date, an amendment of GASB Statement No. 68* requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning new pension liability. The provisions of this Statement should be applied simultaneously with the provisions of Statement No. 68, which is effective for periods beginning after June 15, 2014.

The State will implement the following new pronouncements for fiscal years ending after 2015:

GASB Statement No. 72, *Fair Value Measurement and Application,* addresses accounting and financial reporting issues related to fair value measurements. The Statement provides guidance for determining fair value measurement for reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this

Statement are effective for financial statement periods beginning after June 15, 2015. Earlier application is encouraged.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. Earlier application is encouraged.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement is effective for reporting periods beginning after June 15, 2015. Earlier application is permitted.

GASB Statement No. 77, *Tax Abatement Disclosures*, Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. This Statement is effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.