



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018

State of North Dakota

STATE OF NORTH DAKOTA

Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED

June 30, 2018



Prepared by the Office of Management and Budget

State of North Dakota
Office of Management and Budget
Fiscal Management Division
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This CAFR is also available at our Fiscal Management website:
<https://www.nd.gov/omb/agency/financial/comprehensive-annual-financial-report-cafr/cafr-reports>

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
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Introductory Section



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State of North Dakota

OFFICE OF MANAGEMENT AND BUDGET

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FAX – 701.328.3230

December 10, 2018

To the Governor, Legislators and Citizens of the State of North Dakota:

In accordance with North Dakota Century Code (NDCC) section 54-44-04(14), we are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the State of North Dakota for the fiscal year ended June 30, 2018. This report has been prepared by the Office of Management and Budget. The financial statements contained in the CAFR have been prepared in accordance with generally accepted accounting principles (GAAP) applicable to state and local governments, as promulgated by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the state's management. To the best of our knowledge and belief, the information contained in the CAFR is accurate in all material respects and reported in a manner that presents fairly the financial position and results of operations of the State's primary government and the component units for which it is financially accountable. All disclosures necessary to enable the reader to gain an understanding of the State of North Dakota's financial affairs have been included.

The state's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the costs of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

In compliance with state statute, the Office of the State Auditor (SAO) audited the State's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the State for the fiscal year ended June 30, 2018 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and evaluating the overall financial statement presentation. Their examination was conducted in accordance with GAAP and the standards applicable to financial audits contained in *Government Auditing Standards* as published by the Comptroller General of the United States. The SAO concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the State's financial statements for the fiscal year ended June 30, 2018, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report

The State of North Dakota is also required to undergo a single audit in conformity with the provision of the Single Audit Act Amendments of 1996 and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (contained in Title 2 U.S. Code of Federal Regulations Part 200). Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs, are included in a separately issued biennial single audit report.

Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditor's Report and provides a narrative introduction, overview and analysis of the basic financial statements. This letter of transmittal is intended to complement MD&A and should be read in conjunction with it.

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Facility Management – 4th Floor–701.328.2471

Central Services – 14th Floor–701.328.2683
Human Resources Mgmt. Services – 14th Floor–701.328.3290
Risk Management – 1600 E Century Ave, Ste 4–701.328.7584

PROFILE OF THE GOVERNMENT

The State of North Dakota provides for a full range of services, including education, health and social services, highway maintenance and construction, law enforcement, judicial, public safety, business regulation, community and economic development, and natural resource development. The State's reporting entity reflected in the CAFR includes all the funds of the state as legally defined, as well as all of its component units in conformity with the requirements of GASB Statement No. 61. Statement No. 61 provides that the financial statements should emphasize the primary government and permit financial statement users to distinguish between the primary government and its component units. Consequently, the transmittal letter, MD&A, and the financial statements focus on the primary government and its activities. Although information pertaining to the discretely presented component units is provided, their separately issued financial statements should be read to obtain a complete overview of their financial position. The State's reporting entity is described more fully in Note 1A to the basic financial statements.

The State operates through a biennial appropriation, which represents agency appropriations recommended by the governor and presented to the Legislative Assembly at the beginning of each legislative session. The budget is legally required to be adopted through passage of appropriation bills by the Legislative Assembly and signed by the governor. The governor has line item veto powers over all appropriations subject to legislative override. Once passed and signed, the appropriation bill becomes the departments' financial plan for the next two years. Changes to the appropriation are limited to Emergency Commission authorization, initiative, allotment, or referendum action.

The State does not budget by fund nor does it formally budget revenues. The legal level of budgetary control is at the agency, appropriation authority and expenditure line item level. The State's budgetary policies and procedures are further explained in Note 1D on the notes to the basic financial statements.

LOCAL ECONOMY

Although North Dakota's economy is increasingly diversified, the agricultural industry continues to play a key role in the state's economy. The USDA's National Agricultural Statistics Service reports that for 2017 crop production, North Dakota is the nation's leading producer of durum wheat, spring wheat, canola, flaxseed, dry edible beans and peas, and honey.

The energy industry plays an important role in the state's economy. The development of wind and coal resources, the production of ethanol and bio-diesel, and oil and natural gas extraction all contribute to the state's economy. North Dakota reached an all-time high for oil production which averaged over 1.3 million barrels of oil produced per day in September 2018. North Dakota's current crude oil production ranks second in the nation, behind first-ranked Texas. Oil prices have rebounded significantly from the 2016 lows when North Dakota producers were receiving prices below \$25 per barrel. Prices have ranged from an average of \$40 per barrel at the start of the 2017-19 biennium to near \$70 per barrel July 2018. In October 2018, the actual average price per barrel for North Dakota Oil was \$65.11, significantly over the estimated price of \$47.00 used for budgeting purposes. Although prices have edged down in recent weeks, the long-term outlook remains strong for oil globally as well as here in North Dakota.

The state's population fell from 755.5 thousand people in 2016 to 755.4 thousand in 2017, largely due to the slowdown in the energy industry. Construction accounts for just under 7 percent of employment in the state, compared to around 5 percent for the U.S. Manufacturing is also a prominent player in the state's economy, accounting for nearly 6 percent of employment; mining, which includes oil extraction and production, provides jobs for another 4.1 percent of the state's workforce, compared to less than 1 percent nationally.

Oil and gas make up more than 58 percent of the state's exports. Other major exports are

machinery and transportation equipment, agriculture products, chemicals, and coal. In 2017, exports totaled just under \$6 billion.

A listing of the state's 20 largest employers demonstrates the diversity of the economy. Top employers include: the U.S. military, the state university system, health care providers, manufacturers, financial and insurance companies, information technology companies, energy producers, and retail companies.

LONG-TERM FINANCIAL PLANNING

The long-term financial plan for the state of North Dakota was presented by Governor Burgum as part of the 2018 executive budget address, presented to the legislature in December 2018. The Governor's long-term financial plan includes the following key components:

- Balancing ongoing revenues and expenses of state government
- Rebuilding reserves.
- Ensuring solvency for the state pension fund.

North Dakota is required by its Constitution to have a balanced budget. However, ongoing revenues and ongoing expenses have not always been in balance. In those instances where ongoing revenues did not meet the obligations of ongoing expenses of state government, one-time transfers from accumulated reserves and fund balances were used to fill the gap. In nearly all cases, those accumulated reserves and fund balances were directly attributable to oil and natural gas extraction and production tax revenue. In the 2019-21 biennium executive budget, the governor lays out a financial plan that not only balances ongoing revenues and expenses but does so by adding transparency to the use of oil tax revenue. In the executive budget, the state general fund allocation of oil and gas taxes is increased from \$400 million to \$1 billion per biennium, but no additional transfers from accumulated fund balances are proposed. Both the 2013-15 and 2015-17 biennium budgets included general fund revenues and transfers in excess of \$1 billion that were directly funded from oil and gas tax revenue.

The state's rainy-day fund, the Budget Stabilization Fund, was nearly depleted during the 2015-17 biennium economic downturn. The 2019-21 executive budget proposes to fully replenish this fund to its maximum balance allowed by law, which is 15% of general fund appropriations. This includes a proposed transfer of over \$300 million from the Strategic Investment and Improvements Fund. This is a critical component of ensuring the long-term financial well-being of the state of North Dakota and provides a necessary buffer against volatile commodity prices that drive ups and downs in the state's economy.

Another component of the state's long-term financial plan is ensuring the solvency of the state's pension fund through a combination of policy proposals that reform the benefit and funding structure, along with a one-time cash infusion into the fund. The one-time cash infusion is a transfer of \$265 million at the beginning of the 2019-21 biennium from the Strategic Investment and Improvements Fund to the Public Employees Retirement Fund. Under the current funding model, the plan will never reach full funding and its financial position will continue to erode over time. This proposed combination of funding and policy changes will lead to a complete elimination of the unfunded liability by 2036.

The backbone of the state's financial plan is a revenue forecasting that is accurate, conservative, and credible. The state utilizes a Revenue Forecasting Advisory Committee, comprised of representatives of the major industries in the state and the legislative and executive branches of government, along with the expertise of a national economic forecasting consultant. With the assistance of these experts, the state's Tax Department and Office of Management and Budget develop a conservative revenue forecast for use in the budgeting process.

The budgeting process begins with the development of a biennial budget proposal reflecting the Governor's priorities for the next two years. The budget is submitted to the legislature for their

consideration and eventual enactment. With a biennial budget cycle, each revenue forecast and budget proposal provides a three-year plan for the revenues and expenditures of state government.

RELEVANT FINANCIAL POLICIES

North Dakota's financial policies ensure that in the event of an economic downturn, North Dakota state government will be able to continue to provide its citizens with necessary services. Should North Dakota experience a revenue shortfall of 3.0 percent or more, the state is able to access funds from the budget stabilization fund. The statutory limit for the budget stabilization fund is 15.0 percent of the state general fund budget.

North Dakota experienced a significant revenue shortfall during the 2015-17 biennium due to decreases in oil and agriculture prices, resulting in a transfer of nearly the entire balance of the budget stabilization fund to the general fund prior to June 30, 2017. The legislature approved an allocation of \$75 million from oil and gas tax revenues to the fund for the 2017-19 biennium. The balance of the budget stabilization fund is estimated to be over \$400 million by June 30, 2019 due to a combination of existing fund balance, oil tax revenue allocations, and the statutorily required transfer of any end-of-biennium balance in the general fund in excess of \$65 million. In addition, the Governor proposed in the 2019-21 executive budget to provide an additional transfer of \$315 million from other funds to the budget stabilization fund to fully restore the fund to the maximum balance allowed by law.

In addition to accessing the budget stabilization fund, in the event of an economic downturn the Governor is able to reduce general fund expenditure authority uniformly across state agencies through a process known as allotment. In the event of such a general fund expenditure reduction, the foundation aid stabilization fund was established to protect the state education aid program. Dollars from this fund would replace the amount of general fund dollars cut, thus K-12 education would not experience a reduction in funding. The passage of Measure 2 in the 2016 general election allows money in the fund to be appropriated for education related purposes. Funding for the foundation aid stabilization fund comes from a portion of oil extraction tax collections. The foundation aid stabilization fund is expected to have a June 30, 2019 balance in excess of \$400 million.

MAJOR INITIATIVES

Major initiatives proposed by Governor Doug Burgum and approved by the legislature for the 2017-19 biennium include:

- Investing in infrastructure and in other priorities;
- Continued funding of Medicaid expansion;
- Investing in behavioral health issues; and
- Transitioning the cost of county social services to the state.

INFRASTRUCTURE INVESTMENTS

The 2017-19 biennial budget includes funding to rebuild and repair roads throughout the state, for water supply and flood control, and grants for airports. Funding for infrastructure improvements includes:

- \$612.9 million to rebuild and repair state highways;
- \$97.1 million for city road projects;
- \$51.1 million dedicated to the repair and rebuilding of county and township roads;
- \$40 million in grant funds to two communities in oil country for airports; and

- \$722.2 million for water-related projects, including \$120.1 million for water supply, \$27.0 million for rural water supply, \$136.0 million for flood control and \$15.8 million for general water projects.

TAX RELIEF

The legislature approved, and the Governor signed into law, a tax relief package that provides:

- \$160.7 million for a state-paid economic assistance and social services pilot program for the 2017-19 biennium;
- \$23.3 million to continue state funding for certain county costs of child welfare and service payments for elderly and disabled services; and
- \$14.8 million for the homestead tax credit program; and
- \$8.1 million for the disabled veteran's property tax credit.

EDUCATION

K-12 education initiatives include:

- \$1.94 billion in state funding for K-12 schools through integrated funding formula;
- \$6 million in grants to districts experiencing rapid enrollment growth;
- \$55.4 million to assist districts in the provision of transportation services;
- \$19.3 million to go towards special education contracts; and
- Almost \$33 million will be provided to schools during the 2017-19 biennium to support CTE offerings, providing more educational opportunities for students and important job skills for those students entering the workforce.

Higher Education initiatives include:

- \$15.2 million for UND Medical School Residency Programs.
- \$ 2.0 million in state funding to continue the North Dakota Higher Education Challenge Grant Program, to encourage philanthropy by providing a state match for private contributions to the state's colleges and universities.
- \$168.5 million is slated to be invested for capital projects across the system, with funding from revenue bonds and private donations.
- \$22.5 million in bonding authority to construct an Integrated Carbon Plant at Valley City State University

RESERVES

It is anticipated that by June 30, 2019, there will be a total ending balance of approximately \$1.58 billion in the budget stabilization fund, foundation aid stabilization fund, strategic investment and improvements fund, and tax relief fund. The general fund budget for the 2017-19 biennium totals \$4.31 billion.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of North Dakota for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the 26th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the State of North Dakota received the GFOA's Award for Distinguished Budget Presentation for its 2017-2019 budget. In order to qualify for the Distinguished Budget Presentation Award, the State's budget document was judged to be proficient in several categories, including policy documentation, financial planning, and organization.

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

Sincerely,



Joe Morrissette
Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

State of North Dakota

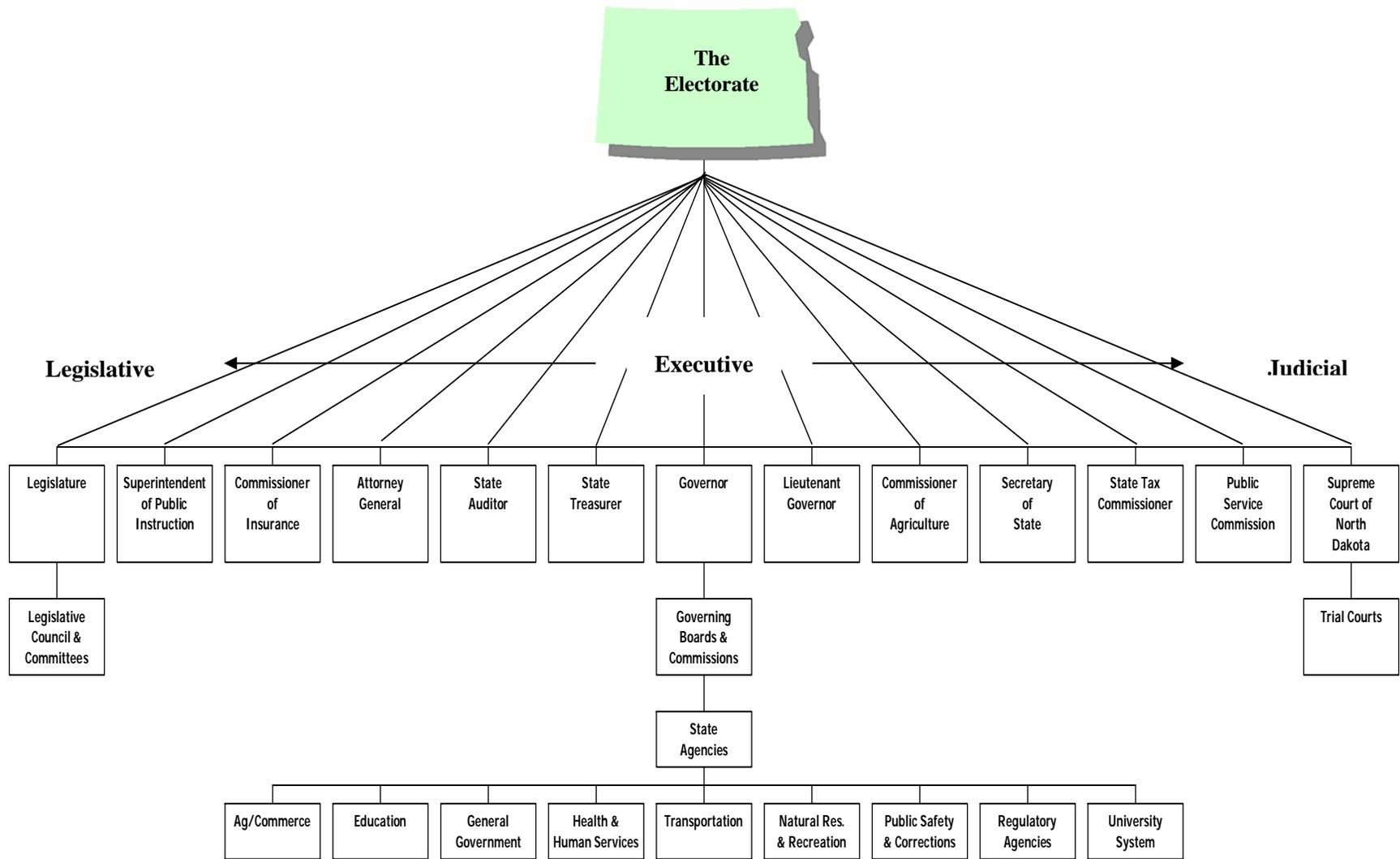
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

STATE OF NORTH DAKOTA ORGANIZATIONAL CHART



NORTH DAKOTA
PRINCIPAL STATE OFFICIALS
June 30, 2018

ELECTED OFFICIALS

Doug Burgum, Governor
Brent Sanford, Lieutenant Governor
Alvin A. Jaeger, Secretary of State
Wayne Stenehjem, Attorney General
Julie Fedorchak, Public Service Commissioner
Randel Christmann, Public Service Commissioner
Brian Kroshus, Public Service Commissioner
Doug Goehring, Commissioner of Agriculture
Josh Gallion, State Auditor
Jon Godfread, Commissioner of Insurance
Kirsten Baesler, Superintendent of Public Instruction
Ryan Rauschenberger, Tax Commissioner
Kelly Schmidt, State Treasurer

LEGISLATIVE

Larry Bellew, Speaker of the House
Al Carlson, House Majority Leader
Corey Mock, House Minority Leader
Lt. Gov. Brent Sanford, President of the Senate
Rich Wardner, Senate Majority Leader
Joan Heckaman, Senate Minority Leader

JUDICIAL

Gerald W. VandeWalle, Chief Justice, North Dakota Supreme Court
Daniel J. Crothers, Justice
Lisa K Fair McEvers, Justice
Jerod Tufte, Justice
Jon Jensen, Justice



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Financial Section



STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVE. - DEPT. 117
BISMARCK, ND 58505

Independent Auditor's Report

The Honorable Doug Burgum, Governor
of the State of North Dakota

Members of the Legislative Assembly
of the State of North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of North Dakota as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following state entities and discretely presented component units:

Addiction Counselor Internship Loan Program	Mandan Remediation Trust
Bank of North Dakota	Medical Facility Infrastructure Loan Program
Beginning Farmer Revolving Loan Fund	PACE and AG PACE Funds
Building Authority	Public Employees Retirement System
College SAVE	Rebuilders Loan Program
Community Water Facility Loan Fund	Retirement and Investment Office
Department of Trust Lands	School Construction Assistance Revolving Loan Fund
Guaranteed Student Loan Program	State Fair Association
Housing Finance Agency	Student Loan Trust
Housing Incentive Fund	Workforce Safety and Insurance
Infrastructure Revolving Loan Fund	All Discretely Presented Component Units
Job Service North Dakota	

The financial statements of the above entities reflect total assets, net position or fund balance, and revenues of the government-wide financial statements and fund financial statements as follows:

	<u>Percent of Assets</u>	<u>Percent of Net Position or Fund Balance</u>	<u>Percent of Revenues</u>
<u>Government-Wide Financial Statements</u>			
Governmental Activities	27%	28%	11%
Business-Type Activities	82%	60%	51%
Aggregate Discretely Presented Component Units	100%	100%	100%
<u>Fund Financial Statements</u>			
Major Governmental Funds			
General Fund	0%	0%	0%
Federal Fund	1%	0%	1%
State Special Revenue Fund	69%	72%	32%
Major Enterprise Funds			
Bank of North Dakota	100%	100%	100%
Housing Finance Agency	100%	100%	100%
University System	0%	0%	0%
Workforce Safety and Insurance	100%	100%	100%
Aggregate Remaining Fund Statements	94%	97%	79%

The financial statements for these entities were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for these entities, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the North Dakota University System's discretely presented component units (foundations) were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of North Dakota, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The actuary for the North Dakota Public Employees Retirement System has determined that the Fund's unfunded actuarial accrued liability is approximately \$1.090 billion as of June 30, 2018. The funding for the actuarial accrued liabilities is predicated on employer and employee funding rates mandated by North Dakota statutes. The actuary has determined that the current statutory contribution rates are insufficient to meet the actuarially determined accrued liability. Our opinion is not modified with respect to this matter.

As described in Notes 2 and 20 to the financial statements, the State of North Dakota adopted the provisions of GASB 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, GASB 81 *Irrevocable Split-Interest Agreements*, GASB 85 *Omnibus 2018*, and GASB 86 *Certain Debt Extinguishment Issues*. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, the 2018 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

As discussed in Note 17 to the basic financial statements, the Bank of North Dakota elected to present an unclassified statement of net position because current assets are not matched with current liabilities. Presentation of a classified statement of net position would give the false impression that there is a liquidity problem at the bank. Presentation of a classified statement of net position for the Bank of North Dakota would be misleading to the extent that the financial statements may be materially misstated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules and related reconciliations and notes, information about the state of North Dakota's pension plans and other post retirement benefits, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's

responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of North Dakota's basic financial statements. The combining and individual fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections, as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018 on our consideration of the State of North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of North Dakota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of North Dakota's internal control over financial reporting and compliance.



Joshua C. Gallion
State Auditor

Bismarck, North Dakota

December 10, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the State of North Dakota's (the State's) Comprehensive Annual Financial Report presents a discussion and analysis of the State's financial performance, providing an overview of the activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

Total assets and deferred outflows of resources of the State exceeded its liabilities and deferred inflows of resources at fiscal year-end by \$22.4 billion (reported as net position), an increase of \$1.7 billion from the previous year. The net position of governmental activities increased by 9.2% while the net position of the business-type activities showed an increase of 4.8%.

As a result of implementing GASB Statement 68, *Accounting and Financial Reporting for Pensions*, the State recorded \$33.6 million net pension asset, \$428 million deferred outflows of resources, \$862.9 million net pension liability, and \$56.6 million deferred inflows of resources for the primary government. The State had an increase in net pension liability during the year of \$310.7 million. This increase is due to the State's pension plan not having a cross over date in the future where the plan will become fully funded. As a result Government Accounting Standards Board requires the use of a blended rate to discount the contributions forcing the plan to use a discount rate of 6.44%. The low rate results in a much higher pension liability.

In 2018 the State implemented GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, resulting in a \$42.4 million Net OPEB (Other Post Employment Benefit) Liability, \$2.6 million deferred inflows of resources, and \$10.5 million deferred outflows of resources for the primary government.

Fund Level:

As of the close of fiscal year 2018 the State's governmental funds reported combined ending fund balances of \$13.8 billion, an increase of \$1.4 billion. Of this amount, \$222 million is non-spendable, primarily for long-term receivables. Spendable fund balance consists of \$6.1 billion restricted for specific purposes such as common schools, highway projects, and state education aid, \$810 million committed and \$382 million assigned for specific functional expenditures such as education and health and human service operations, with the unassigned fund balance making up the remaining amount of \$6.2 billion, which is primarily made up of the legacy fund with a balance of \$5.7 billion.

The enterprise funds reported net position at year-end of \$3.9 billion, an increase of \$181 million during the year.

Long-term Debt:

The State's total debt (bonds and notes payable) increased approximately 9% during the fiscal year to \$2.6 billion, an increase of \$224 million, which represents the net difference between new issuances and payments. During the year the State issued \$416 million in bonds and \$3.5 billion in notes.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements, which consists of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Statements

The government-wide financial statements provide a broad view of the State's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the State's financial position, which assists in assessing the State's economic condition at the end of the fiscal year. These statements include all non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents all of the State's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as "net position". Over time, increases and decreases in net position is an indicator of whether the State's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the State's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both statements report three activities:

Governmental Activities – The activities in this section are primarily supported by taxes and intergovernmental revenue. Most of the State's basic services, such as education, health and human services and transportation, are reported under this category.

Business-type Activities – These functions are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The Bank of North Dakota, Housing Finance Agency and the University System are examples of the State's business-type activities.

Discretely Presented Component Units – These are operations for which the State has financial accountability but they have certain independent qualities as well. These entities operate similar to private-sector business and the business-type activities described above. The State has 5 discretely presented component units. Financial information for these entities is presented separately from the financial information presented for the primary government.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the State uses to keep track of specific sources of funding and spending for a particular purpose. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

The basic fund financial statements begin after the Component Unit FASB basis statements and provide more detail about the major individual funds. The State's funds are divided into three categories – governmental, proprietary, and fiduciary. It is important to note that these fund categories use different accounting approaches and should be interpreted differently.

Governmental funds - Most of the State's basic services are reported in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on the near-term inflows and outflows of spendable resources. They also focus on the balances left at year-end that are available for future spending. Such information may be useful in evaluating whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. These funds are reported using

modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

Governmental funds include the General Fund, special revenue, debt service, and permanent funds. The State has several governmental funds, of which three (3) are considered major individual funds. These three are the General Fund, the Federal Fund, and the State Special Revenue Fund. Each of these major funds is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance. The remaining governmental funds are combined in a single aggregated column on the basic fund statements. Individual fund data for each of these non-major governmental funds can be found in the other supplementary information section of this report.

Proprietary funds – Services for which the State charges customers a fee are generally reported in proprietary funds. The state maintains two different types of proprietary funds, enterprise funds and internal service funds. Enterprise funds report activities that provide supplies and services to the general public. Internal service funds report activities that provide supplies and services for the State's other programs and activities. Like the government-wide statements, proprietary funds use the accrual basis of accounting. Although the basis of accounting is the same for the government-wide and proprietary fund statements, reconciliation between these statements is presented because of the allocation of internal service funds' net income.

The State has four (4) major enterprise funds: The Bank of North Dakota, Housing Finance, University System, and Workforce Safety and Insurance. These four funds are each presented in separate columns on the basic proprietary fund financial statements. The remaining enterprise funds are combined in a single total column on these statements. Individual fund data for each of the non-major enterprise funds can be found in the other supplementary information section of this report.

The State's internal service funds are reported as governmental activities on the government-wide statements, because the services they provide predominantly benefit governmental activities. The State's four (4) internal service funds are reported on the basic proprietary fund financial statements in a single combined column. Individual fund data for the internal service funds is provided in the form of combining statements found elsewhere in this report.

Fiduciary funds - The State acts as a trustee, or fiduciary, for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These funds, which include pension (and other employee benefit) trust, investment trust, private-purpose trust, and agency funds, are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because the State cannot use these assets to finance its operations.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following component units' financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule, which includes reconciliation between the statutory fund balances for budgetary purposes and the fund balances for the General Fund, the State Special Revenue Fund and the Federal Fund as presented in the governmental fund financial statements. In addition, the required supplementary information includes up to ten years of information on the State's pension and Other Post Employment Benefit (OPEB) plans, including schedules on the employer proportionate share of the net pension liability and net OPEB liability, changes in the net pension liability and OPEB liability, and employer contributions.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental, non-major enterprise, internal service, and fiduciary funds. These funds are added together, by fund type, and presented in single columns in the basic financial statements.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

As noted previously, net position may serve over time as a useful indicator of a government's financial position. The State's combined net position (governmental and business-type activities) totaled \$22.4 billion at the end of fiscal year 2018. Net position increased \$1.7 billion from the prior fiscal year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$14,981,436	\$13,521,594	\$10,822,219	\$10,768,994	\$22,897,146	\$21,185,663
Capital Assets	5,027,823	4,816,012	1,528,012	1,514,586	6,555,834	6,330,598
Total Assets	20,009,259	18,337,606	12,350,231	12,283,580	29,452,980	27,516,261
Deferred Outflows of Resources	330,883	150,303	121,445	60,007	452,328	210,310
Long-Term Liabilities						
Outstanding	796,635	116,816	3,966,548	3,555,904	4,763,183	3,672,720
Other Liabilities	984,009	1,356,845	4,564,120	5,019,916	2,641,620	3,271,836
Total Liabilities	1,780,644	1,473,661	8,530,668	8,575,820	7,404,803	6,944,556
Deferred Inflows of Resources	43,280	40,552	23,066	22,827	66,346	63,379
Net Position						
Net Investment in						
Capital Assets	4,988,839	4,759,286	1,214,133	1,223,439	6,202,972	5,982,725
Restricted	6,355,103	6,224,908	924,610	888,080	7,279,713	7,112,988
Unrestricted	7,172,276	5,989,502	1,779,198	1,633,421	8,951,474	7,622,923
Total Net Position	\$18,516,218	\$16,973,696	\$3,917,941	\$3,744,940	\$22,434,159	\$20,718,636

The largest component (40%) of the State's net position is unrestricted net position. Unrestricted net position may be used at the State's discretion, but often have limitations on use based on State statutes. Restricted net position make up thirty-two percent (32%) of the state's net position. Restricted net position represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used.

Twenty-eight percent (28%) of the State's net position reflects its investment in capital assets such as land, buildings, equipment, intangibles (software), and infrastructure (roads, bridges and other immovable assets) less any related debt outstanding that was needed to acquire or construct the assets. The State uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	\$344,920	\$332,535	\$1,890,738	\$1,862,600	\$2,235,658	\$2,195,135
Operating Grants & Contributions	2,156,382	2,221,212	363,266	380,843	2,519,648	2,602,055
Capital Grants & Contributions	95	1,206	4,769	32,026	4,864	33,232
General Revenues:						
Income Taxes	452,793	418,040	-	-	452,793	418,040
Sales Taxes	1,326,249	1,236,701	-	-	1,326,249	1,236,701
Oil, Gas and Coal Taxes	2,196,877	1,490,399	-	-	2,196,877	1,490,399
Other Taxes	100,127	98,374	-	-	100,127	98,374
Investment Earnings	380,165	489,070	-	-	380,165	489,070
Tobacco Settlement	55,305	21,600	-	-	55,305	21,600
Other	163,996	119,135	2,922	4,847	166,918	123,982
Total Revenues	7,176,909	6,428,272	2,261,695	2,280,316	9,438,604	8,708,588
Expenses						
General Government	1,034,864	955,119	-	-	1,034,864	955,119
Education	1,208,514	1,214,358	-	-	1,208,514	1,214,358
Health and Human Services	1,930,265	1,851,802	-	-	1,930,265	1,851,802
Regulatory	60,782	76,262	-	-	60,782	76,262
Public Safety and Corrections	241,144	238,515	-	-	241,144	238,515
Agriculture and Commerce	95,412	100,775	-	-	95,412	100,775
Natural Resources	230,195	286,546	-	-	230,195	286,546
Transportation	444,530	529,532	-	-	444,530	529,532
Interest on Long Term Debt	2,503	2,678	-	-	2,503	2,678
Bank of North Dakota	-	-	86,073	88,792	86,073	88,792
Housing Finance	-	-	46,083	40,997	46,083	40,997
Loan Programs	-	-	13,320	13,173	13,320	13,173
State Lottery	-	-	23,215	20,638	23,215	20,638
Unemployment Compensation	-	-	115,487	156,931	115,487	156,931
University System	-	-	1,178,669	1,204,936	1,178,669	1,204,936
Workforce Safety and Insurance	-	-	270,197	254,467	270,197	254,467
Other	-	-	632,912	571,077	632,912	571,077
Total Expenses	5,248,209	5,255,587	2,365,956	2,351,011	7,614,165	7,606,598
Increase (decrease) in Net Position Before Contributions, Loss & Transfers						
Extraordinary Item	-	(38,379)	-	-	-	(38,379)
Contributions to Permanent Fund						
Principal	4,393	11,895	-	-	4,393	11,895
Transfers	(367,497)	(503,279)	285,002	598,094	(82,495)	94,815
Increase (decrease) in Net Position	1,565,596	642,922	180,741	527,399	1,746,337	1,170,321
Net Position - Beginning	16,973,696	16,330,774	3,744,940	3,217,541	20,718,636	19,548,315
Prior Period Adjustment *	(23,074)	-	(7,740)	-	(30,814)	-
Net Position- Ending	\$18,516,218	\$16,973,696	\$3,917,941	\$3,744,940	\$22,434,159	\$20,718,636

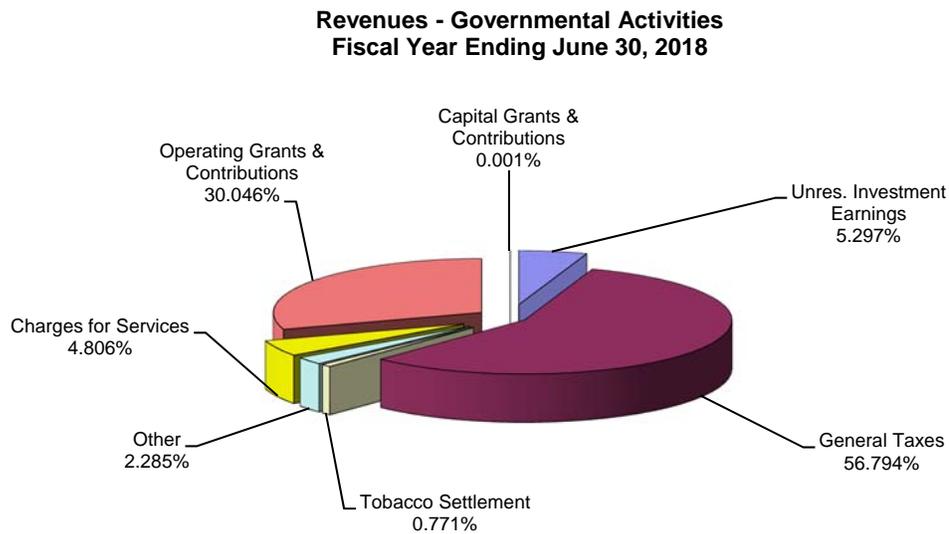
* More detailed information regarding the prior period adjustments due to GASB 75 and correction of errors can be found in Note 2.

Governmental Activities

Governmental Activities increased the State's net position by \$1.6 billion. Revenues increased 11.6%, with the largest dollar increase in the State's revenues for fiscal year 2018 coming from oil, gas, and coal, taxes, an increase of \$706 million. The increase in sales and use tax is due to growth in taxable sales and purchases as a result of increasing energy prices worldwide and strong agricultural yields. Corporation and Individual Income Tax both increased showing growth in the economy, growth in oil activity, and increased wages and salaries. Oil and Gas production tax and Oil Extraction tax increased due to strong oil prices leading to production growth.

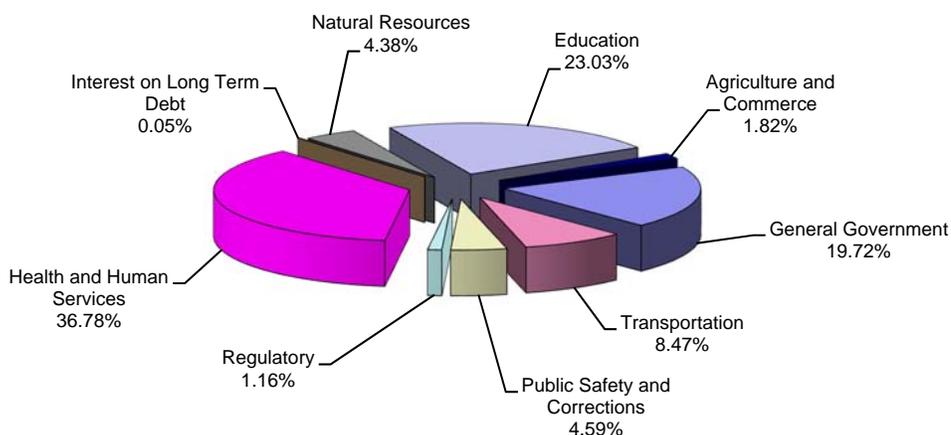
Expenses for governmental activities remained relatively consistent.

The following chart depicts revenues of the governmental activities for the fiscal year:



The chart on the following page depicts expenses of the governmental activities for the fiscal year:

**Expenditures - Governmental Activities
Fiscal Year Ending June 30, 2018**



Business-type Activities

Net position of the business-type activities increased by \$181 million during the fiscal year.

Workforce Safety and Insurance's (WSI) net position increased \$73.3 million. Policyholder count decreased by 76 policies in fiscal year 2018. Policyholder count continues to decrease but at a slower pace than in 2017. WSI's financial position remains stable. Earned premium net of discounts and reinsurance totaled \$232 million, \$233 million, and \$291 million for fiscal years 2018, 2017, and 2016, respectively. WSI re-entered the Securities Lending arena in fiscal year 2016. Total income for fiscal year 2018 was \$201 thousand, compared to fiscal year 2017 which had earnings of \$185 thousand. The number of total claims filed in fiscal year 2018 decreased for the fourth subsequent year. Total claims filed for fiscal year 2018 totaled 19,830.

The Bank of North Dakota net position decreased \$51.7 million. The loan portfolio increased to \$4.8 million at year-end 2017. Total assets decreased by 4% to \$7 million. The decrease was largely attributable to a reduction in the securities portfolio, coupled with an offsetting increase in loan demand. Interest-bearing deposits totaled \$4.1 billion at December 31, 2017 compared to \$4.2 billion at December 31, 2016. This decrease is from state deposit decline related to the current economic status of the state.

The University System's net position increased \$19.8 million. Net position increased due to a 2% increase in tuition and fee revenues, a 5% increase in grant and contracts, and a 17% increase in endowment and investment income. In addition, total assets increased \$63 million due to an increase in current assets and net capital assets, and other noncurrent assets.

Housing Finance net position increase of \$8.7 million was similar to the prior year's net position change as revenues and expenses remained fairly consistent.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

As the State completed the year, its governmental funds reported combined fund balances of \$13.8 billion, an increase of \$1.4 billion from the prior fiscal year. Of the \$13.8 billion in net position, \$222 million is non-spendable, \$6.1 billion is restricted, \$810 million is committed, \$382 million is assigned, and \$6.2 billion is unassigned. These fund balance categories are a result of GASB Statement 54. Note 1U provides definitions for these categories. The following analysis of funds provides the explanation for the overall change in net position for governmental funds.

The General Fund is the chief operating fund of the State. At the end of current fiscal year, unassigned fund balance of the General Fund was \$6.2 billion, non-spendable was \$5.6 million, \$9 million was restricted, and \$412 million was committed for expenditure by various governmental functions.

Total General Fund balance increased during the fiscal year by \$1.2 billion. Revenues increased approximately 24.2%, largely due to an increase in oil, gas, and coal taxes of \$602 million. Other increases of revenue were individual and corporate income tax of \$61 million and sales and use tax of \$69 million. Explanation for these increases were explained with the increase in net position for governmental activities.

General fund expenditures decreased by 10.9%. Expenditures decreased in almost all areas of spending due to a general fund appropriation reduction and continued efforts to increase efficiencies.

The State Special Revenue ending fund balance increased by \$206.9 million resulting in \$7 billion fund balance. Revenues increased by 8.6% in the state special revenue fund primarily due to an increase in oil, gas, and coal taxes due to strong oil prices leading to production growth as previously discussed. Special fund expenditures remained relatively consistent with an increase of 1.4%.

The June 30 Federal Fund balance of \$16.2 million consists primarily of non-spendable items such as prepaids and inventory and unavailable revenue for those revenues to be received later than the time period used for revenue recognition.

Proprietary Funds

The State's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The increases in the net position of the proprietary funds are discussed under "Business-type Activities" above.

General Fund Budgetary Highlights:

The State has a biennial appropriated budget. The fiscal year ending June 30, 2018, was the first year of the 2017-19 budget cycle. The original budget increased \$99.5 million.

At the beginning of the 2017-19 budget cycle, there was an increase in the original budget of \$79.9 million due to the authorized carryover of general fund appropriation authority from the 2015-17 biennium, a \$7.2 million increase for capital construction carryover, and a \$11.4 million increase for Theodore Roosevelt Presidential Library carryover.

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

Several state agencies were authorized by appropriation laws to carryover a portion or all of their general fund appropriation for various purposes, including the University System, \$21 million, the Department of Transportation, \$25 million, the Industrial Commission, \$2.4 million, the Department of Human Services, \$11.7 million, Legislative Council, \$4.6 million, the Department of Commerce, \$2.9 million, the Adjutant General, \$2 million and Office of Management & Budget, \$3.7million.

Of the \$7.2 million in capital construction carryover dollars, \$1.3 million was for the Attorney General; \$2.2 million was for the Secretary of State; \$3.7 million was for the Parks and Recreation and various smaller amounts for several other state agencies.

There were no expenditures in excess of general fund authority.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: At the end of the fiscal year 2018, the State had invested \$6.2 billion, net of accumulated depreciation, in a broad range of capital assets. Depreciation charges for this fiscal year totaled \$218 million.

(Net of Depreciation, Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017*	2018	2017	2018	2017*
Land and Land Improvements	\$159,143	\$152,152	\$24,099	\$23,805	\$183,242	\$175,957
Building & Building Improvements	402,501	404,300	1,142,194	1,110,869	1,544,695	1,515,169
Equipment	158,508	164,988	176,252	180,497	334,760	345,485
Intangibles						
Software	148,569	164,659	3,043	4,253	151,612	168,912
Other	10,002	12,430	8,420	7,006	18,422	19,436
Infrastructure	2,019,520	1,976,706	115,892	116,067	2,135,412	2,092,773
Construction in Progress	2,129,580	1,940,778	58,112	72,090	2,187,692	2,012,868
Total	\$5,027,823	\$4,816,013	\$1,528,012	\$1,514,587	\$6,555,835	\$6,330,600

* Beginning capital asset balances were adjusted for certain reclassifications.

The total increase in the State's investments in capital assets for the current fiscal year was 3.6% in terms of net book value. However, actual expenditures to purchase or construct capital assets were approximately \$657 million for the year. A major portion of this amount was used to construct or reconstruct assets for highway construction. More detailed information on the State's capital assets can be found in Note 3H to the financial statements.

Long-term Debt: Article X, Section 13 of the Constitution of North Dakota provides that the state may issue or guarantee the payment of bonds provided that all bonds in excess of \$2 million are: secured by first mortgage upon property and no further indebtedness may be incurred by the state unless evidenced by a bond issue; authorized by law, for a certain purpose; provisioned to pay the interest semiannually, and pay the principal within 30 years. The law authorized the bond issue must specifically appropriate the provisions to the payment of the principal and interest of the bond. The State has no general obligation bonds outstanding at June 30, 2018.

The State does have a number of revenue bonds outstanding at June 30, 2018. Current state statutes empower certain state agencies and the Building Authority, a component unit of the State, to issue bonds as part of their activities. This debt is not backed by the full faith and credit of the State of North Dakota. The principal and interest on revenue bonds issued by state agencies is payable from designated revenue sources. The Building Authority's bonds generate revenue to finance the construction and improvements of State buildings. Revenues derived from leases on the buildings fund the debt service requirements.

The Bank of North Dakota has advances from the Federal Home Loan Bank in the amounts of \$1.3 billion. The advances have a fixed rate of interest, ranging from 1.12 percent to 5.56 percent.

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

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017 Restated	2018	2017 Restated
Revenue Bonds	\$40,429	\$54,105	\$1,246,470	\$1,019,125	\$1,286,899	\$1,073,230
Notes Payable	22,248	2,181	1,289,686	1,299,860	1,311,934	1,302,041
Total	<u>\$62,677</u>	<u>\$56,286</u>	<u>\$2,536,156</u>	<u>\$2,318,985</u>	<u>\$2,598,833</u>	<u>\$2,375,271</u>

The State's total debt increased approximately 9% during the current fiscal year.

ECONOMIC CONDITION AND OUTLOOK

Moody's Analytics recently completed an analysis of the North Dakota economy for its *Précis U.S. State* October 2018 publication. The report depicts an economy that is in recovery from the energy bust but demographics and a dependence on commodity prices will slow the progress.

North Dakota's outlook is linked tightly to two major industries, energy and agriculture. Although North Dakota ranks second in the nation in terms of oil production, it is arguably the state with the highest economic reliance on the oil industry. North Dakota's gross domestic product (GDP) in 2017 was about \$52.50 billion. The mining and oil extraction category contributed about 10.0 percent to the state GDP in North Dakota. Oil prices have rebounded significantly from the 2016 lows when North Dakota producers were receiving prices below \$25 per barrel. The transportation discount for North Dakota crude has been reduced due to added pipeline capacity. The result is North Dakota producers have seen significant price increases, from an average of around \$40 per barrel at the start of the 2017-19 biennium to near \$70 per barrel during the spring and summer of 2018. Although prices have edged down in recent weeks, the long-term outlook remains strong for oil globally as well as here in North Dakota. North Dakota transportation discounts are expected to increase over the next biennium as pipelines reach capacity.

The North Dakota agricultural industry contributed about \$2.90 billion to the state GDP in 2017 and remains a critically important component of the state's economy. The agricultural economy faces challenges in terms of low commodity prices and high input costs. Raising interest rates and ongoing trade disruptions add to the uncertainty facing the industry in the near term.

Job growth is catching up to the national level in year-to-date growth, but future growth will be hindered by tight labor markets. Unemployment is low in North Dakota, but also low in surrounding states and across the country. Thousands of jobs remain unfilled in North Dakota and it is difficult to recruit workers to move to North Dakota as they can find a job almost anywhere based on the current state of the national economic expansion.

Median household income and per capita income for North Dakota are both ahead of the national average. For 2018, median household income in North Dakota was \$63,866 compared to \$61,501 for the U.S. Per capita income for 2018 was \$53,989 for North Dakota, while \$53,667 for the U.S.

CONTACTING THE STATE'S OFFICE OF FINANCIAL MANAGEMENT

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



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Basic Financial Statements

STATE OF NORTH DAKOTA

Statement of Net Position June 30, 2018

	Primary Government			Component Units (GASB Based)
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 77,618,190	\$ 586,632,632	\$ 664,250,822	\$ 18,899,683
Investments	10,762,132,790	3,641,768,760	14,403,901,550	594,153
Accounts Receivable - Net	115,904,336	149,263,293	265,167,629	311,177
Taxes Receivable - Net	590,133,951	-	590,133,951	-
Interest Receivable - Net	36,658,283	65,178,346	101,836,629	60,050
Intergovernmental Receivable - Net	184,790,282	31,921,967	216,712,249	-
Internal Receivable	2,932,532,939	-	26,023,756	-
Due from Component Units	-	32,440,018	32,440,018	-
Due from Primary Government	-	-	-	120,000
Prepaid Items	12,153,737	3,926,427	16,080,164	-
Inventory	23,053,006	34,697,465	57,750,471	-
Loans and Notes Receivable - Net	186,614,408	5,045,490,787	5,232,105,195	9,692,813
Pension Assets	33,635,942	-	33,635,942	-
Other Assets	-	39,320,735	39,320,735	179,711
Restricted Assets:				
Cash and Cash Equivalents	26,208,108	170,541,371	196,749,479	44,558,002
Investments	-	51,173,592	51,173,592	873,589,000
Interest Receivable - Net	-	3,615,000	3,615,000	5,381,000
Loans and Notes Receivable - Net	-	966,249,000	966,249,000	-
Capital Assets:				
Nondepreciable	2,288,723,017	82,211,578	2,370,934,595	1,115,389
Depreciable, Net	2,739,099,605	1,445,799,922	4,184,899,527	8,351
Total Assets	<u>20,009,258,594</u>	<u>12,350,230,893</u>	<u>29,452,980,304</u>	<u>954,509,329</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Loss on Bond Refunding	2,619,000	4,184,088	6,803,088	4,502,000
Decrease in Fair Value of Hedging Derivatives	-	1,544,112	1,544,112	-
Financial Derivative Instrument	-	1,239,000	1,239,000	-
Unrealized Loss on Interest Rate Swap	-	4,227,000	4,227,000	-
Derived from Pensions	320,424,886	107,632,170	428,057,056	125,000
Derived from OPEB	7,839,508	2,618,176	10,457,684	-
Total Deferred Outflows of Resources	<u>330,883,394</u>	<u>121,444,546</u>	<u>452,327,940</u>	<u>4,627,000</u>

* An internal receivable balance remains in the Total column because certain Business-Type Activities have different fiscal year ends than the Governmental Activities. As internal balances are reported separately as internal receivables and internal payables, those lines, as well as the total assets and total liabilities, do not crossfoot.

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Net Position June 30, 2018

	Primary Government			Component Units (GASB Based)
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES				
Accounts Payable	267,687,796	52,465,053	320,152,849	664,852
Accrued Payroll	55,872,045	38,241,768	94,113,813	3,375
Securities Lending Collateral	247,963,693	5,863,924	253,827,617	-
Interest Payable	1,420,429	16,096,543	17,516,972	3,386,000
Intergovernmental Payable	211,025,576	6,625,250	217,650,826	-
Tax Refunds Payable	164,468,217	-	164,468,217	-
Internal Payable	-	2,906,509,183	-	-
Due to Component Units	-	40,002,764	40,002,764	-
Contracts Payable	31,383,778	2,525,839	33,909,617	-
Federal Funds Purchased	-	299,775,000	299,775,000	-
Other Deposits	-	1,007,887,596	1,007,887,596	-
Amounts Held In Custody for Others	-	17,507,844	17,507,844	-
Unearned Revenue	4,187,363	135,526,335	139,713,698	94,831
Financial Derivative Instrument	-	2,783,113	2,783,113	-
Other Liabilities	-	32,309,523	32,309,523	155,001
Long-Term Liabilities				
Due within one year	16,771,855	1,111,374,422	1,128,146,277	22,593,065
Due in more than one year	104,285,683	2,625,522,490	2,729,808,173	401,736,747
Net Pension Liability	643,513,362	219,348,229	862,861,591	266,000
Net OPEB Liability	32,064,362	10,303,071	42,367,433	-
Total Liabilities	<u>1,780,644,159</u>	<u>8,530,667,947</u>	<u>7,404,802,923</u>	<u>428,899,871</u>
DEFERRED INFLOWS OF RESOURCES				
Grant Received Prior to Time Requirements	-	225,080	225,080	-
Unrealized Gain on Interest Rate Swap	-	6,896,000	6,896,000	-
Derived from Pensions	41,343,133	15,286,696	56,629,829	15,000
Derived from OPEB	1,936,639	658,242	2,594,881	-
Total Deferred Inflows of Resources	<u>43,279,772</u>	<u>23,066,018</u>	<u>66,345,790</u>	<u>15,000</u>
NET POSITION				
Net Investment in Capital Assets	4,988,838,700	1,214,133,386	6,202,972,086	8,351
Restricted for:				
General Government	32,511,309	-	32,511,309	-
Education	5,051,526,862	-	5,051,526,862	-
Health and Human Services	27,642,690	-	27,642,690	-
Regulatory Purposes	66,685,558	-	66,685,558	-
Public Safety & Corrections	4,856,717	-	4,856,717	-
Agriculture and Commerce	59,424,131	-	59,424,131	-
Cultural and Natural Resources	417,838,945	-	417,838,945	-
Transportation	574,527,541	-	574,527,541	-
Capital Projects	-	767,906	767,906	549,337
Debt Service	760,977	181,272,888	182,033,865	92,102,000
Loan Purposes	-	45,479,178	45,479,178	406,252,000
Pledged Assets	-	459,911,000	459,911,000	-
Unemployment Compensation	-	189,415,365	189,415,365	-
Pension Benefits	33,635,942	-	33,635,942	-
Permanent Fund and University System - Nonexpendable	69,538,620	18,545,390	88,084,010	2,380,493
University System - Expendable	-	27,471,920	27,471,920	-
Other	16,154,121	1,746,830	17,900,951	-
Unrestricted	7,172,275,944	1,779,197,611	8,951,473,555	28,929,277
Total Net Position	<u>\$ 18,516,218,057</u>	<u>\$ 3,917,941,474</u>	<u>\$ 22,434,159,531</u>	<u>\$ 530,221,458</u>

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Activities

For the Fiscal Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,034,864,058	\$ 33,504,205	\$ 14,014,181	\$ -
Education	1,208,513,849	6,987,309	636,043,022	-
Health and Human Services	1,930,264,975	48,201,500	1,127,108,738	-
Regulatory	60,781,953	31,489,459	4,978,678	-
Public Safety and Corrections	241,143,887	30,370,076	68,927,538	-
Agriculture and Commerce	95,411,926	40,756,601	23,490,823	-
Natural Resources	230,194,737	33,128,741	20,284,315	-
Transportation	444,530,511	120,482,453	261,534,589	94,772
Interest on Long Term Debt	2,502,540	-	-	-
Total Governmental Activities	<u>5,248,208,436</u>	<u>344,920,344</u>	<u>2,156,381,884</u>	<u>94,772</u>
Business-Type Activities:				
Bank of North Dakota	86,073,174	221,210,000	-	-
Housing Finance	46,083,037	39,821,469	14,931,000	-
Loan Programs	13,320,203	7,391,511	127,708	-
State Lottery	23,214,880	31,520,906	6,118	-
Unemployment Compensation	115,486,597	162,161,260	3,034,094	-
University System	1,178,669,412	549,206,645	238,757,615	4,752,355
Workforce Safety & Insurance	270,197,345	239,542,884	103,962,686	-
Other	632,911,836	639,883,523	2,447,078	16,995
Total Business-Type Activities	<u>2,365,956,484</u>	<u>1,890,738,198</u>	<u>363,266,299</u>	<u>4,769,350</u>
Total Primary Government	<u>\$ 7,614,164,920</u>	<u>\$ 2,235,658,542</u>	<u>\$ 2,519,648,183</u>	<u>\$ 4,864,122</u>
Component Units (GASB Based):	<u>\$ 29,300,211</u>	<u>\$ 6,966,767</u>	<u>\$ 41,414,996</u>	<u>\$ 190,000</u>

General Revenues:

Taxes:
 Individual and Corporate Income Taxes
 Sales and Use Taxes
 Oil, Gas and Coal Taxes
 Business and Other Taxes
 Unrestricted Investment Earnings
 Tobacco Settlement
 Miscellaneous
 Contributions to Perm Fund Principal
 Transfers
 Total General Revenues and Transfers
 Change in Net Position
 Net Position, Beginning of Year, as Restated
 Net Position, Ending

Net (Expense) Revenue and Change in Net Position			
Primary Government			Component
Governmental	Business-Type		Units
Activities	Activities	Total	(GASB Based)
\$ (987,345,672)		\$ (987,345,672)	
(565,483,518)		(565,483,518)	
(754,954,737)		(754,954,737)	
(24,313,816)		(24,313,816)	
(141,846,273)		(141,846,273)	
(31,164,502)		(31,164,502)	
(176,781,681)		(176,781,681)	
(62,418,697)		(62,418,697)	
(2,502,540)		(2,502,540)	
<u>(2,746,811,436)</u>		<u>(2,746,811,436)</u>	
	135,136,826	135,136,826	
	8,669,432	8,669,432	
	(5,800,984)	(5,800,984)	
	8,312,144	8,312,144	
	49,708,757	49,708,757	
	(385,952,797)	(385,952,797)	
	73,308,225	73,308,225	
	9,435,760	9,435,760	
<u>-</u>	<u>(107,182,637)</u>	<u>(107,182,637)</u>	
(2,746,811,436)	(107,182,637)	(2,853,994,073)	
			\$ 19,271,552
452,792,812	-	452,792,812	-
1,326,248,557	-	1,326,248,557	-
2,196,877,038	-	2,196,877,038	-
100,127,079	-	100,127,079	-
380,164,919	-	380,164,919	-
55,305,183	-	55,305,183	-
163,996,339	2,921,705	166,918,044	-
4,393,122	-	4,393,122	-
(367,497,321)	285,002,133	(82,495,188)	-
<u>4,312,407,728</u>	<u>287,923,838</u>	<u>4,600,331,566</u>	<u>-</u>
1,565,596,292	180,741,201	1,746,337,493	19,271,552
16,950,621,765	3,737,200,273	20,687,822,038	510,949,906
<u>\$ 18,516,218,057</u>	<u>\$ 3,917,941,474</u>	<u>\$ 22,434,159,531</u>	<u>\$ 530,221,458</u>

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Net Assets Component Units - University System Foundation FASB Basis June 30, 2018

	Major University System Foundation	Nonmajor University System Foundation
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 38,080,008	\$ 8,881,942
Receivable from Primary Institution	4,636,365	110,181
Notes Receivable	3,690,000	-
Investments	25,199,922	16,442,337
Accounts Receivable - Net	7,338,928	468,036
Unconditional Promises to Give - Net	14,602,901	720,716
Net investment in Direct Financing Leases	1,114,286	-
Inventory	1,038,904	-
Other Assets	1,105,358	67,740
Total Current Assets	96,806,672	26,690,952
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	2,525,359	-
Contributions Receivable	506,270	-
Investments:		
Investments, Net of Current Portion	486,715,059	37,886,427
Investments, Restricted	5,941,824	-
Investments Held In Trust	33,971,285	3,733,473
Beneficial Interest In Trust	16,663,452	-
Charitable Gift Annuity Investments	6,321,673	-
Charitable Remainder Trust Account Investments	19,073,715	-
Real Estate and Equipment Held for Investment - Net	19,014,417	-
Other Long-Term Investments	13,835,820	1,373,481
Contracts for Deed & Notes Receivable, Net of Current Portion	838,276	-
Long-Term Pledges Receivable	47,515,590	2,257,822
Other Receivables	46,851	-
Due from Primary Institution-Capital Leases	35,837,007	244,269
Net investment in Direct Financing Leases, Net of Current Portion	13,715,921	-
Notes Receivable - Net	2,800,000	-
Other Assets	1,720,818	359,415
Capital Assets - Net	139,320,634	16,517,319
Total Noncurrent Assets	846,363,971	62,372,206
Total Assets	943,170,643	89,063,158
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	2,954,739	115,595
Payable to University	4,970,501	445,196
Accrued Payroll	972,414	1,530
Gift Annuities & Life Income Agreements	2,888,529	38,371
Unearned Revenue in Excess of Cash on Hand	414,502	-
Unearned Revenue	11,345,920	255,000
Deposits Held in Custody for Others	-	493,764
Other Liabilities	817,474	23,776
Current Portion of Long-Term Liabilities	8,854,489	339,738
Total Current Liabilities	33,218,568	1,712,970
Noncurrent Liabilities:		
Deposits	3,480,440	-
Gift Annuities & Life Income Agreements, Net of Current Portion	19,835,374	491,922
Obligations Under Split-Interest Agreement	6,764,722	-
Investments Held on Behalf of Institutions	23,841,079	3,239,709
Other Liabilities	385,896	-
Long-Term Liabilities	61,734,924	9,602,223
Total Noncurrent Liabilities	116,042,435	13,333,854
Total Liabilities	149,261,003	15,046,824
Net Assets		
Temporarily Restricted	125,667,278	20,398,520
Permanently Restricted	447,806,564	46,494,733
Net Investment in Property & Equipment	59,800,109	-
Unrestricted	160,635,689	7,123,081
Total Net Asset	793,909,640	74,016,334
Total Liabilities and Net Assets	\$ 943,170,643	\$ 89,063,158

STATE OF NORTH DAKOTA

Statement of Revenues, Expenses and Changes in Fund Net Assets Component Units - University System Foundation FASB Basis For the Fiscal Year Ended June 30, 2018

	<u>Major University System Foundation</u>	<u>Nonmajor University System Foundation</u>
Support and Revenue		
Gifts and Contributions	\$ 68,671,864	\$ 6,122,239
Investment Income	27,024,685	1,916,467
Net Realized and Unrealized Gains on Investment Securities	20,582,057	1,366,291
Program and Event Income	49,025,436	3,978,235
Other Income	6,015,990	4,859,463
Total Support and Revenue	<u>171,320,032</u>	<u>18,242,695</u>
EXPENSES		
Program Services	27,802,810	3,448,617
Supporting Services	57,866,305	9,716,911
Fund Raising Expense	3,958,017	75,234
Total Expenses	<u>89,627,132</u>	<u>13,240,762</u>
Changes in Net Assets	81,692,900	5,001,933
Total Net Assets - Beginning of Year , as Restated	<u>712,216,740</u>	<u>69,014,401</u>
Total Net Assets - End of Year	<u>\$ 793,909,640</u>	<u>\$ 74,016,334</u>

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Balance Sheet Governmental Funds June 30, 2018

	Special Revenue			Nonmajor Governmental Funds	Total
	General	Federal	State		
ASSETS					
Cash Deposits at the Bank of ND	\$ 794,625,536	\$ -	\$ 1,825,279,431	\$ 403,061	\$ 2,620,308,028
Cash and Cash Equivalents	61,416,350	-	31,205,281	-	92,621,631
Restricted Cash and Cash Equivalents	10,792,509	-	-	-	10,792,509
Investments at the Bank of ND	-	-	328,788,583	663,000	329,451,583
Investments	5,633,386,981	-	5,103,863,381	15,091,533	10,752,341,895
Accounts Receivable - Net	15,458,364	24,514,644	75,670,948	-	115,643,956
Taxes Receivable - Net	452,666,602	-	137,342,296	125,053	590,133,951
Interest Receivable - Net	21,686,056	-	14,835,863	82,671	36,604,590
Intergovernmental Receivable - Net	28,031	176,140,737	8,061,398	-	184,230,166
Due from Other Funds	124,167,822	37,167,211	15,728,396	-	177,063,429
Prepaid Items	2,520,660	965,063	5,037,215	-	8,522,938
Inventory	3,030,308	10,649,336	9,293,736	-	22,973,380
Loans and Notes Receivable - Net	248	30,877	130,287,520	56,295,763	186,614,408
Total Assets	7,119,779,467	249,467,868	7,685,394,048	72,661,081	15,127,302,464
DEFERRED OUTFLOWS OF RESOURCES					
Total Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 7,119,779,467	\$ 249,467,868	\$ 7,685,394,048	\$ 72,661,081	\$ 15,127,302,464
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	78,780,962	113,217,350	73,429,862	2,414	265,430,588
Accrued Payroll	33,303,930	6,759,233	12,967,269	-	53,030,432
Securities Lending Collateral	25,278,736	-	220,504,970	2,137,396	247,921,102
Interest Payable	260,905	-	745,576	-	1,006,481
Intergovernmental Payable	4,971,065	28,918,946	177,004,503	-	210,894,514
Tax Refunds Payable	159,840,513	-	4,627,704	-	164,468,217
Due to Other Funds	26,445,547	65,210,637	126,600,774	169,159	218,426,117
Contracts Payable	976,114	13,201,631	17,206,033	-	31,383,778
Unearned Revenues	-	3,904,917	225,815	-	4,130,732
Total Liabilities	329,857,772	231,212,714	633,312,506	2,308,969	1,196,691,961
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	120,812,441	2,064,362	17,006,917	-	139,883,720
Unpaid Penalty and Interest	-	-	648,464	-	648,464
Total Deferred Inflows of Resources	120,812,441	2,064,362	17,655,381	-	140,532,184
Fund Balances:					
Nonspendable					
Inventory	3,030,308	10,649,336	9,293,736	-	22,973,380
Long - Term Receivables	248	30,877	122,598,487	-	122,629,612
Prepaid Expenditures	2,520,660	965,063	3,095,374	-	6,581,097
Permanent Trust Fund	-	-	-	69,538,620	69,538,620
Restricted	8,990,891	4,545,516	6,119,203,774	760,820	6,133,501,001
Committed	411,711,769	-	398,502,739	52,672	810,267,180
Assigned	-	-	381,732,051	-	381,732,051
Unassigned	6,242,855,378	-	-	-	6,242,855,378
Total Fund Balances	6,669,109,254	16,190,792	7,034,426,161	70,352,112	13,790,078,319
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 7,119,779,467	\$ 249,467,868	\$ 7,685,394,048	\$ 72,661,081	\$ 15,127,302,464

STATE OF NORTH DAKOTA

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2018

Total Fund Balances-Governmental Funds		\$ 13,790,078,319
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$8,403,406,133 and the accumulated depreciation is \$3,468,093,608		4,935,312,525
Other assets not available in the current period and therefore are not reported in the governmental funds:		
Net Pension Asset		33,635,942
Deferred outflows of resources are not reported in the governmental funds:		
Loss on bond refunding	2,619,000	
Related to OPEB	7,415,459	
Related to pensions	302,420,140	
Total Deferred Outflows		312,454,599
Some of the state's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.		140,475,553
Internal service funds are used to charge the costs of certain activities to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the statement of net position.		93,749,702
Voluntary termination benefits for employees are accrued in the statement of net position.		(194,806)
Deferred inflows of resources are not reported in the governmental funds:		
Related to OPEB	(1,830,815)	
Related to pensions	(39,572,051)	
		(41,402,866)
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported as liabilities in the funds. Those liabilities consist of:		
Bonds Payable	(40,429,002)	
Notes Payable	(22,247,039)	
Accrued Interest on Long-Term Liabilities	(411,791)	
Compensated Absences	(44,007,923)	
Capital Leases	(1,385,238)	
Other Postemployment Benefit Obligation, net	(30,383,289)	
Net Pension Liability	(607,610,515)	
Claims and Judgments	(1,416,114)	
Total Long-Term Liabilities		(747,890,911)
Net Position of Governmental Activities		\$ 18,516,218,057

STATE OF NORTH DAKOTA

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2018

	Special Revenue			Nonmajor Governmental Funds	Total
	General	Federal	State		
REVENUES					
Individual and Corporate Income Taxes	\$ 457,125,159	\$ -	\$ 2,617,353	\$ -	\$ 459,742,512
Sales and Use Taxes	1,016,850,162	-	291,530,345	-	1,308,380,507
Oil, Gas, and Coal Taxes	1,252,870,618	-	943,716,524	1,658,475	2,198,245,617
Business and Other Taxes	59,739,122	-	40,310,993	-	100,050,115
Licenses, Permits and Fees	19,374,413	9,574	190,041,992	-	209,425,979
Intergovernmental	738,087	1,641,554,845	19,842,596	4,300,215	1,666,435,743
Sales and Services	6,435,437	9,358,201	43,353,892	-	59,147,530
Royalties and Rents	17,731,788	8,758	340,813,544	-	358,554,090
Fines and Forfeits	7,486,222	-	20,308,535	-	27,794,757
Interest and Investment Income	375,453,840	685	292,092,027	922,679	668,469,231
Tobacco Settlement	-	-	55,305,183	-	55,305,183
Commodity Assessments	-	-	25,879,090	-	25,879,090
Miscellaneous	2,730,932	3,699,405	26,147,471	-	32,577,808
Total Revenues	3,216,535,780	1,654,631,468	2,291,959,545	6,881,369	7,170,008,162
EXPENDITURES					
Current:					
General Government	143,811,694	2,058,276	50,234,714	40,820	196,145,504
Education	729,082,413	151,310,312	325,423,839	-	1,205,816,564
Health and Human Services	759,558,699	1,061,666,715	74,048,310	-	1,895,273,724
Regulatory	18,701,711	4,681,778	27,443,636	163,000	50,990,125
Public Safety and Corrections	148,407,825	53,538,861	15,132,833	-	217,079,519
Agriculture and Commerce	19,745,203	22,660,419	51,097,181	-	93,502,803
Natural Resources	14,924,274	18,039,410	177,261,448	-	210,225,132
Transportation	17,716,205	179,244,341	172,517,907	-	369,478,453
Intergovernmental - Revenue Sharing	3,723,317	-	822,893,160	-	826,616,477
Capital Outlay	26,808,384	103,766,809	209,271,907	-	339,847,100
Debt Service:					
Principal	299,079	478,894	27,639	15,364,000	16,169,612
Interest and Other Charges	326,093	6,877	8,845	2,190,847	2,532,662
Total Expenditures	1,883,104,897	1,597,452,692	1,925,361,419	17,758,667	5,423,677,675
Revenues over (under) Expenditures	1,333,430,883	57,178,776	366,598,126	(10,877,298)	1,746,330,487
OTHER FINANCING SOURCES (USES)					
Bonds and Notes Issued	22,274,909	-	-	191,000	22,465,909
Refunding Bonds Issued	-	-	-	20,347,000	20,347,000
Payment of Refunded Bonds	-	-	-	(20,347,000)	(20,347,000)
Capital Lease Acquisitions	112,466	41,988	21,514	-	175,968
Sale of Capital Assets	-	-	19,343	-	19,343
Transfers In	220,556,993	76,630	62,880,777	7,804,181	291,318,581
Transfers Out	(384,834,591)	(49,376,529)	(222,602,271)	(2,002,511)	(658,815,902)
Total Other Financing Sources (Uses)	(141,890,223)	(49,257,911)	(159,680,637)	5,992,670	(344,836,101)
Net Change in Fund Balances	1,191,540,660	7,920,865	206,917,489	(4,884,628)	1,401,494,386
Fund Balances - Beginning of Year, as Restated	5,477,568,594	8,269,927	6,827,508,672	75,236,740	12,388,583,933
Fund Balances - End of Year	\$ 6,669,109,254	\$ 16,190,792	\$ 7,034,426,161	\$ 70,352,112	\$ 13,790,078,319

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balances-Total Governmental Funds \$ 1,401,494,386

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	339,847,100	
Depreciation expense	<u>(122,464,906)</u>	
Excess of capital outlay over depreciation expense		217,382,194

In the statement of activities, only the gain(loss) on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold. (1,058,981)

Donations of capital assets increase net position in the statement of activities but do not appear in the governmental funds because they are not financial resources. 164,617

Some of the assets acquired this year were financed through capital leases. The amount financed is reported in the governmental funds as a source of financing. However, capital leases are reported as long-term liabilities in the statement of net position. 175,968

Based on receipt dates, some revenues are not considered "available" revenues and are unavailable in the governmental funds. Unavailable revenues increased/decreased by this amount this year. 7,756,162

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of internal service funds is reported with governmental activities 916,201

Bonds proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. (20,538,000)

Note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. (22,274,909)

Voluntary termination benefits do not require current financial resources and therefore are not reported as expenditures in the governmental funds. 1,269,698

The pension assets resulting from contributions in excess of annual required contribution are not financial resources and, therefore, are not reported in the funds. (1,693,240)

Deferred outflows of resources do not provide current financial resources		
Amortization of deferred loss on bond refunding	1,479,000	
Related to OPEB	3,009,494	
Related to pension	<u>160,032,145</u>	
Total deferred outflows		164,520,639

Deferred pension inflows are not considered current cash expenses and are not reported as an expenditure in the funds		
Unpaid penalty and interest	(648,464)	
Related to OPEB	(1,830,815)	
Related to pension	<u>(974,736)</u>	
Total deferred outflows		(3,454,015)

The net OPEB liability relating to retirement plans (2,922,907)

The net pension liability relating to retirement plans (215,020,849)

Repayment of long-term debt is reported as an expenditure in governmental funds but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Bond principal retirement	36,090,496	
Note payments	2,208,672	
Capital lease payments	<u>445,833</u>	
Total long-term debt repayment		38,745,001

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This adjustment combines the net changes of the following:

Accrued Interest	(185,187)	
Compensated Absences	(248,566)	
Claims and Judgments	<u>568,080</u>	
Total additional expenditures		<u>134,327</u>

Change in Net Position of Governmental Activities \$ 1,565,596,292

STATE OF NORTH DAKOTA

Statement of Net Position Proprietary Funds June 30, 2018

	Business-Type Activities - Enterprise Funds						Governmental							
	Bank of	Housing	University	Workforce	Other	Total	Activities							
	North Dakota	Finance	System	Safety and Insurance	Enterprise Funds		Internal Service Funds							
ASSETS														
Current Assets:														
Cash Deposits at the Bank of ND	\$	5,928,000	\$	187,962,725	\$	3,726,994	\$	193,958,569	\$	391,576,288	\$	26,111,021		
Cash and Cash Equivalents		-		14,131,463		-		157,904,169		172,035,632		412,158		
Investments at the Bank of ND		-		134,530,285		-		8,170,000		142,700,285		103,845		
Investments		-		116,405		1,918,832,158		52,451,441		1,971,400,004		9,790,896		
Accounts Receivable - Net		546,000		21,513,158		28,559,010		98,645,125		149,263,293		260,380		
Interest Receivable - Net		59,000		-		9,603,360		2,211,986		11,874,346		52,378		
Intergovernmental Receivable - Net		152,000		30,320,542		-		1,449,425		31,921,967		560,116		
Due from Other Funds		9,000		25,563,043		-		706,599		26,278,642		8,749,419		
Due from Component Units		-		4,420,511		-		-		4,420,511		-		
Prepaid Items		29,000		-		385,442		3,511,985		3,926,427		3,630,799		
Inventory		-		6,898,632		-		27,798,833		34,697,465		79,625		
Loans and Notes Receivable - Net		-		8,121,888		-		18,102,924		26,224,812		-		
Other Assets		621,000		2,627,104		-		453,859		3,701,963		-		
Restricted Cash at the Bank of ND		12,136,000		-		-		4,404,145		16,540,145		-		
Restricted Cash and Cash Equivalents		170,531,000		-		-		-		170,531,000		-		
Restricted Investments at the Bank of ND		-		-		-		1,500,000		1,500,000		-		
Restricted Interest Receivable - Net		3,615,000		-		-		-		3,615,000		-		
Restricted Loans Receivable - Net		23,209,000		-		-		-		23,209,000		-		
Total Current Assets		216,835,000		436,205,756		1,961,106,964		571,269,060		3,185,416,780		49,750,637		
Noncurrent Assets:														
Restricted Cash at the Bank of ND		-		6,331,871		-		-		6,331,871		-		
Restricted Cash and Cash Equivalents		-		10,371		-		-		10,371		-		
Restricted Investments at the Bank of ND		-		3,581,418		-		-		3,581,418		-		
Restricted Investments		19,975,000		31,198,592		-		-		51,173,592		-		
Investments at the Bank of ND		-		74,965,000		-		-		74,965,000		-		
Investments		-		10,756,756		-		-		10,756,756		-		
Due from Component Units		-		28,018,507		-		-		28,018,507		-		
Loans and Notes Receivable - Net		-		24,389,878		-		286,156,097		310,545,975		-		
Restricted Loans Receivable - Net		943,040,000		-		-		-		943,040,000		-		
Other Noncurrent Assets		4,260,000		390,197		-		4,839,575		9,489,772		-		
Capital Assets:														
Nondepreciable		-		72,184,874		2,474,222		5,103,482		79,762,578		425,778		
Depreciable, Net		11,000		1,307,387,507		13,312,653		116,618,762		1,437,329,922		92,084,319		
Total Noncurrent Assets		967,286,000		1,559,214,971		15,786,875		412,717,916		2,955,005,762		92,510,097		
Bank Related Assets:														
Cash and Cash Equivalents	\$	414,597,000								414,597,000				
Investments		1,659,612,000								1,659,612,000				
Interest Receivable - Net		53,304,000								53,304,000				
Due from Other Funds		115,672,000								115,672,000				
Due from Component Units		1,000								1,000				
Loans and Notes Receivable - Net		4,708,720,000								4,708,720,000				
Other Assets		26,129,000								26,129,000				
Capital Assets:														
Nondepreciable		2,449,000								2,449,000				
Depreciable, Net		8,470,000								8,470,000				
Total Bank Related Assets		6,988,954,000								6,988,954,000				
Total Assets		6,988,954,000		1,184,121,000		1,995,420,727		1,976,893,839		983,986,976		13,129,376,542		142,260,734
DEFERRED OUTFLOWS OF RESOURCES														
Deferred Loss on Bond Refunding		-		4,184,088		-		-		4,184,088		-		
Decrease in Fair Value of Hedging Derivatives		-		-		-		1,544,112		1,544,112		-		
Financial Derivative Instrument		-		1,239,000		-		-		1,239,000		-		
Unrealized Loss on Interest Rate Swap		4,227,000		-		-		-		4,227,000		-		
Derived from Pensions		7,901,000		1,919,000		75,185,203		14,372,125		8,254,842		18,004,746		
Derived from OPEB		145,000		49,000		1,898,875		300,842		224,459		424,049		
Total Deferred Outflows of Resources		12,273,000		3,207,000		81,268,166		14,672,967		10,023,413		121,444,546		18,428,795

STATE OF NORTH DAKOTA

Statement of Net Position Proprietary Funds June 30, 2018

	Business-Type Activities - Enterprise Funds					Total	Governmental
	Bank of North Dakota	Housing Finance	University System	Workforce Safety and Insurance	Other Enterprise Funds		Internal Service Funds
LIABILITIES							
Current Liabilities:							
Accounts Payable		833,000	19,062,251	4,781,751	27,770,462	52,447,464	2,257,209
Accrued Payroll		-	37,363,452	-	878,316	38,241,768	2,647,526
Securities Lending Collateral		-	-	5,776,263	87,661	5,863,924	42,591
Interest Payable		12,650,000	2,415,229	-	8,699	15,073,928	548
Intergovernmental Payable		13,000	425,667	-	6,780,150	7,218,817	131,062
Due to Other Funds		14,000	1,159,793	219,348	89,483,266	90,876,407	791,853
Due to Fiduciary Funds		-	-	-	17,589	17,589	-
Due to Component Units		-	3,812,247	-	-	3,812,247	-
Contracts Payable		-	2,525,839	-	-	2,525,839	-
Other Deposits		-	6,905,628	-	-	6,905,628	-
Amounts Held in Custody for Others		12,136,000	-	-	5,371,844	17,507,844	-
Claims/Judgments Payable		-	-	125,926,320	1,984,456	127,910,776	1,668,770
Dividends Payable		-	-	107,247,030	-	107,247,030	-
Compensated Absences Payable		229,000	2,419,500	1,331,007	182,094	4,161,601	188,869
Notes Payable		-	1,305,729	-	-	1,305,729	-
Capital Leases Payable		-	2,495,257	-	-	2,495,257	8,954
Bonds Payable		20,024,000	9,397,462	-	120,000	29,541,462	-
Unearned Revenue		41,000	20,637,588	114,585,609	262,138	135,526,335	-
Other Current Liabilities		-	-	-	109,548	109,548	-
Total Current Liabilities		45,940,000	109,925,642	359,867,328	133,056,223	648,789,193	7,737,382
Noncurrent Liabilities:							
Intergovernmental Payable		38,000	4,862,830	-	-	4,900,830	-
Due to Component Units		-	36,070,517	-	-	36,070,517	-
Claims/Judgments Payable		-	-	923,459,680	-	923,459,680	7,449,310
Compensated Absences Payable		121,000	28,912,665	216,676	1,325,055	30,575,396	2,235,656
Notes Payable		-	24,716,744	-	-	24,716,744	-
Capital Leases Payable		-	18,661,448	-	-	18,661,448	20,660
Bonds Payable		952,284,000	241,710,338	-	2,709,054	1,196,703,392	-
Financial Derivative Instrument		1,239,000	-	-	1,544,113	2,783,113	-
Net Pension Liability		3,906,000	157,065,812	24,862,684	16,785,733	202,620,229	35,902,847
Net OPEB Liability		191,000	7,365,193	1,189,880	730,998	9,477,071	1,681,073
Other Noncurrent Liabilities		4,369,000	503,616	-	20,579,359	25,451,975	-
Total Noncurrent Liabilities		962,148,000	519,869,163	949,728,920	43,674,312	2,475,420,395	47,289,546
Bank Related Liabilities:							
Interest Payable	1,014,013					1,014,013	
Due to Other Funds	847,987					847,987	
Due to Component Units	120,000					120,000	
Federal Funds Purchased	299,775,000					299,775,000	
Deposits Held for Other Funds	3,690,425,083					3,690,425,083	
Other Deposits	914,531,917					914,531,917	
Other Liabilities	6,748,000					6,748,000	
Long Term Liabilities:							
Due within one year	838,119,000					838,119,000	
Due in more than one year	426,505,000					426,505,000	
Net Pension Liability	16,728,000					16,728,000	
Net OPEB Liability	826,000					826,000	
Total Bank Related Liabilities	6,195,640,000					6,195,640,000	
Total Liabilities	6,195,640,000	1,008,088,000	629,794,805	1,309,596,248	176,730,535	9,319,849,588	55,026,928
DEFERRED INFLOWS OF RESOURCES							
Grants Received Prior to Time Requirements	-	-	225,080	-	-	225,080	-
Unrealized Gain on Interest Rate Swap	6,896,000	-	-	-	-	6,896,000	-
Derived from Pensions	463,000	198,000	12,525,050	744,015	1,356,631	15,286,696	1,771,082
Derived from OPEB	59,000	14,000	459,367	80,383	45,492	658,242	105,824
Total Deferred Inflows of Resources	7,418,000	212,000	13,209,497	824,398	1,402,123	23,066,018	1,876,906
NET POSITION							
Net Investment in Capital Assets	10,919,000	11,000	1,067,650,115	15,786,875	119,766,396	1,214,133,386	92,480,484
Restricted for:							
Capital Projects	-	-	767,906	-	-	767,906	-
Debt Service	-	169,789,000	11,028,888	-	455,000	181,272,888	-
Loan Purposes	-	-	45,479,178	-	-	45,479,178	-
Pledged Assets	459,911,000	-	-	-	-	459,911,000	-
Unemployment Compensation	-	-	-	-	189,415,365	189,415,365	-
University System-Nonexpendable	-	-	18,545,390	-	-	18,545,390	-
University System-Expendable	-	-	27,471,920	-	-	27,471,920	-
Other	-	-	529,255	-	1,217,575	1,746,830	-
Unrestricted	327,339,000	9,228,000	262,211,939	665,359,285	505,023,395	1,769,161,619	11,305,211
Total Net Position	\$ 798,169,000	\$ 179,028,000	\$ 1,433,684,591	\$ 681,146,160	\$ 815,877,731	\$ 3,907,905,482	\$ 103,785,695

Reconciliation of the Proprietary Funds Statement of Net Position to the Statement of Net Position June 30, 2018

Total Net Position - Enterprise Funds	<u>3,907,905,482</u>
Amounts reported for business-type activities in the statement of net position are different because:	
Prior year net positions restatement and reduction of current year expenses	10,035,992
Net Position of Business-Type Activities	<u>3,917,941,474</u>

STATE OF NORTH DAKOTA

Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds For the Fiscal Year Ended June 30, 2018

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Bank of North Dakota	Housing Finance	University System	Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES							
Sales and Services	\$ 6,335,000	\$ 3,117,469	\$ 100,858,104	\$ 236,420,237	\$ 835,783,249	\$ 1,182,514,059	\$ 97,645,965
Auxiliary Sales Pledges for Bonds	-	-	107,348,875	-	-	107,348,875	-
Tuition and Fees	-	-	334,214,979	-	-	334,214,979	-
Grants and Contributions	-	-	143,735,224	-	-	143,735,224	-
Royalties and Rents	-	-	-	808,630	190,783	999,413	-
Fines and Forfeits	-	-	-	2,314,017	-	2,314,017	-
Interest and Investment Income	214,875,000	36,704,000	-	-	4,764,913	256,343,913	121,302
Miscellaneous	-	-	1,336,418	-	121,189	1,457,607	-
Total Operating Revenues	221,210,000	39,821,469	687,493,600	239,542,884	840,860,134	2,028,928,087	97,767,267
OPERATING EXPENSES							
Cost of Sales and Services	-	-	24,012,353	-	226,979,204	250,991,557	852,871
Salaries and Benefits	19,193,000	4,192,000	753,737,920	28,147,646	25,740,856	831,011,422	35,610,146
Operating	28,108,000	5,674,000	269,544,628	1,748,319	404,545,414	709,620,361	44,224,681
Claims	-	-	-	123,838,673	117,678,619	241,517,292	3,868,544
Scholarships and Fellowships	-	-	41,281,405	-	-	41,281,405	-
Interest	37,865,000	21,385,000	-	-	22,000	59,272,000	-
Depreciation	858,000	4,000	71,990,406	1,017,092	7,469,386	81,338,884	13,767,847
Miscellaneous	-	-	-	-	384,799	384,799	145,527
Total Operating Expenses	86,024,000	31,255,000	1,160,566,712	154,751,730	782,820,278	2,215,417,720	98,469,616
Operating Income (Loss)	135,186,000	8,566,469	(473,073,112)	84,791,154	58,039,856	(186,489,633)	(702,349)
NONOPERATING REVENUES (EXPENSES)							
Grants and Contracts	-	14,823,000	46,574,893	-	349,370	61,747,263	-
Gifts	-	-	38,060,629	-	-	38,060,629	-
Interest and Investment Income	-	108,000	10,386,869	103,962,686	4,762,873	119,220,428	616,323
Interest Expense	-	-	(11,370,164)	(4,049,258)	(1,186,036)	(16,605,458)	(16,379)
Dividends Expense	-	-	-	(111,369,772)	-	(111,369,772)	-
Gain (Loss) on Sale of Capital Assets	-	-	48,300	-	(2,001)	46,299	593,497
Tax Revenue	-	-	5,448,269	-	-	5,448,269	-
Grant Expense	-	(14,823,000)	(6,558,499)	-	-	(21,381,499)	-
Other	-	-	2,828,645	-	(172,510)	2,656,135	-
Total Nonoperating Revenues (Expenses)	-	108,000	85,418,942	(11,456,344)	3,751,696	77,822,294	1,193,441
Income (Loss) Before Contributions and Transfers	135,186,000	8,674,469	(387,654,170)	73,334,810	61,791,552	(108,667,339)	491,092
Capital Grants and Contributions	-	-	4,752,355	-	16,995	4,769,350	62,165
Transfers In	-	18,531	406,719,434	-	104,291,622	511,029,587	-
Transfer Out	(186,932,000)	(38,000)	(3,976,000)	-	(35,081,454)	(226,027,454)	-
Changes in Net Position	(51,746,000)	8,655,000	19,841,619	73,334,810	131,018,715	181,104,144	553,257
Total Net Position - Beginning of Year, as Restated	849,915,000	170,373,000	1,413,842,972	607,811,350	684,859,016	3,726,801,338	103,232,438
Total Net Position - End of Year	\$ 798,169,000	\$ 179,028,000	\$ 1,433,684,591	\$ 681,146,160	\$ 815,877,731	\$ 3,907,905,482	\$ 103,785,695

Reconciliation of Statement of Revenues, Expenses and Changes in Fund Net Position of Proprietary Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2018

Net Change in Net Position-Total Enterprise Funds \$ 181,104,144

Amounts reported for business-type activities in the statement of net position are different because:

Expenses were reduced based on the allocation of internal service fund's net income (362,943)

Change in Net Position of Business-Type Activities \$ 180,741,201

The Accompanying Notes are an Integral Part of the Financial Statements



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STATE OF NORTH DAKOTA

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2018

	Business-Type Activities - Enterprise Funds		
	Bank of North Dakota	Housing Finance	University System
Cash Flows from Operating Activities:			
Receipts from Customers and Users	\$ 4,734,000	\$ 223,590,469	\$ 205,377,516
Receipts from Tuition and Fees	-	-	335,239,824
Interest Income on Loans	-	-	-
Receipts from Loan Principal Repayments	-	-	6,060,971
Receipts from Federal and Local Agencies	-	-	-
Receipts from Other Funds	-	-	-
Receipts from Grants and Contracts	-	-	142,314,362
Receipts from Others	-	-	3,519,816
Payments to Other Funds	-	(216,000)	-
Payments for Loan Funds	-	-	(5,151,742)
Payments for Scholarships and Fellowships	-	-	(41,045,410)
Payments to Suppliers	(16,403,000)	(314,373,000)	(297,375,368)
Payments to Employees	(16,537,000)	(3,587,000)	(746,659,360)
Claim Payments	-	-	-
Payments to Others	-	(265,000)	-
Other	-	-	-
Net Cash Provided by (Used for) Operating Activities	(28,206,000)	(94,850,531)	(397,719,391)
Cash Flows from Noncapital Financing Activities:			
Proceeds from Bonds	-	316,064,000	-
Proceeds from Sale of Notes and Other Borrowings	3,515,001,000	-	-
Principal Payments - Bonds	-	(126,620,000)	-
Principal Payments - Notes and Other Borrowings	(3,531,969,000)	-	-
Interest Payments - Bonds	-	(18,900,000)	-
Interest Payments - Notes and Other Borrowings	(23,902,000)	-	-
Tax Collections	-	-	5,448,270
Transfers In	-	18,531	26,422,625
Transfers Out	(186,932,000)	(38,000)	(3,976,001)
Net Decrease in Non-Interest Bearing Deposits	(108,136,000)	-	-
Net Increase in Interest Bearing Deposits	(174,098,000)	-	-
Payments of Interest on Deposits	(10,358,000)	-	-
Interest Paid on Federal Funds and Reverse Repurchase Agreements	(2,786,000)	-	-
Net Increase in Federal Funds and Reverse Repurchase Agreements	57,295,000	-	-
Collection of Advances Made	3,793,000	-	-
Loan Proceeds from Due To Other Funds	-	32,038,000	195,598,769
Principal Payments on Due To Other Funds	-	(32,038,000)	(195,412,272)
Grants and Gifts Received for Other than Capital Purposes	-	14,823,000	77,065,119
State Appropriations	-	-	368,913,714
Agency Fund Cash Decrease	-	-	584,220
Grants Given for Other than Capital Purposes	-	(14,823,000)	(6,558,499)
Net Cash Provided by (Used for) Noncapital Financing Activities	(462,092,000)	170,524,531	468,085,945
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(305,000)	-	(83,944,653)
Proceeds from Sale of Capital Assets	-	-	1,392,095
Proceeds from Sale of Notes and Other Borrowings	-	-	85,656,494
Principal Payments - Bonds	-	-	-
Principal Payments - Notes and Other Borrowings	-	-	(44,073,161)
Interest Payments - Bonds	-	-	-
Interest Payments - Notes and Other Borrowings	-	-	(12,241,613)
Capital Appropriations	-	-	21,522,787
Capital Contributions	-	-	-
Payment of Bond Issue Costs	-	-	-
Payment on Capital Leases	-	-	-
Interest Payments - Capital Leases	-	-	-
Capital Grants and Gifts Received	-	-	4,560,071
Insurance Proceeds	-	-	439,210
Net Cash Provided by (Used for) Capital and Related Financing Activities	(305,000)	-	(26,688,770)
Cash Flows from Investing Activities:			
Proceeds from Sale and Maturities of Investment Securities	741,322,000	3,811,000	89,935,409
Purchase of Investment Securities	(341,290,000)	(19,583,000)	(121,952,657)
Net Increase In Investments	-	-	-
Interest and Dividends on Investments	24,176,000	473,000	9,028,774
Proceeds from Sale of Other Real Estate	357,000	-	-
Net Decrease in Loans	(137,172,000)	-	-
Disbursements for Loans and Loan Purchases	-	-	-
Receipt of Loan Principal Repayments	-	-	-
Proceeds from Collection of Loans and Notes Receivable	7,561,000	-	-
Loan Income Received	185,369,000	-	-
Net Cash Provided by (Used for) Investing Activities	480,323,000	(15,299,000)	(22,988,474)

The Accompanying Notes are an Integral Part of the Financial Statements

Business-Type Activities - Enterprise Funds			Governmental Activities	
Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds	
\$ 129,381,987	\$ 907,460,890	\$ 1,470,544,862	\$ 4,233,425	
-	-	335,239,824	-	
-	65,943	65,943	-	
-	2,225,005	8,285,976	-	
-	12,693,000	12,693,000	-	
-	24,371	24,371	92,950,716	
-	-	142,314,362	-	
10,410,106	375,291	14,305,213	-	
(3,605,617)	(143,600)	(3,965,217)	(3,533,918)	
-	(3,733,940)	(8,885,682)	-	
-	-	(41,045,410)	-	
-	(699,012,768)	(1,327,164,136)	(44,179,363)	
(24,000,129)	(25,648,663)	(816,432,152)	(32,136,877)	
(170,418,258)	(102,361,966)	(272,780,224)	(785,625)	
(9,377,365)	(709,321)	(10,351,686)	-	
-	(3,486,783)	(3,486,783)	(89,540)	
(67,609,276)	87,747,459	(500,637,739)	16,458,818	
-	-	316,064,000	-	
-	16,500,000	3,531,501,000	-	
-	-	(126,620,000)	-	
-	(11,500,000)	(3,543,469,000)	-	
-	(22,000)	(18,922,000)	-	
-	(1,062,743)	(24,964,743)	-	
-	-	5,448,270	-	
-	104,257,833	130,698,989	-	
-	(20,014,954)	(210,960,955)	-	
-	-	(108,136,000)	-	
-	-	(174,098,000)	-	
-	-	(10,358,000)	-	
-	-	(2,786,000)	-	
-	-	57,295,000	-	
-	-	3,793,000	-	
-	-	227,636,769	-	
-	(3,591,860)	(231,042,132)	-	
-	849,370	92,737,489	-	
-	-	368,913,714	-	
-	-	584,220	-	
-	-	(21,381,499)	-	
-	85,415,646	261,934,122	-	
(2,859,523)	(8,872,518)	(95,981,694)	(9,665,895)	
-	-	1,392,095	4,669,899	
-	-	85,656,494	-	
-	(115,000)	(115,000)	-	
-	-	(44,073,161)	-	
-	(60,700)	(60,700)	-	
-	-	(12,241,613)	-	
-	33,789	21,556,576	-	
-	16,994	16,994	-	
-	(16,700)	(16,700)	-	
-	-	-	(9,967)	
-	-	-	(3,285)	
-	-	4,560,071	-	
-	-	439,210	-	
(2,859,523)	(9,014,135)	(38,867,428)	(5,009,248)	
74,500,000	249,648,000	1,159,216,409	1,167,445	
(3,494,863)	(246,984,843)	(733,305,363)	-	
-	347,213	347,213	-	
-	4,055,579	37,733,353	390,449	
-	-	357,000	-	
-	-	(137,172,000)	-	
-	(73,025,000)	(73,025,000)	-	
-	8,797,000	8,797,000	-	
-	6,407,078	13,968,078	-	
-	3,987,576	189,356,576	-	
71,005,137	(46,767,397)	466,273,266	1,557,894	

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Cash Flows Proprietary Funds (Continued) For the Fiscal Year Ended June 30, 2018

	Business-Type Activities - Enterprise Funds		
	Bank of North Dakota	Housing Finance	University System
Net Change In Cash:			
Net Increase (Decrease) in Cash and Cash Equivalents	(10,280,000)	60,375,000	20,689,310
Cash and Cash Equivalents at June 30, 2017	424,877,000	128,220,000	187,747,120
Cash and Cash Equivalents at June 30, 2018	<u>\$ 414,597,000</u>	<u>\$ 188,595,000</u>	<u>\$ 208,436,430</u>
Reconciliation:			
Current:			
Cash Deposits at the Bank of North Dakota	-	5,928,000	187,962,725
Cash and Cash Equivalents	414,597,000	-	14,131,463
Restricted Cash Deposits at the Bank of North Dakota	-	12,136,000	-
Restricted Cash and Cash Equivalents	-	170,531,000	-
Noncurrent:			
Restricted Cash Deposits At The Bank of North Dakota	-	-	6,331,871
Restricted Cash and Cash Equivalents	-	-	10,371
Cash and Cash Equivalents	<u>\$ 414,597,000</u>	<u>\$ 188,595,000</u>	<u>\$ 208,436,430</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	135,186,000	8,566,469	(473,073,112)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Income to Net Cash Provided by Operating Activities:			
Depreciation	858,000	4,000	71,990,406
Amortization/Accretion	-	(2,425,000)	-
Reclassification of Interest Revenue/Expense	(177,010,000)	21,442,000	-
(Gain) Loss on Sale of Student Loans	(108,000)	-	-
(Gain) Loss on Sale of Real Estate	35,000	-	-
Net Increase in Fair Value of Investments	3,043,000	-	-
Interest Received on Program Loans	-	-	-
Dividend Credit Applied to Receivable	-	-	-
Receipt of Loan Principal Repayments	-	-	-
Provision for Losses	12,000,000	-	-
Other	-	-	1,594,392
Deferred Outflows	-	(1,202,000)	(44,161,100)
Deferred Inflows	-	(38,000)	1,164,297
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	-	(179,225,000)	(904,075)
(Increase) Decrease in Interest Receivable	-	(592,000)	-
(Increase) Decrease in Due From	3,747,000	(7,000)	-
(Increase) Decrease in Intergovernmental Receivable	-	(21,000)	-
(Increase) Decrease in Notes Receivable	-	-	1,272,460
(Increase) Decrease in Prepaid Items	-	31,000	-
(Increase) Decrease in Inventories	-	-	1,173,721
(Increase) Decrease in Other Assets	(15,204,000)	(1,538,000)	360,279
Increase (Decrease) in Accounts Payable	-	-	(7,916,090)
Increase (Decrease) in Interest Payable	-	-	-
Increase (Decrease) in Claims/Judgments Payable	-	-	-
Increase (Decrease) in Intergovernmental Payable	-	(1,000)	-
Increase (Decrease) in Accrued Payroll	-	-	(7,334,881)
Increase (Decrease) in Compensated Absences Payable	-	10,000	(23,726)
Increase (Decrease) in Amounts Held for Others	-	(716,000)	-
Increase (Decrease) in Other Deposits	-	-	228,729
Increase (Decrease) in Due To	48,000	5,000	-
Increase (Decrease) in Unavailable Revenue	-	-	409,613
Increase (Decrease) in Net Pension Liability	-	1,637,000	56,316,613
Increase (Decrease) in Net OPEB Liability	-	-	1,183,083
Increase (Decrease) in Other Liabilities	9,199,000	59,219,000	-
Increase (Decrease) in Dividends Payable	-	-	-
Total Adjustments	<u>(163,392,000)</u>	<u>(103,417,000)</u>	<u>75,353,721</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (28,206,000)</u>	<u>\$ (94,850,531)</u>	<u>\$ (397,719,391)</u>
Noncash Transactions:			
Net Change in Fair Value of Investments	(3,043,000)	(388,000)	1,613,032
Transfers from Net Position to Transfers Payable	186,932,000	-	-
Change in Securities Lending Collateral	-	-	-
Investment Income	-	-	-
Dividends Credited to Premium Billing	-	-	-
Accounts Receivable Premium Reduction	-	-	-
Assets Acquired Through Capital Lease	-	-	4,991,619
Assets Acquired Through Special Assessments	-	-	52,350
Expenses Paid by Capital Lease	-	-	469,452
Value Received on Trade of Capital Asset	-	-	-
Gifts of Capital Assets	-	-	242,350
Total Noncash Transactions	<u>\$ 183,889,000</u>	<u>\$ (388,000)</u>	<u>\$ 7,368,803</u>

The Accompanying Notes are an Integral Part of the Financial Statements

Business-Type Activities - Enterprise Funds			Governmental Activities	
Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds	
536,338	117,381,573	188,702,221	13,007,464	
3,190,656	238,885,310	982,920,086	13,515,715	
<u>\$ 3,726,994</u>	<u>\$ 356,266,883</u>	<u>\$ 1,171,622,307</u>	<u>\$ 26,523,179</u>	
3,726,994	193,958,569	391,576,288	26,111,021	
-	157,904,169	586,632,632	412,158	
-	4,404,145	16,540,145	-	
-	-	170,531,000	-	
-	-	6,331,871	-	
-	-	10,371	-	
<u>\$ 3,726,994</u>	<u>\$ 356,266,883</u>	<u>\$ 1,171,622,307</u>	<u>\$ 26,523,179</u>	
84,791,154	58,039,856	(186,489,633)	(702,349)	
1,017,092	7,469,386	81,338,884	13,767,847	
-	-	(2,425,000)	-	
-	(3,743,413)	(159,311,413)	-	
-	-	(108,000)	-	
-	-	35,000	-	
-	-	3,043,000	-	
-	(625,000)	(625,000)	-	
(111,369,772)	-	(111,369,772)	-	
-	13,903,000	13,903,000	-	
-	3,930,455	15,930,455	-	
-	132,321	1,726,713	-	
(6,638,112)	(2,026,371)	(54,027,583)	(11,391,871)	
48,309	(86,685)	1,087,921	(77,578)	
3,952,860	7,809,398	(168,366,817)	(4,654)	
-	(2,556)	(594,556)	-	
-	348,034	4,088,034	(567,683)	
-	501,379	480,379	(250,959)	
-	1,474,419	2,746,879	-	
186,033	453,179	670,212	(107,077)	
-	(4,594,339)	(3,420,618)	8,353	
-	(115,857)	(16,497,578)	-	
(69,969)	103,286	(7,882,773)	(70,992)	
-	-	-	1,298,275	
(36,382,000)	780,222	(35,601,778)	(317,689)	
-	(369,363)	(370,363)	14,767	
-	919,329	(6,415,552)	(189,864)	
(60,696)	130,097	55,675	2,464	
-	(160,511)	(876,511)	-	
-	-	228,729	-	
(111,202)	(14,031)	(72,233)	(82,148)	
(10,188,329)	(14,339)	(9,793,055)	-	
9,905,147	3,530,795	71,389,555	15,136,340	
(219)	6,332	1,189,196	(6,364)	
-	(31,564)	68,386,436	-	
(2,689,572)	-	(2,689,572)	-	
<u>(152,400,430)</u>	<u>29,707,603</u>	<u>(314,148,106)</u>	<u>17,161,167</u>	
<u>\$ (67,609,276)</u>	<u>\$ 87,747,459</u>	<u>\$ (500,637,739)</u>	<u>\$ 16,458,818</u>	
9,609,967	59,334	7,851,333	204,741	
-	-	186,932,000	-	
(8,118,968)	-	(8,118,968)	(61,956)	
94,174,312	-	94,174,312	-	
114,059,344	-	114,059,344	-	
(114,059,344)	-	(114,059,344)	-	
-	-	4,991,619	-	
-	-	52,350	-	
-	-	469,452	-	
-	15,107	15,107	-	
-	-	242,350	-	
<u>\$ 95,665,311</u>	<u>\$ 74,441</u>	<u>\$ 286,609,555</u>	<u>\$ 142,785</u>	

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Fiduciary Net Position Fiduciary Funds June 30, 2018

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Agency Funds
ASSETS				
Cash Deposits at the Bank of ND	\$ 32,820,777	\$ -	\$ 6,113,681	\$ 34,267,178
Cash and Cash Equivalents	-	-	815,503	6,873,917
Receivables:				
Contributions Receivable	44,063,709	-	-	-
Accounts Receivable - Net	-	-	191,020	10,297,614
Taxes Receivable - Net	-	-	-	40,948,498
Interest Receivable - Net	16,230,831	429,543	2,552	62
Intergovernmental Receivable - Net	174	-	-	-
Due from Other Funds	18,000	-	15	-
Due from Fiduciary Funds	72,188	-	-	-
Total Receivables	60,384,902	429,543	193,587	51,246,174
Investments, at Fair Value:				
Investments at the Bank of ND	-	-	21,684	29,841,148
Equities	1,441,132,463	132,827,146	-	-
Equity Pool	1,768,215,753	-	-	-
Fixed Income Pool	1,418,326,539	83,864,815	1,299,104	141,619
Cash and Cash Pool	55,629,604	1,970,826	-	-
Real Estate Pool	940,492,512	41,867,268	-	-
Alternative Investments	96,041,062	-	-	-
Mutual Funds	123,154,586	-	469,516,519	-
Total Investments	5,842,992,519	260,530,055	470,837,307	29,982,767
Invested Securities Lending Collateral	16,314,948	860,124	47,203	-
Capital Assets (Net of Depreciation)	1,713,644	-	-	-
Total Assets	5,954,226,790	261,819,722	478,007,281	\$ 122,370,036
DEFERRED OUTFLOWS OF RESOURCES				
Derived from Pensions	813,903	-	-	
Total deferred outflows of resources	813,903	-	-	
LIABILITIES				
Accounts Payable	4,898,877	73,333	1,182,212	-
Accrued Payroll	161,976	-	-	-
Securities Lending Collateral	16,314,948	860,124	47,203	-
Intergovernmental Payable	-	-	-	69,875,280
Tax Refunds Payable	-	-	-	14,888
Due to Other Funds	34,217	-	-	-
Due to Fiduciary Funds	72,274	-	-	-
Amounts Held in Custody for Others	35,514	-	-	52,479,868
Compensated Absences Payable	158,261	-	-	-
Total Liabilities	21,676,067	933,457	1,229,415	\$ 122,370,036
DEFERRED INFLOWS OF RESOURCES				
Derived from Pensions	48,519	-	-	
Total deferred inflows of resources	48,519	-	-	
NET Position				
Net Position Restricted for:				
Pension Benefits	5,932,511,040	-	-	
Other Employee Benefits	805,067	-	-	
External Investment Pool Participants	-	260,886,265	-	
Other Purposes	-	-	476,777,866	
Total Net Position Restricted for Pension Benefits and Other Purposes	\$ 5,933,316,107	\$ 260,886,265	\$ 476,777,866	

STATE OF NORTH DAKOTA

Statement of Changes in Fiduciary Net Position Fiduciary Funds For the Fiscal Year Ended June 30, 2018

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds
ADDITIONS			
Contributions:			
Employer	\$ 182,903,232	\$ -	\$ -
Employee	176,688,472	-	-
From Participants	-	-	45,675,151
Transfers from Other Funds	715,727	-	-
Transfers from Other Plans	1,387,761	-	-
Donations	-	-	3,662
Total Contributions	<u>361,695,192</u>	<u>-</u>	<u>45,678,813</u>
Investment Income:			
Net Change in Fair Value of Investments	373,624,793	15,044,359	40,839,215
Interest and Dividends	<u>127,778,855</u>	<u>5,834,319</u>	<u>10,079,965</u>
Less Investment Expense	<u>13,043,973</u>	<u>575,587</u>	<u>3,792</u>
Net Investment Income	<u>488,359,675</u>	<u>20,303,091</u>	<u>50,915,388</u>
Securities Lending Activity:			
Securities Lending Income	458,964	27,993	891
Less Securities Lending Expense	46,271	5,591	-
Net Securities Lending Income	<u>412,693</u>	<u>22,402</u>	<u>891</u>
Repurchase Service Credit	23,194,593	-	-
Miscellaneous Income	<u>1,074,374</u>	<u>-</u>	<u>2,940</u>
Total Additions	<u>874,736,527</u>	<u>20,325,493</u>	<u>96,598,032</u>
DEDUCTIONS			
Benefits Paid to Participants	395,778,530	-	-
Refunds	16,811,409	-	-
Prefunded Credit Applied	11,013,375	-	-
Transfer to Other Plans	715,727	-	-
Payments in Accordance with Trust Agreements	-	-	41,322,825
Administrative Expenses	<u>6,726,527</u>	<u>-</u>	<u>3,315,453</u>
Total Deductions	<u>431,045,568</u>	<u>-</u>	<u>44,638,278</u>
Redemption of Units at Net Position Value of \$1.00 Per Unit	<u>-</u>	<u>(5,627,133)</u>	<u>-</u>
Change in Net Position Held in Trust for:			
Pension Benefits	444,037,020	-	-
Other Employee Benefits	(346,061)	-	-
External Investment Pool Participants	-	14,698,360	-
Other Purposes	<u>-</u>	<u>-</u>	<u>51,959,754</u>
Total Change in Net Position	<u>443,690,959</u>	<u>14,698,360</u>	<u>51,959,754</u>
Net Position - Beginning of Year	<u>5,489,625,148</u>	<u>246,187,905</u>	<u>424,818,112</u>
Net Position - End of Year	<u>\$ 5,933,316,107</u>	<u>\$ 260,886,265</u>	<u>\$ 476,777,866</u>

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Combining Statement of Net Position Component Units - Proprietary Funds (Excludes FASB Based Component Units) June 30, 2018

	CHAND	Historical Foundation	Public Finance Authority	ND Development Fund	State Fair Foundation	Total
ASSETS						
Current Assets:						
Cash and Cash Equivalents	\$ 3,391,137	\$ 602,130	\$ -	\$ 14,758,596	\$ 147,820	\$ 18,899,683
Investments	-	260	-	150,000	-	150,260
Accounts Receivable - Net	8,482	302,695	-	-	-	311,177
Interest Receivable - Net	-	-	-	60,050	-	60,050
Due from Primary Government	-	-	28,000	-	-	28,000
Loans and Notes Receivable - Net	-	-	-	5,234,348	-	5,234,348
Restricted Cash and Cash Equivalents	-	-	44,553,000	-	5,002	44,558,002
Restricted Investments	-	-	67,394,000	-	-	67,394,000
Restricted Interest Receivable - Net	-	-	5,381,000	-	-	5,381,000
Total Current Assets	3,399,619	905,085	117,356,000	20,202,994	152,822	142,016,520
Noncurrent Assets:						
Restricted Investments	-	-	806,195,000	-	-	806,195,000
Investments	-	443,893	-	-	-	443,893
Due from Primary Government	-	-	92,000	-	-	92,000
Loans and Notes Receivable - Net	-	-	-	3,348,465	1,110,000	4,458,465
Other Noncurrent Assets	-	179,711	-	-	-	179,711
Capital Assets:						
Nondepreciable	-	-	-	-	1,115,389	1,115,389
Depreciable, Net	-	2,235	-	6,116	-	8,351
Total Noncurrent Assets	-	625,839	806,287,000	3,354,581	2,225,389	812,492,809
Total Assets	3,399,619	1,530,924	923,643,000	23,557,575	2,378,211	954,509,329
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on bond refunding	-	-	4,502,000	-	-	4,502,000
Derived from Pensions	-	-	125,000	-	-	125,000
Total Deferred Outflows of Resources	-	-	4,627,000	-	-	4,627,000
LIABILITIES						
Current Liabilities:						
Accounts Payable	575,682	20,748	26,000	30,522	11,900	664,852
Accrued Payroll	-	3,375	-	-	-	3,375
Interest Payable	-	-	3,386,000	-	-	3,386,000
Intergovernmental Payable	-	-	13,000	-	-	13,000
Compensated Absences Payable	-	20,842	-	-	-	20,842
Notes Payable	-	-	-	-	4,223	4,223
Bonds Payable	-	-	22,555,000	-	-	22,555,000
Unearned Revenue	45,102	49,729	-	-	-	94,831
Total Current Liabilities	620,784	94,694	25,980,000	30,522	16,123	26,742,123
Noncurrent Liabilities:						
Notes Payable	-	-	-	-	78,747	78,747
Bonds Payable	-	-	401,658,000	-	-	401,658,000
Net Pension Liability	-	-	266,000	-	-	266,000
Other Noncurrent Liabilities	-	155,001	-	-	-	155,001
Total Noncurrent Liabilities	-	155,001	401,924,000	-	78,747	402,157,748
Total Liabilities	620,784	249,695	427,904,000	30,522	94,870	428,899,871
DEFERRED INFLOWS OF RESOURCES						
Derived from Pensions	-	-	15,000	-	-	15,000
Total Deferred Inflows of Resources	-	-	15,000	-	-	15,000
Net Position						
Net Investment in Capital Assets	-	2,235	-	6,116	-	8,351
Restricted for:						
Capital Projects	-	549,337	-	-	-	549,337
Debt Service	-	-	92,102,000	-	-	92,102,000
Loan Purposes	-	-	406,252,000	-	-	406,252,000
Endowment Funds-Nonexpendable	-	231,001	-	-	2,149,492	2,380,493
Unrestricted	2,778,835	498,656	1,997,000	23,520,937	133,849	28,929,277
Total Net Position	\$ 2,778,835	\$ 1,281,229	\$ 500,351,000	\$ 23,527,053	\$ 2,283,341	\$ 530,221,458

STATE OF NORTH DAKOTA

**Combining Statement of Activities
Component Units - Proprietary Funds
(Excludes FASB Based Component Units)
For the Fiscal Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue	Change in Net Position	Net Position Beginning of Year	Net Position End of Year
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions				
CHAND	\$ 4,048,151	\$ 2,761,812	\$ 2,510,149	-	\$ 1,223,810	\$ 1,223,810	\$ 1,555,025	\$ 2,778,835
Historical Foundation	1,143,438	492,232	314,202	-	(337,004)	(337,004)	1,618,233	1,281,229
Public Finance Authority	22,044,000	2,957,000	38,510,000	-	19,423,000	19,423,000	480,928,000	500,351,000
ND Development Fund	2,004,313	727,118	36,451	-	(1,240,744)	(1,240,744)	24,767,797	23,527,053
State Fair Foundation	60,309	28,605	44,194	190,000	202,490	202,490	2,080,851	2,283,341
Total Component Units	<u>\$ 29,300,211</u>	<u>\$ 6,966,767</u>	<u>\$ 41,414,996</u>	<u>\$ 190,000</u>	<u>\$ 19,271,552</u>	<u>\$ 19,271,552</u>	<u>\$ 510,949,906</u>	<u>\$ 530,221,458</u>

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STATE OF NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

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 of the Building Authority were audited by other independent auditors for the fiscal year ended June 30, 2018, 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, 2017, 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, 2017, and their report has been previously issued under a separate cover.

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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, 2018, 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 which preserves and promotes the heritage 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, 2018, and their report has been previously issued under a separate cover.

North Dakota State Fair Foundation – The mission of the North Dakota State Fair Foundation is to develop lifelong relationships with donors to secure philanthropic gifts that will enhance and support the work of the North Dakota State Fair. The Fund of the North Dakota State Fair Foundation were audited by other independent auditors for the fiscal year ended September 30, 2017, 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

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

Comprehensive Health Associations
4510 13th Ave. South
Fargo, ND 58121

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

Public Finance Authority
1200 Memorial Highway
Bismarck ND 58504

North Dakota State Fair Foundation
P.O. Box 1796
Minot, ND 58702-1796

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:

STATE OF NORTH DAKOTA

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

MESUREMENT 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. Unearned 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.

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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.

PRROPRIETARY 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.

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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, City of Grand Forks, City of Grand Forks Park District, ND Association of Counties, and City of Fargo Fargodome, North Dakota State Board of Medicine, 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, 3442 East Century Avenue, 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 2017-2019 biennium, there were general, federal and other funds supplemental appropriations totaling \$688,555,564.

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.

STATE OF NORTH DAKOTA

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, 2018.

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

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. 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 gains and losses 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.

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.

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G. SECURITIES LENDING

GASB Statement No. 28 "Accounting and Financial Reporting for Securities Lending Transactions," establishes accounting and financial reporting standards for securities lending transactions. The standard requires governmental entities to report securities lent as assets in their statements of net position. 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, 2018, for collateral in the form of cash, U.S. government securities and irrevocable letters of credit. U.S. securities are loaned versus collateral valued at 102% of the market value of the securities plus accrued interest. Non-U.S. securities are loaned versus collateral valued at 105% of the market value of the securities plus accrued interest.

Non-cash collateral cannot be pledged or sold unless the borrower defaults. All securities can be terminated on demand by either the lender or the borrower, although the average term of the loans State's loans was approximately 61 days as of June 30, 2018. Cash open collateral is invested in a short term investment pool, which had an interest sensitivity of 3 day as of this statement date. This pool is valued based on amortized cost. There were no violations of legal or contractual provisions, no borrower or 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.

For securities loaned at fiscal year end, the State has no credit risk exposure to borrowers because the amounts the State owes the borrowers exceeds the amounts the borrowers owe the State.

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. 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.

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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. The cost of governmental prepaid items are recorded as expenditures when purchased.

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 statement of net position 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 acquisition 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 and intangible assets such as easements, water rights, patents and trademarks, the threshold is \$25,000. 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.

Capital 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.

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Land and construction in progress are not depreciated. With the exception of infrastructure reported by the Department of Transportation (which uses the composite method), other capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

L. 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:

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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 and money from tobacco settlements. 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 North Dakota Teachers' Fund for Retirement (TFFR) and additions to / deductions from PERS and TFFR's fiduciary net position have been determined on the same basis as they are reported for PERS and TFFR. 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 the 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. OTHER POST EMPLOYMENT BENEFITS

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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Job Service North Dakota engaged an actuary to determine the net OPEB liability, deferred outflows of resources and deferred inflow of resources related to OPEB and OPEB expense for its Met Life Insurance Benefit plan.

U. 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.

V. 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 one-half percent below the general fund revenue projections for the biennium. The Budget Stabilization Fund, fund balance at June 30, 2018 was \$113,551,329.

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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 University System Foundation (FASB Basis) Nonmajor
June 30, 2017, net position, as previously reported	\$ 16,973,696	\$ 3,744,941	\$ 69,503
Prior period adjustment:			
GASB 75 Adjustment			
Governmental activities	(26,247)	-	-
Housing Finance	-	(161)	-
University System	-	(6,182)	-
Workforce Safety and Insurance	-	(1,004)	-
Other Enterprise funds	-	(603)	-
Correction of errors	3,173	210	(489)
June 30, 2017, net position, as restated	<u>\$ 16,950,622</u>	<u>\$ 3,737,201</u>	<u>\$ 69,014</u>

A. GASB 75 ADJUSTMENT

The State implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*.

These Statements established standards for measuring and recognizing liabilities, assets, deferred inflows of resources and expense/expenditures for other post-employment benefits (OPEB) provided to employees of the primary government and component units. It requires the State to record the State's proportionate share of the net OPEB 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. 75 for Governmental Activities was an increase in deferred outflows of \$4.831 million and an increase in net OPEB liability of \$31.078 million on the Statement of Net Position and a net decrease in net position of \$26.247 million on Statement of Activities.

The cumulative effect of implementing GASB Statement No. 75 for Business-Type Activities was an increase in deferred outflows of \$1.558 million and an increase in net OPEB liability of \$9.508 million on the Statement of Net Position and a net decrease in net position of \$7.95 million on Statement of Activities.

See note 7 for further information on OPEB reporting.

B. CORRECTION OF ERRORS

The beginning net position of the Government-wide governmental activities were restated due to an understatement of the Legacy Fund of (\$2.337) million, an overstatement of expenses of 3.431 million and to correctly report pension related items of \$2.079 million in the previous year financial statements. The beginning net position of the Business-type activities were restated \$210,000 to properly account for several items incorrectly reported. The beginning net assets of the Nonmajor University System foundation component units were restated \$489,000 to properly account for several items incorrectly reported.

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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, 2018, the bank balance of the primary government's deposits was \$295,674,373. Of the bank amount, \$158,066,180 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, 2018. Their uninsured and uncollateralized deposits totaled \$153.9 million and \$3.8 million, and their bank deposits totaled \$154.5 million and \$10.7 million, respectively.

At June 30, 2018, the bank balance of the major component units' deposits was \$63,457,685. Of the bank amount, \$59,311,596 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, 2018: 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.

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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 federal deposit insurance corporation. The University System 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 four years, which will serve to decrease interest rate risk.

At June 30, 2018, 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	\$ 236,466	\$ 470	\$ 44,775	\$ 72,619	\$ 118,602
Collateralized Bonds	2,752	-	-	250	2,502
Commercial Mortgage-Backed	849,024	-	688,744	16,147	144,133
Commercial Paper	11,886	11,886	-	-	-
Corporate Bonds	2,674,491	32,245	894,716	1,250,511	497,019
Corporate Convertible Bonds	24,247	-	14,064	5,156	5,027
Government Agencies	1,640,624	194,384	1,203,732	181,963	60,545
Government Bonds	1,088,019	66,629	596,949	212,251	212,190
Government Issued CMB	106,687	9	605	24,048	82,025
Government Mortgage-Backed	676,538	30	5,555	14,467	656,486
Repurchase Agreements	(18,967)	(18,967)	-	-	-
Index-Linked Government Bonds	138,139	-	696	133,521	3,922
Municipal/Provincial Bonds	64,791	600	14,331	16,721	33,139
Non-Government-Backed CMOs	71,332	43	2,603	1,724	66,962
Short Term Bills and Notes	169,135	169,135	-	-	-
Pooled Investments	1,923,530	41,347	162,434	1,124,437	595,312
Total Debt Securities	\$ 9,658,694	\$ 497,811	\$ 3,629,204	\$ 3,053,815	\$ 2,477,864

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Major Component Units

Investment Type	Total Market Value	Less Than 1 Year	1 - 6 Years	6 - 10 Years	More Than 10 Years
Commercial Paper	\$ 3,328	\$ 3,328	\$ -	\$ -	\$ -
Government Agencies	6,712	1,188	5,524	-	-
Government Bonds	35,909	27,809	8,100	-	-
Total Debt Securities	<u>\$ 45,949</u>	<u>\$ 32,325</u>	<u>\$ 13,624</u>	<u>\$ -</u>	<u>\$ -</u>

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

Some investments are more sensitive to interest rate changes than others. Variable and floating rate collateralized mortgage obligations (CMO's), asset-backed securities (ABS), interest-only and principal-only securities are examples of investments whose fair values may be highly sensitive to interest rate changes.

Interest-only (IO) and principal-only (PO) strips are transactions which involve the separation of the interest and principal components of a security. They are highly sensitive to prepayments by mortgagors, which may result from a decline in interest rates. The State held IOs valued at \$6.7 million and POs valued at \$0.0 million. The State has no policy regarding IO or PO strips.

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, 2018 (expressed in thousands):

	Amount	Percent
Federal Agency		
Federal Home Loan Bank	\$ 291,832	18.2%
Fannie Mae	154,852	9.7%
Freddie Mac	148,565	9.3%
Farm Credit	103,824	6.5%
Small Business Administration	265,621	16.6%
Mortgage-backed		
Fannie Mae	331,994	20.7%
Freddie Mac	233,385	14.6%
Others less than 5%	70,223	4.4%
	<u>\$ 1,600,296</u>	<u>100.0%</u>

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. The State Investment Board maintains a highly diversified portfolio of debt securities encompassing a wide range of credit ratings. Each debt securities manager is given a specific set of guidelines to invest within, based on the mandate for which it was hired. The guidelines specify in which range of credit the manager may invest. These ranges include investment grade and high yield categories. The Bank of North Dakota's investment policy provides minimum credit quality ratings for its investments and asset allocation ranges for investments as a percentage of the total portfolio.

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As of June 30, 2018, 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	BB	B	CCC	CC	C	D	Not Rated
Asset Backed Securities	\$235,811	\$163,521	\$19,174	\$11,450	\$12,971	\$3,163	\$1,873	\$5,965	\$2,976	\$ -	\$1,495	\$13,223
Collateralized Bonds	2,752	2,752	-	-	-	-	-	-	-	-	-	-
Commercial Mortgage- Backed	720,503	681,968	6,804	5,158	5,673	6,284	1,140	4,431	520	883	1,232	6,410
Commercial Paper	11,886	-	-	10,810	-	-	-	-	-	-	-	1,076
Corporate Bonds	2,674,492	76,855	278,216	656,068	1,294,901	271,483	85,545	8,017	-	-	2	3,405
Corporate Convertible Bonds	24,247	-	-	-	1,742	6,265	7,365	8,875	-	-	-	-
Government Agencies	1,496,523	1,357,955	109,634	1,594	24,799	1,708	-	-	-	-	-	833
Government Bonds	180,902	33,370	9,923	20,583	49,293	16,017	12,577	-	-	-	-	39,139
Government Mortgage Backed	489,438	-	489,202	-	-	-	-	-	-	-	-	236
Government Issued CMB	27,991	-	27,991	-	-	-	-	-	-	-	-	-
Index Linked Government Bonds	696	-	-	-	-	-	696	-	-	-	-	-
Municipal/ Provincial Bonds	63,791	2,731	13,775	16,449	24,612	574	2,943	-	-	-	-	2,707
Non- Government Backed CMOs	71,332	24,338	3,597	12,832	2,745	728	2,136	3,344	3,806	-	809	16,997
Repurchase Agreements	(18,967)	-	(18,967)	-	-	-	-	-	-	-	-	-
Short-Term Investment Funds	90,453	45,071	7,422	37,950	-	-	-	-	-	-	-	10
Pooled Investments	<u>2,070,634</u>	<u>5,516</u>	<u>1,279,734</u>	<u>112,142</u>	<u>355,711</u>	<u>19,052</u>	<u>54,877</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>243,602</u>
Total Credit Risk Debt Securities	8,142,484	<u>\$2,394,077</u>	<u>\$2,226,505</u>	<u>\$885,036</u>	<u>\$1,772,447</u>	<u>\$325,274</u>	<u>\$169,152</u>	<u>\$30,632</u>	<u>\$7,302</u>	<u>\$883</u>	<u>\$3,538</u>	<u>\$327,638</u>
US Gov't & Agencies	1,248,622											
Mutual Funds	<u>242,843</u>											
Total Debt Securities	<u>\$9,633,949</u>											

STATE OF NORTH DAKOTA

Major Component Units

	Total Market Value	AAA	AA	A	BBB
Commercial Paper	\$ 3,328	\$ -	\$ 864	\$ 2,464	\$ -
Government Agencies	6,712	-	6,712	-	-
Total Credit Risk Debt Securities	\$ 10,040	\$ -	\$ 7,576	\$ 2,464	\$ -
US Gov't & Agencies	35,909				
Total Debt Securities	\$ 45,949				

*Ratings are determined in the following order: 1) S&P rating, 2) Moody's rating, 3) Fitch rating, 4) Manager-determined rating (internal rating) and 5) if no ratings are available using steps 1-4, then shown 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 *Asset Backed, Commercial Mortgage Backed, Gov't Issued Commercial & Gov't Mortgage Backed, Gov't Agencies, Gov't Bonds, Index Linked Gov't Bonds and Short Term Bills and Notes* categories are issued by FNMA, FHLB, FHLMC, FAMC and TVA.

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.

At June 30, 2018, foreign currency risk exposure on investments managed by the Department of Trust Lands and State Investment Board were as follows (expressed in thousands).

STATE OF NORTH DAKOTA

Primary Government (includes Pension and Investment Trust Funds)

Currency	Short-Term	Debt	Equity	Real Estate	Total
Argentine peso	\$ 63	\$ 3,064	\$ -	\$ -	\$ 3,127
Australian dollar	9,035	3,018	121,286	-	133,339
Brazilian real	875	5,458	10,402	-	16,735
British pound sterling	5,554	13,552	318,239	-	337,345
Canadian dollar	3,862	7,112	115,305	-	126,279
Chilean peso	55	-	1,066	-	1,121
Chinese yuan renminbi	-	-	3,715	-	3,715
Columbian peso	213	6,484	393	-	7,090
Czech koruna	335	-	901	-	1,236
Danish krone	20	19	31,333	-	31,372
Egyptian pound	308	-	48	-	356
Euro	13,098	(11,769)	600,600	5,312	607,241
Hong Kong dollar	825	-	160,433	-	161,258
Hungarian forint	154	-	4,074	-	4,228
Indian rupee	-	(53)	13,878	-	13,825
Indonesian rupiah	55	4,708	4,274	-	9,037
Israeli shekel	-	-	2,738	-	2,738
Japanese yen	(3,273)	9,135	362,939	-	368,801
Kenyan shiling	-	-	998	-	998
Malaysian ringgit	154	8,557	4,231	-	12,942
Mexican peso	609	22,847	5,710	-	29,166
New Israeli shekel	246	-	3,755	-	4,001
New Romanian leu	-	(21)	-	-	(21)
New Taiwan dollar	142	-	5,441	-	5,583
New Turkish lira	-	3,785	1,018	-	4,803
New Zealand dollar	946	33	885	-	1,864
Norwegian krone	78	7,315	19,718	-	27,111
Peruvian nuevo sol	-	(170)	8	-	(162)
Philippine peso	-	-	881	-	881
Polish zloty	29	7,224	2,441	-	9,694
Russian ruble	38	-	1,114	-	1,152
Singapore dollar	53	(173)	14,533	-	14,413
South African rand	(1,276)	4,375	16,617	-	19,716
South Korean won	583	(6)	29,535	-	30,112
Swedish krona	4,746	15,126	60,078	-	79,950
Swiss franc	1,554	-	119,663	-	121,217
Taiwan dollar	-	-	19,812	-	19,812
Thai baht	426	(73)	8,498	-	8,851
Turkish lira	39	-	1,599	-	1,638
UAE dirham	-	-	563	-	563
International commingled funds (various currencies)	-	-	952,235	25,105	977,340
Total international investment securities	<u>\$ 39,546</u>	<u>\$ 109,547</u>	<u>\$ 3,020,957</u>	<u>\$ 30,417</u>	<u>\$ 3,200,467</u>

STATE OF NORTH DAKOTA

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, 2018, 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 \$100.0 million. At June 30, 2018, the State investment portfolio had the notional futures shown below (expressed in thousands).

<u>Futures</u>	<u>Notional Value</u>
Cash and cash equivalent derivative futures	
Long	\$ 226,320
Short	(962,500)
Equity derivative futures	
Long	647,386
Short	-
Fixed income derivative futures	
Long	378,144
Short	(132,120)
Total futures	<u>\$ 157,230</u>

Options – Options represent or give buyers the right, but not the obligation, to buy (call) or sell (put) an asset at a preset price over a specified period. Options are traded on organized exchanges (exchange traded) thereby minimizing the States’ counterparty 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 \$(9.1) million. At June 30, 2018, the State had the following option balances (expressed in thousands):

<u>Options</u>	<u>Fair Value</u>
Cash & Other Options	
Call	\$ (149)
Put	(363)
Fixed Income Options	
Call	-
Put	(5)
Total options	<u>\$ (517)</u>

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, currency risk and total return.

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 \$3.6 million. The maximum loss that would be recognized at June 30, 2018, if all counterparties failed to perform as contracted is \$2.75 million. Swap fair values are determined by a third party pricing source. At June 30, 2018, the States’ investment portfolio had the swap fair value balances as shown below (expressed in thousands).

STATE OF NORTH DAKOTA

Credit Default Swaps

<u>Counterparty/Moody's Rating</u>	<u>Notional Amount</u>	<u>Expiration Date</u>	<u>Fair Value</u>
Bank of America/A1 (2 contracts)	\$ (2,700)	2021	\$ 13
BNP Paribas/A1 (1 contract)	(400)	2019	(2)
Citibank/A1 (23 contracts)	(9,005)	2018 - 2024	(55)
Credit Suisse First Boston/A1 (2 contracts)	(89,400)	2022 - 2023	1,369
Deutsche Bank/Baa2 (2 contracts)	2,000	2059	9
Goldman Sachs/A3 (10 contracts)	(4,890)	2019 - 2063	37
HSBC Bank/A1 (1 contract)	(100)	2023	(1)
JP Morgan Chase/Aa3 (1 contract)	(300)	2019	4
Total credit default swaps	<u>\$ (104,795)</u>		<u>\$ 1,374</u>

Currency Swaps

<u>Counterparty/Moody's Rating</u>	<u>Notional Amount</u>	<u>Expiration Date</u>	<u>Fair Value</u>
JP Morgan Chase/Aa3 (1 contract)	\$ 106	2020	\$ (7)
Total currency swaps	<u>\$ 106</u>		<u>\$ (7)</u>

Interest Rate Swaps

<u>Counterparty/Moody's Rating</u>	<u>Notional Amount</u>	<u>Expiration Date Range</u>	<u>Fair Value</u>
Citigroup Global Markets/A1 (5 contracts)	\$ (28,885)	2019 - 2025	\$ 1,018
Credit Suisse First Boston/A1 (32 contracts)	94,495	2019 - 2048	2,275
JP Morgan Chase/Aa3 (176 contracts)	(134,106)	2018 - 2048	3,122
Total Interest Rate Swaps	<u>\$ (68,496)</u>		<u>\$ 6,415</u>

Inflation Swaps

<u>Counterparty/Moody's Rating</u>	<u>Notional Amount</u>	<u>Expiration Date</u>	<u>Fair Value</u>
JP Morgan Chase/Aa3 (22 contracts)	\$ 5,730	2022 - 2057	\$ (25)
Total Inflation Rate Swaps	<u>\$ 5,730</u>		<u>\$ (25)</u>

Total Return Swaps

<u>Counterparty/Moody's Rating</u>	<u>Notional Amount</u>	<u>Expiration Date</u>	<u>Fair Value</u>
Credit Suisse International/A1 (2 contracts)	\$ 4,800	2041	\$ (20)
Total Return Swaps	<u>\$ 4,800</u>		<u>\$ (20)</u>

STATE OF NORTH DAKOTA

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 \$2.17 million. At June 30, 2018, the States' investment portfolio included the currency forwards balances shown below (expressed in thousands).

Currency	Cost	Purchases	Sales	Fair Value
Argentine peso	\$ 2	\$ 3	\$ (1)	\$ 2
Australian dollar	(16,289)	1,772	(18,097)	(16,289)
Brazilian real	(1,799)	2,050	(3,789)	(1,795)
British pound sterling	(3,732)	1,585	(5,317)	(3,549)
Canadian dollar	(12,435)	-	(12,537)	(12,490)
Columbian peso	256	4,682	(4,464)	213
Danish krone	(5,173)	-	(5,163)	(5,163)
Egyptian pound	302	302	-	308
Euro	(36,184)	13,170	(49,428)	(35,471)
Great Britain pound sterling	(7,122)	-	(7,073)	(7,073)
Indian rupee	(2,462)	-	(2,447)	(2,447)
Indonesian rupiah	(2,399)	2,505	(4,833)	(2,328)
Japanese yen	(44,787)	15,759	(60,546)	(44,049)
Malaysian ringgit	(24)	6,388	(6,388)	-
Mexican peso	(5,517)	7,031	(12,745)	(5,645)
New Zealand dollar	(6,241)	-	(6,127)	(6,127)
Norwegian krone	(6,519)	-	(6,498)	(6,498)
Peruvian nuevo sol	(2,769)	-	(2,723)	(2,723)
Polish zloty	(6,086)	-	(6,065)	(6,065)
Romanian leu	(1,353)	-	(1,363)	(1,363)
Russian ruble	79	4,994	(4,915)	38
Singapore dollar	(5,076)	1,743	(6,591)	(4,848)
South African rand	(5,231)	-	(5,179)	(5,020)
Swedish krona	4,746	6,393	(1,647)	4,629
Thai baht	(5,368)	-	(5,373)	(5,373)
United Kingdom pound	(3,031)	1,291	(4,124)	(2,833)
United States dollar	174,213	244,257	(70,044)	174,214
Total forwards subject to currency risk				\$ 2,255

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, 2018, 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	\$ (490,157)	\$ (442,696)	\$ (160,157)	\$ (50,322)	\$ 163,018	\$ -
Options-margined interest rate contracts	(17)	(17)	-	-	-	-
Total	\$ (490,174)	\$ (442,713)	\$ (160,157)	\$ (50,322)	\$ 163,018	\$ -

STATE OF NORTH DAKOTA

	Total Fair Value	3 Months or Less	3 to 6 Months	6 to 12 Months	1-5 Years	Greater Than 5 Years
Options on futures	\$ (5)	\$ (5)	\$ -	\$ -	\$ -	\$ -
Swaps - interest rate contracts	6,390	-	251	179	1,229	4,731
Swaps - credit contracts	1,374	-	37	2	1,392	(57)
Total	\$ 7,759	\$ (5)	\$ 288	\$ 181	\$ 2,621	\$ 4,674

Mill and Elevator Derivative Financial Instruments – The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2018, and the changes in fair value of such derivative instruments for the year then ended as reported in the State's financial statements are \$1,544,113, classified as derivative instrument (one contract equals 5,000 bushels) and \$1,544,113, 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. The table below shows the cost and market values of these spring wheat futures.

Month	Number of Contracts	Average Cost	Fair Value	Average Cost	Market Value
Sept 2018	9	\$ 5.4890	\$ 5.3675	\$ 251,600	\$ 241,538
Dec 2018	436	6.0084	5.5450	13,093,900	12,088,100
Mar 2018	177	6.0656	5.7050	5,375,863	5,048,925
May 2019	104	6.1606	5.8050	3,197,013	3,018,600
July 2019	30	6.0726	5.9000	907,901	885,000
				\$ 22,826,277	\$ 21,282,163

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, 2018, the table below shows the hedge ratio by futures month going forward:

Period	Hedge Ratio
Sept 2018	1.0
Dec 2018	0.9
Mar 2019	0.9
May 2019	0.8
July 2019	1.0
Net Position	0.9

STATE OF NORTH DAKOTA

C. SECURITIES LENDING

The following represents the balances relating to the securities lending transactions at June 30, 2018 (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	\$ 18,666	\$ -	\$ 19,121
US government securities	99,717	49,915	101,985
US corporate fixed income securities	79,175	-	81,172
US equities	60,726	4,605	62,262
Global government fixed income securities	942	-	990
Global agency securities	2,366	-	2,056
Global equities	2,627	9,115	2,760
Lent for non-cash collateral:			
US agency securities	751	772	-
US government securities	52,679	4,005	-
US corporate fixed income securities	149,102	153,336	-
US equities	213,339	214,360	-
Global equities	50,322	44,399	-
Total	\$ 730,412	\$ 480,507	\$ 270,346

D. ENDOWMENT FUNDS

UNIVERSITY SYSTEMS

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 preceding twelve quarter average. 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. NDSU 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, 2018:

North Dakota State University	\$ 198,883	Reflected in net position as:
University of North Dakota	935,308	Expendable scholarships & fellowships
Williston State College	1,261	Non-expendable scholarships & fellowships
Total NDUS	\$ 1,135,452	Non-expendable scholarships & fellowships

STATE OF NORTH DAKOTA

Endowment funds reported herein do not include the Federal Land Grant Fund held by the State Department of Trust Lands. The annual proceeds from assets held by the Commissioner of the State Department of Trust Lands and are deposited into each college/university's operating fund at the State Treasury and are used for current operating purposes. Bismarck State College, Lake Region State College and Williston State College do not participate in the proceeds allocated by the State Land Department. Total assets held by the State Land Department and proceeds for the fiscal year ended June 30, 2018 are approximately \$175.2 million and \$6.1 million respectively.

NORTH DAKOTA STATE FAIR FOUNDATION

The North Dakota State Fair Association Foundation had the following activity in their endowment as of September 30, 2017.

Beginning endowment	\$ 1,959,492
Endowment contributions	190,000
Ending endowment	<u>\$ 2,149,492</u>

E. RECEIVABLES

Receivables at June 30, 2018, consist of the following (expressed in thousands):

	General	Federal	State	Other Governmental Funds	Bank of North Dakota	Housing Finance
Receivables:						
Accounts	\$ 25,265	\$ 46,565	\$ 117,934	\$ -	\$ -	\$ 546
Less Allowance	(9,806)	(22,050)	(42,263)	-	-	-
Taxes	628,488	-	139,753	125	-	-
Less Allowance	(175,821)	-	(2,411)	-	-	-
Interest	21,686	-	21,023	83	53,304	3,674
Less Allowance	-	-	(6,187)	-	-	-
Intergovernmental	42	176,141	8,061	-	-	152
Less Allowance	(14)	-	-	-	-	-
Current Loans and Notes	-	-	11,905	56,296	1,032,413	23,209
Less Allowance	-	-	(827)	-	-	-
Noncurrent Loans and Notes	-	31	119,210	-	3,761,265	943,040
Less Allowance	-	-	-	-	(84,958)	-
Net Receivables	<u>\$ 489,840</u>	<u>\$ 200,687</u>	<u>\$ 366,198</u>	<u>\$ 56,504</u>	<u>\$ 4,762,024</u>	<u>\$ 970,621</u>

	University System	Workforce Safety & Insurance	Other Enterprise Funds	Internal Service Funds	Major Component Units	Total
Receivables:						
Accounts	\$ 28,416	\$ 39,271	\$ 125,099	\$ 260	\$ 317	\$ 383,673
Less Allowance	(6,903)	(10,712)	(26,454)	-	(5)	(118,193)
Taxes	-	-	-	-	-	768,366
Less Allowance	-	-	-	-	-	(178,232)
Interest	-	9,603	2,212	52	5,441	117,078
Less Allowance	-	-	-	-	-	(6,187)
Intergovernmental	30,321	-	1,449	560	-	216,726
Less Allowance	-	-	-	-	-	(14)
Current Loans and Notes	9,336	-	18,103	-	5,234	1,156,496
Less Allowance	(1,214)	-	-	-	-	(2,041)
Noncurrent Loans and Notes	28,220	-	293,312	-	12,626	5,157,704
Less Allowance	(3,830)	-	(7,156)	-	(8,167)	(104,111)
Net Receivables	<u>\$ 84,346</u>	<u>\$ 38,162</u>	<u>\$ 406,565</u>	<u>\$ 872</u>	<u>\$ 15,446</u>	<u>\$ 7,391,265</u>

STATE OF NORTH DAKOTA

F. 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, 2018, the State had no reverse repurchase agreements outstanding and did not participate in reverse repurchase agreements during the fiscal year.

G. INTERFUND ACCOUNTS AND TRANSFERS

DUE FROM OTHER FUNDS/DUE TO OTHER FUNDS

Interfund balances at June 30, 2018, consist of the following (expressed in thousands):

Due To General Fund From:	
Federal Fund	\$ 51,096
State Fund	39,830
Bank of North Dakota	700
Nonmajor Enterprise Funds	32,378
All Others	164
Total Due To General Fund	<u>\$ 124,168</u>

Included in the Nonmajor Enterprise Funds amount is a loan to the Rebuilder's Loan Program for \$14,952,271. This is not expected to be repaid within one year.

Due To Federal Fund From:		Due To State Fund From:	
General Fund	\$ 6,722	General Fund	\$ 3,306
State Fund	30,440	Federal Fund	10,868
All Others	5	Internal Service Funds	199
Total Due To Federal Fund	<u>\$ 37,167</u>	Nonmajor Enterprise Funds	1,148
		All Others	207
		Total Due To State Fund	<u>\$ 15,728</u>
Due To Internal Service Funds From:		Due To Bank of North Dakota From:	
General Fund	\$ 4,035	State Fund	\$ 53,614
State Fund	2,513	Nonmajor Enterprise Funds	59,692
University System	1,160	University System	2,264
All Others	1,041	All Others	102
Total Due To Internal Service Funds	<u>\$ 8,749</u>	Total Due To Bank of North Dakota	<u>\$ 115,672</u>

Included in the Nonmajor Enterprise Funds amount is a loan to the Rebuilder's Loan Program for \$13,682,000, of which \$11,754,000 is not expected to be repaid within one year.

Due To University System From:	
General Fund	\$ 12,363
Federal Fund	2,822
State Fund	1,837
Nonmajor Enterprise Funds	8,149
All Others	392
Total Due To University System	<u>\$ 25,563</u>
Due To All Other Funds From:	
All Other	<u>\$ 807</u>

Included in this category are all other enterprise funds and fiduciary funds.

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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, 2018.

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

Due From's	\$ 327,854
General Fund/Bank of ND	(700)
Bank of ND/ Mill and Elevator	(11,594)
Bank of ND/Rebuilder's Loan	(1,444)
Bank of ND/University System	(2,566)
Bank of ND/Student Loan Trust	901
Governmental Agencies/Bank of ND	(1,116)
Bank of ND/Enterprise Funds	(268)
Bank of ND/Public Finance Authority	(1)
Total Differences	<u>(16,788)</u>
Due To's	\$ 311,066

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 and Community Water 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, 2018, follows (expressed in thousands):

	General	Special Revenue Federal	Special Revenue State	Non-major Governmental	Housing Finance	University System	Non-major Enterprise	Total
<u>Transfers Out</u>								
General	\$ -	\$ 38	\$ 4,042	\$ 2,369	\$ -	\$ 378,127	\$ 258	\$ 384,834
Special Revenue - Federal	6	-	49,077	294	-	-	-	49,377
Special Revenue - State	132,300	38	-	1,165	19	13,580	75,500	222,602
Non-major Governmental	842	-	1,161	-	-	-	-	2,003
Bank of North Dakota	170,000	-	13,355	-	-	-	3,577	186,932
Housing Finance	-	-	38	-	-	-	-	38
University System	-	-	-	3,976	-	-	-	3,976
Non-major Enterprise	17,409	-	2,660	-	-	15,012	-	35,081
Total	<u>\$ 320,557</u>	<u>\$ 76</u>	<u>\$ 70,333</u>	<u>\$ 7,804</u>	<u>\$ 19</u>	<u>\$ 406,719</u>	<u>\$ 79,335</u>	<u>\$ 884,843</u>

(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, 2018, legislatively-mandated transfers were made to the general fund of \$7,300,000 from the State Lottery, \$10,109,147 from Mill and Elevator, \$4,300,173 from the Insurance Regulatory Trust Fund, \$183,000,000 from the Tax Relief fund, \$4,000,000 from Research ND Fund, \$124,000,000 from Strategic Investment and Improvement Fund and \$70,000,000 from the Bank of North Dakota.

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

	\$	(802,348)
Differences:		
Special Rev - Ag PACE / Bank of North Dakota	(1,800)	
Special Rev - PACE / Bank of North Dakota	(5,650)	
Bank of North Dakota / General Fund	(100,000)	
State Fair / General Fund	34	
School Construction Assistance Revolving Loan Fund / Bank of North Dakota	(1,077)	
ND Guaranteed Student Loan Trust / Student Loan Trust	10,000	
Special Rev - State / Bank of North Dakota	(2)	
Infrastructure Revolving Loan Fund / Bank of North Dakota	16,000	
Total Differences		<u>(82,495)</u>
Transfers Out		<u>\$ (884,843)</u>

The above timing differences of \$82,495,000 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, 2017*	Increases	Decreases	Balance June 30, 2018
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 152,152	\$ 7,005	\$ (14)	\$ 159,143
Construction in Progress	1,940,778	331,806	(143,004)	2,129,580
Total Capital Assets Not Being Depreciated	<u>2,092,930</u>	<u>338,811</u>	<u>(143,018)</u>	<u>2,288,723</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	688,867	16,097	(1,361)	703,603
Equipment	323,084	20,747	(18,729)	325,102
Intangibles				
Software	251,268	2,813	(280)	253,801
Other	37,562	547	-	38,109
Infrastructure	4,863,451	117,308	(73)	4,980,686
Total Capital Assets Being Depreciated	<u>6,164,232</u>	<u>157,512</u>	<u>(20,443)</u>	<u>6,301,301</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(284,567)	(17,494)	959	(301,102)
Equipment	(158,096)	(22,375)	13,877	(166,594)
Intangibles				
Software	(86,609)	(18,902)	279	(105,232)
Other	(25,132)	(2,975)	-	(28,107)
Infrastructure	(2,886,745)	(74,479)	58	(2,961,166)
Total Accumulated Depreciation	<u>(3,441,149)</u>	<u>(136,225)</u>	<u>15,173</u>	<u>(3,562,201)</u>
Total Capital Assets Being Depreciated, Net	<u>2,723,083</u>	<u>21,287</u>	<u>(5,270)</u>	<u>2,739,100</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,816,013</u>	<u>\$ 360,098</u>	<u>\$ (148,288)</u>	<u>\$ 5,027,823</u>

*Certain items have been reclassified.

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Description	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Business-Type Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 23,805	\$ 294	\$ -	\$ 24,099
Construction in Progress	72,090	48,122	(62,100)	58,112
Total Capital Assets Not Being Depreciated	95,895	48,416	(62,100)	82,211
Capital Assets Being Depreciated:				
Buildings and Improvements	1,709,552	75,435	(5,203)	1,779,784
Equipment	520,333	27,217	(15,620)	531,930
Intangibles				
Software	28,662	289	(76)	28,875
Other	18,922	2,989	(41)	21,870
Infrastructure	222,888	5,900	-	228,788
Total Capital Assets Being Depreciated	2,500,357	111,830	(20,940)	2,591,247
Less Accumulated Depreciation for:				
Buildings and Improvements	(598,683)	(42,088)	3,181	(637,590)
Equipment	(339,836)	(30,213)	14,371	(355,678)
Intangibles				
Software	(24,409)	(1,499)	76	(25,832)
Other	(11,916)	(1,550)	16	(13,450)
Infrastructure	(106,821)	(6,075)	-	(112,896)
Total Accumulated Depreciation	(1,081,665)	(81,425)	17,644	(1,145,446)
Total Capital Assets Being Depreciated, Net	1,418,692	30,405	(3,296)	1,445,801
Business-Type Activities Capital Assets, Net	\$ 1,514,587	\$ 78,821	\$ (65,396)	\$ 1,528,012

Description	Balance July 1, 2017**	Increases	Decreases	Balance June 30, 2018
Major Component Units:				
Capital Assets Not Being Depreciated				
Land	\$ 7,187	\$ 165	\$ -	\$ 7,352
Total Capital Assets Not Being Depreciated	7,187	165	-	7,352
Capital Assets Being Depreciated:				
Buildings and Improvements	195,239	80	(17,367)	177,952
Equipment	45,755	5,868	(4,075)	47,548
Intangibles	78	-	-	78
Infrastructure	1,257	-	(48)	1,209
Total Capital Assets Being Depreciated	242,329	5,948	(21,490)	226,787
Less Accumulated Depreciation for:				
Buildings and Improvements	(66,444)	(5,366)	-	(71,810)
Equipment	(19,967)	(3,504)	2,238	(21,233)
Intangibles	(78)	-	-	(78)
Infrastructure	(535)	(50)	11	(574)
Total Accumulated Depreciation	(87,024)	(8,920)	2,249	(93,695)
Total Capital Assets Being Depreciated, Net	155,305	(2,972)	(19,241)	133,092
Major Component Unit Capital Assets, Net	\$ 162,492	\$ (2,807)	\$ (19,241)	\$ 140,444

** Beginning capital asset balances were adjusted for certain reclassifications and prior period adjustment.

STATE OF NORTH DAKOTA

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

Governmental Activities:	
General Government	\$ 11,476
Education	700
Health and Human Services	15,945
Regulatory	666
Public Safety & Corrections	13,947
Agriculture and Commerce	161
Natural Resources	16,521
Transportation	<u>76,809</u>
Total Governmental Activities Depreciation Expense	<u>\$ 136,225</u>

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

Project Description:

<u>Governmental Activities</u>	<u>Amount Authorized</u>	<u>Amount Expended Through June 30, 2018</u>	<u>Balance Authorized</u>
Attorney General	\$ 1,758	\$ 352	\$ 1,406
Office of Management and Budget	11,674	7,595	4,079
Secretary of State	2,197	851	1,346
Legislative Assembly	260	259	1
Department of Health	620	336	284
Department of Human Services	147,139	77,725	69,414
Adjutant General	52,272	18,255	34,017
Department of Transportation	2,204,315	2,018,948	185,367
Parks & Recreation	4,216	2,301	1,915
ND School for the Deaf	368	40	328
Corrections & Rehab	593	39	554
Total Governmental Activities	<u>\$ 2,425,412</u>	<u>\$ 2,126,701</u>	<u>\$ 298,711</u>

<u>Business-Type Activities</u>	<u>Amount Authorized</u>	<u>Amount Expended Through June 30, 2018</u>	<u>Balance Authorized</u>
Mill and Elevator	\$ 28,900	\$ 4,031	\$ 24,869
University System	135,398	54,069	81,329
Workforce Safety and Insurance	29,534	6,896	22,638
Total Business-Type Activities	<u>\$ 193,832</u>	<u>\$ 64,996</u>	<u>\$ 128,836</u>

STATE OF NORTH DAKOTA

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, 2018, amounted to \$19,106,505 for governmental activities and \$12,886,941 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, 2018, for all fund types are as follows (expressed in thousands):

Year Ending June 30	Governmental Activities	Business-type Activities
2019	\$ 14,829	\$ 10,825
2020	7,492	7,338
2021	5,280	5,246
2022	3,891	2,854
2023	3,419	1,078
2024-2028	5,862	1,241
2029-2033	839	473
2034-2038	-	142
Total Minimum Lease Payments	<u>\$ 41,612</u>	<u>\$ 29,197</u>

J. CAPITAL LEASES

The State is obligated under certain leases accounted for as capital leases. In the government-wide and proprietary fund statements, capital assets and a corresponding liability are recorded at the inception of the lease. The liability is reduced by payments of principal, with a portion of the payment allocated to interest expense. For capital leases in governmental funds, other financing sources and expenditures are recorded at lease inception. Lease payments are recorded as debt service expenditures.

The schedule below lists the future minimum lease payments under these capital leases and the present value of the net minimum lease payments at June 30, 2018 (expressed in thousands):

Year Ending June 30	Governmental Activities	Business- type Activities	Major Component Units
2019	\$ 514	\$ 5,644	\$ 127
2020	487	5,428	96
2021	418	4,756	126
2022	94	4,522	126
2023	30	4,197	126
2024-2028	-	15,113	632
2029-2033	-	5,623	632
2034-2038	-	3,806	63
2039-2043	-	1,558	-
2044-2048	-	1,806	-
2049-2053	-	1,219	-
Total Minimum Lease Payments	1,543	53,672	1,928
Less: Amount Representing Interest	(128)	(13,614)	(549)
Present Value of Future Minimum Lease Payments	<u>\$ 1,415</u>	<u>\$ 40,058</u>	<u>\$ 1,379</u>

STATE OF NORTH DAKOTA

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, 2018, is as follows (expressed in thousands):

	Governmental Activities	Business- Type Activities	Major Component Units
Infrastructure	\$ -	\$ 60	\$ -
Buildings	-	52,387	1,979
Intangibles	-	156	-
Equipment	859	12,197	-
Less: Accumulated Depreciation	(311)	(15,188)	(962)
Total	<u>\$ 548</u>	<u>\$ 49,612</u>	<u>\$ 1,017</u>

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, 2018, 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 2010 Series A and B, the 2012 Series A and the 2017 Series A bonds have interest payable semiannually on June 1 and December 1 of each year. The 2010 Series A bonds are subject to optional redemption in whole or in part. The 2010 Series B, the 2012 Series A and the 2017 Series A bonds 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 2018 were \$6.8 million. For fiscal year 2018, principal and interest paid by the Authority on the bonds was \$12.2 million. The total principal and interest remaining to be paid as of June 30, 2018, is \$30.4 million payable through December 2030.

STATE OF NORTH DAKOTA

The 2010 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. Funds are also required for any positive arbitration due to the Federal government.

Department of Transportation

The North Dakota Department of Transportation (NDDOT) is authorized pursuant to NDCC 24-02-40.1, 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 the Trust Estate, consisting primarily of federal transportation funds and pledged state highway funds. 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 \$10.6 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 2018.

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 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 one-month LIBOR 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 million payable through June 2029. For fiscal year 2018, revenue pledged and total principal and interest paid by Student Loan Trust were \$180,000 and \$22,000, 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 \$972.3 million maturing at various times from July 1, 2018 through July 1, 2019. 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 \$126.6 million and \$18.8 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.

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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 2018 were \$18.4 million. Principal and interest paid for the current fiscal year were \$18.4 million, with total remaining principal and interest of \$362.58 million payable through fiscal year 2047.

State Fair Association

Capital Financing Program Bonds Series 2015 – Interest is payable semi-annually on June 1 and December 1 of each year. The bonds maturing on June 1, 2029 are not subject to optional redemption prior to maturity except under extraordinary circumstances. The bonds are secured by the Association's net revenues and by the lodging tax proceeds from the City of Minot, North Dakota.

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 2018 were \$23.1 million. Principal and interest paid for the current fiscal year were \$42.9 million, with total remaining principal and interest of \$569.1 million payable through June 2045.

The Public Finance Authority issued \$16.4 million of revenue bonds (Series 2016A SRF Bonds) with an average interest rate of 4.51 percent on August 11, 2016. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As of December 31, 2017 \$21.7 million of bonds outstanding is considered defeased and the liability has been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$1.6 million. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is the same life of the new debt issued. This refunding was undertaken to reduce total debt service payments over the next twelve years by \$9.3 million and resulted in an economic gain of \$4.1 million.

Revenue Bonds outstanding (expressed in thousands):

Fund Type/Fund	Maturities	Interest Rates	Balance 6/30/18
Primary Government			
<u>Governmental:</u>			
Building Authority	2019-2031	1.50-6.25	\$ 30,453
Department of Transportation	2019-2020	3.00-5.00	9,976
<u>Proprietary:</u>			
Student Loan Trust	6/1/2029	2.79	1,000 ¹⁾
Housing Finance:			
Homeownership	2019-2050	0.20-5.75	972,308 ¹⁾
University System:			
BSC—Bismarck	2019-2033	2.00-4.00	8,253
MaSU—Mayville	2019-2030	1.25-6.63	3,797
MiSU—Minot	2019-2041	2.00-6.60	11,970
NDSCS—Wahpeton	2019-2037	3.76	7,625
NDSU—Fargo	2019-2047	1.50-5.00	138,098
UND—Grand Forks	2019-2044	0.75-4.25	88,355
VCSU—Valley City	2019-2040	2.80-7.05	5,345
Williston State College	2019-2041	6.90	7,890
State Fair Association	2019-2029	3.00	1,829
Total Revenue Bonds Payable—			\$ 1,286,899
Primary Government			\$ 1,286,899

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Major Component Units

Proprietary:

Public Finance Authority	2019-2045	0.24-8.25	\$	424,213
State Fair Foundation	2019-2022	4.22		83
University System Foundation	2019-2040	0.75-5.25		43,076
Total Revenue Bonds Payable— Major Component Units			\$	<u>467,372</u>

1) Entire amount of bonds payable are not associated with capital 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
2019	\$ 10,020	\$ 1,586
2020	9,460	1,133
2021	4,620	678
2022	4,550	475
2023	3,180	298
2024-2028	3,540	373
2029-2033	2,662	54
2034-2038	-	-
2039-2043	-	-
2044-2048	-	-
2049-2053	-	-
Bond Premium	<u>2,397</u>	<u>(2,397)</u>
Total	<u>\$ 40,429</u>	<u>\$ 2,200</u>

Business-type Activities

Fiscal Year	Principal	Interest
2019	\$ 29,342	\$ 39,587
2020	50,142	38,752
2021	49,821	37,600
2022	48,217	36,349
2023	48,274	35,045
2024-2028	234,792	154,338
2029-2033	229,856	117,207
2034-2038	216,237	79,422
2039-2043	184,303	43,191
2044-2048	128,714	12,748
2049-2053	4,980	116
Bond Premium	<u>21,792</u>	<u>(21,792)</u>
Total	<u>\$ 1,246,470</u>	<u>\$ 572,563</u>

Major Component Units

Fiscal Year	Principal	Interest
2019	\$ 23,576	\$ 18,607
2020	30,516	18,444
2021	24,690	17,346
2022	25,318	16,329
2023	27,110	15,231
2024-2028	111,769	56,475
2029-2033	123,881	32,634
2034-2038	55,250	9,628
2039-2043	12,771	3,030
2044-2048	6,624	489
Bond Premium	<u>32,274</u>	<u>(32,274)</u>
Total	<u>\$ 473,779</u>	<u>\$ 155,939</u>

STATE OF NORTH DAKOTA

2. NOTES PAYABLE

The following is a schedule of notes payable outstanding at June 30, 2018 (expressed in thousands):

Fund Type/Fund	Maturities	Interest Rates	Balance 6/30/18
Primary Government			
<u>Governmental:</u>			
Office of Management and Budget	2019-2022	2.43-2.65	\$ 12,596
Department of Human Services	2019-2034	3.44-5.55	9,652
<u>Proprietary:</u>			
Bank of North Dakota	2019-2029	1.12-5.56	1,263,449
University System	2019-2034	1.75-5.38	<u>26,237</u>
Total Revenue Bonds Payable— Primary Government			<u>\$ 1,311,934</u>
Major Component Units			
University System Foundation	2019-2036	1.75-4.35	<u>\$ 19,092</u>

(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:

<u>Governmental Activities</u>			<u>Business-type Activities</u>		
Fiscal Year	Principal	Interest	Fiscal Year	Principal	Interest
2019	\$ 350	\$ 729	2019	\$ 838,463	\$ 15,102
2020	1,221	589	2020	48,906	14,310
2021	1,267	543	2021	29,331	12,185
2022	1,301	510	2022	102,668	10,438
2023	1,335	475	2023	62,930	7,453
2024-2028	7,233	1,819	2024-2028	187,625	10,515
2029-2034	8,257	795	2029-2034	18,983	780
2034-2038	1,284	23	2034-2038	780	18
Total	<u>\$ 22,248</u>	<u>\$ 5,483</u>	Total	<u>\$ 1,289,686</u>	<u>\$ 70,801</u>

Major Component Units

Fiscal Year	Principal	Interest
2019	\$ 4	\$ 583
2020	1,463	851
2021	6,044	651
2022	1,177	549
2023	1,617	478
2024-2028	8,520	228
2029-2034	112	65
2034-2038	139	37
2039-2044	99	7
Total	<u>\$ 19,175</u>	<u>\$ 3,449</u>

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Changes in General Long-Term Liabilities

Changes in Long-Term Liabilities for the year ended June 30, 2018, are summarized as follows (expressed in thousands):

	Beginning Balance Restated	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Notes Payable	\$ 2,181	\$ 22,275	\$ (2,208)	\$ 22,248	\$ 350
Bonds Payable	54,105	22,415	(36,091)	40,429	10,020
Capital Leases Payable	1,695	176	(456)	1,415	451
Compensated Absences	46,182	34,296	(34,045)	46,433	3,666
Claims/Judgments Payable	11,420	4,339	(5,225)	10,534	2,285
Net Pension Liability (Note 6)	413,356	230,157	-	643,513	-
OPEB Obligation (Note 7)	31,079	985	-	32,064	-
Total Long-Term Liabilities	\$ 560,018	\$ 314,643	\$ (78,025)	\$ 796,636	\$ 16,772
Business-Type Activities*:					
Notes Payable	\$ 1,299,860	\$ 3,526,897	\$ (3,537,071)	\$ 1,289,686	\$ 838,435
Bonds Payable	1,019,125	393,277	(165,932)	1,246,470	31,271
Capital Leases Payable	41,425	8,402	(9,769)	40,058	3,981
Intergovernmental Payable	5,479	487	(472)	5,494	594
Compensated Absences	35,840	4,102	(4,030)	35,912	5,206
Dividends Payable	109,937	107,247	(109,937)	107,247	107,247
Claims/Judgments Payable	1,086,972	117,373	(152,975)	1,051,370	127,911
Net Pension Liability (Note 6)	138,854	80,494	-	219,348	-
OPEB Obligation (Note 7)	9,508	795	-	10,303	-
Total Long-Term Liabilities	\$ 3,747,000	\$ 4,239,074	\$ (3,980,186)	\$ 4,005,888	\$ 1,109,158
Major Component Units*:					
Notes Payable	\$ 27,446	\$ 85	\$ (8,356)	\$ 19,175	\$ 1,380
Bonds Payable	503,787	2,235	(32,243)	473,779	29,942
Capital Leases Payable	1,438	-	(59)	1,379	62
Intergovernmental Payable	564	47	(46)	565	42
Compensated Absences	20	1	-	21	21
Net Pension Liability (Note 6)	159	107	-	266	-
Total Long-Term Liabilities	\$ 533,414	\$ 2,475	\$ (40,704)	\$ 495,185	\$ 31,447

*Included above are amounts classified as Due to Component Units in the Statement of Net Position for the University System as follows, expressed in the thousands.

	Business-Type Activities		Major Component Units	
	Total	Current	Total	Current
Notes Payable	\$ 214	\$ 54	\$ 19,092	\$ 1,376
Bonds Payable	20,225	1,730	49,566	7,387
Capital Leases Payable	18,901	1,486	1,379	62
Intergovernmental Payable	-	-	552	29
Total	\$ 39,340	\$ 3,270	\$ 70,589	\$ 8,854

Bonds payable reductions include amortization of premium and discount.

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, \$2,424,525 of internal service fund compensated absences and \$9,118,080 of claims and judgments are included in the above amounts. Other governmental activities compensated absences generally have been liquidated by the General Fund (68%), the Highway Fund (13%), the Federal Fund (10%), and other various funds. Other governmental activities claims and judgments have all been liquidated by the Petroleum Release Compensation Fund.

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3. REFUNDED DEBT

University System

Mayville State University

Mayville State University issued \$2.8 million of Housing and Auxiliary Facilities bonds with an interest rate of 3.9 percent. The bonds were used to recall \$2.7 million of outstanding Series 2010 Housing and Auxiliary bonds. The bonds were refunded to reduce total debt service payments over the next twenty years by \$129,000. The economic gain realized as a result of the refunding was \$109,000.

Mayville State University issued a \$4.3 million note payable with an interest rate of 2.74 percent. The notes were used to recall a \$4.3 million outstanding note payable. The notes were refunded to reduce total debt service payments over the next twelve years by \$233,000. The economic gain realized as a result of the refunding was \$129,000.

North Dakota State University

North Dakota State University issued \$22.5 million of Housing and Auxiliary Facilities bonds with an interest rate of 2.00 to 5.00 percent. The bonds were used to recall \$22.5 million of outstanding Series 2009 Housing and Auxiliary bonds. The bonds were refunded to reduce total debt service payments over the next twelve years by \$4.0 million. The economic gain realized as a result of the refunding was \$2.9 million

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 \$51,000 at June 30, 2018. 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.

O. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurements are used to record fair value adjustments to certain assets, deferred outflows of resources, liabilities and deferred inflows of resources to determine fair value disclosures.

FAIR VALUE HIERARCHY

In accordance with GASB Statement No. 72, assets, deferred outflows of resources, liabilities and deferred inflows of resources are grouped at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

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Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as practical expedient are not classified in the fair value hierarchy.

DETERMINATION OF FAIR VALUE

In accordance with GASB Statement No. 72, fair values are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is the State's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy.

The following is a description of the methodologies used for instruments measured at fair value.

Securities classified in Level 1 are valued using quoted prices in active markets for those securities. Securities classified in Level 2 and Level 3 are valued using methodologies such as various bid evaluations, market averages and other matrix pricing techniques as well as values derived from associated traded securities or last trade data. In instances where inputs used to measure fair value fall into different levels, the fair value is categorized based on the lowest level input that is significant to the valuation.

Investments valued at the net asset value (NAV) per share (or its equivalent) have been classified separately in the table below and include investments considered to be *alternative investments* as defined by the AICPA. 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.

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 (publicly traded stocks or bonds). The State owns units of these funds rather than the individual securities. Contributions or withdrawals from these funds can be made as needed, generally with daily or monthly liquidity, with a notice period of one to fifteen days. Because they are liquid funds, there are no unfunded commitments for these types of investments.

Private Credit - These investments include loans to private companies, privately placed debt of public companies, or loans backed by real assets. Loan repayment can be derived from either cash flows from an operating company or cash flows generated by a physical or esoteric asset. Private debt is typically secured and has various protections/covenants in place. The debt is customized to the borrower's requirement, thus rendering it illiquid. The State includes these strategies within its global fixed income allocation through limited partnership-type structures. Private credit issuers may be investment grade but are typically below-investment grade and similar in some respect to the syndicated bank loan and high yield markets. The State employs two senior private debt funds, commonly referred to as direct lenders, which are structured as custom managed accounts that are not eligible for redemptions during remaining investment lives of 3 to 4 years. The State first committed to the two funds in this category in FY2018 and the unfunded commitments totaled \$177.2 million as of June 30, 2018.

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 sub-asset class for private equity investments within its global equity allocation in the pension pool. The State does not have the option to request redemptions from its private equity funds. The General Partner distributes earnings and proceeds from the sale of the underlying investments as transactions occur. The State has \$300.5 million in unfunded private equity commitments as of June 30, 2018.

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Venture Capital - These include investments in companies in a range of stages of development from start-up/seed stage, early stage, and later/expansion stage. Investments are typically made in years one through six and returns typically occur in years four through ten.

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

Distressed Debt - These include investments in the debt instruments of companies which may be publicly traded or privately held that are financially distressed and are either in bankruptcy or likely candidates for bankruptcy. Typical holdings are senior and subordinated debt instruments, mortgages and bank loans. The State includes these types of investments in its private equity asset class. As of June 30, 2018, unfunded commitments in one of its two distressed debt funds totaled \$46.0 million. The fund is not eligible for redemptions. The other fund is eligible for redemptions with quarterly liquidity and 60 days notice, and has no unfunded commitment.

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. The two funds in this category are not eligible for redemptions, have remaining lives of 2-5 years, and unfunded commitments of \$8.5 million as of June 30, 2018.

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. This is an open-ended fund with monthly liquidity with a notice period of 15 days. There was no unfunded commitment as of June 30, 2018.

Real 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 Assets include Real Estate, Timberland and Infrastructure, as discussed below.

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. There are currently 11 different real estate funds in the portfolio. Three of those funds are open-ended vehicles that accept redemption requests quarterly with a 30-90 day notification period. One fund is wind-down and will be distributing the final proceeds within the next 6-12 months. The remaining seven funds are closed-ended limited partnerships that are not eligible for redemptions. Those eight funds have a combined unfunded commitment of \$79.2 million as of June 30, 2018.

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. There are three funds in the portfolio and they have no unfunded commitments. The funds are not eligible for redemption other than distributions of income and/or proceeds as determined by the investment manager. The funds have remaining lives of 2-8 years.

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 includes these assets within its global real assets allocations. The infrastructure investments in the portfolio as of June 30, 2018, include both open and closed-ended funds. The open-ended funds have no unfunded commitments and are eligible for redemptions quarterly with 90 days notice. There may be a 3-12 month queue for receiving redemptions. The closed-ended funds have unfunded commitments of \$186.3 million at June 30, 2018 and are not eligible for redemptions.

Interest Rate Swap Agreements

Fair values for interest rate swap agreements are based upon the settlement value adjusted by estimated nonperformance risk.

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Derivative Instruments

Fair values of the grain future contracts are determined on the Minneapolis Grain Exchange.

Fair Value

The following table shows the fair value leveling of the State's assets and liabilities at June 30 (expressed in thousands).

Primary Government				
INVESTMENTS MEASURED AT FAIR VALUE	Fair Value 6/30/18	Level 1	Level 2	Level 3
Short term securities:				
Commercial paper	\$ 11,886	\$ -	\$ 11,886	\$ -
Short term bills and notes	166,399	-	166,399	-
Total short term securities	178,285	-	178,285	-
Fixed income investments:				
Asset backed securities	211,701	-	211,701	-
Bank loans	2,636	-	2,636	-
Collateralized bonds	2,752	-	2,752	-
Collateralized mortgage	10,756	-	10,756	-
Commercial mortgage-backed	172,611	-	168,981	3,630
Corporate bonds	1,958,101	-	1,957,837	264
Corporate convertible bonds	24,247	-	24,247	-
Funds - Fixed Income ETF	143,749	143,749	-	-
Government Agencies	1,175,181	1,051,950	121,527	1,704
Government Bonds	906,218	-	906,218	-
Government MBS	1,296,229	1,382	1,294,847	-
Government - issued Commercial Mortgage-Backed	106,687	-	106,687	-
Index Linked Government Bonds	5,944	-	5,944	-
Municipal / Provincial Bonds	34,218	-	34,218	-
Non- Government Backed C.M.O.s	55,798	-	53,407	2,391
Other Fixed Income	2,376	-	2,376	-
Total fixed income investments	6,109,204	1,197,081	4,904,134	7,989
Equity Investments:				
Common stock	4,480,268	4,480,137	75	56
Convertible equity	8,642	6,095	2,547	-
Funds - Equities ETF	433,099	433,099	-	-
Preferred stock	19,009	18,998	11	-
Rights / Warrants	167	167	-	-
Stapled securities	4,865	4,865	-	-
Total equity investments	4,946,050	4,943,361	2,633	56
Other Investments:				
Currency	11,023	-	11,023	-
FX Contracts	488	-	488	-
Global Tactical Asset Allocation MF	603,937	603,937	-	-
Master Limited Partnership	136,909	136,909	-	-
REITs	20,124	20,124	-	-
Real Estate	10,114	-	-	10,114
Swaps	6,896	-	6,896	-
Total other investments	789,491	760,970	18,407	10,114
Derivative Investments:				
Exchange cleared swaps	7,739	-	7,739	-
Options	(517)	(5)	(512)	-
Swaps	5,464	-	5,464	-
Grain future contracts	1,544	1,544	-	-
Total derivative investments	14,230	1,539	12,691	-
Total investments by fair value level	\$ 12,037,260	\$ 6,902,951	\$ 5,116,150	\$ 18,159

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INVESTMENTS MEASURED AT THE NET ASSET VALUE (NAV)	Fair Value 6/30/18	Unfunded Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
Commingled Funds - Debt	\$ 1,790,441	\$ -	Daily, monthly	1 - 15 days
Commingled Funds - Equities	2,391,910	-	Daily, monthly	1 - 15 days
Commingled Funds - Fixed Income	219,963	-	Daily	< 5 days
Distressed Debt	310,992	45,971	Quarterly, not eligible	60 days
Long / short	208,253	-	Monthly	15 days
Mezzanine Debt	540	8,505	Not eligible	Not eligible
Private Credit	238,107	177,200	Not eligible	Not eligible
Private Equity	191,437	300,526	Not eligible	Not eligible
Real Assets	2,409,586	265,460	Quarterly, not eligible	30 - 90 days
Total investments measured at the NAV	7,761,229	\$ 797,662		
Total	\$ 19,798,489			

Component Units

INVESTMENTS MEASURED AT FAIR VALUE	Fair Value 6/30/18	Level 1	Level 2	Level 3
Short term securities				
Short term bills and notes	\$ 3,328	\$ -	\$ 3,328	\$ -
Total short term securities	3,328	-	3,328	-
Fixed income investments:				
Gov't Agencies	42,621	42,621	-	-
Other Fixed Income	89	89	-	-
Total fixed income investments	42,710	42,710	-	-
Equity Investments:				
Stock	21	21	-	-
Other equities	311	311	-	-
Total equity investments	332	332	-	-
Other Investments:				
Mineral acres	23	-	-	23
Total other Investments	23	-	-	23
Total investments	\$ 46,393	\$ 43,042	\$ 3,328	\$ 23

NOTE 4 - NET POSITION

The government-wide Governmental Activities Statement of Net Position reports \$6,355,103,413 of restricted net position, of which \$1,044,848,366 is restricted by enabling legislation.

NOTE 5 - FUND BALANCE

The following table on the next page presents further display the fund balances by major purpose.

Included in the General Fund, unassigned fund balance is \$5,696,315,839 for the North Dakota Legacy Fund. The Legacy Fund was established with thirty percent of total revenue derived from taxes on oil and gas production or extraction. The principal and earnings of the Legacy Fund may not be spent until after June 30, 2017, and an expenditure of principal after that date requires a vote of at least two-thirds of the members elected of each house of the legislative assembly. No more than fifteen percent of the principal of the Legacy Fund can be expended during a biennium.

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Governmental Fund Balance By Purpose

	Special Revenue			Nonmajor Governmental Funds	Total
	General	Federal	State		
Fund Balances:					
Nonspendable					
Inventory	\$ 3,030,308	\$ 10,649,336	\$ 9,293,736	\$ -	\$ 22,973,380
Long - Term Receivables	248	30,877	122,598,487	-	122,629,612
Prepaid Expenditures	2,520,660	965,063	3,095,374	-	6,581,097
Permanent Trust fund for Coal Development	-	-	-	69,538,620	69,538,620
Total Nonspendable	<u>5,551,216</u>	<u>11,645,276</u>	<u>134,987,597</u>	<u>69,538,620</u>	<u>221,722,709</u>
Restricted for:					
State Education Aid	-	-	472,388,484	-	472,388,484
Distribution to					
Common Schools	-	-	4,571,686,282	-	4,571,686,282
Health & Human Services	-	-	2,100,165	-	2,100,165
Oil & Tax Resources	-	-	304,254,160	-	304,254,160
Public Safety & Corrections	-	-	4,295,410	-	4,295,410
Agriculture & Commerce	-	-	52,204,743	-	52,204,743
Natural Resources	-	-	32,210,552	-	32,210,552
Highway Projects	-	-	527,320,566	-	527,320,566
Transportation	-	-	26,355,849	-	26,355,849
Debt Services	-	-	-	760,820	760,820
Strategic Investments & Improvements	-	-	15,415,599	-	15,415,599
Capital Improvement Projects	8,990,891	-	-	-	8,990,891
Other	-	4,545,516	110,971,964	-	115,517,479
Total Restricted	<u>8,990,891</u>	<u>4,545,516</u>	<u>6,119,203,774</u>	<u>760,820</u>	<u>6,133,501,001</u>
Committed to:					
Judicial & Legal	-	-	10,783,433	-	10,783,433
Public Safety & Corrections	27,754,654	-	2,217,657	-	29,972,311
Agriculture & Commerce	11,208,467	-	9,126,829	-	20,335,296
Strategic Investments & Improvements	-	-	109,960,449	-	109,960,449
Tax Relief	200,000,000	-	-	-	200,000,000
Stabilization	113,548,388	-	-	-	113,548,388
Other	59,200,260	-	266,414,371	52,672	325,667,303
Total Committed	<u>411,711,769</u>	<u>-</u>	<u>398,502,739</u>	<u>52,672</u>	<u>810,267,180</u>
Assigned to:					
Education	-	-	5,607,239	-	5,607,239
Human Services & Health Operations	-	-	127,124,618	-	127,124,618
Judicial & Legal	-	-	10,157,395	-	10,157,395
Strategic Investments & Improvements	-	-	229,325,049	-	229,325,049
Agriculture & Commerce	-	-	2,874,637	-	2,874,637
Other	-	-	6,643,113	-	6,643,113
Total Assigned	<u>-</u>	<u>-</u>	<u>381,732,051</u>	<u>-</u>	<u>381,732,051</u>
Unassigned	6,242,855,378	-	-	-	6,242,855,378
Total Fund Balances	<u>\$ 6,669,109,254</u>	<u>\$ 16,190,792</u>	<u>\$ 7,034,426,161</u>	<u>\$ 70,352,112</u>	<u>\$ 13,790,078,319</u>

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NOTE 6 - RETIREMENT SYSTEMS

A. DESCRIPTION OF PLANS

The State of North Dakota administers four major retirement systems: North Dakota Public Employees' Retirement System, North Dakota Highway Patrolmen's Retirement System, Retirement Plan for the Employees of Job Service North Dakota and the Teachers' Fund for Retirement. The State also administers the North Dakota Defined Contribution Retirement Plan, which was established January 1, 2000. 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, peace officers and correctional officers employed by political subdivisions and as of August 1, 2017, firefighters employed by participating 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, 2018, the number of participating political subdivisions in PERS was:

Cities	91
Counties	49
School Districts	126
Other	84
Total Participating Local Political Subdivisions	<u>350</u>

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 and the defined contribution plan 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; two members of the legislative assembly appointed by a chairman of the legislative management, three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees.

The costs of administering the plan 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. 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

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more years of service. 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 who have earned five years of credited service, 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 members 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 member 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.

Refunds of Member Contributions

Upon termination, if a member 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), they will receive the accumulated member 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 a member terminated and withdrew their accumulated employee contribution and is subsequently re-employed, they have the option of repurchasing their prior service.

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). Members that made a qualifying election under Senate Bill 2015 to move from the Defined Contribution Plan back to the Defined Benefit Plan have a 2% increase on employee contributions.

Member contributions are set by state statute 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

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political subdivisions are paying all or part of the member contributions. Employer contributions are set by statute 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:

	<u>Member Contributions</u>	<u>Employer Contributions</u>
PERS*	7.00%	7.12%
Judges Retirement System	8.00%	17.52%
Law Enforcement with previous service		
State – BCI Plan	6.00%	9.81%
State – National Guard	5.50%	9.81%
Political subdivisions	5.50%	9.81%
Law Enforcement without previous service	5.50%	7.93%

*Members making the election to move from the Defined Contribution Plan back to the Defined Benefit Plan as a result of Senate Bill 2015 pay a 9.00% employee contribution.

The entry age normal cost method determines the amount of contributions necessary to fund; (a) the current service cost, which represents the estimated amount necessary to pay for benefits earned by employees during the current service year and, (b) the prior service cost, which represents the amount necessary to pay for benefits earned prior to the effective date of the plan.

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 is not sufficient to meet the actuarially determined requirement for 2017-2018.

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. See PERS Administration note for composition of the Retirement Board. Benefit and contribution provisions are administered in accordance with chapter 39-03 of the North Dakota Century Code.

The costs of administering the plan are financed through the contributions and investment earnings of the 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 pension benefits upon attainment of age 55 and 10 years of eligible employment 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.

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Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than 10 years of credited service, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member 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 member's accrued normal retirement benefit. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to any designated beneficiary.

Eligible members 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 member must meet the criteria established by the Retirement Board for being totally disabled and apply for benefits within one year of termination.

Refunds of Member Contributions

Upon termination, if a member is not vested (is not 65 or is not 60 or does not have ten years of service credited for NDHPRS), they will receive the accumulated member 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 a member 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 covered compensation. The State is paying 4.0% of the member contribution. The member contribution rate is 13.3% and the employer rate is 19.7%.

The entry age normal cost method determines the amount of contributions necessary to fund; (a) the current service cost, which represents the estimated amount necessary to pay for benefits earned by employees during the current service year and, (b) the prior service cost, which represents the amount necessary to pay for benefits earned prior to the effective date of the plan.

An open period of 20 years to fund accrued liabilities for the NDHPRS has been adopted for the July 1, 1996 valuation. Currently, the present rate of contributions is not sufficient to meet the actuarially determined requirement for 2017-2018.

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.

The costs of administering the plan are financed through the contributions and investment earnings of the plan.

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.

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

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

Refunds of Member Contributions

Upon termination, if a member of the JSND System terminates employment before retirement payments begin, participation in the retirement plan will cease. No further additions to retirement income will accrue on the member's behalf, and the member may be paid under one of the following options.

- * The member may be paid an amount of retirement income with payments starting at Normal, Optional, or Early Retirement Date. The amount of that income will be equal to the amount provided under the formula according to the member's years of credited service and earnings.
- * The member may receive a cash withdrawal benefit equal to the total of the member's contributions and employer contributions made on their behalf, plus 4 percent interest compounded annually. The member may elect this option at any time after withdrawal and before Normal, Optional, or Early Retirement Date, but such benefit shall be in place of all other benefits under the retirement benefits section.

Contributions

Employees' contributions are established at 7.0% of total compensation. 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. 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, 3442 East Century Avenue, P.O. Box 7100, Bismarck, North Dakota 58507-7100.

At June 30, 2018, the number of participating employer units in TFFR was:

<u>Type</u>	<u>Number</u>
Public School Districts	176
County Superintendents	6
Special Education Units	19
Vocational Education Units	4
Other	9
Total	<u>214</u>

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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 statutes 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.

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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 five years 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. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstance defined by state statute.

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:	11,704	127	196	8,743
Special prior service retirees:	-	-	-	-
Terminated Employees:				
Vested	6,188	31	1	1,623
Nonvested	5,998	11	-	971
Active Employees:				
Vested	17,023	72	7	7,696
Nonvested	6,460	82	-	3,185
Total plan membership	<u>47,373</u>	<u>323</u>	<u>204</u>	<u>22,218</u>
Date of annual valuation	July 1, 2018	July 1, 2018	July 1, 2018	July 1, 2018

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 for PERS, NDHPRS and JSND. 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 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-

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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.

The following was the asset allocation policy as of June 30, 2018:

	Target Allocation			
	PERS and NDHPRS	JSND	TFFR	RHIC**
Domestic equities	30.0%	18.0%	0.0%	46.0%
International equities	21.0%	12.0%	0.0%	14.0%
Private equity	7.0%	6.0%	0.0%	0.0%
Domestic fixed income	23.0%	64.0%	0.0%	40.0%
International fixed income	0.0%	0.0%	0.0%	0.0%
Global real assets	19.0%	0.0%	18.0%	0.0%
Global equity*	0.0%	0.0%	58.0%	0.0%
Global fixed income	0.0%	0.0%	23.0%	0.0%
Cash equivalents	0.0%	0.0%	1.0%	0.0%
Total	100.00%	100.00%	100.00%	100.00%

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

**See note 7 for further details of the RHIC OPEB Plan.

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, 2018:

PERS	9.21%
NDHPRS	9.16%
JSND	3.32%
TFFR	9.15%
RHIC**	7.01%

**See note 7 for further details of the RHIC OPEB Plan.

METHOD USED TO VALUE INVESTMENTS

Investments are recorded at fair value determined by reference to published market data for publicly traded securities and through the use of independent valuation services and appraisals for other investments. The net increase in fair value of investments consists of the realized gains or losses and the unrealized increase or decrease in fair value of investments during the year. Realized gains and losses on sales of investments are computed based on the difference between the sales price and the original cost of the investment sold. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current fiscal year were included as a change in the fair value of investments reported in the prior year(s) and the current year. Unrealized gains and losses are computed based on changes in the fair value of investments between years. Security transactions are accounted for on a trade date basis. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date.

Investments of PERS and NDHPRS are commingled and invested. Earnings on the investments and expenses relating to administering the plans are allocated to each plan based upon their percentage of ownership or number of participants.

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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, 2018, the following are the net realized gains (losses):

PERS	\$126,712,660
NDHPRS	3,415,135
JSND	1,933,894
TFFR	108,984,395
Retiree Health Insurance Credit (RHIC)	6,678,355
Defined Contribution Plan	65,647
Deferred Compensation Plan	1,933,894

C. FUNDING STATUS AND PROGRESS

NET PENSION LIABILITY OF THE PLANS

The components of the net pension liability of the Plans at June 30, 2018 were as follows (expressed in thousands):

	<u>PERS</u>	<u>NDHPRS</u>	<u>JSND</u>	<u>TFFR</u>
Total pension liability	\$ 4,675,582	\$ 98,386	\$ 68,129	\$ 3,863,515
Plan fiduciary net position	(2,970,180)	(78,929)	(95,588)	(2,530,657)
Net pension liability (asset)	<u>\$ 1,705,402</u>	<u>\$ 19,457</u>	<u>\$ (27,459)</u>	<u>\$ 1,332,858</u>
Plan fiduciary net position as a percentage of the total pension liability	63.53%	80.22%	140.30%	65.50%

ACTUARIAL ASSUMPTIONS

PERS and HPRS

The total pension liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions:

Inflation: 2.50%

Salary Increase (Payroll Growth):

Service at Beginning of Year:	Increase Rate:
0	15.00%
1	10.00%
2	8.00%
Age*	
Under 36	8.00%
36 - 40	7.50%
41 - 49	6.00%
50+	5.00%

*Age-based salary increase rates apply for employees with three or more years of service.

Investment Rate of Return: 7.75%, 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%.

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JSND

The total pension liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions:

Inflation: 2.50%

Salary Increase (Payroll Growth): 3.50% per annum

Investment Rate of Return: 4.75%, net of investment expense, including inflation.

Cost of Living Adjustment: 2.50 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, 2018, 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.

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:

<u>PERS and NDHPRS</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>JSND</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>TFFR</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	6.05%	Domestic equities	4.75%	Global equity	6.70%
International equity	6.71%	Core fixed income	1.91%	Global fixed income	1.50%
Private equity	10.20%	Limited duration fixed income	1.13%	Global real assets	5.10%
Domestic fixed income	1.45%	Global equity	5.31%	Cash equivalents	0.00%
International fixed income	0.00%	Diversified short-term fixed income	1.66%		
Global real assets	5.11%	Short-term corporate fixed income	0.49%		
Cash equivalents	0.00%	US high yield	3.49%		
		Emerging market debt	4.68%		

STATE OF NORTH DAKOTA

DISCOUNT RATE

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.62%; and the resulting Single Discount Rate is 6.32%.

For HPRS, the discount rate used to measure the total pension liability was 7.75% as of June 30, 2018.

For JSND, the discount rate was 4.75% as of June 30, 2018. 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, 2018 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 service 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 were projected to be available to make all projected future benefit payments for current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

For TFFR, the discount rate was 7.75% as of June 30, 2018. 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, 2018 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 service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions TFFR's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of July 1, 2018. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

SENSITIVITY OF NET PENSION LIABILITY

The following presents the net pension liability of the Plans as of June 30, 2018, calculated using the discount rate of 6.32% for PERS, 7.75% for NDHPRS, 4.75% 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, 2018	1% Decrease (5.32%)	Current Discount Rate (6.32%)	1% Increase (7.32%)
PERS	\$ 2,329,779,172	\$ 1,705,401,479	\$ 1,184,631,808
Net Pension Liability (Asset) As of June 30, 2018	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
NDHPRS	\$ 32,041,790	\$ 19,456,960	\$ 8,997,526
Net Pension Liability (Asset) As of June 30, 2018	1% Decrease (4.70%)	Current Discount Rate (5.70%)	1% Increase (6.70%)
JSND	\$ (20,228,759)	\$ (27,459,900)	\$ (33,588,893)
Net Pension Liability (Asset) As of June 30, 2018	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
TFFR	\$ 1,799,744,383	\$ 1,332,858,315	\$ 944,554,161

STATE OF NORTH DAKOTA

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, 2018*		
	JSND	NDHPRS
Total pension liability (asset)		
Service cost	\$ 55,500	\$ 2,701,326
Interest	4,130,232	6,951,177
Change of benefit terms	-	-
Difference between expected and actual experience	(1,648,283)	21,564
Changes of assumptions	4,421,401	1,257,370
Benefit payments, including refund of employee contributions	(4,534,153)	(4,806,319)
Net change in total pension liability (asset)	2,424,697	6,125,118
Total pension liability (asset) - beginning	61,204,772	87,921,960
Total pension liability (asset) - ending (a)	\$ 63,629,469	\$ 94,047,078
Plan fiduciary net position		
Contributions - employer	\$ -	\$ 2,155,944
Contributions - employee	39,417	1,455,540
Contributions - service credit repurchase	-	249,436
Contributions - other	-	-
Net investment income	5,238,877	8,500,573
Benefit payments, including refund of employee contributions	(4,534,153)	(4,806,319)
Administrative expense	(12,684)	(30,195)
Net change in plan fiduciary net position	731,457	7,524,979
Plan fiduciary net position - beginning	96,533,954	65,811,337
Plan fiduciary net position - ending (b)	\$ 97,265,411	\$ 73,336,316
Net pension liability (asset) - ending (a) - (b)	\$ (33,635,942)	\$ 20,710,762
Plan fiduciary net position as a percentage of the total pension liability (asset)	152.86%	77.98%
Covered employee payroll	\$ 498,564	\$ 10,629,403
Plan net pension liability (asset) as a percentage of covered employee payroll	-6746.56%	194.84%

*The 2018 information presented has a measurement date of June 30, 2017.

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JOB SERVICE NORTH DAKOTA (JSND)

Net Pension Asset

At June 30, 2018, the State recorded a net pension asset of \$33,635,942 for all of the Job Service North Dakota pension plan. The net pension asset was measured as of June 30, 2017 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, 2018 the State recognized pension expense of 856,411. At June 30, 2018 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, 2018

	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	2,914,899	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-	-	-
Employer contributions subsequent to the measurement date	-	-	-	-
Total	\$ 2,914,899	\$ -	\$ -	\$ -

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
2019	\$ 526,579	\$ -
2020	1,494,644	-
2021	620,996	-
2022	272,680	-
Total	\$ 2,914,899	\$ -

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 5.7 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 (4.7 percent) or 1-percentage-point higher (6.7 percent) than the current rate:

	1% Decrease (4.7%)	Current Discount Rate (5.7%)	1% Increase (6.7%)
State's proportionate share of the net pension asset	\$ (27,182,597)	\$ (33,635,942)	\$ (39,131,324)

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NORTH DAKOTA HIGHWAY PATROLMEN'S RETIREMENT SYSTEM (NDHPRS)

Net Pension Liability

At June 30, 2018, the State recorded a net pension liability of \$20,710,762 for all of the North Dakota Highway Patrolmen's Retirement System pension plan. The net pension liability was measured as of June 30, 2017 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, 2018 the State recognized pension expense of \$3,659,448. At June 30, 2018 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, 2018

	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	\$ 626,340	\$ (113,652)	\$ -	\$ -
Changes of assumptions	4,058,096	-	-	-
Net difference between projected and actual earnings on pension plan investments	579,335	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-	-	-
Employer contributions subsequent to the measurement date	2,152,970	-	-	-
Total	<u>\$ 7,416,741</u>	<u>\$ (113,652)</u>	<u>\$ -</u>	<u>\$ -</u>

\$2,152,970 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, 2019.

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
2019	\$ 914,783	\$ -
2020	1,854,997	-
2021	1,307,972	-
2022	332,687	-
2023	674,366	-
Thereafter	65,314	-
Total	<u>\$ 5,150,119</u>	<u>\$ -</u>

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 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
State's proportionate share of the net pension asset	\$ 32,746,885	\$ 20,710,762	\$ 10,712,591

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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, 2017, current and newly eligible members of the National Guard System were transferred to the Law Enforcement System.

At June 30, 2018, the State recorded a net pension liability of \$833,182,457 for all of the PERS system. The net pension liability was measured as of June 30, 2017 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, 2017 the State's proportion was 51.8799 percent, which is an decrease of 1.5414 percent from the prior year.

The State's discrete component unit, North Dakota Public Finance Authority, also participates in. At June 30, 2018, the discrete component units recorded a net pension liability of \$266,000 for all of the PERS system. The net pension liability was measured as of June 30, 2017 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, 2017 the discrete component unit's proportion was 0.01652 percent, which is an increase of 0.0017 percent from the prior year.

Deferred Inflows and Outflows of Resources

For the year ended June 30, 2018 the State recognized pension expense of \$122,809,887 and the component unit recognized pension expense of \$39,000. At June 30, 2018 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, 2018

	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	\$ 5,452,478	\$ (6,510,117)	\$ 2,000	\$ (1,000)
Changes of assumptions	349,225,163	(19,810,254)	109,000	(6,000)
Net difference between projected and actual earnings on pension plan investments	11,740,810	(51,093)	4,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,052,433	(29,420,642)	1,000	(8,000)
Employer contributions subsequent to the measurement date	39,101,263	-	9,000	-
Total	<u>\$ 415,572,147</u>	<u>\$ (55,792,106)</u>	<u>\$ 125,000</u>	<u>\$ (15,000)</u>

\$39,101,263 and \$9,000 reported as deferred outflows of resources related to pensions resulting from State and component unit contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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
2019	\$ 68,412,239	\$ 22,000
2020	85,134,430	26,000
2021	73,310,756	23,000
2022	59,638,496	19,000
2023	34,182,857	11,000
Total	<u>\$ 320,678,778</u>	<u>\$ 101,000</u>

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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 6.44 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 (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate:

	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
State's proportionate share of the net pension asset	\$ 1,137,524,129	\$ 833,182,457	\$ 579,879,820
Component's proportionate share of the net pension liability	361,000	266,000	187,000

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, 2018, the State recorded a net pension liability of \$8,968,372 for all of the TFFR. The net pension liability was measured as of June 30, 2017 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, 2018 the State's proportion was 0.65294 percent, which is a decrease of 0.01340 percent from the prior year.

Deferred Inflows and Outflows of Resources

For the year ended June 30, 2018 the State recognized pension expense of \$917,736. At June 30, 2018 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, 2018

	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	\$ 34,400	\$ (97,903)	\$ -	\$ -
Changes of assumptions	639,232	-	-	-
Net difference between projected and actual earnings on pension plan investments	123,878	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	795,170	(626,168)	-	-
Employer contributions subsequent to the measurement date	560,589	-	-	-
Total	\$ 2,153,269	\$ (724,071)	\$ -	\$ -

\$560,589 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, 2018.

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
2019	\$ 209,221	\$ -
2020	403,529	-
2021	281,871	-
2022	68,447	-
2023	(61,064)	-
Thereafter	(33,395)	-
Total	\$ 868,609	\$ -

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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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
State's proportionate share of the net pension liability	\$ 11,923,608	\$ 8,968,372	\$ 6,508,225

F. PENSION SUMMARY

The following is a summary of the pension related items for all plans of the State as of and for the year ended June 30, 2018.

<u>Pension Plan</u>	<u>Net Pension Asset</u>	<u>Deferred Outflows of Resources Pension</u>	<u>Net Pension Liability</u>	<u>Deferred Inflows of Resources Pension</u>	<u>Pension Expense</u>
Job Service North Dakota ND Highway Patrolmen's Retirement System	\$ 33,635,942	\$ 2,914,899	\$ -	\$ -	\$ 856,411
ND Public Employees' Retirement System	-	7,416,741	20,710,762	113,652	3,659,448
ND Teachers' Fund for Retirement	-	415,572,147	833,182,457	55,792,106	122,809,887
	-	2,153,269	8,968,372	724,071	917,736
Total	<u>\$ 33,635,942</u>	<u>\$ 428,057,056</u>	<u>\$ 862,861,591</u>	<u>\$ 56,629,829</u>	<u>\$ 128,243,482</u>

G. 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 was available to state employees who are in positions not classified by the Human Resource Management Services division of the State of North Dakota. Employees under the judicial branch or the Board of Higher Education and State Institutional under jurisdiction of the Board of Higher Education are not eligible to participate in the plan. The 2013 Legislative Assembly passed legislation to expand eligibility to the plan to include all new state employees hired on or after October 1, 2013 through July 31, 2017. The Defined Contribution Plan had 108 participants as of June 30, 2018.

The administrative costs of the Defined Contribution Plan are funded by forfeitures of non-vested employee contributions 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.

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.

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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%. Pension expense totaled \$512,791 for the year ended June 30, 2018.

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.

H. 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.

All benefits vest immediately to the participant. The plan requires employee and employer contributions be based on a classification system and years of service based on the schedule shown below.

Employment Class	Years Of Service	By The Participant	By The Institution	Total
I and III	0 thru 10	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)	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%

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 \$42.3 million to TIAA-CREF during the fiscal year ending June 30, 2018.

NOTE 7 - POST-RETIREMENT BENEFITS

A. *IMPLICIT SUBSIDY UNFUNDED PLAN*

The Implicit Subsidy Unfunded Plan provides health insurance coverage to eligible retirees who are not eligible for Medicare. The premiums for this coverage are set under North Dakota Century Code 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 this 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 2017-19 biennium will continue in the future.

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

OPEB Liability

The total net OPEB liability of the plan as of June 30, 2018, determined using a June 30, 2017 measurement date is \$4,297,160.

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Actuarial Assumptions

Mortality Rates: RP-2014 using mortality scale MP-2017.

Withdrawal Rates: Rates of withdrawal from active service before retirement other than death, rates of disability and expected retirement ages developed on the basis of an investigation of actual plan experience.

Interest Rate: 6.56% per annum, net of investment expense

Inflation: 3% per annum

Expenses: Prior year expense, adjusted for inflation

B. RETIREE HEALTH INSURANCE CREDIT – PLAN INFORMATION

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, the Highway Patrolmen's Retirement System and judges retired under Chapter 27-17 of the North Dakota Century Code 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.

Regular employees hired under the Retirement Plan for Employees of Job Service North Dakota prior to October 1, 1980 are eligible to participate in the Retiree Health Insurance Credit 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 a qualifying 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 Insurance Credit Fund monthly for credit received by members of the retirement plan established by Job Service North Dakota.

Responsibility for administration of the NDPERS defined benefit OPEB plan 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, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Employee membership is as follows:

Retirees receiving benefit	11,823
Active participants	<u>23,747</u>
Total Membership	<u><u>35,570</u></u>

OPEB Contributions

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% 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% 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 OPEB trust funds.

OPEB Benefits

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, the Highway Patrolmen's Retirement System, or the Defined Contribution Retirement Plan, the Chapter 27-17 judges 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

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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.

Net OPEB Liability of the Plan

The components of the net OPEB liability of the plan at June 30, 2018 is as follows (expressed in thousands):

	<u>RHIC</u>
Total OPEB liability	\$ 206,663
Plan fiduciary net position	<u>(127,906)</u>
Net OPEB liability (asset)	<u>\$ 78,757</u>
RHIC fiduciary net position as a percentage of the total OPEB liability	61.89%

Actuarial Assumptions

RHIC Inflation: 2.50%

Salary Increase (Payroll Growth): Not applicable.

Investment Rate of Return: 7.50%, 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 Retiree Mortality Table set back one year for males (not setback for females), multiplied by 125%.

Other Notes: There were no benefit changes during the year. Investment return assumption was lowered from 8.00 percent to 7.50 percent. All other actuarial assumptions were adopted by the Board and are based on an experience study covering the period July 1, 2009 through June 30, 2014. The employer rate to the System is the statutory contribution rate of 1.14% of payroll.

Investment Rate of Return

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of RHIC 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 of 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 as of July 1, 2018 is summarized in the following table:

<u>RHIC</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equities	5.80%
Small Cap Domestic Equities	7.05%
International equities	6.20%
Core-Plus Fixed Income	1.46%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018 HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit

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payments of current plan members. Therefore, the long term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of Net OPEB Liability (Asset)

The following presents the net OPEB liability of the Plans as of June 30, 2018, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB 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 OPEB Liability (Asset) As of June 30, 2018	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
RHIC	\$ 99,646,206	\$ 78,756,813	\$ 60,849,154

The benefit provided by the North Dakota Retiree Health Insurance Credit Fund is a fixed dollar subsidy and is not affected by healthcare cost trend. Therefore, a sensitivity analysis was not performed.

C. RETIREE HEALTH INSURANCE CREDIT – STATE’S SHARE

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Proportionate Share of Net OPEB Liability

At June 30, 2018, the State reported a liability of \$40,876,801 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The State’s proportion of the net OPEB liability was based on the State’s share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2018, the State’s proportion was 51.545839 percent.

Deferred Inflows and Outflows of Resources

For the year ended June 30, 2018 the State recognized OPEB expense of \$5,589,019. At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

State of North Dakota Deferred Outflows and Inflows of Resources June 30, 2018

	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	\$ -	\$ (997,041)	\$ -	\$ -
Changes of assumptions	3,959,240	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	(1,544,914)	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	123,036	(52,926)	-	-
Employer contributions subsequent to the measurement date	6,371,425	-	-	-
Total	<u>\$ 10,453,701</u>	<u>\$ (2,594,881)</u>	<u>\$ -</u>	<u>\$ -</u>

\$6,371,425 reported as deferred outflows of resources related to OPEB resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

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

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Year ended June 30:

	Primary Government	Component Units
2019	\$ 83,537	\$ -
2020	83,537	-
2021	83,537	-
2022	93,537	-
2023	485,016	-
Thereafter	658,231	-
Total	<u>\$ 1,487,395</u>	<u>\$ -</u>

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

The following presents the net OPEB liability of the Plans as of June 30, 2017, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
State's proportionate share of the net pension liability	\$ 51,167,280	\$ 40,876,801	\$ 32,047,550

D. JOB SERVICE NORTH DAKOTA – MET LIFE INSURANCE BENEFIT

MET LIFE INSURANCE BENEFIT

Job Service North Dakota engaged an actuary to determine the Agency's liability for post-employment benefits other than pensions as of July 1, 2018. The actuary determined the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense the Agency has to record as of June 30, 2018. Requests to obtain or review the actuary report should be addressed to the Finance Manager – P.O. Box 5507 Bismarck, North Dakota, 58506-5507.

Plan Description

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, a single-employer 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 rounded up to the nearest thousand plus two thousand 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 but no less than \$10,000. The actuary report of the Met Life Insurance Benefit is the only financial report produced for this benefit and is available as indicated above. Job Service North Dakota has authority to change the funding and benefit policy of this plan.

Membership of the Other Post Retirement Benefit plan consisted of the following at July 1, 2018, the date of the latest actuarial valuation:

Retirees and beneficiaries currently receiving benefits	169
Terminated employees entitled to benefits but not yet receiving them	0
Current vested employees	14
Total	<u>183</u>

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The Employer reported a liability of \$1,490,632 at June 30, 2018 for its net OPEB liability. The net OPEB liability was measured as of July 1, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2018, the Employer recognized OPEB expense of \$46,632. The Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following:

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	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	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,983	-
Total	<u>\$ 3,983</u>	<u>\$ -</u>

Actuarial Assumptions

The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>July 1, 2018</u>
Inflation	none
Salary increases	5%
Discount rate	2.98% per annum

Mortality rates were based on the RP-2014 Total Dataset Mortality Table adjusted to based year 2006, projected with Scale MP-2017.

Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plans as of June 30, 2018, calculated using the discount rate of 2.98%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.98 percent) or 1-percentage-point higher (3.98 percent) than the current rate:

Net OPEB Liability (Asset) As of June 30, 2018	1% Decrease (1.98%)	Current Discount Rate (2.98%)	1% Increase (3.98%)
Met Life	\$ 1,679,852	\$ 1,490,632	\$ 1,334,056

Schedule of Changes in Net OPEB Liability

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Plan Net Position (b)</u>	<u>Net OPEB Liability (a) - (b)</u>
Balances at 6/30/17	<u>\$ 1,523,667</u>	<u>\$ -</u>	<u>\$ 1,523,667</u>
Changes for the Year:			
Service cost	3,497	-	3,497
Interest	43,135	-	43,135
Benefit changes	-	-	-
Experience losses (gains)	-	-	-
Changes of assumptions	-	-	-
Contributions - Employer	-	79,667	(79,667)
Benefits paid	(79,667)	(79,667)	-
Administrative expenses	-	-	-
Net changes	<u>(33,035)</u>	<u>-</u>	<u>(33,035)</u>
Balances at 6/30/18	<u>\$ 1,490,632</u>	<u>\$ -</u>	<u>\$ 1,490,632</u>

The plan provisions used in the measurement of the net OPEB liability are the same as those used in the Actuarial Valuation as of July 1, 2018.

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E. OPEB SUMMARY

The following is a summary of the OPEB related items for all plans of the State as of and for the year ended June 30, 2018.

<u>OPEB Plan</u>	<u>Deferred Outflows of Resources - OPEB</u>	<u>Net OPEB Liability</u>	<u>Deferred Inflows of Resources - OPEB</u>	<u>OPEB Expense</u>
ND Public Employees' Retirement System	\$ 10,453,701	\$ 40,876,801	\$ 2,594,881	\$ 5,589,019
JSND Met Life Insurance Benefit	3,983	1,490,632	-	46,632
Total	<u>\$ 10,457,684</u>	<u>\$ 42,367,433</u>	<u>\$ 2,594,881</u>	<u>\$ 5,635,651</u>

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 lesser of \$18,500 or 100% of gross annual compensation for calendar year 2018. 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	\$ 99,852	89%
Other Jurisdictions	<u>12,975</u>	<u>11%</u>
Total Value	<u>\$ 112,827</u>	<u>100%</u>

The deferred compensation plan had 13,188 participants as of June 30, 2018.

NOTE 9 - PERS UNIFORM GROUP INSURANCE PROGRAM

The PERS Uniform Group Insurance Program, an enterprise fund, contracts with Sanford Health Plan 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 2015-2017 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 2015-2017 biennium will occur in 2019. For this period, the System was at risk for \$3.0 million and because it is reasonably assured that claims will exceed premiums, the risk was recorded as an underwriting loss in 2016. The System entered into a similar contract with Sanford Health Plan for the 2017-2019. The final gain or loss is determined two years after the end of the biennium, which for the 2017-2019 biennium will occur in 2021. In the event of a loss, the System does not have any risk. No other insurance contracts have a gain sharing provision.

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, 2018, was as follows (expressed in thousands):

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	Home-Ownership Bond Funds
Condensed Statement of Net Position	
Current assets – other	\$ 223,945
Noncurrent assets – other	958,199
Total Assets	1,182,144
Deferred outflow of resources	1,239
Current liabilities – other	60,033
Noncurrent liabilities – other	953,561
Total Liabilities	1,013,594
Net position – restricted	169,789
Total Net Position	\$ 169,789

Condensed Statement of Revenues, Expenses and Change in Fund Net Position	
Operating revenues	\$ 36,727
Operating expenses	(29,245)
Operating income	7,482
Change in net position	7,482
Total net position, beginning of year	163,049
Equity transfer out	(742)
Total net position, end of year	\$ 169,789

Condensed Statement of Cash Flows	
Net cash used by operating activities	\$ (94,793)
Net cash used for noncapital financing activities	166,665
Net cash from investing activities	(11,710)
Net change in cash and cash equivalents	60,162
Cash and cash equivalents, beginning of year	110,369
Cash and cash equivalents, end of year	\$ 170,531

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 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.

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.

BSC Foundation's financial statements include these transactions 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.

	BSC	BSC Foundation
NECE Building	\$ 9,548,989	\$ 10,846,116
Accumulated Depreciation	(2,062,870)	(2,641,913)
Net Value of NECE Building	\$ 7,486,119	\$ 8,204,203

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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.

On August 13, 2015, BSC and Student Housing, LLC entered into a 5-year lease agreement to operate student housing services in the two newly constructed housing units (Ritchie Hall and Gate City Bank Hall). Under the agreement, BSC is responsible for payment of all rent, maintenance, and daily repair/maintenance of the facility, and restrictions of use of the facility as set forth in the lease. Student Housing, LLC is responsible for major repairs/maintenance and property and liability insurance on the facilities. The lease is classified as an operating lease on BSC financial statements and Student Housing, LLC financial statements includes the capitalized asset.

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, 2014, 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.

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, 2014, the court appointed Sean Smith, JD, CPA, to act as the receiver for DSUF. The court order included the following directives:

- 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 September 2016. In the seventh interim report, dated August 31, 2015, the receiver recommended that DSUF be dissolved. This recommendation was 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 indicated that the foundation had total net restricted assets in an amount less than total permanently and temporarily restricted donations.

The Office of Attorney General requested the commencement of dissolution for DSUF. On August 30, 2017, Stark County District Court Judge William Herauf issued an Order that, in part, approved a settlement reached between the

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Attorney General and the DSUF's major creditors. The Order also resolved all claims against the DSUF, allowing for the distribution of assets and final closure of the issues surrounding the DSUF.

On June 20, 2017, a settlement agreement was signed by the SBHE, DSU and five financial institutions whereby an amount of \$3.1 million will be paid to the financial institutions to repay the outstanding debt related to the Biesiot Activities Center. The 2017 North Dakota Legislative Assembly provided an appropriation to Dickinson State University for the settlement amount. The settlement was paid in July 2017 consistent with the terms of the settlement agreement.

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.

There is a cash reserve account remaining in excess of \$300,000 pending the outcomes of resolving claims from the U.S. Internal Revenue Service relating to Charitable Remainder Trusts. All tax returns have been filed by the court appointed Receiver. The U.S. Internal Revenue Service has approved one of the returns and the remainder of the returns are pending review. Once all returns are approved, any remaining cash will be distributed to the DSU Heritage Foundation and a final Receiver's report will be filed to obtain Court approval of the final distribution and closing the receivership dissolution action.

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 assets. In fiscal year 2014, the DSUF's independent auditors were 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 through fiscal year 2018.

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.

NORTH DAKOTA STATE UNIVERSITY AND NDSU RESEARCH AND TECHNOLOGY PARK, INC.

On December 30, 1999, North Dakota State University (NDSU), 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 (RTP), Inc. (component unit) leases 40 acres of land for \$1 per year for the next seventy-five years.

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 2017, NDSU and the RTP entered into renewed agreements, whereby NDSU leases the Research Buildings #1 and #2 through June 30, 2032. During fiscal year 2018, total annual rent of \$312,000 was paid by NDSU for these two buildings, in addition to the \$1,781,951 of principal and interest paid by NDSU directly to the bond trustee. NDSU reimbursed the RTP \$30,556 for property insurance on the two buildings and 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.

NDSU FOUNDATION

On January 1, 2018, the North Dakota State University Development Foundation and the North Dakota State University Alumni Association changed its name to NDSU Foundation.

FARGODOME LEASE AND IMPROVEMENTS

In fiscal year 2006, the Foundation financed the construction and equipping of office space, locker rooms, meetings 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 NDSUFAA 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 Foundation incident to the lease, less any contributions received by the Foundation for the

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project. Under this agreement in fiscal year 2018, the Foundation paid the debt service and other fees on behalf of NDSU in the amount of \$331,996.

The facility is included in long-term investments and the debt is included in long-term liabilities on the financial reports of the Foundation. NDSU has also recorded a capital asset and a capital lease payable, reflected as "Due to Component Units" by NDSU, of \$741,768 as of June 30, 2018. Since the foundation is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for 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 Foundation by NDSU alum in December of 2001. During fiscal year 2003 and 2004, the Foundation renovated the building with the intent to lease the facility to NDSU beginning fall 2004. The Foundation transferred nearly the entire ownership of the building to 650 NP Avenue, LLC and Kilbourne Design Group, LLC, for a five-year period in order to achieve tax credits that would ultimately reduce the cost of the building to NDSU. During the five-year tax credit period, NDSU leased the building from the two LLCs, with the 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 Foundation, permanent financing was put in place on December 17, 2010, with the issuance of \$5.65 million of 20-year University Facilities Lease 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 SBHE 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 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 Foundation \$414,906 in fiscal year 2018 for debt service under this agreement. As of June 30, 2018 the outstanding balance on the bonds, reflected as "Due to Component Units" by NDSU, is \$4.1 million.

BARRY HALL BUSINESS BUILDING AND KLAI HALL ARCHITECTURE BUILDING

Effective November 28, 2007, NDSU and the Foundation entered into 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 payments 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 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 recognizes a liability for entire amount of the previously issued bonds. During fiscal year 2018, NDSU paid \$776,215 to the bond trustee on-behalf of the Foundation under the new leases for debt service on Barry Hall & Klai Hall. NDSU has an option to acquire the property upon full payment of the bonds. As of June 30, 2018, the outstanding balance on the bonds, reflected as "Due to Component Units" by NDSU, is \$9.1 million.

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 building. Amounts paid by NDSU under these agreements as of June 30, 2018 totaled \$679,131.

NDSU pays the Foundation rent under operating lease agreements for two buildings (Criminal Justice and Graduate Center), as well as pasture rent paid from NDSU's Agricultural Experiment Station. Those operating lease payments totaled \$123,596 during fiscal year 2018.

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In addition to the debt service payments on the Fargodome, Renaissance, Barry and Klai Halls, NDSU reimburses the Foundation for other operating expenses related to those buildings, such as property insurance, flood insurance, boiler inspection fees, real estate taxes and bond administrative fees. Those costs totaled \$95,604 during fiscal year 2018.

The Foundation's fiscal year end is December 31, 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 UND Aerospace Foundation (Aerospace) recorded expenses reimbursed to UND for salaries, building rent, aircraft rental, and goods and services under an operating agreement aggregating \$14.0 million in fiscal year 2018. 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 training expenses in the consolidated statements of activities.

The Foundation recorded revenue for service and hangar, CRJ, 360-degree tower, and aircraft rental to UND of \$4.0 million in fiscal year 2018, which is included in training and support services revenue in the consolidated statements of activities.

As of June 30, 2018, the Foundation had recorded accounts payable to UND of \$2.7 million for reimbursable costs and services. As of June 30, 2018, the Foundation had recorded accounts receivable from UND of \$894,000, which are included in accounts receivable in the consolidated statements of financial position.

The Foundation entered into a sublease with UND to lease the aircraft storage hangar/ground support equipment facility. The lease term is for 20 years, commencing on July 7, 2003, until July 6, 2023. For the first fifteen years of the sublease, UND will pay the Foundation's monthly minimum payment of \$12,672, beginning on October 1, 2003, subject to actual cost adjustments. At the end of the 15 years of the sublease, rent will be adjusted based upon the interest rate adjustments of the debt incurred by the Foundation in the construction of the hangar.

UNIVERSITY OF NORTH DAKOTA AND RE ARENA, INC.

RE Arena Inc. and UND, enter into an annual operating agreement from July 1, 2017 to June 30, 2020. The operating agreement sets forth the facility usage, fees and services, ticket administration and revenue allocation, sponsorship sales administration and revenue allocation, and net income disposition. In accordance with this agreement: (i) RE Arena Inc. collects all ticket revenue from ticketed UND athletic events (men's and women's hockey, football, men's and women's basketball, and volleyball), RE Arena, Inc. retains 52 percent of such ticket revenue and remits 48 percent to the UND, and (ii) RE Arena Inc. collects all sponsorship sales revenue from the UND athletic events at the arena, RE Arena, Inc. retains 64 percent of such sponsorship revenue, net of direct costs, and remits 36 percent to the UND net of direct costs. In addition, UND and RE Arena, Inc. jointly utilize the UND and RE Arena Inc. marketing staff to market and promote the UND athletic events.

RE Arena, Inc. may contract with UND for materials and personnel in service, utility and other 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.

In fiscal year 2018, gross tickets sales were \$5.2 million of which RE Arena, Inc. recognized revenue of \$2.7 million with a net due to UND \$2.5 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 \$2.9 million.

RE Arena, Inc. recognized net sponsorship (advertising) revenue of \$791,000 and the net due UND in sponsorship (advertising) income of \$445,000. In addition, RE Arena, Inc. allocated \$1,000,000 of net income to UND Athletic Department for the year ended May 31, 2018.

RE Arena, Inc. expensed \$931,000 to UND for utilities, maintenance staff, phone service and other expenses.

At the end of the fiscal year RE Arena, Inc. owes UND \$2.0 million for the annual operating agreement and monthly services.

Amounts are reported on the accrual basis of accounting, which may or may not be the same as that used by UND. RE Arena Inc.'s fiscal year end is May 31st, UND's fiscal year end is June 30th. Amounts may differ between entity financial statement because of timing differences due to different year ends.

STATE OF NORTH DAKOTA

UNIVERSITY OF NORTH DAKOTA AND UNIVERSITY OF NORTH DAKOTA FOUNDATION

UND is leasing space in the Gorecki Alumni Center in the amount of \$75,000 per year. Additional rental payments consisting of UND'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, 2018, UND provided approximately \$1.1 million of institutional support for event and database support, annual giving campaign and shared positions. The UND Alumni Association and Foundation (Foundation) manages UND's endowment investments and charged them \$401,000 in investment management fees during the year ended June 30, 2018. These fees and support are reported as operations, fees and miscellaneous revenue on the statement of activities.

The Foundation has other receivables with UND related to the construction of the EERC and Minot Center for Family Practice.

The Foundation is leasing 45,000 square feet of land for the Gorecki Alumni Center from UND. Starting in 2016, the rate is \$0.10 per square foot, per year. The cost in FY2018 was \$4,500.

On July 24, 2002, the Foundation issued \$8.6 million of tax exempt lease revenue 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 UND. On October 18, 2012, the Foundation issued refunding lease revenue bonds in the amount of \$6.4 million to refund its outstanding Lease Revenue Bonds, Series 2002. The Foundation also amended the related lease agreement with UND. Interest accrues on the bonds at rates from 0.75 percent to 4.20 percent depending upon maturity. Annual and principal as of June 30, 2018 was \$4.2 million. The terms for the repayment are the same as the payment terms of the related bonds. During fiscal year ended June 30, 2018, the Foundation recorded payment of principal and interest of \$395,000 and \$167,000, respectively. The interest is included in operations, fees and miscellaneous income on the statement of activities.

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, North Dakota. The center is a department of the School of Medicine & Health Sciences at UND. In June 2008, the \$3.7 million remaining balance of the 2003 bonds were financed with Lease Revenue Refunding Bonds, series 2008. In April 2018, the \$2.2 million remaining balance of the 2008 bonds was refinanced with Lease Revenue Bonds, Series 2018. The interest rate is fixed at 3.5% until 2028. Payments of \$133,333 are required semi-annually through 2028. The bonds are secured by a lease with UND.

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

For the year ended June 30, 2018, NDSCS paid the Foundation \$174,000 for the rental of the Skills & Technology Training Center building and \$11,000 for parking lots.

In exchange for services provided by the Foundation to NDSCS, the Foundation 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 \$7,677.

WILLISTON STATE COLLEGE AND WILLISTON STATE COLLEGE FOUNDATION

Effective September 1, 2011, the Williston State College Foundation (WSCF) loaned WSC \$500,000 for the purchase of a geothermal system for the residence hall. Semiannual principal and interest payments of \$30,000 are due January 1 and July 1, with a final payment of \$20,036 due July 1, 2022. The loan bears an interest rate of 5%. As of June 30, 2018, the loan balance of \$214,318 of which \$53,972 is a current asset. The loan bears an interest rate of 3%.

On November 1, 2013, WSCF entered into a lease agreement with WSC. WSCF is leasing a passenger motor coach 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 lease expires on October 31, 2020. Total payments on the lease as of June 2018 was \$60,000. At June 30, 2018, the lease had a balance of \$129,691 of which \$45,768 is a current asset.

Individuals working on behalf of the WSCF and the North Dakota Department of Motor Vehicles (DMV) are employees of and paid by WSC. WSCF reimburses WSC for the time WSC employees spend on Foundation and DMV matters. WSCF records these amounts as expenses. The amount reimbursed for the years ending June 30, 2018 was \$892,309.

STATE OF NORTH DAKOTA

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 credit related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and financial standby letters of credit and guarantees related to loan programs. Those instruments involve varying degrees of credit, elements of credit risk and interest rate risk in excess of the amount recognized in the statement of net position. 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	\$ 812,606
Financial standby letters of credit	389,664
	<u>\$ 1,202,270</u>

Commitments to extend credit are agreements to lend as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained by the State upon extension of credit is based on management's credit evaluation of the customer. Collateral held may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties.

Financial standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those letters of credit 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 Bank has segmented this category into three components: (1) letters of credit, (2) confirming letters of credit, and (3) letters of credit pledged for public deposits to North Dakota financial institutions.

Letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party which require this type of facility. The maturities for these letters range from three months to ten years, and the likelihood of funding any of these letters of credit is considered to be remote. The Bank holds collateral supporting those commitments. The Bank also has letters of credit with the North Dakota Public Finance Authority with maturities ranging from seventeen months to twenty nine years. If the letters issued to Public Finance Authority were ever drawn upon, Public Finance Authority is legally obligated to reimburse the Bank from funds legally available, or from any appropriation made available to the Legislative Assembly after certification by the Industrial Commission. The likelihood of funding any of these letters of credit is also considered to be remote. Outstanding issued letters of credit as of December 31, 2017 were \$104,807,000.

Confirming letters of credit are issued to North Dakota financial institutions to support letters of credit they have issued but are still in need of backing from an institution with a long-term, high quality bond rating. In the event these letters were to be drawn upon, based on the terms of the agreement, the Bank would immediately withdraw funds from the institution's correspondent bank account held at the Bank to cover the amount drawn. These agreements generally have terms of 12 months or less. The likelihood of funding any of these confirming letters of credit is also considered to be remote. Outstanding issued confirming letters of credit as of December 31, 2017 were \$2,857,000.

Letters of credit pledged for public deposit to North Dakota financial institutions are issued to support public borrowing arrangements. These letters are fully collateralized by a pool of loans pledged to the Bank. These agreement generally have terms of 12 months or less. Financial standby letters for public deposits by North Dakota banks totaled \$282,000,000 at December 31, 2017. The likelihood of funding any of these letters of credit is also considered to be remote. These letters of credit are authorized form of collateral for public deposits per North Dakota Century Code 21-04-09.

The Bank has not recorded a contingent liability related to off-balance sheet activity as of December 31, 2017.

STATE OF NORTH DAKOTA

INFRASTRUCTURE REVOLVING 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 \$45,930,000 at June 30, 2018.

NORTH DAKOTA HOUSING FINANCE AGENCY

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

Commitments to extend credit are agreements to fund loans as long as there is no violation of any condition established in the contracts. Commitments require the payment of a reservation fee and generally have a fixed expiration date. Commitments to extend credit total \$35,812,000 at June 30, 2018.

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 \$11,136,000 at June 30, 2018.

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 \$107,256,000 at December 31, 2017.

NOTE 13 - INTEREST RATE SWAP

BANK OF NORTH DAKOTA

The Bank has an outstanding interest rate swap agreement with a notional amount totaling \$250 million to convert variable rate federal funds into fixed-rate instruments over the term of the contract.

On June 5, 2014 ("June 2014 Swap"), the bank entered into a swap agreement which matures on June 1, 2029, and the swap's notional amount is \$50,000,000. 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.

On April 14, 2015 ("April 2015 Swap"), the bank entered into a swap agreement which matures on May 1, 2030, and the swap's notional amount is \$50,000,000. Under the terms of the swap, the Bank pays the counterparty a fixed payment of 1.920% and receives a variable payment based on the USD-FEDERAL FUNDS-H.15 interest rate.

On August 11, 2016 ("August 2016 Swap"), the bank entered into a swap agreement which matures on September 1, 2031, and the swap's notional amount is \$50,000,000. Under the terms of the swap, the Bank pays the counterparty a fixed payment of 1.483% and receives a variable payment based on the USD-1 MONTH LIBOR-BBA interest rate.

On April 5, 2017 ("April 2017 Swap"), the bank entered into a swap agreement which matures on May 1, 2032, and the swap's notional amount is \$50,000,000. Under the terms of the swap, the Bank pays the counterparty a fixed payment of 2.390% and receives a variable payment based on the USD-1 MONTH LIBOR-BBA interest rate.

On June 15, 2017 ("June 2017 Swap"), the bank entered into a swap agreement which matures on July 1, 2032, and the swap's notional amount is \$50,000,000. Under the terms of the swap, the Bank pays the counterparty a fixed payment of 1.985% and receives a variable payment based on the USD-FEDERAL FUNDS-H.15 interest rate.

At December 31, 2017, the June 2014 Swap has a negative fair value of \$4,101,000 because interest rates have declined since the swap was executed. Also at December 31, 2017, the April 2015 Swap has a positive fair value of \$894,000 because interest rates have increased since the swap was executed. At December 31, 2017, the August 2016 Swap has a positive fair value of \$5,222,000 because interest rates have increased since the swap was executed. At December 31, 2017, the April 2017 Swap has a negative fair value of \$126,000 because interest rates have declined since the swap was executed. At December 31, 2017, the June 2017 Swap has a positive fair value of \$780,000 because interest rates have increased since the swap was executed. Fair values for interest rate swap agreements are based upon the amounts required to settle the contracts.

STATE OF NORTH DAKOTA

At December 31, 2017 and 2016, the Bank was not exposed to material credit risk because each counterparty is required to fully collateralize the fair value of the swaps within \$250,000 of daily mark-to-market valuations by depositing funds with the other counterparty.

Amongst all swap counterparties for the transactions noted above, the Bank holds a net \$2,600,000 in cash pledged under collateral arrangements related to the interest rate swaps at December 31, 2017, to satisfy the collateral requirements. The Bank is exposed to interest rate risk on its swap agreements. On its pay-fixed, receive variable interest rate swaps, the Bank's net payment increases as the USD-FEDERAL FUNDS-H.15 and USD-1 MONTH LIBOR-BBA interest rates decrease.

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, 2017:

	Notional Amount	Fair Value		Changes in Fair Value	
		Classification	Amount	Classification	Amount
Pay-fixed June 2014 interest rate swap	\$ 50,000,000	Other liabilities	\$ (4,101,000)	Deferred outflow	\$ 555,000
Pay-fixed April 2015 interest rate swap	50,000,000	Other assets	894,000	Deferred inflow	67,000
Pay-fixed August 2016 interest rate swap	50,000,000	Other assets	5,222,000	Deferred inflow	5,222,000
Pay-fixed April 2017 interest rate swap	50,000,000	Other liabilities	(126,000)	Deferred outflow	(126,000)
Pay-fixed June 2017 interest rate swap	50,000,000	Other assets	780,000	Deferred inflow	780,000

Using rates as of December 31, 2017, the interest expense of the variable rate federal funds, variable rate 1 month LIBOR and the net swap payments are as follows. As rates vary, the federal fund and 1 month LIBOR interest expense and the net swap payments will vary.

Year Ended December 31:	Pay Fixed	Receive Variable		Interest Rate Swap, net
	Contract Interest	Federal Fund Interest	1-Month LIBOR Interest	
2018	\$ 5,320,000	\$ 1,953,000	\$ 1,360,000	\$ 2,007,000
2019	5,320,000	1,953,000	1,360,000	2,007,000
2020	5,320,000	1,953,000	1,360,000	2,007,000
2021	5,320,000	1,953,000	1,360,000	2,007,000
2022	5,320,000	1,953,000	1,360,000	2,007,000
2023-2027	26,605,000	9,765,000	6,800,000	10,040,000
2028-2032	16,632,000	5,371,000	5,440,000	5,822,000
	<u>\$ 69,837,000</u>	<u>\$ 24,901,000</u>	<u>\$ 19,040,000</u>	<u>\$ 25,897,000</u>

STATE OF NORTH DAKOTA

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, 2018, the Agency had five swaps that had a positive fair value totaling \$2.3 million. 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, the Royal Bank of Canada and Wells Fargo 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, 2018, the Agency owed the swap providers a fixed rate on the notional amount of the swaps of \$1,588,000 and the swap providers owed the Agency a variable rate on the notional amounts of \$1,050,000 making the net payment that the Agency owed the swap providers \$538,000.

Due to the difference in the variable rate indices, the swaps had a net negative fair value of \$1,239,000 as of June 30, 2018. 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, 2018. 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, 2018. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized.

The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if counterparty's credit quality rating falls below "A3" as issued by Moody's Investors Service or "A-" as issued by Fitch Ratings or Standard & Poor's. The swap may be terminated at any time by the Agency or the counterparty with 30 days written notice up to limits specified in the swap agreement. If the swap or swaps were terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of terminations the swap has a negative fair value, the Agency would be liable to the counterparty for payment equal to the swap's fair value, but in the event the fair value is positive, the counterparty would be liable to the Agency.

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

STATE OF NORTH DAKOTA

1. Bond Series	2008 B	2014 B	2015 C	2015 E
2. Issuance Date	3/26/2008	6/24/2014	6/25/2015	5/1/2016
3. Maturity Date	7/1/2038	7/1/2044	1/1/2046	7/1/1936
4. Notional Amount	\$6,000	\$27,055,000	\$17,700,000	\$25,000,000
5. Variable-rate Bonds	\$6,000	\$27,055,000	\$17,700,000	\$25,000,000
6. Fixed Rate	4.725%	2.890%	2.486%	2.257%
7. LIBOR Percentage	100.00%	65.80%	66.20%	66.40%
8. Additional Percentage	0.00%	0.17%	0.10%	0.22%
9. Bonds Variable-rate	2.00000%	1.53000%	2.24000%	N/A
10. Fair Value	\$(255,000)	\$(491,000)	\$170,000	\$356,000
11. Percentage of LIBOR	2.06840%	1.53101%	1.46928%	1.59342%
12. Synthetic Rate	4.65660%	2.88990%	3.25672%	0.65800%
13. Actual Synthetic Rate	4.98024%	2.78873%	3.20389%	2.06840%
14. Change in Fair Value	\$(295,000)	\$(827,000)	\$(504,000)	\$(844,000)
15. Optional Termination Date	1/1/2020	N/A	7/1/2020	7/1/2020

1. Bond Series	2015 F	2017 C	2017 H	2018 C
2. Issuance Date	12/8/2015	5/10/2017	12/21/2017	6/14/2018
3. Maturity Date	1/1/2047	7/1/2047	7/1/2039	1/1/2049
4. Notional Amount	\$23,145,000	\$20,545,000	\$28,250,000	\$9,355,000
5. Variable-rate Bonds	\$23,145,000	\$20,545,000	\$28,250,000	\$9,355,000
6. Fixed Rate	2.320%	2.783%	2.266%	3.515%
7. LIBOR Percentage	100.00%	100.00%	66.40%	100.00%
8. Additional Percentage	0.00%	0.00%	0.09%	0.00%
9. Bonds Variable-rate	2.00000%	2.00000%	1.50000%	2.00000%
10. Fair Value	\$1,016,000	\$546,000	\$179,000	\$(282,000)
11. Percentage of LIBOR	2.06840%	2.06840%	1.46342%	2.06840%
12. Synthetic Rate	2.25160%	2.71410%	2.30258%	3.44660%
13. Actual Synthetic Rate	2.30706%	2.71646%	2.34687%	3.43035%
14. Change in Fair Value	\$922,000	\$(1,041,000)	\$179,000	\$(282,000)
15. Optional Termination Date	1/1/2025	7/1/2027	7/1/2023	7/1/2027

Using rates as of June 30, 2018, 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, 2018. As rates vary, variable-rate bond interest payments and net swap payments will vary. (Expressed in thousands.)

Fiscal Year Ending June 30	Variable-Rate Bond		Interest Rate Swap, Net	Total
	Principal	Interest		
2019	\$ 2,545	\$ 2,376	\$ 1,423	\$ 6,344
2020	2,545	2,325	1,402	6,272
2021	2,335	2,277	1,383	5,995
2022	2,130	2,233	1,366	5,729
2023	1,945	2,194	1,351	5,490
2024-2028	18,970	10,216	6,436	35,622
2029-2033	32,275	8,608	5,415	46,298
2034-2038	49,800	5,866	3,561	59,227
2039-2043	32,555	2,284	1,366	36,205
2044-2048	11,785	261	137	12,183
2049-2053	120	-	-	120
	<u>\$ 157,005</u>	<u>\$ 38,640</u>	<u>\$ 23,840</u>	<u>\$ 219,485</u>

STATE OF NORTH DAKOTA

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, loans to medical facilities for health care construction, loans to students for post-secondary education, loans to owners of homes damaged in the 2011 floods in Barnes, Benson, Burleigh, McHenry, Morton, Ramsey, Renville, Richland and Ward counties, loans to political subdivisions in the state for infrastructure, 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 2018, a total of \$123,838,673 in claims was recognized. The liability of \$1,049,386,000 is the present value of the unpaid claim liability discounted at 5% as determined by the actuarial.

RISK MANAGEMENT FUND

Due to the loss of sovereign immunity, the 1995 Legislature established the Risk Management Fund (RMF) to pay money damages for tort claims for which the State is liable. The statutory liability of the State is limited to a total of \$250,000 per person and \$1,000,000 per occurrence. The State purchases commercial insurance for claims in excess of coverage provided by the Fund and continues to transfer liabilities for medical malpractice and aviation to private insurance carriers. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

Revenues to the RMF are generated from contributions required from state agencies, boards and commissions, and the University System. The need for and amount of funding is determined using a projected cost allocation approach. The premise of this plan is that the agencies with greater expected loss costs should contribute more to the funding of the RMF than those agencies with lesser costs. The underlying logic is that contributions should roughly equal loss costs plus the expenses of administering the program over the long term.

The RMF liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Unpaid claim liabilities are based on an actuarial study of the outstanding loss reserve need for the fund and a forecast of ultimate loss and loss expense. These liabilities were determined on an undiscounted expected level of ultimate loss. Because actual

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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, 2017, and June 30, 2018:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims and Changes In Estimates</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2017	\$ 4,718,516	\$ 635,471	\$ 1,277,002	\$ 4,076,985
2018	4,076,985	923,270	743,861	4,256,394

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-nine claims exceeded coverage by \$11,277,076.

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 years ending June 30, 2017, and June 30, 2018:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2017	\$ 5,867,193	\$ 3,435,135	\$ 3,943,544	\$ 5,358,784
2018	5,358,784	2,945,274	3,422,372	4,861,686

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 1,166 policies to participating entities for a total building and content coverage of \$14.7 billion. The Bonding Fund is used to provide fidelity bonding of public employees and officials. The Fund has issued 1,866 policies to participating entities. The total coverage for the Bonding Fund is \$640.24 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.

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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. There were no pending losses at June 30, 2018 that would reduce the fund's 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, 2018, coverage extended to the following employers:

<u>Annual Premium</u>	
\$250 - \$5,000	18,979
\$5,001 - \$50,000	4,377
\$50,001 - \$100,000	421
Over \$100,000	<u>371</u>
Total Employers	<u>24,148</u>

WSI is financed by premiums assessed to the employers doing business in 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 loss and loss adjustment expense (LAE) 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 is based on the estimated ultimate costs to settle both reported and incurred but not report (IBNR) losses and LAE, and includes the effects of inflation and other societal and economic factors. The actuarial computations also include a 5% discount to report this liability at its present value.

Management believes the estimated liability for losses and loss adjustment expense is sufficient to cover the ultimate net cost of incurred losses, but such reserves are necessarily based on estimates and the ultimate liability may be greater or less than the amounts estimated. As adjustments to this estimated liability become necessary, such adjustments are reflected in current operations.

For the year ended June 30, 2018, 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):

	<u>Low</u>	<u>Central Value</u>	<u>High</u>
Full value basis, undiscounted	\$ 1,614,019	\$ 1,735,283	\$ 1,847,847
Present value basis, discounted at 5%	977,873	1,049,386	1,115,935

WSI has adjusted the estimated liability for unpaid loss and loss adjustment expense to the actuary's five percent discounted expected value of \$1,049,386,000 at June 30, 2018.

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 has entered into a contract with an intermediary for reinsurance coverage for catastrophic coverage. Historically, WSI has had up to four coverage levels, with varying retention limits of \$3 million, \$5 million, \$10 million and \$20 million. Terms, limits and pricing are re-evaluated annually. WSI's current 2018 calendar year has two coverage levels, with retention limits of \$10 million and \$20 million. For the year ended June 30, 2018 WSI recorded ceded losses of \$16,263,769 and ceded premiums of \$3,538,657.

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):

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	Fire And Tornado		Bonding		Workforce Safety & Ins	
	2018	2017	2018	2017	2018	2017
Unpaid claims and claims adjustment expenses at the beginning of the year	\$ 1,138	\$ 2,181	\$ 66	\$ 104	\$ 1,085,768	\$ 1,111,738
Incurred claims and claims adjustment expenses:						
Provision for current fiscal year	2,352	4,750	87	(20)	193,275	198,315
Change in provision for prior fiscal year	(117)	251	-	-	(77,547)	(87,819)
Payments and claims and adjustment expenses attributable to:						
Current fiscal year insured events	(832)	(3,805)	19	86	(42,068)	(39,799)
Prior fiscal years' insured events	(662)	(2,239)	(66)	(104)	(118,153)	(133,028)
Total Payments	(1,494)	(6,044)	(47)	(18)	(160,221)	(172,827)
Change in provision for discount	-	-	-	-	8,111	36,361
Total unpaid claims and claims adjustment expenses at the end of the year	<u>\$ 1,879</u>	<u>\$ 1,138</u>	<u>\$ 106</u>	<u>\$ 66</u>	<u>\$ 1,049,386</u>	<u>\$ 1,085,768</u>

NOTE 17 - BANK OF NORTH DAKOTA

GASB Statement No. 34 requires assets and liabilities of enterprise funds be presented in a classified format to distinguish between current and long-term assets and liabilities. The Bank of North Dakota is the only government-owned bank in the United States. Banks do not present a classified statement of net position because current assets are not matched with current liabilities. Presentation of a classified statement of net position would give the false impression that there is a liquidity problem at the bank. Presentation of a classified statement of net position for the Bank of North Dakota would be misleading to the extent that the financial statements may be materially misstated. Therefore, the statement of net position 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 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. As of December 31, 2017, the Bank has provided no such transfers.

Chapter 6-09.7-09 provides that the Bank of North Dakota may guarantee the loan of money by banks, credit unions, lending institutions that are part of the farm credit system, and savings and loan associations in this state to eligible persons for the purchase of agricultural real estate or the restructuring of agricultural real estate loans, provided the transactions do not exceed a loan to value ratio of 80% and further provided that no single loan exceeds \$400,000. The Bank may have no more than \$8,000,000 in outstanding loan guarantees under this Program. The Bank may guarantee up to 75% of the amount of principal due the lender. The guarantee term may not exceed 5 years. As of December 31, 2017, the Bank has guarantees outstanding totaling \$827,000, and had no guarantee commitments outstanding, respectively, included in commitments to extend credit. The Bank has not recorded a contingent liability related to the guarantee loan program as of December 31, 2017.

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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% of the amount of principal due the lender on a loan at the time the claim is approved. The total outstanding loans that the Bank may guarantee cannot exceed 5% of the Bank's tier one capital as defined by the Department of Financial Institutions. A lender may apply to the Bank for a loan guarantee for a loan up to \$500,000. The term of the guarantee may not exceed five years. As of December 31, 2017 the Bank has guarantees outstanding totaling \$5,927,000, and had guarantee commitments outstanding of \$674,000, respectively, included in commitments to extend credit. The Bank has not recorded a contingent liability related to the guarantee loan program as of December 31, 2017.

The Bank of North Dakota shall consolidate the \$40,000 loan to the western area water supply authority authorized in section 5 of chapter 20 of the 2013 Session Laws, the \$50,000 loan to the western area water supply authority authorized in section 2 of chapter 500 of the 2011 Session Laws, and the \$25,000 loan from the general fund to the western area water supply authority authorized in section 3 of chapter 500 of the 2011 Session Laws. The terms and conditions of the consolidation loan must be negotiated by the western area water supply authority and the Bank of North Dakota. The interest rate on the \$10,000 loan to the western area water supply authority authorized in section 4 of chapter 500 of the 2011 Session Laws must be 2.5 percent on any outstanding balance remaining after the effective date of this Act. The consolidation and interest rate change, as noted above, were both completed during 2017.

Under various House and Senate bills, the Bank shall transfer the following amounts to specific loan programs from its current earnings and undivided profits.

	Approved Maximum Transfer by the House / Senate	Amount Transferred as of December 31, 2017
Partnership in Assisting Community Expansion Fund	\$ 16,000,000	\$ -
Agriculture Partnership in Assisting Community Expansion Fund	2,000,000	-
Biofuels Partnership in Assisting Community Expansion Fund	1,000,000	-
Beginning Revolving Loan Fund	6,000,000	-
School Districts – interest rate buy-downs on construction loans	6,000,000	1,036,000
Office of Management and Budget	140,000,000	70,000,000

Under various House and Senate Bills, the Bank also has commitments to provide loans and lines of credits to other organizations as follows:

	Loan Limit	Outstanding Loan Balance as of December 31, 2017	Line of Credit Limit	Outstanding Line of Credit Balance as of December 31, 2017
State Historical Society	\$ 1,250,000	\$ -	\$ -	\$ -
State Water Commission	-	-	75,000,000	-
Office of the Adjutant General	21,000,000	12,236,000	-	-
Department of Emergency Services	17,000,000	7,000,000	-	-
Information Technology Department	15,000,000	-	-	-
Infrastructure Revolving Loan Fund	N/A	44,722,000	-	-
School Construction Assistance Loan Fund	\$10,000,000 per school district	155,237,000	-	-
School District School Construction Loans	N/A	99,246,000	-	-
State Treasurer and Office of Management and Budget	50,000,000	-	-	-

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INDUSTRIAL COMMISSION

The Industrial Commission has entered into various contracts with third parties for the following programs. As of June 30, 2018, the total outstanding balance on these contracts was:

Lignite Research Program	\$ 6,643,898
Lignite Vision 21 Program	1,367,678
Oil and Gas Research Program	7,674,094
Renewable Energy Program	2,080,283
Outdoor Heritage Fund Program	19,639,287

In addition to the contracts above, the Commission has authorized projects totaling \$6,284,132 for which there is no signed contract.

MILL AND ELEVATOR

As of June 30, 2018, the Mill had commitments to purchase 3,112,938 bushels of spring wheat and 622,356 bushels of durum.

SCHOOL CONSTRUCTION ASSISTANCE REVOLVING LOAN FUND

As of June 30, 2018, the Fund had two outstanding commitments totaling \$16,300,000 to extend credit.

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, 2017, \$27,534,000 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 \$521,716 of signed commitments for construction projects as of June 30, 2018. The Fund had an \$10,434,328 of HIF funds awarded for construction projects as of June 30, 2018. The total paid on these commitments as of June 30, 2018 was \$9,912,612.

JUDICIARY SYSTEM

As of June 30, 2018, the Judiciary System had significant commitments for the purchase of various types of services totaling \$1,246,695.

DEPARTMENT OF HUMAN SERVICES

As of June 30, 2018, the Department of Human Services had significant commitments for the purchase of various types of services totaling \$495,248,579.

AERONAUTICS COMMISSION

As of June 30, 2018, the Aeronautics Commission had significant commitments of approximately \$4.5 million. This amount consists of grants to political subdivisions for maintenance and improvements of their airports.

NORTH DAKOTA SOYBEAN COUNCIL

As of June 30, 2018, the North Dakota Soybean Council had significant commitments of approximately \$3.3 million. This amount mainly consists of grants for the research and development of soybeans.

STATE WATER COMMISSION

As of June 30, 2018, the State Water Commission had long-term commitments of \$395,841,916 for various water projects.

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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, 2018 were \$3.3 million 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, 2018, the North Dakota Department of Transportation (Special Revenue Fund) had non-construction contract commitments of approximately \$57.5 million. Construction commitments at June 30, 2018, totaled approximately \$347.2 million, of which \$221.9 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):

	<u>Original Issue</u>	<u>Paid To Date</u>	<u>Amount To Be Paid</u>
BSC	\$ 193	\$ 134	\$ 59
DSU	11,118	6,402	4,716
MaSU	743	-	743
MiSU	297	66	231
NDSCS	14,366	14,245	121
NDSU	69,950	27,118	42,832
UND	9,956	5,096	4,860
VCSU	1,242	67	1,175
Total	<u>\$ 107,865</u>	<u>53,128</u>	<u>\$ 54,737</u>

NORTH DAKOTA DEVELOPMENT FUND

The board of directors has approved equity investments, loans, grants, and guaranty of collections at June 30, 2018, for which funds have not been disbursed or written agreements entered into in the amount of \$9,781,788.

OTHER CONSTRUCTION COMMITMENTS

That State has entered into construction commitments. As of June 30, 2018, the following commitment exists on other construction contracts, in thousands:

Office of Management and Budget	\$ 3,757
Secretary of State	988
School for the Deaf	329
State Health Department	241
Department of Human Services	37,065
Department of Corrections & Rehab	554
Adjutant General	34,017
Parks and Recreation	1,915
Department of Transportation	185,537

B. LITIGATION

The estimated loss in all of the litigation against the State in which a loss to the State was probable was estimate at a range of \$16.37 million - \$17.0 million. Litigation that is reasonably possible to result in an unfavorable outcome is estimated at a range of \$17.37 million to \$21.08 million.

STATE OF NORTH DAKOTA

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, 2016, was completed and issued in March of 2017. As a result of this audit, approximately \$652,000 of identifiable questioned costs were 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 – TOBACCO SETTLEMENT

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 settlement money is intended to compensate the State for costs it has incurred in providing health and other services to its citizens that were necessitated by the use of tobacco products. The Master Settlement Agreement includes base payments to states totaling \$220.6 billion for the next 25 years, and continues in perpetuity. The State has received total payments of \$474.95 million as of June 30, 2018. The State recognized revenue of \$55.3 million of tobacco settlement revenue during the year ended June 30, 2018. 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.

NOTE 20 - SUBSEQUENT EVENTS

TERMINATION BENEFITS

On June 29, 2018, the State offered a Voluntary Separation Incentive Program (VSIP) to state agencies as a tool to assist them when planning for the 2019-21 biennium budget. Agencies independently determined whether or not it is beneficial to offer the program to their employees. This was determined based on each agency's budget planning process and specific business objectives. Under the VSIP, employees were given two options. The first option was to receive lump sum equal to three (3) month's salary and payment equivalent to three (3) months of health insurance at the actual cost of the current health insurance benefit as of VSIP program start date. Participating part-time employees will receive a pro-rated amount based on their current average monthly rate of pay over the last three months. The second option was to remain on payroll for three (3) months after separation date and receive salary and currently enrolled benefits as if still actively working during this time. Participating part-time employees will receive a pro-rated amount based on their current average monthly rate of pay over the last three months. The separation agreement of program participants must be no later than April 30, 2019. In total, 219 employees from 18 state agencies elected to participate in the VSIP at a cost of \$5.1 million.

BANK OF NORTH DAKOTA

In April and July 2018 BND entered into interest rate swaps with Goldman Sachs, which resulted in a total fixed rate funding commitment of \$100 million for 15 years. These transactions were completed to hedge fixed rate mortgage and DEAL loans. BND also has five other interest rate swaps for the same purpose with a notional amount of \$50 million each with Goldman Sachs (2), Wells Fargo (2) and SunTrust Bank (1). The market value adjustments on these transactions are reported as an adjustment to Other Comprehensive Income on the statement of net position. As of October 31, 2018, the market value position of all interest rate swap transactions was a net gain of \$26.7 million.

The 2017 legislature used a total of \$171 million appropriated from BND's capital as the funding source for an appropriation to the General Fund (\$140 million), to fund the BND administered special loan programs (PACE, etc.) (\$25 million), and the buydown for the School Construction Loan Program (\$6 million). In October 2018 OMB drew the remaining \$70 million of the \$140 million appropriated from BND's capital. BND does not anticipate its Tier One Capital Ratio to fall below its self-imposed benchmark of 10% as the result of these legislative-mandated reductions.

The 2015 Legislature authorized a transfer of up to \$100 million from BND to fund an Infrastructure Loan Fund for ND Cities and Counties. They also transferred an additional \$50 million from the Strategic Investment and Improvement Fund to this same revolving loan fund. So far, BND has committed to \$150 million of infrastructure loans. The legislation mandated that the money from the Strategic Investment and Improvement Fund be used to fund the initial \$50 million of commitments and the drawdown of up to \$100 million from BND to fund activity over the initial \$50 million. As of October 31, 2018, BND has transferred \$32 million of its capital to fund its portion of the Infrastructure Loan Fund.

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BND increased its exposure to the Western Area Water Supply Authority from \$63 million to \$88 million. The current outstanding loan to the Western Area Water Authority is \$83.8 million.

BND agreed in principal to sell the remaining federal student loans it carries in its portfolio. Most of the loans were sold with a settlement date of January 1, 2018, and the remaining loans were sold with a settlement date of April 1, 2018. The sale of the federal portfolio resulted in an overall gain on sale of \$3.2 million.

NORTH DAKOTA HOUSING FINANCE AGENCY

The Agency issued Series 2018D Homeownership Revenue Bonds totaling \$125 million. The bonds have an interest rate ranging from 1.55% to 4.25% and mature between July 1, 2019 and January 1, 2049. The Agency also issued \$9.25 million Multi-Family Revenue bonds. The bond have an interest rate of 2.125% and mature between February 1, 2019 and August 1, 2020.

PUBLIC FINANCE AUTHORITY

Subsequent to year end, the Agency issued \$128.625 million of bonds payable for its revolving loan fund program. The bonds have an interest rate of 5% and mature between 2019 and 2038. The Agency also issued \$1.36 million of bonds for its capital finance program. These bonds have an interest rate of 5% and mature between 2019 and 2028.

UNIVERSITY SYSTEMS

On October 1, 2018, Minot State University signed a lease purchase agreement for an energy savings project. The total project cost is \$6.8 million of which \$5.7 million is financed at an annual interest rate of 3.79 percent. The agreement requires semi-annual principal and interest payments beginning October 1, 2019 through October 1, 2034.

On September 13, 2018, University of North Dakota issued \$93 million certificates of participation (COP's), series 2018 that included \$76.6 million in tax exempt COP's, Series 2018A and \$16.4 million in taxable COP's, series 2018B. The proceeds will fund demolition of the existing coal-fired steam heat facility, construction of a new natural gas-fired steam heat facility, improvements to buildings located on UND's campus. UND entered into a lease-purchase agreement on September 1, 2018 with Johnson Controls PI Project Site Operations LLC. Johnson Controls will construct the project, own the building and provide operations and maintenance services until 2057. The COP's were rated A1 by Moody's.

WORKFORCE SAFETY AND INSURANCE

On October 17, 2018, the WSI board of directors voted to reduce the discount rate on the actuarially estimates reserve liabilities from 5% to 4.5%. This reduced discount rate more closely aligns with the new investment target rate set in April 2018, when the new asset allocation was adopted.

MEDICAL FACILITY INFRASTRUCTURE LOAN FUND

As of October 31, 2018 the outstanding commitments to six North Dakota hospitals totaled \$50 million. As of October 31, 2018, \$49.1 million of loans have been funded.

REBUILDERS LOAN PROGRAM

As of October 31, 2018, the outstanding loans total \$28.9 million to 1,303 borrowers.

STUDENT LOAN TRUST

The 2018 Legislature approved the withdrawal of over \$16.5 million to provide funding for:

- ND University System Programs \$15.3 million
- Dept. of Health Dental Loans Repayment \$360 thousand
- Dept. of Commerce Tribal College Grants \$500 thousand
- Dual Credit Courses Pilot Program \$200 thousand
- Grants for ND Governor's STEM Programs \$220 thousand

As of October 31, 2018, the Student Loan Trust has \$5.9 million remaining to expend of the total amount approved by the 2018 legislature.

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As of October 31, 2018, the Student Loan Trust had \$5.7 million in cash and \$1.1 million in alternative student loans that could be sold prior to the end of the 2017-2019 biennium to meet the obligations from the 2017 legislature.

NOTE 21 - NEW PRONOUNCEMENTS

The State implemented the following new pronouncement for fiscal year 2018:

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. 81, *Irrevocable Split-Interest Agreements*, provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

GASB Statement No. 85, *Omnibus 2018*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, provides guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. This Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. This Statement is effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

The State will implement the following new pronouncements for fiscal years ending after 2018:

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

STATE OF NORTH DAKOTA

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 90, *Majority Equity Interests*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement provides guidance for reporting when a government has majority equity interest in legally separate organizations. An equity interest is explicit and measureable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. If government's holding of that equity interest meets the definition of an investment, as defined by GASB No. 72, the equity interest should be reported as an investment and measured using the equity method and not as a component unit of the government. If a government's holding of a majority interest in a legally separate organization does not meet the definition of an investment, the holding of the majority equity interest results in the government being financially accountable for the organization and therefore, the government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.



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Required Supplementary Information

STATE OF NORTH DAKOTA

Required Supplemental Information Budgetary Comparison Schedule General Fund For the Fiscal Year Ended June 30, 2018

	Approved Budget 2017-2019 Biennium	Appropriation Adjustments 2017-2019 Biennium	Adjusted Budget 2017-2019 Biennium	Actual Biennium To Date Thru 6-30-18	Difference Uncollected/ Unspent Thru 6-30-18
Budgetary Fund Balance, July 1	\$ 30,890,381	\$ -	\$ 30,890,381	\$ 217,617,800	\$ 186,727,419
Resources (Inflows):					
Sales and Use Tax	1,701,747,285	-	1,701,747,285	829,120,206	(872,627,079)
Income Tax	800,816,415	-	800,816,415	456,602,295	(344,214,120)
Financial Institutions Tax	-	-	-	-	-
Oil And Gas Production Tax	163,000,000	-	163,000,000	172,521,223	9,521,223
Oil Extraction Tax	237,000,000	-	237,000,000	172,974,233	(64,025,767)
Insurance Premium Tax	129,637,121	-	129,637,121	55,125,897	(74,511,224)
Cigarette, Cigar and Tobacco Tax	53,247,000	-	53,247,000	26,473,549	(26,773,451)
Wholesale Liquor Tax	18,083,000	-	18,083,000	8,818,575	(9,264,425)
Coal Conversion Tax	39,564,000	-	39,564,000	22,110,227	(17,453,773)
Gaming Tax	7,301,480	-	7,301,480	3,178,322	(4,123,158)
Lottery	15,000,000	-	15,000,000	7,300,000	(7,700,000)
Department Fees and Collections	81,983,864	-	81,983,864	41,859,911	(40,123,953)
Mineral Leasing Fees	30,500,000	-	30,500,000	16,528,386	(13,971,614)
Motor Vehicle Excise Tax	220,003,000	-	220,003,000	114,342,237	(105,660,763)
Interest on Public Funds	8,000,000	-	8,000,000	3,906,850	(4,093,150)
Gas Tax Administration	2,016,120	-	2,016,120	1,008,060	(1,008,060)
Transfers In	821,916,604	-	821,916,604	416,767,837	(405,148,767)
Total Revenue Inflows	4,329,815,889	-	4,329,815,889	2,348,637,808	(1,981,178,081)
Amounts Available for Appropriation	4,360,706,270	-	4,360,706,270	2,566,255,608	(1,794,450,662)
Charges to Appropriations (Outflows):					
General Government:					
Governor's Office	4,007,758	-	4,007,758	1,733,422	2,274,336
Secretary of State	5,520,282	2,197,340	7,717,622	3,047,471	4,670,151
Secretary of State Public Printing	288,450	-	288,450	209,515	78,935
Office of Management and Budget	31,220,260	3,673,153	34,893,413	14,638,264	20,255,149
Information Technology	20,532,334	-	20,532,334	9,861,024	10,671,310
State Auditor	9,498,608	-	9,498,608	4,607,881	4,890,727
State Treasurer	1,747,399	20,000	1,767,399	849,983	917,416
Attorney General	44,795,840	1,510,065	46,305,905	20,888,182	25,417,723
Tax Department	51,264,499	75,000	51,339,499	25,301,609	26,037,890
Legislative Assembly	14,159,170	1,308,157	15,467,327	3,959,196	11,508,131
Legislative Council	11,891,138	4,601,140	16,492,278	5,189,178	11,303,100
Supreme Court	102,257,770	-	102,257,770	47,423,427	54,834,343
Legal Counsel for Indigents	17,983,876	-	17,983,876	9,000,441	8,983,435
Education:					
Public Instruction	1,435,601,984	700,711	1,436,302,695	707,879,967	728,422,728
Land Department	-	1,325,500	1,325,500	1,325,425	75
State Library	5,618,301	-	5,618,301	2,764,239	2,854,062
School for the Deaf	7,488,526	209,115	7,697,641	3,554,525	4,143,116
School for the Blind	4,394,146	-	4,394,146	2,116,833	2,277,313
Vocational Education	29,556,283	-	29,556,283	15,059,814	14,496,469
Health & Human Services:					
Dept. of Health	43,474,460	-	43,474,460	19,890,819	23,583,641
Veteran's Home	5,951,439	234,679	6,186,118	832,500	5,353,618
Indian Affairs Commission	1,112,111	-	1,112,111	511,555	600,556
Veteran's Affairs	1,155,162	-	1,155,162	543,604	611,558
Dept. of Human Services-Management	57,120,407	15,110,615	72,231,022	43,532,948	28,698,074
Dept. of Human Services-Program and Policy	1,058,183,935	(787,214)	1,057,396,721	538,371,382	519,025,339
Dept. of Human Services-Centers	197,927,008	(2,661,800)	195,265,208	94,665,676	100,599,532
Dept. of Human Services-County Social Service	26,000,000	-	26,000,000	12,668,324	13,331,676
Protection and Advocacy	2,958,999	-	2,958,999	1,414,137	1,544,862
Job Service	545,793	-	545,793	216,608	329,185
Regulatory:					
Industrial Commission	25,408,987	2,358,678	27,767,665	14,479,610	13,288,055
Labor Commission	2,303,986	-	2,303,986	902,405	1,401,581
Public Service Commission	6,630,762	-	6,630,762	2,987,930	3,642,832
Securities Commissioner	2,184,714	-	2,184,714	945,809	1,238,905
Public Safety and Corrections:					
Highway Patrol	42,527,428	-	42,527,428	19,206,979	23,320,449
Corrections & Rehab	214,336,704	-	214,336,704	100,891,901	113,444,803
Adjutant General	25,886,422	1,988,013	27,874,435	13,005,646	14,868,789
Agriculture & Commerce:					
Department of Commerce	31,342,680	2,928,450	34,271,130	16,281,621	17,989,509
Department of Agriculture	9,109,101	3,900	9,113,001	3,783,151	5,329,850
State Fair	515,665	-	515,665	257,833	257,832
Racing Commission	379,621	-	379,621	184,087	195,534
Natural Resources:					
Historical Society	16,673,644	848,136	17,521,780	8,529,520	8,992,260
Council on the Arts	1,564,876	-	1,564,876	704,214	860,662
Parks and Recreation	14,654,276	5,358,616	20,012,892	8,135,028	11,877,864
Transportation:					
Aeronautics Commission	900,000	-	900,000	855,462	44,538
Department of Transportation	-	25,016,031	25,016,031	16,860,743	8,155,288
Transfers Out	723,587,837	33,465,823	757,053,660	365,947,952	391,105,708
Total Charges to Appropriations	4,310,262,641	99,484,108	4,409,746,749	2,166,017,840	2,243,728,909
Ending Budgetary Fund Balance	\$ 50,443,629	\$ (99,484,108)	\$ (49,040,479)	\$ 400,237,768	\$ 449,278,247

STATE OF NORTH DAKOTA

Required Supplemental Information

Budgetary Comparison Schedule

Budget to GAAP Reconciliation

General Fund

For the Fiscal Year Ended June 30, 2018

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

Sources/Inflows of resources

Actual Amounts (budgetary basis) "total revenue inflows" from the budgetary comparison schedule	2,348,637,808
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	(124,643,735)
Funds considered General funds for GAAP but not for Budget	1,232,399,268
Certain due from other funds are recorded under GAAP, but not Budget	3,507,779
Reimbursement activity between state agencies is eliminated only for GAAP	(428,529)
Proceeds are recorded for new capital leases on GAAP, but not for Budget	112,466
Repayment received on loan receivable are revenue for Budget to GAAP	(104,909)
Total revenues, capital lease acquisitions, and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 3,459,480,148</u>

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	2,166,017,840
Differences-Budget to GAAP:	
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	13,655,209
Funds considered General funds for GAAP but not for Budget	93,516,413
New capital leases are recorded as expenditures for GAAP, but not for Budget	112,466
Certain due to other funds are recorded under GAAP, but not for Budget	(5,362,463)
Total expenditures, sale of capital assets, and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 2,267,939,488</u>

STATE OF NORTH DAKOTA

Required Supplemental Information Budgetary Comparison Schedule Federal Fund For the Fiscal Year Ended June 30, 2018

	Approved Budget 2017-2019 Biennium	Appropriation Adjustments 2017-2019 Biennium	Adjusted Budget 2017-2019 Biennium	Actual Biennium To Date Thru 6-30-18	Difference Uncollected/ Unspent Thru 6-30-18
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	-	\$ -
Resources (Inflows):					
Other Budgeted Income	3,733,229,262	68,240,998	3,801,470,260	1,614,312,923	(2,187,157,337)
Total Revenue Inflows	3,733,229,262	68,240,998	3,801,470,260	1,614,312,923	(2,187,157,337)
Amounts Available for Appropriation	3,733,229,262	68,240,998	3,801,470,260	1,614,312,923	2,187,157,337
Charges to Appropriations (Outflows):					
General Government:					
Secretary of State	402,655		402,655	260,039	142,616
Office of Management and Budget	-		-	-	-
Information Technology	2,875,000		2,875,000	232,348	2,642,652
State Auditor	1,463,285		1,463,285	562,821	900,464
Attorney General	16,953,660		16,953,660	2,449,901	14,503,759
Tax Department	125,000		125,000	9,948	115,052
Supreme Court	1,339,138		1,339,138	525,970	813,168
Education:					
Public Instruction	288,306,970	18,000,000	306,306,970	138,847,578	167,459,392
State Library	2,155,708		2,155,708	901,762	1,253,946
School for the Deaf	351,993		351,993	138,883	213,110
Vocational Education	9,461,692		9,461,692	4,376,050	5,085,642
Health & Human Services:					
Dept. of Health	119,132,089		119,132,089	51,144,529	67,987,560
Veteran's Affairs	2,091,571		2,091,571	410,780	1,680,791
Dept. of Human Services-Management	125,979,264	45,435,218	171,414,482	62,758,951	108,655,531
Dept. of Human Services-Program and Policy	2,003,389,340	(1,210,553)	2,002,178,787	925,560,429	1,076,618,358
Dept. of Human Services-Centers	98,951,965	(1,195,509)	97,756,456	43,834,236	53,922,220
Protection and Advocacy	3,488,601		3,488,601	1,612,235	1,876,366
Job Service	53,851,918		53,851,918	20,349,154	33,502,764
Regulatory:					
Insurance Department	619,326		619,326	264,404	354,922
Industrial Commission	238,004		238,004	112,804	125,200
Labor Commission	439,916		439,916	288,020	151,896
Public Service Commission	10,731,348		10,731,348	4,025,409	6,705,939
Public Safety and Corrections:					
Highway Patrol	6,421,209		6,421,209	3,103,566	3,317,643
Corrections & Rehab	10,539,317		10,539,317	4,727,442	5,811,875
Adjutant General	163,109,179	7,211,842	170,321,021	48,094,242	122,226,779
Agriculture & Commerce:					
Department of Commerce	48,207,071		48,207,071	21,102,964	27,104,107
Department of Agriculture	12,089,336		12,089,336	3,677,194	8,412,142
Natural Resources:					
Historical Society	3,155,795		3,155,795	844,358	2,311,437
Council on the Arts	1,675,407		1,675,407	717,147	958,260
Game and Fish	38,222,467		38,222,467	15,377,743	22,844,724
Parks and Recreation	5,477,782		5,477,782	782,588	4,695,194
Water Commission	27,473,887		27,473,887	939,417	26,534,470
Transportation:					
Aeronautics Commission	1,025,000		1,025,000	5,760	1,019,240
Department of Transportation	673,484,369		673,484,369	256,274,251	417,210,118
Total Charges to Appropriations	3,733,229,262	68,240,998	3,801,470,260	1,614,312,923	2,187,157,337.00
Ending Budgetary Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -

STATE OF NORTH DAKOTA

Required Supplemental Information Budgetary Comparison Schedule Budget to GAAP Reconciliation Federal Fund

For the Fiscal Year ended June 30, 2018

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

Sources/Inflows of resources

Actual Amounts (budgetary basis) "total revenue inflows" from the budgetary comparison schedule	1,614,312,923
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	40,437,163
Total revenues, capital lease acquisitions, and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 1,654,750,086</u>

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	1,614,312,923
Differences-Budget to GAAP:	
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	35,211,368
New Loans issued are expenditures for Budget but not for GAAP	(223,431)
GAAP, but not Budget expenditures are reduced by year end inventory balances	16,287,424
Intrafund activity eliminated for GAAP	(9,165,561)
Certain due to other funds are recorded under GAAP, but not for Budget	(9,593,502)
Total expenditures, sale of capital assets, and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 1,646,829,221</u>

STATE OF NORTH DAKOTA

Required Supplemental Information Budgetary Comparison Schedule State Fund For the Fiscal Year Ended June 30, 2018

	Approved Budget 2017-2019 Biennium	Appropriation Adjustments 2017-2019 Biennium	Adjusted Budget 2017-2019 Biennium	Actual Biennium To Date Thru 6-30-18	Difference Uncollected/ Unspent Thru 6-30-18
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):					
Other Budgeted Income	3,061,198,974	520,830,458	3,582,029,432	1,262,622,176	(2,319,407,256)
Total Revenue Inflows	3,061,198,974	520,830,458	3,582,029,432	1,262,622,176	(2,319,407,256)
Amounts Available for Appropriation	3,061,198,974	520,830,458	3,582,029,432	1,262,622,176	(2,319,407,256)
Charges to Appropriations (Outflows):					
General Government:					
Governor's Office	-	181,148.00	181,148.00	82,379.00	98,769.00
Secretary of State	2,835,500.00	820,673.00	3,656,173.00	782,565.00	2,873,608.00
Office of Management & Budget	11,234,087.00	3,448,629.00	14,682,716.00	5,526,893.00	9,155,823.00
Information Technology	221,691,988.00		221,691,988.00	63,826,016.00	157,865,972.00
State Auditor	1,948,202.00		1,948,202.00	828,442.00	1,119,760.00
Attorney General	31,260,660.00	1,218,226.00	32,478,886.00	24,077,581.00	8,401,305.00
Administrative Hearings	2,918,634.00		2,918,634.00	1,283,770.00	1,634,864.00
Legislative Council	70,000.00		70,000.00	33,585.00	36,415.00
Supreme Court	1,982,701.00		1,982,701.00	218,780.00	1,763,921.00
Legal Counsel for Indigents	2,946,747.00	(76,759.00)	2,869,988.00	412,716.00	2,457,272.00
Education:					
Public Instruction	609,240,095.00		609,240,095.00	301,888,447.00	307,351,648.00
Land Department	238,481,273.00	61,552,792.00	300,034,065.00	32,433,049.00	267,601,016.00
State Library	91,852.00		91,852.00	28,391.00	63,461.00
School for the Deaf	2,846,451.00	23,495.00	2,869,946.00	794,315.00	2,075,631.00
School for the Blind	1,214,747.00		1,214,747.00	555,640.00	659,107.00
Vocational Education	2,631,974.00		2,631,974.00	77,121.00	2,554,853.00
Health & Human Services:					
Dept. of Health	38,887,869.00	(645,368.00)	38,242,501.00	15,588,140.00	22,654,361.00
Veteran's Home	18,740,593.00	278,281.00	19,018,874.00	10,717,834.00	8,301,040.00
Dept. of Human Services-Management	3,500,294.00	5,059,878.00	8,560,172.00	219,886.00	8,340,286.00
Dept. of Human Services-Program and Policy	167,768,179.00	594,808.00	168,362,987.00	28,567,142.00	139,795,845.00
Dept. of Human Services-Centers	39,591,740.00	(344,767.00)	39,246,973.00	18,402,647.00	20,844,326.00
Dept. of Human Services-County Social Service	134,700,000.00	-	134,700,000.00	65,627,867.00	69,072,133.00
Job Service	1,047,238.00		1,047,238.00	395,075.00	652,163.00
Regulatory:					
Insurance Department	25,174,104.00		25,174,104.00	12,021,723.00	13,152,381.00
Industrial Commission	22,055,202.00	(1,261.00)	22,053,941.00	12,164,628.00	9,889,313.00
Public Service Commission	1,689,668.00		1,689,668.00	290,247.00	1,399,421.00
Finanacial Institutions	8,409,912.00		8,409,912.00	3,798,059.00	4,611,853.00
Securities Commission	170,000.00		170,000.00	42,814.00	127,186.00
Public Safety and Corrections:					
Highway Patrol	11,918,069.00	(1,575,108.00)	10,342,961.00	4,010,164.00	6,332,797.00
Corrections & Rehab	28,724,843.00		28,724,843.00	11,807,949.00	16,916,894.00
Adjutant General	35,359,301.00	2,672,513.00	38,031,814.00	17,853,402.00	20,178,412.00
Agriculture & Commerce:					
Department of Commerce	20,678,587.00	2,047,060.00	22,725,647.00	4,534,952.00	18,190,695.00
Department of Agriculture	10,118,340.00	1,500,000.00	11,618,340.00	5,582,679.00	6,035,661.00
Racing Commission	162,557.00		162,557.00	65,791.00	96,766.00
Natural Resources:					
Historical Society	1,000,000.00	1,757,943.00	2,757,943.00	1,826,885.00	931,058.00
Council of Arts	111,515.00		111,515.00	25,019.00	86,496.00
Game and Fish	45,753,755.00	1,917,450.00	47,671,205.00	17,788,321.00	29,882,884.00
Parks and Recreation	13,561,798.00	(47,237.00)	13,514,561.00	5,333,908.00	8,180,653.00
Water Commission	694,699,588.00	63,158,619.00	757,858,207.00	183,753,135.00	574,105,072.00
Transportation:					
Aeronautics Commission	8,960,412.00	2,500,000.00	11,460,412.00	4,232,870.00	7,227,542.00
Department of Transportation	597,020,499.00	374,789,443.00	971,809,942.00	405,121,349.00	566,688,593.00
Total Charges to Appropriations	3,061,198,974.00	520,830,458.00	3,582,029,432.00	1,262,622,176.00	2,319,407,256.00
Ending Budgetary Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -

STATE OF NORTH DAKOTA

Required Supplemental Information Budgetary Comparison Schedule Budget to GAAP Reconciliation State Fund

For the Fiscal Year ended June 30, 2018

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

Sources/Inflows of resources

Actual Amounts (budgetary basis) "total revenue inflows" from the budgetary comparison schedule	1,262,622,176
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	1,092,259,003
Total revenues, capital lease acquisitions, and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 2,354,881,179</u>

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	1,262,622,176
Differences-Budget to GAAP:	
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	1,427,505,166
New Loans issued are expenditures for Budget but not for GAAP	(7,191,910)
GAAP, but not Budget expenditures are reduced by year end inventory balances	1,456,342
Intrafund activity eliminated for GAAP	(533,528,048)
Certain due to other funds are recorded under GAAP, but not for Budget	(2,900,036)
Total expenditures, sale of capital assets, and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 2,147,963,690</u>

STATE OF NORTH DAKOTA

Note To Required Supplemental Information - Budgetary Reporting For the Fiscal Year Ended June 30, 2018

The Budgetary Comparison Schedules present comparisons of the original and revised legally adopted budgets with actual data on a budgetary basis for major funds. The only major fund with a legally adopted budget is the General Fund. All other funds are budgeted together as "Other Budgeted Funds." A budgetary schedule has been done for these other funds because they include budgeted amounts for the Federal Fund and State Funds, which are major special revenue funds. These amounts are reported on the schedules entitled "Federal Funds" and "State Funds".

North Dakota's Appropriation Acts include a dual legal level of budgetary control - one at the General Fund versus Other Budget Income level for each agency and one at the line item level for each agency. Line items are not separate between General Fund and Other Budgeted Income so that control is not presented in our budgetary comparison schedule for major funds. The legal level of control for all agencies is reported in a publication titled "State of North Dakota 2017-2019 Biennium Budget and Actual Detail (Budgetary Basis) For the Fiscal Year Ended June 30, 2018." This budget information is available through the Office of Management and Budget, 600 East Boulevard Ave Dept. 110, Bismarck, ND 58505. For the 2017-2019 biennium there were general, federal, and special fund supplemental appropriations of \$688,555,564.

The Budgetary Comparison Schedule reports expenditures on a budgetary basis. The accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present the financial statements in accordance with GAAP. Reconciliations of the three for the Fiscal Year ended June 30, 2018, for the General Fund, Federal Fund, and State Fund is on the previous pages.

STATE OF NORTH DAKOTA

Required Supplementary Information
Schedule of State's Share of Net Pension Liability
North Dakota Public Employee Retirement System
Last 10 Fiscal Years*
(Dollars in thousands)

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered-employee payroll	Plan fiduciary net position	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	51.879909%	\$833,182	\$588,960	\$1,415,199	141.47%	62.65%
2017	53.421343%	520,338	566,915	1,290,070	91.78%	71.10%
2016	54.824190%	365,845	494,732	1,300,271	73.95%	77.70%
2015	55.154588%	348,760	477,406	1,258,398	73.05%	78.17%

*Complete data for this schedule is not available prior to 2015. Amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

Required Supplementary Information
Schedule of State's Contributions
North Dakota Public Employee Retirement System
Last 10 Fiscal Years*
(Dollars in thousands)

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2018	\$39,824	\$(39,815)	\$ 9	\$569,979	6.99%
2017	41,089	(41,034)	55	588,960	6.98%
2016	39,895	(40,330)	(435)	566,915	7.11%
2015	37,076	(37,571)	(495)	494,732	7.59%

*Complete data for this schedule is not available prior to 2015.

STATE OF NORTH DAKOTA

Required Supplementary Information
Schedule of State's Share of Net Pension Liability
North Dakota Highway Patrolmen's Retirement System
Last 10 Fiscal Years*
(Dollars in thousands)

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered-employee payroll	Plan fiduciary net position	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	100.00%	\$20,711	\$10,934	\$73,336	189.42%	77.98%
2017	100.00%	22,111	10,527	65,811	210.04%	74.85%
2016	100.00%	13,436	10,146	66,676	132.43%	83.23%
2015	100.00%	9,766	9,348	65,667	104.47%	87.05%

*Complete data for this schedule is not available prior to 2015. Amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

Required Supplementary Information
Schedule of State's Contributions
North Dakota Highway Patrolmen's Retirement System
Last 10 Fiscal Years*
(Dollars in thousands)

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2018	\$2,153	\$(2,153)	\$ -	\$10,929	19.70%
2017	2,154	(2,154)	-	10,934	19.70%
2016	2,127	(2,127)	-	10,527	20.21%
2015	2,002	(2,002)	-	10,146	19.73%

*Complete data for this schedule is not available prior to 2015.

STATE OF NORTH DAKOTA

Required Supplementary Information
Schedule of State's Share of Net Pension Liability
Retirement Plan for the Employees of Job Service North Dakota
Last 10 Fiscal Years*
(Dollars in thousands)

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered-employee payroll	Plan fiduciary net position	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	100.00%	\$(33,636)	\$563	\$97,265	(5,974.42)%	152.86%
2017	100.00%	(35,329)	565	96,534	(6,252.92)%	157.72%
2016	100.00%	(32,893)	674	96,283	(4,880.27)%	151.89%
2015	100.00%	(32,650)	753	97,697	(4,335.99)%	150.20%

*Complete data for this schedule is not available prior to 2015. Amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

Required Supplementary Information
Schedule of State's Contributions
Retirement Plan for the Employees of Job Service North Dakota
Last 10 Fiscal Years*
(Dollars in thousands)

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2018	\$ -	\$ -	\$ -	\$ 471	0.00%
2017	-	-	-	563	0.00%
2016	-	-	-	565	0.00%
2015	-	-	-	674	0.00%

*Complete data for this schedule is not available prior to 2015.

STATE OF NORTH DAKOTA

Required Supplementary Information
Schedule of State's Share of Net Pension Liability
North Dakota Teachers' Fund for Retirement
Last 10 Fiscal Years*
(Dollars in thousands)

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered-employee payroll	Plan fiduciary net position	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.652945%	\$8,968	\$4,294	\$15,413	208.85%	63.20%
2017	0.666339%	9,762	4,329	14,155	225.50%	59.20%
2016	0.678409%	8,873	4,173	14,531	212.63%	62.10%
2015	0.616525%	6,460	3,576	12,891	180.65%	66.60%

*Complete data for this schedule is not available prior to 2015. Amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

Required Supplementary Information
Schedule of State's Contributions
North Dakota Teachers' Fund for Retirement
Last 10 Fiscal Years*
(Dollars in thousands)

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2018	\$561	\$(561)	\$-	\$4,397	12.75%
2017	547	(547)	-	4,294	12.75%
2016	528	(528)	-	4,329	12.75%
2015	532	(532)	-	4,173	12.75%

*Complete data for this schedule is not available prior to 2015.

STATE OF NORTH DAKOTA

Required Supplementary Information
Schedule of State's Share of OPEB Liability
Retiree Health Insurance Credit
Last 10 Fiscal Years*
(Dollars in thousands)

	Employer's proportion of the net OPEB (asset)	Employer's proportionate share of the net OPEB liability (asset)	Employer's covered-employee payroll	Plan fiduciary net position	Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2018	0.515458%	\$40,877	\$574,972	\$60,615	7.11%	59.78%

*Complete data for this schedule is not available prior to 2018. Amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

Required Supplementary Information
Schedule of State's Contributions
Retiree Health Insurance Credit
Last 10 Fiscal Years*
(Dollars in thousands)

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2018	\$6,434	\$(6,424)	\$10	\$563,479	1.14%

*Complete data for this schedule is not available prior to 2018.

STATE OF NORTH DAKOTA

Required Supplementary Information Schedule of Changes in Net Pension Liability and Related Ratios North Dakota Public Employee Retirement System Last 10 Fiscal Years* (Dollars in thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability (asset)				
Service cost	\$ 164,018	\$ 113,148	\$ 126,444	\$ 104,158
Interest	279,835	269,771	243,285	236,420
Change of benefit terms	-	-	-	2
Difference between expected and actual experience	(65,346)	(3,612)	15,915	4,396
Changes of assumptions	125,225	741,492	108,139	(76,152)
Benefit payments, including refund of employee contributions	<u>(182,522)</u>	<u>(162,992)</u>	<u>(149,664)</u>	<u>(134,930)</u>
Net change in total pension liability (asset)	321,210	957,807	344,119	133,894
Total pension liability (asset) - beginning	4,354,372	3,396,565	3,052,446	2,918,552
Total pension liability (asset) - ending (a)	<u>\$ 4,675,582</u>	<u>\$ 4,354,372</u>	<u>\$ 3,396,565</u>	<u>\$ 3,052,446</u>
Plan fiduciary net position				
Contributions - employer	\$ 80,727	\$ 78,934	\$ 77,080	\$ 70,842
Contributions - employee	77,486	76,007	74,219	68,392
Contributions - service credit repurchase	19,985	11,805	9,179	6,652
Contributions - other	-	-	-	-
Net investment income	249,165	311,761	11,334	81,537
Transfers from other plans	(24)	32	23,575	
Benefit payments, including refund of employee contributions	(182,522)	(162,992)	(149,664)	(134,930)
Administrative expense	<u>(2,473)</u>	<u>(2,607)</u>	<u>(2,538)</u>	<u>(2,365)</u>
Net change in plan fiduciary net position	242,344	312,940	43,185	90,128
Plan fiduciary net position - beginning	2,727,836	2,414,896	2,371,711	2,281,583
Plan fiduciary net position - ending (b)	<u>\$ 2,970,180</u>	<u>\$ 2,727,836</u>	<u>\$ 2,414,896</u>	<u>\$ 2,371,711</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ 1,705,402</u>	<u>\$ 1,626,536</u>	<u>\$ 981,669</u>	<u>\$ 680,735</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	63.53%	62.65%	71.10%	77.70%
Covered employee payroll	\$ 1,075,958	\$ 1,063,372	\$ 1,048,548	\$ 973,536
Plan net pension liability (asset) as a percentage of covered employee payroll	158.50%	152.96%	93.62%	69.92%

Notes to Schedule:

*Complete data for this schedule is not available prior to 2014.

Benefit Changes: There were no changes made in the plan provisions since the prior valuation.

Changes of Assumptions: There were no changes made in the actuarial assumptions since the July 1, 2017 valuation.

STATE OF NORTH DAKOTA

2014

\$ 94,611
218,719
-
25,783
-
(119,886)
219,227

2,699,325
\$ 2,918,552

\$ 61,661
59,394
8,325
-
316,630

(119,886)
(2,211)
323,913
1,957,670
\$ 2,281,583

\$ 636,969

78.18%
\$ 888,452

71.69%

STATE OF NORTH DAKOTA

Required Supplementary Information Schedule of Changes in Net Pension Liability and Related Ratios North Dakota Highway Patrolmen's Retirement System Last 10 Fiscal Years* (Dollars in thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability (asset)				
Service cost	\$ 2,738	\$ 2,701	\$ 2,226	\$ 2,038
Interest	7,203	6,951	6,311	6,008
Change of benefit terms	-	-	-	-
Difference between expected and actual experience	(621)	22	40	984
Changes of assumptions	-	1,257	3,946	395
Benefit payments, including refund of employee contributions	(4,981)	(4,806)	(4,713)	(4,746)
Net change in total pension liability (asset)	<u>4,339</u>	<u>6,125</u>	<u>7,810</u>	<u>4,679</u>
Total pension liability (asset) - beginning	<u>94,047</u>	<u>87,922</u>	<u>80,112</u>	<u>75,433</u>
Total pension liability (asset) - ending (a)	<u>\$ 98,386</u>	<u>\$ 94,047</u>	<u>\$ 87,922</u>	<u>\$ 80,112</u>
Plan fiduciary net position				
Contributions - employer	\$ 2,153	\$ 2,156	\$ 2,127	\$ 2,002
Contributions - employee	1,453	1,456	1,436	1,352
Contributions - service credit repurchase	282	249	-	97
Contributions - other	-	-	-	-
Net investment income	6,716	8,500	317	2,335
Benefit payments, including refund of employee contributions	(4,981)	(4,806)	(4,713)	(4,746)
Administrative expense	(30)	(30)	(32)	(31)
Net change in plan fiduciary net position	<u>5,593</u>	<u>7,525</u>	<u>(865)</u>	<u>1,009</u>
Plan fiduciary net position - beginning	<u>73,336</u>	<u>65,811</u>	<u>66,676</u>	<u>65,667</u>
Plan fiduciary net position - ending (b)	<u>\$ 78,929</u>	<u>\$ 73,336</u>	<u>\$ 65,811</u>	<u>\$ 66,676</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ 19,457</u>	<u>\$ 20,711</u>	<u>\$ 22,111</u>	<u>\$ 13,436</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	80.22%	77.98%	74.85%	83.23%
Covered employee payroll	\$ 10,737	\$ 10,629	\$ 10,527	\$ 10,146
Plan net pension liability (asset) as a percentage of covered employee payroll	181.21%	194.84%	210.04%	132.44%

Notes to Schedule:

*Complete data for this schedule is not available prior to 2014.

Benefit Changes: There were no changes made in the plan provisions since the prior valuation.

Changes of Assumptions: There were no changes made in the actuarial assumptions since the July 1, 2017 valuation.

STATE OF NORTH DAKOTA

2014

\$ 1,894
5,750
-
(300)
-
(3,784)
3,560

71,873
\$ 75,433

\$ 1,865
1,243
87
-
9,240

(3,784)
(28)
8,623
57,044
\$ 65,667

\$ 9,766

87.05%
\$ 9,348

104.47%

STATE OF NORTH DAKOTA

Required Supplementary Information Schedule of Changes in Net Pension Liability and Related Ratios Retirement Plan for the Employees of Job Service North Dakota Last 10 Fiscal Years* (Dollars in thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability (asset)				
Service cost	\$ 80	\$ 56	\$ 71	\$ 128
Interest	3,501	4,130	4,281	5,026
Change of benefit terms	-	-	-	-
Difference between expected and actual experience	(310)	(1,648)	(2,007)	(1,806)
Changes of assumptions	5,812	4,421	70	(310)
Benefit payments, including refund of employee contributions	(4,583)	(4,534)	(4,601)	(4,694)
Net change in total pension liability (asset)	<u>4,500</u>	<u>2,425</u>	<u>(2,186)</u>	<u>(1,656)</u>
Total pension liability (asset) - beginning	<u>63,629</u>	<u>61,204</u>	<u>63,390</u>	<u>65,046</u>
Total pension liability (asset) - ending (a)	<u>\$ 68,129</u>	<u>\$ 63,629</u>	<u>\$ 61,204</u>	<u>\$ 63,390</u>
Plan fiduciary net position				
Contributions - employer	\$ -	\$ -	\$ -	\$ -
Contributions - employee	33	39	44	50
Contributions - service credit repurchase	-	-	-	-
Contributions - other	-	-	-	-
Net investment income	2,919	5,239	4,840	3,260
Benefit payments, including refund of employee contributions	(4,583)	(4,534)	(4,601)	(4,694)
Administrative expense	(46)	(13)	(32)	(30)
Net change in plan fiduciary net position	<u>(1,677)</u>	<u>731</u>	<u>251</u>	<u>(1,414)</u>
Plan fiduciary net position - beginning	<u>97,265</u>	<u>96,534</u>	<u>96,283</u>	<u>97,697</u>
Plan fiduciary net position - ending (b)	<u>\$ 95,588</u>	<u>\$ 97,265</u>	<u>\$ 96,534</u>	<u>\$ 96,283</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ (27,459)</u>	<u>\$ (33,636)</u>	<u>\$ (35,330)</u>	<u>\$ (32,893)</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	140.30%	152.86%	157.72%	151.89%
Covered employee payroll	\$ 417	\$ 499	\$ 567	\$ 791
Plan net pension liability (asset) as a percentage of covered employee payroll	-6590.37%	-6746.56%	-6256.45%	-4160.24%

Notes to Schedule:

*Complete data for this schedule is not available prior to 2014.

Benefit Changes: There were no changes made in the plan provisions since the prior valuation.

Changes of Assumptions: The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2018 actuarial valuation:

- The investment return assumption was lowered from 5.7 to 4.75 percent.

All other actuarial assumptions used in the July 1, 2018 are the same as the last actuarial valuation as of July 1, 2017.

STATE OF NORTH DAKOTA

2014

\$ 88
5,107
-
(1,607)
-
(4,595)
(1,007)

66,053
\$ 65,046

\$ -
56
-
-
11,888

(4,595)
(31)
7,318
90,379
\$ 97,697

\$ (32,651)

150.20%
\$ 843

-3874.93%

STATE OF NORTH DAKOTA

Required Supplementary Information Schedule of Changes in Net Pension Liability and Related Ratios North Dakota Teachers' Fund for Retirement Last 10 Fiscal Years* (Dollars in thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability (asset)				
Service cost	\$ 78,041	\$ 75,476	\$ 68,239	\$ 60,618
Interest	287,375	276,412	265,440	249,064
Change of benefit terms	-	-	-	-
Difference between expected and actual experience	(27,939)	(10,749)	(8,093)	2,209
Changes of assumptions	-	-	-	171,325
Benefit payments, including refund of employee contributions	(207,979)	(196,516)	(185,969)	(172,239)
Net change in total pension liability (asset)	<u>129,498</u>	<u>144,623</u>	<u>139,617</u>	<u>310,977</u>
Total pension liability (asset) - beginning	<u>3,734,017</u>	<u>3,589,394</u>	<u>3,449,777</u>	<u>3,138,800</u>
Total pension liability (asset) - ending (a)	<u>\$ 3,863,515</u>	<u>\$ 3,734,017</u>	<u>\$ 3,589,394</u>	<u>\$ 3,449,777</u>
Plan fiduciary net position				
Contributions - employer	\$ 86,676	\$ 86,059	\$ 82,840	\$ 78,422
Contributions - employee	79,878	79,309	76,343	72,268
Contributions - service credit repurchase	2,181	2,553	2,768	1,601
Contributions - other	194	236	45	172
Net investment income	211,345	266,688	8,239	73,205
Benefit payments, including refund of employee contributions	(207,979)	(196,516)	(185,969)	(172,239)
Administrative expense	(2,129)	(2,173)	(1,852)	(1,923)
Net change in plan fiduciary net position	<u>170,166</u>	<u>236,156</u>	<u>(17,586)</u>	<u>51,506</u>
Plan fiduciary net position - beginning	<u>2,360,491</u>	<u>2,124,335</u>	<u>2,141,921</u>	<u>2,090,415</u>
Plan fiduciary net position - ending (b)	<u>\$ 2,530,657</u>	<u>\$ 2,360,491</u>	<u>\$ 2,124,335</u>	<u>\$ 2,141,921</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ 1,332,858</u>	<u>\$ 1,373,526</u>	<u>\$ 1,465,059</u>	<u>\$ 1,307,856</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	65.50%	63.20%	59.20%	62.10%
Covered employee payroll	\$ 679,809	\$ 674,971	\$ 649,725	\$ 615,105
Plan net pension liability (asset) as a percentage of covered employee payroll	196.10%	203.50%	225.50%	212.60%

Notes to Schedule:

*Complete data for this schedule is not available prior to 2014.

**Restated in 2015 due to GASB 68 implementation.

Changes of Assumptions: In 2015, amounts reported as changes of assumptions resulted primarily from a decrease in the investment return assumption from 8% to 7.75% and an updated mortality improvement scale.

STATE OF NORTH DAKOTA

2014

\$ 56,752
237,821
-
9,347
-
(162,259)
141,661

2,997,139
\$ 3,138,800

\$ 62,355
56,555
2,034
48
294,246

(162,259)
(1,586)
251,393
1,839,584
\$ 2,090,977

\$ 1,047,823

66.60%
\$ 580,053

180.60%

STATE OF NORTH DAKOTA

Required Supplementary Information Schedule of Changes in Net Other Post Employment Benefit Liability and Related Ratios Retiree Health Insurance Credit Fund Last 10 Fiscal Years* (Dollars in thousands)

	<u>2018</u>	<u>2017</u>
Total OPEB liability (asset)		
Service cost	\$ 3,767	\$ 3,430
Interest	14,485	14,327
Change of benefit terms	-	-
Difference between expected and actual experience	2,732	(2,231)
Changes of assumptions	-	8,861
Benefit payments, including refund of employee contributions	(11,016)	(10,014)
Net change in total OPEB liability (asset)	<u>9,968</u>	<u>14,373</u>
Total OPEB liability (asset) - beginning	196,695	182,322
Total OPEB liability (asset) - ending (a)	<u>\$ 206,663</u>	<u>\$ 196,695</u>
Plan fiduciary net position		
Contributions - employer	\$ 12,834	\$ 12,576
Contributions - employee	16	16
Contributions - service credit repurchase	747	464
Contributions - other	-	-
Net investment income	8,211	12,074
Benefit payments, including refund of employee contributions	(11,016)	(10,014)
Administrative expense	(480)	(443)
Net change in plan fiduciary net position	<u>10,312</u>	<u>14,673</u>
Plan fiduciary net position - beginning	117,594	102,921
Plan fiduciary net position - ending (b)	<u>\$ 127,906</u>	<u>\$ 117,594</u>
Net OPEB liability (asset) - ending (a) - (b)	<u>\$ 78,757</u>	<u>\$ 79,101</u>
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	61.89%	59.78%
Covered employee payroll	\$ 1,094,217	\$ 1,081,841
Plan net OPEB liability (asset) as a percentage of covered employee payroll	7.20%	7.31%

Notes to Schedule:

*Complete data for this schedule is not available prior to 2017.

Benefit Changes: There were no changes made in the plan provisions since the prior valuation.

Changes of Assumptions: There were no changes made in the actuarial assumptions since the July 1, 2017 valuation

STATE OF NORTH DAKOTA

Required Supplementary Information
Schedule of Changes in Net Other Post Employment Benefit Liability and Related Ratios
Met Life Insurance Plan
Last 10 Fiscal Years*
(Dollars in thousands)

	<u>2018</u>
Total OPEB liability (asset)	
Service cost	\$ 4
Interest	43
Change of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refund of employee contributions	(80)
Net change in total OPEB liability (asset)	<u>(33)</u>
Total OPEB liability (asset) - beginning	1,524
Total OPEB liability (asset) - ending (a)	<u>\$ 1,491</u>
Plan fiduciary net position	
Contributions - employer	\$ 80
Contributions - employee	-
Contributions - service credit repurchase	-
Contributions - other	-
Net investment income	-
Benefit payments, including refund of employee contributions	(80)
Administrative expense	-
Net change in plan fiduciary net position	<u>-</u>
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending (b)	<u>\$ -</u>
Net OPEB liability (asset) - ending (a) - (b)	<u>\$ 1,491</u>
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	0.00%
Covered employee payroll	n/a
Plan net OPEB liability (asset) as a percentage of covered employee payroll	n/a

STATE OF NORTH DAKOTA

Required Supplementary Information Schedule of Employer Contributions Last 10 Fiscal Years* (Dollars in thousands)

ND Public Employees Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially determined contribution	\$ 125,714	\$ 116,564	\$ 124,336	\$ 107,514	\$ 107,864	\$ 97,985	\$ 91,458	\$ 82,910	\$ 54,158	\$ 40,327
Contributions in relation to the actuarially determined contribution	<u>80,727</u>	<u>78,934</u>	<u>77,081</u>	<u>70,843</u>	<u>61,661</u>	<u>48,847</u>	<u>38,006</u>	<u>32,278</u>	<u>30,253</u>	<u>27,705</u>
Contribution deficiency (excess)	<u>\$ 44,987</u>	<u>\$ 37,630</u>	<u>\$ 47,255</u>	<u>\$ 36,671</u>	<u>\$ 46,203</u>	<u>\$ 49,138</u>	<u>\$ 53,452</u>	<u>\$ 50,632</u>	<u>\$ 23,905</u>	<u>\$ 12,622</u>
Covered-employee payroll	1,075,958	1,063,372	1,048,548	973,536	888,452	800,878	804,169	769,710	697,737	640,685
Contributions as a percentage of covered-employee payroll	7.50%	7.42%	7.35%	7.28%	6.94%	6.10%	4.73%	4.19%	4.34%	4.32%

Highway Patrolmen's Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially determined contribution	\$ 2,949	\$ 3,060	\$ 2,307	\$ 2,201	\$ 2,348	\$ 2,191	\$ 2,171	\$ 1,744	\$ 1,313	\$ 1,026
Contributions in relation to the actuarially determined contribution	<u>2,153</u>	<u>2,156</u>	<u>2,127</u>	<u>2,002</u>	<u>1,865</u>	<u>1,586</u>	<u>1,423</u>	<u>1,286</u>	<u>1,197</u>	<u>1,123</u>
Contribution deficiency (excess)	<u>\$ 796</u>	<u>\$ 904</u>	<u>\$ 180</u>	<u>\$ 199</u>	<u>\$ 483</u>	<u>\$ 605</u>	<u>\$ 748</u>	<u>\$ 458</u>	<u>\$ 116</u>	<u>\$ (97)</u>
Covered-employee payroll	10,737	10,629	10,527	10,146	9,348	8,167	8,002	7,738	7,009	6,509
Contributions as a percentage of covered-employee payroll	20.05%	20.28%	20.21%	19.73%	19.95%	19.42%	17.78%	16.62%	17.08%	17.25%

Job Service North Dakota

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	<u>-</u>									
Contribution deficiency (excess)	<u>\$ -</u>									
Covered-employee payroll	417	499	565	791	843	1,011	1,163	1,266	1,487	1,613
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

STATE OF NORTH DAKOTA

Required Supplementary Information Schedule of Employer Contributions Last 10 Fiscal Years* (Dollars in thousands)

ND Teachers' Fund for Retirement

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially determined contribution	\$ 88,307	\$ 89,231	\$ 84,724	\$ 71,168	\$ 59,513	\$ 52,396	\$ 69,374	\$ 65,113	\$ 52,053	\$ 41,986
Contributions in relation to the actuarially determined contribution	<u>86,676</u>	<u>86,059</u>	<u>82,840</u>	<u>78,422</u>	<u>62,355</u>	<u>59,301</u>	<u>46,126</u>	<u>44,545</u>	<u>39,837</u>	<u>37,488</u>
Contribution deficiency (excess)	<u>\$ 1,631</u>	<u>\$ 3,172</u>	<u>\$ 1,884</u>	<u>\$ (7,254)</u>	<u>\$ (2,842)</u>	<u>\$ (6,905)</u>	<u>\$ 23,248</u>	<u>\$ 20,568</u>	<u>\$ 12,216</u>	<u>\$ 4,498</u>
Covered-employee payroll	679,809	674,971	649,725	615,105	580,053	551,656	527,156	509,091	482,868	454,396
Contributions as a percentage of covered-employee payroll	12.75%	12.75%	12.75%	12.75%	10.75%	10.75%	8.75%	8.75%	8.25%	8.25%

Retiree Health Insurance Credit Plan

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially determined contribution	\$ 12,252	\$ 11,696	\$ 7,544	\$ 6,439	\$ 7,014	\$ 7,411	\$ 7,263	\$ 7,053	\$ 7,199	\$ 5,805
Contributions in relation to the actuarially determined contribution	<u>12,835</u>	<u>12,575</u>	<u>12,350</u>	<u>11,479</u>	<u>10,710</u>	<u>9,960</u>	<u>9,388</u>	<u>8,930</u>	<u>8,393</u>	<u>6,772</u>
Contribution deficiency (excess)	<u>\$ (583)</u>	<u>\$ (879)</u>	<u>\$ (4,806)</u>	<u>\$ (5,040)</u>	<u>\$ (3,696)</u>	<u>\$ (2,549)</u>	<u>\$ (2,125)</u>	<u>\$ (1,877)</u>	<u>\$ (1,194)</u>	<u>\$ (967)</u>
Covered-employee payroll	1,094,217	1,081,841	1,142,375	1,052,657	1,001,204	914,368	824,855	828,978	793,634	719,812
Contributions as a percentage of covered-employee payroll	1.17%	1.16%	1.08%	1.09%	1.07%	1.09%	1.14%	1.08%	1.06%	0.94%

STATE OF NORTH DAKOTA

Required Supplementary Information Information About the State's Pension and Other Post Employment Benefit Plans For the Fiscal Year Ended June 30, 2018

Schedule of Employer Contributions

Valuation date: Actuarial determined contribution rates are calculated as of June 30, 12 months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contributions rates:

PERS, HPRS and RHIC:

Actuarial Cost Method	Entry Age Normal Method. Entry Age is the age at the time the participant commenced employment. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary.
Amortization Method	Level percent of payroll, Open Period.
Remaining Amortization Period	20 years open, assuming 3.75% (3.25% for Judges) of payroll growth per annum
Asset Valuation Method	5-Year smoothed market.

JSND:

Actuarial cost method	Frozen Initial Liability Cost Method. The "annual contribution" under this method is the normal cost plus the payment required to amortize the unfunded initial actuarial accrued liability over a selected period of years. The normal cost is determined by calculating the total value of all future benefits, subtracting the outstanding balance (if any) of the unfunded initial actuarial accrued liability, subtracting the actuarial value of assets, and determining payments (not less than zero) that are a level percent of pay over the future working lifetime of all participants. In the absence of an unfunded initial actuarial accrued liability, the Frozen Initial Liability Actuarial Cost Method is the same as the Aggregate Cost Method. The plan has assets in excess of the present value of future benefits. Therefore, no contribution is being made.
Asset valuation method	5-Year smoothed market.

TFFR:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization Period	26 years
Asset valuation method	5-year smoothed market
Inflation	2.75%; decreased from 3% prior to July 1, 2015.
Salary increases	4.25% - 14.5%, including inflation and productivity; 4.5% - 14.75% prior to July 1, 2015.
Investment rate of return	7.75%, net of investment expenses, including inflation. Rate was decreased from 8% beginning July 1, 2015.
Retirement age	In the 2015 valuation, rates of retirement were changed to better reflect anticipated future experience. In the 2010 valuation, expected retirement ages of plan members were adjusted to more closely reflect actual experience.
Mortality	In the 2015 valuation, assumed life expectancies were adjusted as a result of adopting the RP-2014 mortality tables with generational improvement. In prior years, those assumptions were based on percentages of GRS post termination non-disabled tables and RP-2000 disabled-life tables.

STATE OF NORTH DAKOTA

Required Supplementary Information Information About the State's Pension and Other Post Employment Benefit Plans For the Fiscal Year Ended June 30, 2018

Schedule of Investment Returns

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Job Service North Dakota	Teachers' Fund for Retirement	Retiree Health Insurance Credit Fund
2018	9.21%	9.16%	3.32%	9.15%	7.01%
2017	13.01%	12.93%	5.85%	12.81%	11.75%
2016	0.49%	0.48%	5.14%	0.39%	0.83%
2015	3.61%	3.66%	3.41%	3.56%	0.00%
2014	16.29%	16.20%	13.46%	16.35%	0.00%
2013	13.52%	13.38%	12.07%	13.60%	0.00%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Met Life Insurance Plan:

Actuarial cost method	Entry age normal actuarial cost method was used in the valuation.
Changes of assumptions	<p>The following changes were made to the actuarial assumptions and methods effecting July 1, 2018</p> <ul style="list-style-type: none">• The benefits valued were changed from retiree medical and life benefits to life benefits only.• The discount rate is 2.98 percent based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2018, compared to the prior Statement No. 45 discount rate of 4.5%.• The funding method was changed from Projected Unit Credit to Entry Age Normal.• Mortality was updated from table RP-2-14 adjusted to 2006 and projected using scale MP-2015 to table RP-2014 adjusted to 2006 and projected using scale MP-2017.



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Combining Financial Statements

STATE OF NORTH DAKOTA

Permanent Fund

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

956-Coal Development Permanent Fund

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

Debt Service Funds

A debt service fund is used to account for accumulation for resources for, and the payment of, principal and interest on long-term debt.

BUILDING AUTHORITY

919 - Building Authority Debt Service Fund

Account for accumulation of resources for, and the payment of, principal and interest on bonds issued by the North Dakota Building Authority.

DEPARTMENT OF TRANSPORTATION

949 - Department of Transportation Debt Service Fund

Account for accumulation of resources for, and the payment of, principal and interest on bonds issued by the Department of Transportation.

STATE OF NORTH DAKOTA

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2018

	Perm Fund	Debt Service Funds			Total Nonmajor Governmental Funds
	Coal Development Trust Fund	Building Authority	Dept. of Trans.	Total	
ASSETS					
Cash Deposits at the Bank of ND	\$ 305,241	\$ 13,000	\$ 84,820	\$ 97,820	\$ 403,061
Investments at the Bank of ND	-	663,000	-	663,000	663,000
Investments	15,091,533	-	-	-	15,091,533
Taxes Receivable - Net	125,053	-	-	-	125,053
Interest Receivable - Net	82,671	-	-	-	82,671
Loans and Notes Receivable - Net	56,295,763	-	-	-	56,295,763
Total Assets	<u>71,900,261</u>	<u>676,000</u>	<u>84,820</u>	<u>760,820</u>	<u>72,661,081</u>
DEFERRED OUTFLOWS OF RESOURCES					
Total Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 71,900,261</u>	<u>\$ 676,000</u>	<u>\$ 84,820</u>	<u>\$ 760,820</u>	<u>\$ 72,661,081</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	2,414	-	-	-	2,414
Securities Lending Collateral	2,137,396	-	-	-	2,137,396
Due to Other Funds	169,159	-	-	-	169,159
Total Liabilities	<u>2,308,969</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,308,969</u>
DEFERRED INFLOWS OF RESOURCES					
Total Deferred Inflows of Resources	-	-	-	-	-
Fund Balances:					
Nonspendable	69,538,620	-	-	-	69,538,620
Restricted	-	676,000	84,820	760,820	760,820
Committed	52,672	-	-	-	52,672
Total Fund Balances	<u>69,591,292</u>	<u>676,000</u>	<u>84,820</u>	<u>760,820</u>	<u>70,352,112</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 71,900,261</u>	<u>\$ 676,000</u>	<u>\$ 84,820</u>	<u>\$ 760,820</u>	<u>\$ 72,661,081</u>

STATE OF NORTH DAKOTA

Combining Statement of Revenues, Expenditures and Changes in Fund Balance Nonmajor Governmental Funds For the Fiscal Year Ended June 30, 2018

	Perm Fund	Debt Service Funds			Total Nonmajor Governmental Funds
	Coal Development Trust Fund	Building Authority	Dept. of Trans.	Total	
REVENUES					
Oil, Gas, and Coal Taxes	\$ 1,658,475	\$ -	\$ -	\$ -	\$ 1,658,475
Intergovernmental	-	-	4,300,215	4,300,215	4,300,215
Interest and Investment Income	895,201	27,000	478	27,478	922,679
Total Revenues	<u>2,553,676</u>	<u>27,000</u>	<u>4,300,693</u>	<u>4,327,693</u>	<u>6,881,369</u>
EXPENDITURES					
Current:					
General Government	40,820	-	-	-	40,820
Regulatory	-	163,000	-	163,000	163,000
Debt Service:					
Principal	-	10,774,000	4,590,000	15,364,000	15,364,000
Interest and Other Charges	-	1,465,000	725,847	2,190,847	2,190,847
Total Expenditures	<u>40,820</u>	<u>12,402,000</u>	<u>5,315,847</u>	<u>17,717,847</u>	<u>17,758,667</u>
Revenues over (under) Expenditures	<u>2,512,856</u>	<u>(12,375,000)</u>	<u>(1,015,154)</u>	<u>(13,390,154)</u>	<u>(10,877,298)</u>
OTHER FINANCING SOURCES (USES)					
Bonds and Notes Issued	-	191,000	-	191,000	191,000
Refunding Bonds Issued	-	20,347,000	-	20,347,000	20,347,000
Payment on Refunded Bonds	-	(20,347,000)	-	(20,347,000)	(20,347,000)
Transfers In	-	6,789,000	1,015,181	7,804,181	7,804,181
Transfers Out	(2,002,511)	-	-	-	(2,002,511)
Total Other Financing Sources (Uses)	<u>(2,002,511)</u>	<u>6,980,000</u>	<u>1,015,181</u>	<u>7,995,181</u>	<u>5,992,670</u>
Net Change in Fund Balances	510,345	(5,395,000)	27	(5,394,973)	(4,884,628)
Fund Balances - Beginning of Year	69,080,947	6,071,000	84,793	6,155,793	75,236,740
Fund Balances - End of Year	<u>\$ 69,591,292</u>	<u>\$ 676,000</u>	<u>\$ 84,820</u>	<u>\$ 760,820</u>	<u>\$ 70,352,112</u>



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STATE OF NORTH DAKOTA

Nonmajor Enterprise Funds

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

BANK OF NORTH DAKOTA

907 – School Construction Assistance Revolving Loan Fund

Fund used to provide low-interest school construction loans.

934 – Infrastructure Revolving Loan Fund

Fund used to provide loans to political subdivisions for essential infrastructure projects.

954 - Addiction Counselor Internship Loan Program

Fund used to provide loans to qualified individuals participating in a paid or unpaid internship at a licensed substance abuse treatment facility in North Dakota in order to obtain licensure as an addiction counselor.

984 – Medical Facility Infrastructure Loan Program

Fund used to make loans to medical facilities to conduct construction that improves the health care infrastructure in the state or improves access to existing nonprofit health care providers in the state.

985 – Rebuilders Loan Program

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

BEGINNING FARMER REVOLVING LOAN

973 - Beginning Farmer Revolving Loan Fund

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

BONDING

210 (924) - State Bonding Fund

Fund used to maintain the bonding of public employees and officials of the state, county, city or other unit of local government.

COMMUNITY WATER FACILITY LOAN

974 - Community Water Facility Loan Fund

Accounts for supplementary financing in conjunction with federal moneys available to improve adequate water supplies.

FIRE AND TORNADO

211 (923) - State Fire and Tornado Fund

Accounts for state agencies and political subdivisions to insure against loss to the public buildings, fixtures and permanent contents therein, through fire, lightning, windstorm, etc.

GUARANTEED STUDENT LOAN

969 - North Dakota Guaranteed Student Loan

Accounts for the revenues and expenses associated with the administration, development and operation of the guaranteed loan program.

HIT PLANNING LOAN FUND

987 – HIT Planning Loan Fund

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

INFORMATION TECHNOLOGY DEPARTMENT

408 (903) - Edutech Fund

Fund used for professional development sessions and presentations by the Information and Technology Department.

476 (908) – SW Interoperable Radio Network Fund

Fund used for a radio broadcasting system for the state that enables seamless interoperable communications from local, state, and federal levels.

MILL AND ELEVATOR

970 – Mill and Elevator

Accounts for revenues and expenditures associated with the operation of the Mill and Elevator.

PERS UNIFORM GROUP INSURANCE

980 - Public Employees Retirement System Group Insurance

Accounts for the administrative revenues and expenses associated with this insurance purchasing pool.

ROUGH RIDER INDUSTRIES

926 - Roughrider Industries

Accounts for the revenues and expenses associated with the operation, manufacture and sale of products made by the prison inmates.

STATE FAIR

601 (977) - State Fair

Accounts for revenues and expenditures associated with the operation of the State Fair.

STATE LOTTERY FUND

966 (292) - State Lottery Fund

Accounts for operations of the North Dakota lottery.

STUDENT LOAN

975 - North Dakota Student Loan Trust

Accounts for loans to students in post secondary education. The trust acquires eligible loans guaranteed or insured by the United States government or the North Dakota Guaranteed Student Loan Program.

UNEMPLOYMENT COMPENSATION FUND

967 - Job Service-Expendable Trust Fund

Accounts for State unemployment taxes collected from employers for the purpose of paying unemployment benefits.

STATE OF NORTH DAKOTA

Combining Statement of Net Position Nonmajor Enterprise Funds June 30, 2018

	Addition Counselor Internship Loan	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Edutech	Fire and Tornado	Guaranteed Student Loan	HIT Planning Loan Fund	Infrastructure Revolving Loan Fund
ASSETS									
Current Assets:									
Cash Deposits at the Bank of ND	\$ 67,193	\$ 5,707,000	\$ 117,602	\$ 12,628,000	\$ 914,240	\$ 209,544	\$ 45,230,383	\$ -	\$ 11,203,000
Cash and Cash Equivalents	-	-	1,532,584	-	-	2,301,209	-	-	-
Investments at the Bank of ND	-	-	-	-	-	-	-	-	-
Investments	-	-	1,856,990	-	-	20,710,533	-	-	-
Accounts Receivable - Net	-	-	169,889	-	54,251	-	-	-	-
Interest Receivable - Net	1,445	-	27,143	281,000	-	136,403	-	3,179	551,000
Intergovernmental Receivable - Net	-	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	1,425	-	236,925	-	-
Prepaid Items	-	2,114,000	-	-	-	229,307	-	-	-
Inventory	-	-	-	-	-	-	-	-	-
Loans and Notes Receivable - Net	8,951	-	-	786,000	-	-	-	1,109,877	3,360,000
Other Assets	-	-	-	-	-	-	-	-	-
Restricted Cash at the Bank of ND	-	-	-	-	-	-	167,900	4,236,245	-
Restricted Investments at the Bank of ND	-	-	-	-	-	-	-	-	-
Total Current Assets	77,589	7,821,000	3,704,208	13,695,000	969,916	23,586,996	45,635,208	5,349,301	15,114,000
Noncurrent Assets:									
Loans and Notes Receivable - Net	113,317	-	-	21,092,000	-	-	-	3,929,131	50,889,000
Other Noncurrent Assets	-	3,622,000	-	-	-	-	-	-	-
Capital Assets:									
Nondepreciable	-	-	-	-	-	-	-	-	-
Depreciable, Net	-	-	-	-	84,350	-	-	-	-
Total Noncurrent Assets	113,317	3,622,000	-	21,092,000	84,350	-	-	3,929,131	50,889,000
Total Assets	190,906	11,443,000	3,704,208	34,787,000	1,054,266	23,586,996	45,635,208	9,278,432	66,003,000
DEFERRED OUTFLOWS OF RESOURCES									
Decrease in Fair Value of Hedging Derivatives	-	-	-	-	-	-	-	-	-
Derived from Pensions	-	-	12,386	-	-	313,756	-	-	-
Derived from OPEB	-	-	286	-	-	7,770	-	-	-
Total Deferred Outflows of Resources	-	-	12,672	-	-	321,526	-	-	-
LIABILITIES									
Current Liabilities:									
Accounts Payable	-	-	118	-	6,124	26,799	-	4,592	-
Accrued Payroll	-	-	1,911	-	-	55,936	-	-	-
Securities Lending Collateral	-	-	5,503	-	-	82,158	-	-	-
Interest Payable	-	-	1,060	-	-	5,639	-	-	-
Intergovernmental Payable	-	-	-	-	-	9,493	4,082,900	-	-
Due to Other Funds	-	-	23	28,000	8,622	-	1,015,942	-	-
Due to Fiduciary Funds	-	-	-	-	-	-	-	-	-
Amounts Held in Custody for Others	-	-	-	-	-	-	-	-	-
Claims/Judgments Payable	-	-	105,674	-	-	1,878,782	-	-	-
Compensated Absences Payable	-	-	133	-	-	2,719	-	-	-
Bonds Payable	-	-	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-	-	-	-
Other Current Liabilities	-	-	-	-	-	44,548	-	-	65,000
Total Current Liabilities	-	-	114,422	28,000	14,746	2,106,074	5,098,842	4,592	65,000
Noncurrent Liabilities:									
Compensated Absences Payable	-	-	2,535	-	-	51,667	-	-	-
Bonds Payable	-	-	-	-	-	-	-	-	-
Financial Derivative Instrument	-	-	-	-	-	-	-	-	-
Net Pension Liability	-	-	24,303	-	-	616,244	-	-	-
Net Pension OPEB	-	-	1,129	-	-	28,617	-	-	-
Other Noncurrent Liabilities	-	-	-	-	-	-	20,579,359	-	-
Total Noncurrent Liabilities	-	-	27,967	-	-	696,528	20,579,359	-	-
Total Liabilities	-	-	142,389	28,000	14,746	2,802,602	25,678,201	4,592	65,000
DEFERRED INFLOWS OF RESOURCES									
Derived from Pensions	-	-	866	-	-	21,739	-	-	-
Derived from OPEB	-	-	71	-	-	1,803	-	-	-
Total Deferred Inflows of Resources	-	-	937	-	-	23,542	-	-	-
Net Position									
Net Investment in Capital Assets	-	-	-	-	-	-	-	-	-
Restricted for:									
Debt Service	-	-	-	-	-	-	-	-	-
Unemployment Compensation	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Unrestricted	190,906	11,443,000	3,573,554	34,759,000	1,039,520	21,082,378	19,957,007	9,273,840	65,938,000
Total Net Position	\$ 190,906	\$ 11,443,000	\$ 3,573,554	\$ 34,759,000	\$ 1,039,520	\$ 21,082,378	\$ 19,957,007	\$ 9,273,840	\$ 65,938,000

Interoperable Radio Network Fund	Medical Facility Infrastructure Loan Fund	Mill and Elevator	PERS Uniform Group Insurance	Rebuilders Loan Program	Roughrider Industries	School Construction Assistance Loan Fund	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 3,845,965	\$ 5,418,000	\$ 638,868	\$ 4,611,003	\$ 596,806	\$ 10,345,098	\$ 77,817,000	\$ 5,100,975	\$ 8,462,821	\$ 967,000	\$ 78,071	\$ 193,958,569
-	-	-	271,807	-	500	-	-	263,565	-	153,534,504	157,904,169
-	-	-	-	-	-	-	1,000,000	-	7,170,000	-	8,170,000
-	-	-	29,883,918	-	-	-	-	-	-	-	52,451,441
468,634	-	49,221,368	5,900,124	-	583,470	-	61,467	351,378	-	41,834,544	98,645,125
-	25,000	-	-	26,131	-	335,000	-	-	3,000	822,685	2,211,986
-	-	-	-	-	-	-	-	-	-	1,449,425	1,449,425
288,757	-	-	-	-	70,495	-	-	-	17,000	91,997	706,599
-	-	1,086,989	-	-	16,705	-	54,262	10,722	-	-	3,511,985
-	-	25,918,862	-	-	1,879,971	-	-	-	-	-	27,798,833
-	1,710,000	-	-	1,894,096	-	8,983,000	-	-	251,000	-	18,102,924
-	-	447,944	-	-	5,915	-	-	-	-	-	453,859
-	-	-	-	-	-	-	-	-	-	-	4,404,145
-	-	-	-	-	-	-	-	-	1,500,000	-	1,500,000
4,603,356	7,153,000	77,314,031	40,666,852	2,517,033	12,902,154	87,135,000	6,216,704	9,088,486	9,908,000	197,811,226	571,269,060
-	42,582,000	-	-	24,897,649	-	141,787,000	-	-	866,000	-	286,156,097
-	-	-	-	-	-	-	-	1,217,575	-	-	4,839,575
-	-	4,482,804	-	-	-	-	620,678	-	-	-	5,103,482
42,444	-	88,422,119	688,116	-	1,276,263	-	26,095,040	10,430	-	-	116,618,762
42,444	42,582,000	92,904,923	688,116	24,897,649	1,276,263	141,787,000	26,715,718	1,228,005	866,000	-	412,717,916
4,645,800	49,735,000	170,218,954	41,354,968	27,414,682	14,178,417	228,922,000	32,932,422	10,316,491	10,774,000	197,811,226	983,986,976
-	-	1,544,112	-	-	-	-	-	-	-	-	1,544,112
-	-	6,058,841	-	-	988,523	-	409,445	471,891	-	-	8,254,842
-	-	179,614	-	-	24,913	-	-	11,876	-	-	224,459
-	-	7,782,567	-	-	1,013,436	-	409,445	483,767	-	-	10,023,413
57	-	20,526,933	98,693	8,582	313,735	-	47,720	762,975	-	5,974,134	27,770,462
2,528	-	542,983	84,041	-	110,575	-	-	80,342	-	-	878,316
-	-	-	-	-	-	-	-	-	-	-	87,661
-	-	-	-	-	-	-	-	-	2,000	-	8,699
-	-	-	-	-	-	-	-	-	300,000	2,387,757	6,780,150
198,969	57,000	44,818,560	9,746	27,190,752	15,940	194,000	-	7,317,742	8,594,000	33,970	89,483,266
-	-	-	17,589	-	-	-	-	-	-	-	17,589
-	-	-	5,371,844	-	-	-	-	-	-	-	5,371,844
-	-	-	-	-	-	-	-	-	-	-	1,984,456
-	-	102,914	6,328	-	-	-	70,000	-	-	-	182,094
-	-	-	-	-	-	-	120,000	-	-	-	120,000
-	-	-	-	-	33,482	-	-	228,656	-	-	262,138
-	-	-	-	-	-	-	-	-	-	-	109,548
201,554	57,000	65,991,390	5,588,241	27,199,334	473,732	194,000	237,720	8,389,715	8,896,000	8,395,861	133,056,223
-	-	1,117,895	68,741	-	-	-	26,775	57,442	-	-	1,325,055
-	-	-	-	-	-	-	1,709,054	-	1,000,000	-	2,709,054
-	-	1,544,113	-	-	-	-	-	-	-	-	1,544,113
-	-	12,054,415	-	-	2,082,294	-	1,044,379	964,098	-	-	16,785,733
-	-	559,783	-	-	96,698	-	-	44,771	-	-	730,998
-	-	-	-	-	-	-	-	-	-	-	20,579,359
-	-	15,276,206	68,741	-	2,178,992	-	2,780,208	1,066,311	1,000,000	-	43,674,312
201,554	57,000	81,267,596	5,656,982	27,199,334	2,652,724	194,000	3,017,928	9,456,026	9,896,000	8,395,861	176,730,535
-	-	975,778	-	-	227,764	-	90,220	40,264	-	-	1,356,631
-	-	34,819	-	-	6,014	-	-	2,785	-	-	45,492
-	-	1,010,597	-	-	233,778	-	90,220	43,049	-	-	1,402,123
-	-	92,904,923	688,116	-	1,276,263	-	24,886,664	10,430	-	-	119,766,396
-	-	-	-	-	-	-	-	-	455,000	-	455,000
-	-	-	-	-	-	-	-	-	-	189,415,365	189,415,365
-	-	-	-	-	-	-	-	1,217,575	-	-	1,217,575
4,444,246	49,678,000	2,818,405	35,009,870	215,348	11,029,088	228,728,000	5,347,055	73,178	423,000	-	505,023,395
\$ 4,444,246	\$ 49,678,000	\$ 95,723,328	\$ 35,697,986	\$ 215,348	\$ 12,305,351	\$ 228,728,000	\$ 30,233,719	\$ 1,301,183	\$ 878,000	\$ 189,415,365	\$ 815,877,731

STATE OF NORTH DAKOTA

**Combining Statement of Revenues, Expenses and
Changes in Fund Net Position
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2018**

	Addiction Counselor Internship Loan	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Edutech	Fire and Tornado	Guaranteed Student Loan	HIT Planning Loan Fund	Infrastructure Revolving Loan Fund
OPERATING REVENUES									
Sales and Services	\$ -	\$ -	\$ 1,391	\$ -	\$ -	\$ 2,397,758	\$ 2,629,353	\$ -	\$ -
Royalties and Rents	-	-	-	-	-	-	-	-	-
Interest and Investment Income	4,550	-	-	667,000	-	-	-	63,949	784,000
Miscellaneous	-	-	10,770	-	-	-	-	-	-
Total Operating Revenues	4,550	-	12,161	667,000	-	2,397,758	2,629,353	63,949	784,000
OPERATING EXPENSES									
Cost of Sales and Services	-	-	-	-	245,960	-	-	-	-
Salaries and Benefits	-	-	24,561	-	-	721,512	-	-	-
Operating	7,718	2,193,000	3,799	117,000	199,375	363,194	8,082,605	27,828	775,000
Claims	-	-	86,586	-	-	2,105,436	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	50,923	-	-	-	-
Miscellaneous	-	6,000	-	-	-	72,516	-	-	-
Total Operating Expenses	7,718	2,199,000	114,946	117,000	496,258	3,262,658	8,082,605	27,828	775,000
Operating Income (Loss)	(3,168)	(2,199,000)	(102,785)	550,000	(496,258)	(864,900)	(5,453,252)	36,121	9,000
NONOPERATING REVENUES (EXPENSES)									
Grants and Contracts	-	-	-	-	-	-	-	-	-
Interest and Investment Income	64	3,000	40,462	6,000	-	1,198,962	28,735	-	9,000
Interest Expense	-	-	(3,577)	-	-	(31,810)	-	-	-
Gain (Loss) on Sale of Capital Assets	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	64	3,000	36,885	6,000	-	1,167,152	28,735	-	9,000
Income (Loss) Before Contributions and Transfers	(3,104)	(2,196,000)	(65,900)	556,000	(496,258)	302,252	(5,424,517)	36,121	18,000
Capital Grants and Contributions	-	-	-	-	-	-	-	-	-
Transfers In	-	3,000,000	-	-	-	-	10,000,000	-	16,000,000
Transfer Out	-	-	-	-	-	-	-	-	-
Change in Net Position	(3,104)	804,000	(65,900)	556,000	(496,258)	302,252	4,575,483	36,121	16,018,000
Total Net Position - Beginning of Year, as Restated	194,010	10,639,000	3,639,454	34,203,000	1,535,778	20,780,126	15,381,524	9,237,719	49,920,000
Total Net Position - End of Year	\$ 190,906	\$ 11,443,000	\$ 3,573,554	\$ 34,759,000	\$ 1,039,520	\$ 21,082,378	\$ 19,957,007	\$ 9,273,840	\$ 65,938,000

Interoperable Radio Network Fund	Medical Facility Infrastructure Loan Fund	Mill and Elevator	PERS Uniform Group Insurance	Rebuilders Loan Program	Roughrider Industries	School Construction Assistance Loan Fund	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 4,850,318	\$ -	\$ 270,574,780	\$ 348,722,085	\$ -	\$ 6,387,664	\$ -	\$ 6,537,734	\$ 31,520,906	\$ -	\$ 162,161,260	\$ 835,783,249
-	-	-	-	-	190,783	-	-	-	-	-	190,783
-	433,000	-	-	313,414	-	2,282,000	-	-	217,000	-	4,764,913
-	-	-	32,500	-	77,919	-	-	-	-	-	121,189
4,850,318	433,000	270,574,780	348,754,585	313,414	6,656,366	2,282,000	6,537,734	31,520,906	217,000	162,161,260	840,860,134
-	-	223,514,800	-	-	3,218,444	-	-	-	-	-	226,979,204
30,364	-	18,956,606	984,320	-	2,135,063	-	1,828,287	1,060,143	-	-	25,740,856
376,067	351,000	7,643,583	355,520,600	108,566	726,657	936,000	4,903,373	22,153,049	57,000	-	404,545,414
-	-	-	-	-	-	-	-	-	-	115,486,597	117,678,619
-	-	-	-	-	-	-	-	-	22,000	-	22,000
1,213	-	5,291,226	294,577	-	178,018	-	1,651,741	1,688	-	-	7,469,386
-	-	-	306,283	-	-	-	-	-	-	-	384,799
407,644	351,000	255,406,215	357,105,780	108,566	6,258,182	936,000	8,383,401	23,214,880	79,000	115,486,597	782,820,278
4,442,674	82,000	15,168,565	(8,351,195)	204,848	398,184	1,346,000	(1,845,667)	8,306,026	138,000	46,674,663	58,039,856
-	-	-	-	-	-	-	849,370	-	(500,000)	-	349,370
1,572	5,000	3,744	347,213	154	-	53,000	5,755	6,118	20,000	3,034,094	4,762,873
-	-	(1,089,949)	-	-	-	-	(60,700)	-	-	-	(1,186,036)
-	-	-	-	-	(2,001)	-	-	-	-	-	(2,001)
-	-	105,916	(137,500)	(136,486)	-	-	(4,440)	-	-	-	(172,510)
1,572	5,000	(980,289)	209,713	(136,332)	(2,001)	53,000	789,985	6,118	(480,000)	3,034,094	3,751,696
4,444,246	87,000	14,188,276	(8,141,482)	68,516	396,183	1,399,000	(1,055,682)	8,312,144	(342,000)	49,708,757	61,791,552
-	-	-	-	-	16,995	-	-	-	-	-	16,995
-	-	-	-	-	-	75,000,000	291,622	-	-	-	104,291,622
-	-	(10,859,954)	-	-	-	-	-	(8,042,500)	(16,179,000)	-	(35,081,454)
4,444,246	87,000	3,328,322	(8,141,482)	68,516	413,178	76,399,000	(764,060)	269,644	(16,521,000)	49,708,757	131,018,715
-	49,591,000	92,395,006	43,839,468	146,832	11,892,173	152,329,000	30,997,779	1,031,539	17,399,000	139,706,608	684,859,016
\$ 4,444,246	\$ 49,678,000	\$ 95,723,328	\$ 35,697,986	\$ 215,348	\$ 12,305,351	\$ 228,728,000	\$ 30,233,719	\$ 1,301,183	\$ 878,000	\$ 189,415,365	\$ 815,877,731

STATE OF NORTH DAKOTA

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2018**

	Addition Counselor Internship Loan Program	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Edutech	Fire and Tornado	Guaranteed Student Loan	HIT Planning Loan Fund	Infrastructure Revolving Loan Fund
Cash Flows from Operating Activities:									
Receipts from Customers and Users	\$ -	\$ -	\$ 31,860	\$ -	\$ 242,459	\$ 2,479,083	\$ 3,227,826	\$ -	\$ -
Interest Income on Loans	-	-	-	-	-	-	-	65,943	-
Receipts from Loan Principal Repayments	-	-	-	-	-	-	750,586	1,474,419	-
Receipts from Federal and Local Agencies	-	-	-	-	-	-	-	-	-
Receipts from Other Funds	-	-	-	-	-	-	-	-	-
Receipts from Others	-	-	(42)	-	-	-	-	-	-
Payments to Other Funds	-	-	-	-	-	(1,817)	-	-	-
Payments for Loan Funds	-	-	-	-	-	-	(3,733,940)	-	-
Payments to Suppliers	-	(1,843,000)	(3,782)	(115,000)	(469,308)	(346,469)	(1,771,098)	(32,061)	-
Payments to Employees	-	-	(21,400)	-	(2,531)	(626,228)	-	-	-
Claim Payments	-	-	(46,586)	-	-	(1,437,730)	-	-	-
Payments to Others	(5,683)	(6,000)	-	-	-	-	-	-	(154,000)
Other	-	-	-	-	-	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	(5,683)	(1,849,000)	(39,950)	(115,000)	(229,380)	66,839	(1,526,626)	1,508,301	(154,000)
Cash Flows from Noncapital Financing Activities:									
Proceeds from Sale of Notes and Other Borrowings	-	-	-	-	-	-	-	-	-
Principal Payments - Notes and Other Borrowings	-	-	-	-	-	-	-	-	-
Interest Payments - Bonds	-	-	-	-	-	-	-	-	-
Interest Payments - Notes and Other Borrowings	-	-	-	-	-	-	-	-	-
Transfers In	-	3,000,000	-	-	-	-	10,000,000	-	16,000,000
Transfers Out	-	-	-	-	-	-	-	-	-
Principal Payments on Due To Other Funds	-	-	-	-	-	-	-	-	-
Grants Received	-	-	-	-	-	-	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	-	3,000,000	-	-	-	-	10,000,000	-	16,000,000
Cash Flows from Capital and Related Financing Activities:									
Acquisition and Construction of Capital Assets	-	-	-	-	-	-	-	-	-
Principal Payments - Bonds	-	-	-	-	-	-	-	-	-
Interest Payments - Bonds	-	-	-	-	-	-	-	-	-
Capital Contributions	-	-	-	-	-	-	-	-	-
Payment of Bond Issue Costs	-	-	-	-	-	-	-	-	-
Capital Appropriations	-	-	-	-	-	-	-	-	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	-	-	-	-	-	-	-	-	-
Cash Flows from Investing Activities:									
Proceeds from Sale and Maturities of Investment Securities	-	-	-	-	-	-	3,000,000	-	-
Purchase of Investment Securities	-	-	(46,434)	-	-	(1,020,585)	-	-	-
Net Increase In Investments	-	-	-	-	-	-	-	-	-
Interest and Dividends on Investments	64	3,000	62,529	6,000	-	1,242,441	32,902	-	9,000
Disbursements for Loans and Loan Purchases	(60,000)	-	-	(1,575,000)	-	-	-	-	(39,920,000)
Receipt of Loan Principal Repayments	-	-	-	966,000	-	-	-	-	-
Proceeds from Collection of Loans and Notes Receivable	20,017	-	-	-	-	-	-	-	1,546,000
Loan Income Received	3,442	-	-	655,000	-	-	-	-	423,000
Net Cash Provided by (Used for) Investing Activities	(36,477)	3,000	16,095	52,000	-	221,856	3,032,902	-	(37,942,000)
Net Change in Cash:									
Net Increase (Decrease) in Cash and Cash Equivalents	(42,160)	1,154,000	(23,855)	(63,000)	(229,380)	288,695	11,506,276	1,508,301	(22,096,000)
Cash and Cash Equivalents at June 30, 2017	109,353	4,553,000	1,674,041	12,691,000	1,143,620	2,222,058	33,892,007	2,727,944	33,299,000
Cash and Cash Equivalents at June 30, 2018	\$ 67,193	\$ 5,707,000	\$ 1,650,186	\$ 12,628,000	\$ 914,240	\$ 2,510,753	\$ 45,398,283	\$ 4,236,245	\$ 11,203,000
Reconciliation:									
Current:									
Cash Deposits at the Bank of North Dakota	67,193	5,707,000	117,602	12,628,000	914,240	209,544	45,230,383	-	11,203,000
Cash and Cash Equivalents	-	-	1,532,584	-	-	2,301,209	-	-	-
Restricted Cash Deposits at the Bank of North Dakota	-	-	-	-	-	-	167,900	4,236,245	-
Cash and Cash Equivalents	\$ 67,193	\$ 5,707,000	\$ 1,650,186	\$ 12,628,000	\$ 914,240	\$ 2,510,753	\$ 45,398,283	\$ 4,236,245	\$ 11,203,000

Medical Facility Infrastructure Loan Fund	Mill and Elevator	PERS Uniform Group Insurance	Rebuilders Loan Program	Roughrider Industries	School Construction Assistance Revolving Loan	State Fair	State Lottery Fund	Student Loan	Interoperable Radio	Unemployment Compensation	Total
\$ -	\$ 328,844,991	\$ 348,806,928	\$ -	\$ 6,609,336	\$ -	\$ 6,573,440	\$ 23,145,044	\$ 1,567,000	\$ 4,092,927	\$ 181,839,996	\$ 907,460,890
-	-	-	-	-	-	-	-	-	-	-	65,943
-	-	-	-	-	-	-	-	-	-	-	2,225,005
-	-	-	-	24,371	-	-	-	12,693,000	-	-	12,693,000
-	-	-	-	-	-	-	-	-	-	-	24,371
-	-	-	(140,805)	(978)	-	-	-	-	-	375,333	375,291
-	-	-	-	-	-	-	-	-	-	-	(143,600)
-	-	-	-	-	-	-	-	-	-	-	(3,733,940)
-	(301,929,958)	(356,750,366)	-	(3,829,677)	(726,000)	(4,892,230)	(13,805,082)	(186,000)	(177,041)	(12,135,696)	(699,012,768)
-	(16,918,015)	(1,011,126)	-	(1,964,765)	-	(1,765,070)	(930,387)	-	(27,835)	(2,381,306)	(25,648,663)
-	-	-	-	-	-	-	-	-	-	(100,877,650)	(102,361,966)
-	-	-	(164,402)	-	-	-	(101,403)	-	-	(277,833)	(709,321)
(213,000)	-	(3,273,783)	-	-	-	-	-	-	-	-	(3,486,783)
(213,000)	9,997,018	(12,228,347)	(305,207)	838,287	(726,000)	(83,860)	8,308,172	14,074,000	3,888,051	66,542,844	87,747,459
-	16,500,000	-	-	-	-	-	-	-	-	-	16,500,000
-	(11,500,000)	-	-	-	-	-	-	-	-	-	(11,500,000)
-	-	-	-	-	-	-	-	(22,000)	-	-	(22,000)
-	(1,062,743)	-	-	-	-	-	-	-	-	-	(1,062,743)
-	-	-	-	-	75,000,000	257,833	-	-	-	-	104,257,833
-	(5,143,954)	(137,500)	-	-	-	-	(6,942,500)	(7,791,000)	-	-	(20,014,954)
-	-	-	(3,591,860)	-	-	-	-	-	-	-	(3,591,860)
-	-	-	-	-	-	849,370	-	-	-	-	849,370
-	(1,206,697)	(137,500)	(3,591,860)	-	75,000,000	1,107,203	(6,942,500)	(7,813,000)	-	-	85,415,646
-	(8,155,422)	-	-	(130,510)	-	(537,307)	(5,621)	-	(43,658)	-	(8,872,518)
-	-	-	-	-	-	(115,000)	-	-	-	-	(115,000)
-	-	-	-	-	-	(60,700)	-	-	-	-	(60,700)
-	-	-	-	16,994	-	-	-	-	-	-	16,994
-	-	-	-	-	-	(16,700)	-	-	-	-	(16,700)
-	-	-	-	-	-	33,789	-	-	-	-	33,789
-	(8,155,422)	-	-	(113,516)	-	(695,918)	(5,621)	-	(43,658)	-	(9,014,135)
-	-	223,250,000	-	-	-	-	-	23,398,000	-	-	249,648,000
-	-	(217,195,824)	-	-	-	-	-	(28,722,000)	-	-	(246,984,843)
-	-	347,213	-	-	-	-	-	-	-	-	347,213
5,000	3,744	-	154	-	53,000	5,755	3,808	17,000	1,572	2,609,610	4,055,579
(7,067,000)	-	-	-	-	(24,403,000)	-	-	-	-	-	(73,025,000)
-	-	-	-	-	7,831,000	-	-	-	-	-	8,797,000
1,345,000	-	-	3,496,061	-	-	-	-	-	-	-	6,407,078
428,000	-	-	316,134	-	2,162,000	-	-	-	-	-	3,987,576
(5,289,000)	3,744	6,401,389	3,812,349	-	(14,357,000)	5,755	3,808	(5,307,000)	1,572	2,609,610	(46,767,397)
(5,502,000)	638,643	(5,964,458)	(84,718)	724,771	59,917,000	333,180	1,363,859	954,000	3,845,965	69,152,454	117,381,573
10,920,000	225	10,847,268	681,524	9,620,827	17,900,000	4,767,795	7,362,527	13,000	-	84,460,121	238,885,310
\$ 5,418,000	\$ 638,868	\$ 4,882,810	\$ 596,806	\$ 10,345,598	\$ 77,817,000	\$ 5,100,975	\$ 8,726,386	\$ 967,000	\$ 3,845,965	\$ 153,612,575	\$ 356,266,883
5,418,000	638,868	4,611,003	596,806	10,345,098	77,817,000	5,100,975	8,462,821	967,000	3,845,965	78,071	193,958,569
-	-	271,807	-	500	-	-	263,565	-	-	153,534,504	157,904,169
-	-	-	-	-	-	-	-	-	-	-	4,404,145
\$ 5,418,000	\$ 638,868	\$ 4,882,810	\$ 596,806	\$ 10,345,598	\$ 77,817,000	\$ 5,100,975	\$ 8,726,386	\$ 967,000	\$ 3,845,965	\$ 153,612,575	\$ 356,266,883

STATE OF NORTH DAKOTA

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds (Continued)
For the Fiscal Year Ended June 30, 2018**

	Addition Counselor Internship Loan Program	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Edutech	Fire and Tornado	Guaranteed Student Loan	HIT Planning Loan Fund	Infrastructure Revolving Loan Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:									
Operating Income (Loss)	\$ (3,168)	\$ (2,199,000)	\$ (102,785)	\$ 550,000	\$ (496,257)	\$ (864,900)	\$ (5,453,252)	\$ 36,121	\$ 9,000
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:									
Depreciation	-	-	-	-	50,923	-	-	-	-
Reclassification of Interest Revenue/Expense	-	-	-	(667,000)	-	-	-	-	-
Interest Received on Program Loans	-	-	-	-	-	-	-	-	(784,000)
Receipt of Loan Principal Repayments	-	-	-	-	-	-	-	-	-
Provision for Losses	2,035	-	-	-	-	-	3,316,631	-	575,000
Other	-	-	-	-	-	-	-	-	-
Deferred Outflows	-	-	(6,835)	-	-	(181,127)	-	-	-
Deferred Inflows	-	-	70	-	-	2,595	-	-	-
Change in Assets and Liabilities:									
(Increase) Decrease in Accounts Receivable	-	-	19,699	-	(51,159)	81,326	646,800	-	-
(Increase) Decrease in Interest Receivable	(4,550)	-	-	-	-	-	-	1,994	-
(Increase) Decrease in Due From	-	-	-	-	539,578	-	91,198	-	46,000
(Increase) Decrease in Intergovernmental Receivable	-	-	-	-	-	-	-	-	-
(Increase) Decrease in Notes Receivable	-	-	-	-	-	-	-	1,474,419	-
(Increase) Decrease in Prepaid Items	-	350,000	-	-	-	(28,652)	-	-	-
(Increase) Decrease in Inventories	-	-	-	-	-	-	-	-	-
(Increase) Decrease in Other Assets	-	-	-	-	-	-	-	-	-
Increase (Decrease) in Accounts Payable	-	-	17	-	(274,985)	21,417	-	(4,233)	-
Increase (Decrease) in Claims/Judgments Payable	-	-	40,000	-	-	740,222	-	-	-
Increase (Decrease) in Intergovernmental Payable	-	-	(42)	-	-	-	-	-	-
Increase (Decrease) in Accrued Payroll	-	-	120	-	(2,531)	8,865	-	-	-
Increase (Decrease) in Compensated Absences Payable	-	-	(10)	-	-	2,401	-	-	-
Increase (Decrease) in Amounts Held for Others	-	-	-	-	-	-	-	-	-
Increase (Decrease) in Due To	-	-	-	2,000	5,051	(1,817)	(128,003)	-	-
Increase (Decrease) in Unavailable Revenue	-	-	-	-	-	-	-	-	-
Increase (Decrease) in Net Pension Liability	-	-	9,821	-	-	262,658	-	-	-
Increase (Decrease) in Net OPEB Liability	-	-	(5)	-	-	(108)	-	-	-
Increase (Decrease) in Other Liabilities	-	-	-	-	-	23,959	-	-	-
Total Adjustments	(2,515)	350,000	62,835	(665,000)	266,877	931,739	3,926,626	1,472,180	(163,000)
Net Cash Provided by (Used for) Operating Activities	\$ (5,683)	\$ (1,849,000)	\$ (39,950)	\$ (115,000)	\$ (229,380)	\$ 66,839	\$ (1,526,626)	\$ 1,508,301	\$ (154,000)
Noncash Transactions:									
Net Change in Fair Value of Investments	\$ -	\$ -	\$ (27,522)	\$ -	\$ -	\$ 86,856	\$ -	\$ -	\$ -
Value Received on Trade of Capital Asset	-	-	-	-	-	-	-	-	-
Total Noncash Transactions	\$ -	\$ -	\$ (27,522)	\$ -	\$ -	\$ 86,856	\$ -	\$ -	\$ -

Medical Facility Infrastructure Loan Fund	Mill and Elevator	PERS Uniform Group Insurance	Rebuilders Loan Program	Roughrider Industries	School Construction Assistance Revolving Loan	State Fair	State Lottery Fund	Student Loan	Interoperable Radio	Unemployment Compensation	Total
\$ 82,000	\$ 15,168,565	\$ (8,351,195)	\$ 204,848	\$ 398,183	\$ 1,346,000	\$ (1,845,667)	\$ 8,306,026	\$ 138,000	\$ 4,442,675	\$ 46,674,663	\$ 58,039,857
-	5,291,226	294,577	-	178,018	-	1,651,741	1,688	-	1,213	-	7,469,386
(433,000)	-	-	(313,414)	-	(2,282,000)	-	-	(48,000)	-	-	(3,743,414)
-	-	-	-	-	-	-	-	159,000	-	-	(625,000)
-	-	-	-	-	-	-	-	13,903,000	-	-	13,903,000
129,000	-	-	(215,211)	-	191,000	-	-	(68,000)	-	-	3,930,455
-	132,321	-	-	-	-	-	-	-	-	-	132,321
-	(821,571)	-	-	(562,671)	-	(170,417)	(283,750)	-	-	-	(2,026,371)
-	-	-	-	12,876	-	(109,164)	6,938	-	-	-	(86,685)
-	(10,139,923)	217,742	-	(32,722)	-	35,706	(60,738)	-	(468,634)	17,561,301	7,809,398
-	-	-	-	-	-	-	-	-	-	-	(2,556)
-	-	27,612	-	24,400	-	-	-	-	(288,757)	(91,997)	348,034
-	-	-	-	-	-	-	-	-	-	501,379	501,379
-	-	-	-	-	-	-	-	-	-	-	1,474,419
-	123,812	-	-	(736)	-	(1,846)	10,601	-	-	-	453,179
-	(4,536,870)	-	-	(57,469)	-	-	-	-	-	-	(4,594,339)
-	(27,046)	-	-	10,656	-	-	(99,467)	-	-	-	(115,857)
-	1,962,153	(4,200,943)	18,570	212,418	-	12,989	69,337	-	57	2,286,489	103,286
-	-	-	-	-	-	-	-	-	-	-	780,222
-	-	3,078	-	-	-	-	-	-	-	(372,399)	(369,363)
-	908,393	(1,542)	-	(2,213)	-	-	5,709	-	2,528	-	919,329
-	146,356	(25,264)	-	-	-	2,657	3,957	-	-	-	130,097
-	-	(160,511)	-	-	-	-	-	-	-	-	(160,511)
9,000	-	(31,901)	-	(50,420)	19,000	-	(2,318)	(17,000)	198,969	(16,592)	(14,031)
-	-	-	-	(14,339)	-	-	-	-	-	-	(14,339)
-	1,805,412	-	-	722,672	-	340,141	390,091	-	-	-	3,530,795
-	-	-	-	(366)	-	-	6,811	-	-	-	6,332
-	(15,810)	-	-	-	-	-	(46,713)	7,000	-	-	(31,564)
(295,000)	(5,171,547)	(3,877,152)	(510,055)	440,104	(2,072,000)	1,761,807	2,146	13,936,000	(554,624)	19,868,181	29,707,602
\$ (213,000)	\$ 9,997,018	\$ (12,228,347)	\$ (305,207)	\$ 838,287	\$ (726,000)	\$ (83,860)	\$ 8,308,172	\$ 14,074,000	\$ 3,888,051	\$ 66,542,844	\$ 87,747,459
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,334
-	-	-	-	-	-	15,107	-	-	-	-	15,107
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,107	\$ -	\$ -	\$ -	\$ -	\$ 74,441

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the State and to other government units, on a cost reimbursement basis.

790 (927) - Central Services

Accounts for the revenues and expenditures associated with central printing and office supply services to state agencies and the Legislative Assembly; a surplus property program for the acquisition, distribution, and disposition of federal and state surplus property and procurement services for all state agencies not exempt by statute.

700 (918) - Fleet Services

Accounts for costs of operating and maintaining State-owned vehicles. Costs are billed to user agencies and include depreciation on equipment.

780 (929) - Information Technology Department

Accounts used for the procurement and maintenance of data processing equipment and supplies and telecommunications equipment and supplies to provide data processing and telecommunications services to state departments and agencies.

288\275 (912) - Risk Management Fund

Fund provides insurance coverage and loss prevention to all state agencies and the University System for tort liability and employee injury claims. Coverage is provided using an optional combination of self-insurance and private excess insurance.

STATE OF NORTH DAKOTA

Combining Statement of Net Position Internal Service Funds June 30, 2018

	Central Services	Fleet Services	Information Technology Department	Risk Management	Total
ASSETS					
Current Assets:					
Cash Deposits at the Bank of ND	\$ 1,416,925	\$ 10,146,716	\$ 13,992,510	\$ 554,870	\$ 26,111,021
Cash and Cash Equivalents	3,893	-	-	408,265	412,158
Investments at the Bank of ND	-	-	-	103,845	103,845
Investments	-	-	-	9,790,896	9,790,896
Accounts Receivable - Net	51,543	78,045	130,792	-	260,380
Interest Receivable - Net	-	-	-	52,378	52,378
Intergovernmental Receivable - Net	46,368	-	513,748	-	560,116
Due from Other Funds	96,086	2,509,777	6,136,597	6,959	8,749,419
Prepaid Items	39,367	39,928	3,512,774	38,730	3,630,799
Inventory	79,625	-	-	-	79,625
Total Current Assets	1,733,807	12,774,466	24,286,421	10,955,943	49,750,637
Noncurrent Assets:					
Capital Assets:					
Nondepreciable	-	425,778	-	-	425,778
Depreciable, Net	162,398	87,707,341	4,214,580	-	92,084,319
Total Noncurrent Assets	162,398	88,133,119	4,214,580	-	92,510,097
Total Assets	1,896,205	100,907,585	28,501,001	10,955,943	142,260,734
DEFERRED OUTFLOWS OF RESOURCES					
Derived from Pensions	578,435	1,182,676	15,933,952	309,683	18,004,746
Derived from OPEB	13,059	31,559	372,521	6,910	424,049
Total Deferred Outflow of Resources	591,494	1,214,235	16,306,473	316,593	18,428,795
LIABILITIES					
Current Liabilities:					
Accounts Payable	48,776	867,096	1,302,004	39,333	2,257,209
Accrued Payroll	83,892	192,980	2,332,900	37,754	2,647,526
Securities Lending Collateral	-	-	-	42,591	42,591
Interest Payable	-	-	-	548	548
Intergovernmental Payable	-	-	-	131,062	131,062
Due to Other Funds	17,067	303,370	447,798	23,618	791,853
Claims/Judgments Payable	-	-	-	1,668,770	1,668,770
Compensated Absences Payable	3,382	5,121	176,276	4,090	188,869
Capital Leases Payable	8,954	-	-	-	8,954
Total Current Liabilities	162,071	1,368,567	4,258,978	1,947,766	7,737,382
Noncurrent Liabilities:					
Claims/Judgments Payable	-	-	-	7,449,310	7,449,310
Compensated Absences Payable	64,260	59,948	2,063,567	47,881	2,235,656
Capital Leases Payable	20,660	-	-	-	20,660
Net Pension Liability	1,132,108	2,460,973	31,693,120	616,646	35,902,847
Net OPEB Liability	54,040	114,527	1,483,870	28,636	1,681,073
Other Noncurrent Liabilities	-	-	-	-	-
Total Noncurrent Liabilities	1,271,068	2,635,448	35,240,557	8,142,473	47,289,546
Total Liabilities	1,433,139	4,004,015	39,499,535	10,090,239	55,026,928
DEFERRED INFLOWS OF RESOURCES					
Derived from Pensions	49,113	200,494	1,497,890	23,585	1,771,082
Derived from OPEB	3,541	7,123	93,347	1,813	105,824
Total Deferred Inflow of Resources	52,654	207,617	1,591,237	25,398	1,876,906
NET POSITION					
Net Investment in Capital Assets	132,785	88,133,119	4,214,580	-	92,480,484
Restricted for:					
Unrestricted	869,121	9,777,069	(497,878)	1,156,899	11,305,211
Total Net Position	\$ 1,001,906	\$ 97,910,188	\$ 3,716,702	\$ 1,156,899	\$ 103,785,695

STATE OF NORTH DAKOTA

Combining Statement of Revenues, Expenses and Changes in Fund Net Position Internal Service Funds For the Fiscal Year Ended June 30, 2018

	Central Services	Fleet Services	Information Technology Department	Risk Management	Total
OPERATING REVENUES					
Sales and Services	\$ 2,280,754	\$ 29,147,841	\$ 62,619,324	\$ 3,598,046	\$ 97,645,965
Interest and Investment Income	-	121,302	-	-	121,302
Total Operating Revenues	2,280,754	29,269,143	62,619,324	3,598,046	97,767,267
OPERATING EXPENSES					
Cost of Sales and Services	852,871	-	-	-	852,871
Salaries and Benefits	1,151,182	2,619,297	31,250,062	589,605	35,610,146
Operating	499,636	14,491,547	28,603,871	629,627	44,224,681
Claims	-	-	-	3,868,544	3,868,544
Depreciation	40,743	9,447,099	4,280,005	-	13,767,847
Miscellaneous	89,108	56,419	-	-	145,527
Total Operating Expenses	2,633,540	26,614,362	64,133,938	5,087,776	98,469,616
Operating Income (Loss)	(352,786)	2,654,781	(1,514,614)	(1,489,730)	(702,349)
NONOPERATING REVENUES (EXPENSES)					
Interest and Investment Income	-	-	-	616,323	616,323
Interest Expense	(3,285)	-	-	(13,094)	(16,379)
Gain on Sale of Capital Assets	-	593,497	-	-	593,497
Total Nonoperating Revenues (Expenses)	(3,285)	593,497	-	603,229	1,193,441
Income (Loss) Before Contributions and Transfers	(356,071)	3,248,278	(1,514,614)	(886,501)	491,092
Capital Grants and Contributions	-	62,165	-	-	62,165
Changes in Net Position	(356,071)	3,310,443	(1,514,614)	(886,501)	553,257
Total Net Position - Beginning of Year, as Restated	1,357,977	94,599,745	5,231,316	2,043,400	103,232,438
Total Net Position - End of Year	\$ 1,001,906	\$ 97,910,188	\$ 3,716,702	\$ 1,156,899	\$ 103,785,695

STATE OF NORTH DAKOTA

Combining Statement of Cash Flows Internal Service Funds For the Fiscal Year Ended June 30, 2018

	Central Services	Fleet Services	Information Technology	Risk Management	Total
Cash Flows from Operating Activities:					
Receipts from Customers and Users	\$ 1,004,624	\$ 219,492	\$ 2,890,336	\$ 118,973	\$ 4,233,425
Receipts from Other Funds	1,389,936	29,087,374	58,985,325	3,488,081	92,950,716
Payments to Other Funds	-	(223,430)	-	(3,310,488)	(3,533,918)
Payments to Suppliers	(1,413,195)	(14,591,237)	(27,562,757)	(612,174)	(44,179,363)
Payments to Employees	(1,069,651)	(2,366,811)	(28,187,070)	(513,345)	(32,136,877)
Claim Payments	-	-	-	(785,625)	(785,625)
Other	(89,540)	-	-	-	(89,540)
Net Cash Provided by (Used for) Operating Activities	(177,826)	12,125,388	6,125,834	(1,614,578)	16,458,818
Cash Flows from Noncapital Financing Activities:					
Cash Flows from Capital and Related Financing Activities:					
Acquisition and Construction of Capital Assets	-	(8,360,300)	(1,305,595)	-	(9,665,895)
Proceeds from Sale of Capital Assets	-	4,669,899	-	-	4,669,899
Payment on Capital Leases	(9,967)	-	-	-	(9,967)
Interest Payments - Capital Leases	(3,285)	-	-	-	(3,285)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(13,252)	(3,690,401)	(1,305,595)	-	(5,009,248)
Cash Flows from Investing Activities:					
Proceeds from Sale and Maturities of Investment Securities	-	-	-	1,167,445	1,167,445
Interest and Dividends on Investments	-	-	-	390,449	390,449
Net Cash Provided by (Used for) Investing Activities	-	-	-	1,557,894	1,557,894
Net Change in Cash:					
Net Increase (Decrease) in Cash and Cash Equivalents	(191,078)	8,434,987	4,820,239	(56,684)	13,007,464
Cash and Cash Equivalents at June 30, 2017	1,611,896	1,711,729	9,172,271	1,019,819	13,515,715
Cash and Cash Equivalents at June 30, 2018	\$ 1,420,818	\$ 10,146,716	\$ 13,992,510	\$ 963,135	\$ 26,523,179
Reconciliation:					
Cash Deposits at the Bank of North Dakota	1,416,925	10,146,716	13,992,510	554,870	26,111,021
Cash and Cash Equivalents	3,893	-	-	408,265	412,158
Cash and Cash Equivalents	\$ 1,420,818	\$ 10,146,716	\$ 13,992,510	\$ 963,135	\$ 26,523,179
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Operating Income (Loss)	(352,786)	2,654,781	(1,514,614)	(1,489,730)	(702,349)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	40,743	9,447,099	4,280,005	-	13,767,847
Deferred Outflows	(361,083)	(710,050)	(10,134,196)	(186,542)	(11,391,871)
Deferred Inflows	(10,295)	11,585	(43,840)	(35,028)	(77,578)
Change in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(31,470)	22,515	3,301	1,000	(4,654)
(Increase) Decrease in Due From	98,960	-	(675,651)	9,008	(567,683)
(Increase) Decrease in Intergovernmental Receivable	43,784	(223,430)	(71,313)	-	(250,959)
(Increase) Decrease in Prepaid Items	1,027	3,739	(73,118)	(38,725)	(107,077)
(Increase) Decrease in Inventories	8,353	-	-	-	8,353
Increase (Decrease) in Accounts Payable	(59,549)	(47,010)	-	35,567	(70,992)
Increase In Interest Payable	-	-	1,298,275	-	1,298,275
Increase (Decrease) in Claims/Judgments Payable	-	-	-	(317,689)	(317,689)
Increase (Decrease) in Intergovernmental Payable	(440)	15,207	-	-	14,767
Increase (Decrease) in Accrued Payroll	(8,001)	11,419	(186,926)	(6,356)	(189,864)
Increase (Decrease) in Compensated Absences Payable	(9,532)	(918)	10,869	2,045	2,464
Increase (Decrease) in Due To	(7,979)	-	(184,043)	109,874	(82,148)
Increase (Decrease) In Net OPEB Liability	(205)	(434)	(5,617)	(108)	(6,364)
Increase (Decrease) In Net Pension Liability	470,647	940,885	13,422,702	302,106	15,136,340
Total Adjustments	174,960	9,470,607	7,640,448	(124,848)	17,161,167
Net Cash Provided by (Used for) Operating Activities	\$ (177,826)	\$ 12,125,388	\$ 6,125,834	\$ (1,614,578)	\$ 16,458,818
Noncash Transactions:					
Net Change in Fair Value of Investments	\$ -	\$ -	\$ -	\$ 204,741	\$ 204,741
Decrease in Securities Lending Collateral	-	-	-	(61,956)	(61,956)
Total Noncash Transactions	\$ -	\$ -	\$ -	\$ 142,785	\$ 142,785

Fiduciary Funds

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

Pension and Other Employee-Related Benefit Trust Funds

DEFERRED COMPENSATION

981 - Deferred Compensation Fund

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

PERS FLEXCOMP

932 - Flex Program

Accounts for pre-tax premium conversions, a medical spending account and a dependent care spending account according to Section 125 of the Internal Revenue Code.

HIGHWAY PATROLMEN'S RETIREMENT

982 - Highway Patrolmen's Retirement Fund

A single employer defined benefit pension plan covering officers of the State Highway Patrol.

JOB SERVICE RETIREMENT

920 - Job Service Retirement Fund

A single employer defined benefit pension plan for Job Service employees. Participation in this plan is limited to employees participating in the program as of September 30, 1980.

PREFUNDED RETIREE HEALTH PROGRAM

933 - Prefunded Retiree Health Program

Members receiving retirement benefits from NDPERS receive a credit toward their monthly health insurance premium under the state health plan.

PUBLIC EMPLOYEES' RETIREMENT

470 (983) - Public Employees Retirement System

Accounts for the financial resources associated with the Public Employees Retirement System.

DEFINED CONTRIBUTION RETIREMENT

930 - Defined Contribution Retirement Plan

Accounts for the financial resources of the Defined Contribution Retirement Plan. Participation in this plan is limited to state employees who are in positions not classified by the Central Personnel Division and who are not employees of the judicial branch or board of higher education.

TEACHERS' RETIREMENT

964 - North Dakota Teachers' Fund For Retirement

Accounts for the financial resources of the Teachers' Retirement Fund.

Investment Trust Funds

911 - ND Association of Counties RIO Investments

Account for the investment assets held by the State Investment Board in a trustee capacity as an agent for the North Dakota Association of Counties.

913 - City of Bismarck RIO Investments

Account for the investment assets held by the State Investment Board in a trustee capacity as an agent for the City of Bismarck.

936 - City of Grand Forks RIO Investments

Account for the investment assets held by the State Investment Board in a trustee capacity as an agent for the City of Grand Forks.

950 - City of Fargo RIO Investments

Account for the investment assets held by the State Investment Board in a trustee capacity as an agent for the City of Fargo.

Private Purpose Trust Funds

STUDENT AND CULTURAL DONATIONS

928 - Indian Cultural Education Trust Fund

Trust accounts for donations provided for the purpose of generating income to benefit Indian Culture.

937 - Department of Public Instruction Thordarson Scholarship Trust Fund

Fund used to provide scholarship grants to students enrolled in courses offered by the independent study division.

988 - School for the Deaf Scholarship Trust Fund

Account for funds donated to provide scholarships to deaf students.

989 - School for the Deaf Student Trust Funds

Accounts for funds donated to the School for the Deaf for the benefit of the students.

COLLEGE SAVE

940 - College SAVE

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

MANDAN REMEDIATION TRUST

943 - Mandan Remediation Trust

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

Agency Funds

BONDING

402 - Sales and Use Tax Deposit Fund

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

403 - Motor Fuel Cash Bond Deposit Fund

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

939 - Public Service Commission Trustee Account

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

942 - Agriculture Cash and Investment

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

944 - Cash Bonds

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

945 - Insurance Company Deposits

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

947 - District Court Bond Fund

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

PAYROLL

461 - OMB Unemployment/Payroll Clearing Fund

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

CHILD SUPPORT

463 - Child Support Disbursement Unit Fund

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

STUDENT AND OTHER

406 - Drivers License Trust Fund

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

946 - District Court Collection Fund

Accounts for collections for third parties.

STUDENT AND OTHER cont.

986 - Developmental Center Residents' Funds

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

990 - Veteran's Home-Custodial

Accounts for resident's personal funds.

991 - State Hospital Patients

Accounts for patient's personal funds.

992 - Prisoner Accounts

Accounts for prisoner's personal fund.

993 - Youth Correctional Center Student Accounts

Account for the student's personal funds.

994 - School for the Deaf Students

Account for the students personal funds.

TAX COLLECTION

434 - City Lodging Tax Suspense

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

435 - City Sales Tax Suspense

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

437 - City Motor Vehicle Rental Tax

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

438 - City Restaurant and Lodge Tax Suspense

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

STATE OF NORTH DAKOTA

Combining Statement of Fiduciary Net Position Pension, Investment and Private-Purpose Trust Funds June 30, 2018

	Pension and Other Employee Benefit Trust Funds					
	Deferred Compensation	Defined Contribution Retirement	Highway Patrolmen's Retirement	Job Service Retirement	PERS Flexcomp	Prefunded Retiree Health Program
ASSETS						
Cash Deposits at the Bank of ND	\$ 228,794	\$ 125,905	\$ -	\$ 4,132	\$ 138,135	\$ 535,625
Cash and Cash Equivalents	-	-	-	-	-	-
Receivables:						
Contributions Receivable	1,595,964	103,758	559	2,430	503,151	1,107,605
Accounts Receivable - Net	-	-	-	-	-	-
Interest Receivable - Net	-	-	168,481	434	-	35
Intergovernmental Receivable - Net	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	311
Due from Fiduciary Funds	-	1,638	6,051	-	-	29,999
Total Receivables	1,595,964	105,396	175,091	2,864	503,151	1,137,950
Investments, at Fair Value:						
Investments at the Bank of ND	-	-	-	-	-	-
Equities	-	-	-	-	-	-
Equity Pool	-	-	43,371,050	30,038,541	-	76,081,795
Fixed Income Pool	1,885,593	350,449	18,541,517	65,651,495	-	50,509,228
Cash and Cash Pool	1,328,716	141,938	665,758	-	-	14,147
Real Estate Pool	-	-	13,661,759	-	-	-
Alternative Investments	-	-	2,506,115	-	-	-
Mutual Funds	109,612,228	13,542,358	-	-	-	-
Total Investments	112,826,537	14,034,745	78,746,199	95,690,036	-	126,605,170
Invested Securities Lending Collateral	-	-	232,284	-	-	-
Capital Assets (Net of Depreciation)	458,744	6,217	8,269	5,316	229,372	87,587
Total Assets	115,110,039	14,272,263	79,161,843	95,702,348	870,658	128,366,332
DEFERRED OUTFLOWS OF RESOURCES						
Derived from Pensions	-	-	-	-	-	-
Total Deferred Outflows of Resources	-	-	-	-	-	-
LIABILITIES						
Accounts Payable	22,291	108	559	79,737	21,075	450,784
Accrued Payroll	37,344	-	-	-	20,855	-
Securities Lending Collateral	-	-	232,284	-	-	-
Due to Other Funds	5,305	99	-	-	2,793	-
Due to Fiduciary Funds	-	-	-	34,500	-	86
Amounts Held in Custody for Others	35,514	-	-	-	-	-
Compensated Absences Payable	40,861	-	-	-	20,868	-
Total Liabilities	141,315	207	232,843	114,237	65,591	450,870
DEFERRED INFLOWS OF RESOURCES						
Derived from Pensions	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-	-
NET POSITION						
Net Position Restricted for:						
Pension Benefits	114,968,724	14,272,056	78,929,000	95,588,111	-	127,915,462
Other Employee Benefits	-	-	-	-	805,067	-
External Investment Pool Participants	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-
Total Net Position Restricted for Pension Benefits and Other Purposes	\$ 114,968,724	\$ 14,272,056	\$ 78,929,000	\$ 95,588,111	\$ 805,067	\$ 127,915,462

Pension and Other Employee Benefit Trust Funds			Investment Trust Funds				
Public Employees Retirement	Teachers Retirement	Total	City of Bismarck	ND Association of Counties	City of Grand Forks	City of Fargo	Total
\$ 11,301,737	\$ 20,486,449	\$ 32,820,777	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
14,193,652	26,556,590	44,063,709	-	-	-	-	-
-	-	-	-	-	-	-	-
6,296,252	9,765,629	16,230,831	294,669	1,271	98,378	35,225	429,543
-	174	174	-	-	-	-	-
17,689	-	18,000	-	-	-	-	-
34,500	-	72,188	-	-	-	-	-
20,542,093	36,322,393	60,384,902	294,669	1,271	98,378	35,225	429,543
-	-	-	-	-	-	-	-
-	1,441,132,463	1,441,132,463	65,976,199	2,065,140	42,516,837	22,268,970	132,827,146
1,618,724,367	-	1,768,215,753	-	-	-	-	-
692,019,306	589,368,951	1,418,326,539	45,760,989	3,667,588	17,014,151	17,422,087	83,864,815
24,847,888	28,631,157	55,629,604	743,318	176,663	607,673	443,172	1,970,826
509,893,641	416,937,112	940,492,512	27,238,607	-	10,168,826	4,459,835	41,867,268
93,534,947	-	96,041,062	-	-	-	-	-
-	-	123,154,586	-	-	-	-	-
2,939,020,149	2,476,069,683	5,842,992,519	139,719,113	5,909,391	70,307,487	44,594,064	260,530,055
8,669,464	7,413,200	16,314,948	424,259	21,660	218,187	196,018	860,124
911,390	6,749	1,713,644	-	-	-	-	-
2,980,444,833	2,540,298,474	5,954,226,790	140,438,041	5,932,322	70,624,052	44,825,307	261,819,722
-	813,903	813,903	-	-	-	-	-
-	813,903	813,903	-	-	-	-	-
1,343,043	2,981,280	4,898,877	58,148	1,126	8,968	5,091	73,333
103,777	-	161,976	-	-	-	-	-
8,669,464	7,413,200	16,314,948	424,259	21,660	218,187	196,018	860,124
14,053	11,967	34,217	-	-	-	-	-
37,688	-	72,274	-	-	-	-	-
-	-	35,514	-	-	-	-	-
96,532	-	158,261	-	-	-	-	-
10,264,557	10,406,447	21,676,067	482,407	22,786	227,155	201,109	933,457
-	48,519	48,519	-	-	-	-	-
-	48,519	48,519	-	-	-	-	-
2,970,180,276	2,530,657,411	5,932,511,040	-	-	-	-	-
-	-	805,067	-	-	-	-	-
-	-	-	139,955,634	5,909,536	70,396,897	44,624,198	260,886,265
-	-	-	-	-	-	-	-
\$ 2,970,180,276	\$ 2,530,657,411	\$ 5,933,316,107	\$ 139,955,634	\$ 5,909,536	\$ 70,396,897	\$ 44,624,198	\$ 260,886,265

STATE OF NORTH DAKOTA

Combining Statement of Fiduciary Net Position Pension, Investment and Private-Purpose Trust Funds (Continued) June 30, 2018

	Private-Purpose Trust Funds			
	Student and Cultural Donations	Mandan Remediation Trust	College SAVE	Total
ASSETS				
Cash Deposits at the Bank of ND	\$ 130,274	\$ 5,983,407	\$ -	\$ 6,113,681
Cash and Cash Equivalents	13,065	83,230	719,208	815,503
Receivables:				
Contributions Receivable	-	-	-	-
Accounts Receivable - Net	-	-	191,020	191,020
Interest Receivable - Net	2,552	-	-	2,552
Intergovernmental Receivable - Net	-	-	-	-
Due from Other Funds	15	-	-	15
Due from Fiduciary Funds	-	-	-	-
Total Receivables	2,567	-	191,020	193,587
Investments, at Fair Value:				
Investments at the Bank of ND	21,684	-	-	21,684
Equities	-	-	-	-
Equity Pool	-	-	-	-
Fixed Income Pool	1,299,104	-	-	1,299,104
Cash and Cash Pool	-	-	-	-
Real Estate Pool	-	-	-	-
Alternative Investments	-	-	-	-
Mutual Funds	-	-	469,516,519	469,516,519
Total Investments	1,320,788	-	469,516,519	470,837,307
Invested Securities Lending Collateral	47,203	-	-	47,203
Capital Assets (Net of Depreciation)	-	-	-	-
Total Assets	1,513,897	6,066,637	470,426,747	478,007,281
DEFERRED OUTFLOWS OF RESOURCES				
Derived from Pensions	-	-	-	-
Total Deferred Outflows of Resources	-	-	-	-
LIABILITIES				
Accounts Payable	535	42,053	1,139,624	1,182,212
Accrued Payroll	-	-	-	-
Securities Lending Collateral	47,203	-	-	47,203
Due to Other Funds	-	-	-	-
Due to Fiduciary Funds	-	-	-	-
Amounts Held in Custody for Others	-	-	-	-
Compensated Absences Payable	-	-	-	-
Total Liabilities	47,738	42,053	1,139,624	1,229,415
DEFERRED INFLOWS OF RESOURCES				
Derived from Pensions	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
NET POSITION				
Net Position Restricted for:				
Pension Benefits	-	-	-	-
Other Employee Benefits	-	-	-	-
External Investment Pool Participants	-	-	-	-
Other Purposes	1,466,159	6,024,584	469,287,123	476,777,866
	\$ 1,466,159	\$ 6,024,584	\$ 469,287,123	\$ 476,777,866



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STATE OF NORTH DAKOTA

Combining Statement of Changes in Fiduciary Net Position Pension, Investment and Private-Purpose Trust Funds For the Fiscal Year Ended June 30, 2018

	Pension and Other Employee Benefit Trust Funds				
	Deferred Compensation	Defined Contribution Retirement	Highway Patrolmen's Retirement	Job Service Retirement	PERS Flexcomp
ADDITIONS					
Contributions:					
Employer	\$ -	\$ 512,791	\$ 2,152,970	\$ -	\$ -
Employee	11,779,485	510,092	1,453,533	32,987	5,532,591
From Participants	-	-	-	-	-
Transfers from Other Funds	662,500	53,227	-	-	-
Transfers from Other Plans	1,385,416	2,345	-	-	-
Donations	-	-	-	-	-
Total Contributions	13,827,401	1,078,455	3,606,503	32,987	5,532,591
Investment Income:					
Net Change in Fair Value of Investments	9,100,025	518,566	5,146,945	416,382	-
Interest and Dividends	145,398	660,676	1,747,053	2,739,029	470
Less Investment Expense	-	9,325	183,453	236,826	-
Net Investment Income	9,245,423	1,169,917	6,710,545	2,918,585	470
Securities Lending Activity:					
Securities Lending Income	-	-	5,980	-	-
Less Securities Lending Expense	-	-	-	-	-
Net Securities Lending Income	-	-	5,980	-	-
Repurchase Service Credit	-	-	281,573	-	-
Miscellaneous Income (Expense)	137,406	9,062	(187)	-	758,280
Total Additions	23,210,230	2,257,434	10,604,414	2,951,572	6,291,341
DEDUCTIONS					
Benefits Paid to Participants	6,992,376	211,902	4,893,808	4,582,577	5,508,356
Refunds	-	-	87,569	-	-
Prefunded Credit Applied	-	-	-	-	-
Transfer to Other Plans	-	-	-	-	525,000
Payments in Accordance with Trust Agreements	-	-	-	-	-
Administrative Expenses	952,705	11,329	30,353	46,295	604,046
Total Deductions	7,945,081	223,231	5,011,730	4,628,872	6,637,402
Purchase (Redemption) of Units at Net Position Value of \$1.00 Per Unit	-	-	-	-	-
Change in Net Position Held in Trust for:					
Pension Benefits	15,265,149	2,034,203	5,592,684	(1,677,300)	-
Other Employee Benefits	-	-	-	-	(346,061)
External Investment Pool Participants	-	-	-	-	-
Other Purposes	-	-	-	-	-
Net Position - Beginning of Year	99,703,575	12,237,853	73,336,316	97,265,411	1,151,128
Net Position - End of Year	\$ 114,968,724	\$ 14,272,056	\$ 78,929,000	\$ 95,588,111	\$ 805,067

Pension and Other Employee Benefit Trust Funds				Investment Trust Funds				
Prefunded Retiree Health Program	Public Employees Retirement	Teachers Retirement	Total	City of Bismarck	ND Association of Counties	City of Grand Forks	City of Fargo	Total
\$ 12,834,547	\$ 80,727,209	\$ 86,675,715	\$ 182,903,232	\$ -	\$ -	\$ -	\$ -	\$ -
15,984	77,486,189	79,877,611	176,688,472	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	715,727	-	-	-	-	-
-	-	-	1,387,761	-	-	-	-	-
-	-	-	-	-	-	-	-	-
12,850,531	158,213,398	166,553,326	361,695,192	-	-	-	-	-
5,447,995	190,968,511	162,026,369	373,624,793	7,551,296	109,928	5,019,003	2,364,132	15,044,359
3,142,489	64,856,972	54,486,768	127,778,855	3,248,376	126,224	1,522,300	937,419	5,834,319
379,586	6,881,838	5,352,945	13,043,973	346,892	8,864	147,441	72,390	575,587
8,210,898	248,943,645	211,160,192	488,359,675	10,452,780	227,288	6,393,862	3,229,161	20,303,091
-	221,536	231,448	458,964	12,870	691	6,697	7,735	27,993
-	-	46,271	46,271	2,571	138	1,338	1,544	5,591
-	221,536	185,177	412,693	10,299	553	5,359	6,191	22,402
746,942	19,984,972	2,181,106	23,194,593	-	-	-	-	-
225	(24,440)	194,028	1,074,374	-	-	-	-	-
21,808,596	427,339,111	380,273,829	874,736,527	10,463,079	227,841	6,399,221	3,235,352	20,325,493
1,031	171,171,449	202,417,031	395,778,530	-	-	-	-	-
2,685	11,159,487	5,561,668	16,811,409	-	-	-	-	-
11,013,375	-	-	11,013,375	-	-	-	-	-
-	190,727	-	715,727	-	-	-	-	-
-	-	-	-	-	-	-	-	-
480,244	2,472,761	2,128,794	6,726,527	-	-	-	-	-
11,497,335	184,994,424	210,107,493	431,045,568	-	-	-	-	-
-	-	-	-	(1,200,000)	1,300,000	(5,507,133)	(220,000)	(5,627,133)
10,311,261	242,344,687	170,166,336	444,037,020	-	-	-	-	-
-	-	-	(346,061)	-	-	-	-	-
-	-	-	-	9,263,079	1,527,841	892,088	3,015,352	14,698,360
-	-	-	-	-	-	-	-	-
117,604,201	2,727,835,589	2,360,491,075	5,489,625,148	130,692,555	4,381,695	69,504,809	41,608,846	246,187,905
\$ 127,915,462	\$ 2,970,180,276	\$ 2,530,657,411	\$ 5,933,316,107	\$ 139,955,634	\$ 5,909,536	\$ 70,396,897	\$ 44,624,198	\$ 260,886,265

STATE OF NORTH DAKOTA

Combining Statement of Changes in Fiduciary Net Position Pension, Investment and Private-Purpose Trust Funds (Continued) For the Fiscal Year Ended June 30, 2018

	Private-Purpose Trust Funds			
	Student and Cultural Donations	Mandan Remediation Trust	College SAVE	Total
ADDITIONS				
Contributions:				
Employer	\$ -	\$ -	\$ -	\$ -
Employee	-	-	-	-
From Participants	-	-	45,675,151	45,675,151
Transfers from Other Funds	-	-	-	-
Transfers from Other Plans	-	-	-	-
Donations	3,662	-	-	3,662
Total Contributions	3,662	-	45,675,151	45,678,813
Investment Income:				
Net Change in Fair Value of Investments	50,746	-	40,788,469	40,839,215
Interest and Dividends	32,164	5,182	10,042,619	10,079,965
Less Investment Expense	3,792	-	-	3,792
Net Investment Income	79,118	5,182	50,831,088	50,915,388
Securities Lending Activity:				
Securities Lending Income	891	-	-	891
Less Securities Lending Expense	-	-	-	-
Net Securities Lending Income	891	-	-	891
Repurchase Service Credit	-	-	-	-
Miscellaneous Income (Expense)	2,940	-	-	2,940
Total Additions	86,611	5,182	96,506,239	96,598,032
DEDUCTIONS				
Benefits Paid to Participants	-	-	-	-
Refunds	-	-	-	-
Prefunded Credit Applied	-	-	-	-
Transfer to Other Plans	-	-	-	-
Payments in Accordance with Trust Agreements	36,424	1,798,103	39,488,298	41,322,825
Administrative Expenses	2,154	8,685	3,304,614	3,315,453
Total Deductions	38,578	1,806,788	42,792,912	44,638,278
Purchase (Redemption) of Units at Net Position Value of \$1.00 Per Unit	-	-	-	-
Change in Net Position Held in Trust for:				
Pension Benefits	-	-	-	-
Other Employee Benefits	-	-	-	-
External Investment Pool Participants	-	-	-	-
Other Purposes	48,033	(1,801,606)	53,713,327	51,959,754
Net Position - Beginning of Year	1,418,126	7,826,190	415,573,796	424,818,112
Net Position - End of Year	\$ 1,466,159	\$ 6,024,584	\$ 469,287,123	\$ 476,777,866

STATE OF NORTH DAKOTA

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2018

	Bonding	Payroll	Child Support	Student and Other	Tax Collection	Total
ASSETS						
Cash Deposits at the Bank of ND	\$ 6,475,159	\$ 213,729	\$ 3,142,926	\$ 5,962,686	\$ 18,472,678	\$ 34,267,178
Cash and Cash Equivalents	6,037,077	-	203,129	633,711	-	6,873,917
Investments at the Bank of ND	29,791,148	-	-	50,000	-	29,841,148
Investments	141,619	-	-	-	-	141,619
Accounts Receivable - Net	-	10,297,613	1	-	-	10,297,614
Taxes Receivable - Net	-	-	-	-	40,948,498	40,948,498
Interest Receivable - Net	-	-	-	62	-	62
Total Assets	<u>\$ 42,445,003</u>	<u>\$ 10,511,342</u>	<u>\$ 3,346,056</u>	<u>\$ 6,646,459</u>	<u>\$ 59,421,176</u>	<u>\$ 122,370,036</u>
LIABILITIES						
Intergovernmental Payable	-	10,457,993	-	-	59,417,287	69,875,280
Tax Refunds Payable	11,000	-	-	-	3,888	14,888
Amounts Held in Custody for Others	42,434,003	53,349	3,346,056	6,646,459	1	52,479,868
Total Liabilities	<u>\$ 42,445,003</u>	<u>\$ 10,511,342</u>	<u>\$ 3,346,056</u>	<u>\$ 6,646,459</u>	<u>\$ 59,421,176</u>	<u>\$ 122,370,036</u>

STATE OF NORTH DAKOTA

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Fiscal Year Ended June 30, 2018

	June 30 2017	Additions	Deductions	June 30 2018
Bonding				
ASSETS				
Cash Deposits at the Bank of ND	\$ 6,622,627	\$ 357,986	\$ 505,454	\$ 6,475,159
Cash and Cash Equivalents	5,931,112	6,591,953	6,485,988	6,037,077
Investments at the Bank of ND	30,051,887	951,633	1,212,372	29,791,148
Investments	141,400	219	-	141,619
Total Assets	<u>\$ 42,747,026</u>	<u>\$ 7,901,791</u>	<u>\$ 8,203,814</u>	<u>\$ 42,445,003</u>
LIABILITIES				
Tax Refunds Payable	10,500	11,000	10,500	11,000
Amounts Held in Custody for Others	42,736,526	7,901,791	8,204,314	42,434,003
Total Liabilities	<u>\$ 42,747,026</u>	<u>\$ 7,912,791</u>	<u>\$ 8,214,814</u>	<u>\$ 42,445,003</u>
Payroll				
ASSETS				
Cash Deposits at the Bank of ND	173,101	127,596,512	127,555,884	213,729
Accounts Receivable - Net	12,308,003	10,297,613	12,308,003	10,297,613
Total Assets	<u>\$ 12,481,104</u>	<u>\$ 137,894,125</u>	<u>\$ 139,863,887</u>	<u>\$ 10,511,342</u>
LIABILITIES				
Intergovernmental Payable	12,441,661	10,457,993	12,441,661	10,457,993
Amounts Held in Custody for Others	39,443	125,586,122	125,572,216	53,349
Total Liabilities	<u>\$ 12,481,104</u>	<u>\$ 136,044,115</u>	<u>\$ 138,013,877</u>	<u>\$ 10,511,342</u>
Child Support				
ASSETS				
Cash Deposits at the Bank of ND	1,685,194	131,268,649	129,810,917	3,142,926
Cash and Cash Equivalents	247,759	-	44,630	203,129
Accounts Receivable - Net	24	1	24	1
Total Assets	<u>\$ 1,932,977</u>	<u>\$ 131,268,650</u>	<u>\$ 129,855,571</u>	<u>\$ 3,346,056</u>
LIABILITIES				
Amounts Held in Custody for Others	1,932,977	133,201,436	131,788,357	3,346,056
Total Liabilities	<u>\$ 1,932,977</u>	<u>\$ 133,201,436</u>	<u>\$ 131,788,357</u>	<u>\$ 3,346,056</u>

	June 30 2017	Additions	Deductions	June 30 2018
Student and Other				
ASSETS				
Cash Deposits at the Bank of ND	\$ 7,402,000	\$ 3,791,598	\$ 5,230,912	\$ 5,962,686
Cash and Cash Equivalents	585,395	3,043,088	2,994,772	633,711
Investments at the Bank of ND	50,000	-	-	50,000
Interest Receivable - Net	37	62	37	62
Total Assets	<u>\$ 8,037,432</u>	<u>\$ 6,834,748</u>	<u>\$ 8,225,721</u>	<u>\$ 6,646,459</u>
LIABILITIES				
Amounts Held in Custody for Others	8,037,432	6,834,748	8,225,721	6,646,459
Total Liabilities	<u>\$ 8,037,432</u>	<u>\$ 6,834,748</u>	<u>\$ 8,225,721</u>	<u>\$ 6,646,459</u>
Tax Collection				
ASSETS				
Cash Deposits at the Bank of ND	15,487,682	290,047,687	287,062,691	18,472,678
Cash and Cash Equivalents	4,476,565	-	4,476,565	-
Taxes Receivable - Net	32,932,498	40,948,498	32,932,498	40,948,498
Total Assets	<u>\$ 52,896,745</u>	<u>\$ 330,996,185</u>	<u>\$ 324,471,754</u>	<u>\$ 59,421,176</u>
LIABILITIES				
Intergovernmental Payable	52,890,711	357,779,428	351,252,852	59,417,287
Tax Refunds Payable	6,034	3,888	6,034	3,888
Amounts Held in Custody of Others	-	1	-	1
Total Liabilities	<u>\$ 52,896,745</u>	<u>\$ 357,783,317</u>	<u>\$ 351,258,886</u>	<u>\$ 59,421,176</u>
Total -All Agency Funds				
ASSETS				
Cash Deposits at the Bank of ND	31,370,604	553,062,432	550,165,858	34,267,178
Cash and Cash Equivalents	11,240,831	9,635,041	14,001,955	6,873,917
Investments at the Bank of ND	30,101,887	951,633	1,212,372	29,841,148
Investments	141,400	219	-	141,619
Accounts Receivable - Net	12,308,027	10,297,614	12,308,027	10,297,614
Taxes Receivable - Net	32,932,498	40,948,498	32,932,498	40,948,498
Interest Receivable - Net	37	62	37	62
Total Assets	<u>\$ 118,095,284</u>	<u>\$ 614,895,499</u>	<u>\$ 610,620,747</u>	<u>\$ 122,370,036</u>
LIABILITIES				
Intergovernmental Payable	65,332,372	368,237,421	363,694,513	69,875,280
Tax Refunds Payable	16,534	14,888	16,534	14,888
Amounts Held in Custody for Others	52,746,378	273,524,098	273,790,608	52,479,868
Total Liabilities	<u>\$ 118,095,284</u>	<u>\$ 641,776,407</u>	<u>\$ 637,501,655</u>	<u>\$ 122,370,036</u>

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STATE OF NORTH DAKOTA

Schedule 1 -- Net Position by Component Last Ten Fiscal Years

(accrual basis of accounting)

	2009	2010	2011	2012
Governmental Activities				
Net Investment in Capital Assets	\$ 1,323,476,716	\$ 1,450,350,320	\$ 1,640,080,874	\$ 1,943,226,802
Restricted	1,502,237,251	1,984,324,201	2,470,400,337	3,094,031,766
Unrestricted	1,562,969,653	1,772,441,595	2,537,062,796	3,635,538,536
Total Governmental Activities Net Position	\$ 4,388,683,620	\$ 5,207,116,116	\$ 6,647,544,007	\$ 8,672,797,104
Business-Type Activities				
Net Investment in Capital Assets	578,827,822	644,108,459	706,459,639	752,357,235
Restricted	500,433,232	445,609,412	452,312,013	569,991,053
Unrestricted	563,679,410	749,258,206	916,758,798	957,796,166
Total Business-Type Activities Net Position	\$ 1,642,940,464	\$ 1,838,976,077	\$ 2,075,530,450	\$ 2,280,144,454
Primary Government				
Net Investment in Capital Assets	1,902,304,538	2,094,458,779	2,346,540,513	2,695,584,037
Restricted	2,011,110,394	2,429,933,613	2,922,712,350	3,664,022,819
Unrestricted	2,118,209,152	2,521,699,801	3,453,821,594	4,593,334,702
Total Primary Government Net Position	\$ 6,031,624,084	\$ 7,046,092,193	\$ 8,723,074,457	\$ 10,952,941,558

2013	2014	2015	2016	2017	2018
\$ 2,331,214,264	\$ 2,502,234,624	\$ 3,622,722,021	\$ 4,299,696,899	\$ 4,759,286,304	\$ 4,988,838,700
3,786,154,729	4,976,564,822	6,254,673,532	6,246,873,312	6,224,908,099	6,355,103,413
5,597,014,917	7,109,867,360	6,812,545,677	5,781,826,861	5,989,501,438	7,172,275,944
\$ 11,714,383,910	\$ 14,588,666,806	\$ 16,689,941,230	\$ 16,328,397,072	\$ 16,973,695,841	\$ 18,516,218,057
792,067,993	844,395,270	1,023,384,933	1,155,758,401	1,223,438,996	1,214,133,386
632,431,958	600,269,799	485,012,106	533,664,273	888,080,253	924,610,477
1,019,582,872	1,287,315,405	1,439,859,232	1,528,847,402	1,633,421,219	1,779,197,611
\$ 2,444,082,823	\$ 2,731,980,474	\$ 2,948,256,271	\$ 3,218,270,076	\$ 3,744,940,468	\$ 3,917,941,474
3,123,282,257	3,346,629,894	4,646,106,954	5,455,455,300	5,982,725,300	6,202,972,086
4,418,586,687	5,576,834,621	6,739,685,638	6,780,537,585	7,112,988,352	7,279,713,890
6,616,597,789	8,397,182,765	8,252,404,909	7,310,674,263	7,622,922,657	8,951,473,555
\$ 14,158,466,733	\$ 17,320,647,280	\$ 19,638,197,501	\$ 19,546,667,148	\$ 20,718,636,309	\$ 22,434,159,531

STATE OF NORTH DAKOTA

Schedule 2 -- Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2009	2010	2011	2012
Expenses				
Governmental Activities:				
General Governmental	\$ 418,220,944	\$ 393,432,224	\$ 507,512,750	\$ 617,152,026
Education	564,818,600	849,337,255	830,649,191	843,780,168
Health and Human Services	1,005,299,226	1,149,201,916	1,244,163,316	1,271,569,970
Regulatory	26,581,606	26,187,266	28,419,774	33,988,310
Public Safety and Corrections	194,263,845	284,846,465	242,521,440	303,602,543
Agriculture and Commerce	68,057,495	85,327,633	98,038,471	91,653,406
Natural Resources	64,816,773	81,304,271	117,862,905	132,679,303
Transportation	382,619,328	463,845,880	468,695,689	796,123,086
Interest on Long Term Debt	12,683,901	11,773,684	10,461,658	9,063,514
Total Governmental Activities Expenses	2,737,361,718	3,345,256,594	3,548,325,193	4,099,612,325
Business-Type Activities:				
Bank of North Dakota	99,089,692	80,132,606	77,556,546	71,996,932
Housing Finance	59,769,233	62,931,910	69,824,036	56,046,981
Loan Programs	6,776,733	6,315,852	6,898,226	8,092,864
State Lottery	16,122,996	18,177,724	17,068,826	18,877,249
Unemployment Compensation	106,475,262	137,473,630	108,482,422	89,236,878
University System	894,733,624	963,820,452	1,008,539,618	1,047,949,521
Workers Compensation	168,527,183	218,185,899	300,297,491	359,216,200
Other	249,602,025	188,406,517	237,373,095	523,164,269
Total Business-Type Activities Expenses	1,601,096,748	1,675,444,590	1,826,040,260	2,174,580,894
Total Primary Government Expenses	\$ 4,338,458,466	\$ 5,020,701,184	\$ 5,374,365,453	\$ 6,274,193,219
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Governmental	24,085,311	20,683,111	26,863,061	30,255,507
Education	4,325,036	5,440,633	6,985,958	7,515,580
Health and Human Services	34,200,110	31,858,461	36,563,927	36,100,539
Regulatory	19,418,470	23,963,949	22,122,244	30,312,566
Public Safety and Corrections	10,572,514	12,310,270	14,456,950	26,263,919
Agriculture and Commerce	22,749,832	29,530,575	29,861,552	31,026,427
Natural Resources	26,553,195	30,854,355	24,772,981	31,017,855
Transportation	87,100,993	90,768,728	96,023,474	111,125,056
Operating Grants and Contributions	1,131,838,131	2,025,395,367	2,015,949,905	2,012,322,201
Capital Grants and Contributions	57,064,724	63,034,991	12,768,330	18,099,423
Total Governmental Activities Program Revenues	1,417,908,316	2,333,840,440	2,286,368,382	2,334,039,074
Business-Type Activities:				
Charges for Services:				
Bank of North Dakota	155,951,000	138,081,000	140,043,000	145,038,000
Housing Finance	53,438,021	48,814,007	54,190,469	49,583,855
Loan Programs	6,941,602	6,013,058	5,989,229	6,185,948
State Lottery	21,815,381	24,498,988	23,085,242	26,587,851
Unemployment Compensation	75,137,232	115,951,800	119,074,810	126,040,929
University System	400,638,083	418,085,075	438,741,616	468,992,991
Workers Compensation	163,857,781	157,710,330	193,150,136	253,677,520
Other	238,431,304	201,085,424	246,210,771	278,124,295
Operating Grants and Contributions	114,158,181	412,398,322	449,392,800	601,695,091
Capital Grants and Contributions	10,820,227	19,762,204	14,258,261	20,975,446
Total Business-Type Activities Program Revenues	1,241,188,812	1,542,400,208	1,684,136,334	1,976,901,926
Total Primary Government Program Revenues	\$ 2,659,097,128	\$ 3,876,240,648	\$ 3,970,504,716	\$ 4,310,941,000
Net (Expense)/Revenue				
Governmental Activities	(1,319,453,402)	(1,011,416,154)	(1,261,956,811)	(1,765,573,251)
Business-Type Activities	(359,907,936)	(133,044,382)	(141,903,926)	(197,678,968)
Total Primary Government Net Expense	\$ (1,679,361,338)	\$ (1,144,460,536)	\$ (1,403,860,737)	\$ (1,963,252,219)
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Individual and Corporate Income Taxes	503,975,529	379,938,009	605,526,736	658,905,496
Sales and Use Taxes	857,770,891	885,445,674	1,121,730,307	1,543,140,897
Oil, Gas and Coal Taxes	428,669,882	633,445,059	1,059,467,528	1,670,059,257
Business and Other Taxes	60,813,632	62,075,915	69,733,806	71,974,295
Unrestricted Investment Earnings	12,830,321	33,925,667	21,330,843	15,500,793
Tobacco Settlement	30,990,193	23,559,384	30,453,643	22,265,336
Miscellaneous	54,636,981	150,818,789	158,447,124	170,544,538
Contributions to Permanent Fund Principal	11,573,541	11,203,425	999,110	12,469,733
Special Items	(3,314,057)	-	-	-
Extraordinary Item	-	-	-	-
Transfers	(229,267,859)	(350,496,669)	(365,304,396)	(368,204,484)
Total Governmental Activities	1,728,679,054	1,829,915,253	2,702,384,702	3,796,655,862
Business-Type Activities:				
Miscellaneous	-	-	-	1,940,000
Special Items	-	-	-	-
Transfers	270,189,481	324,785,928	376,538,823	390,214,559
Total Business-Type Activities	270,189,481	324,785,928	376,538,823	392,154,559
Total Primary Government	\$ 1,998,868,535	\$ 2,154,701,181	\$ 3,078,923,525	\$ 4,188,810,421
Change in Net Position				
Governmental Activities	409,225,652	818,499,099	1,440,427,891	2,031,082,611
Business-Type Activities	(89,718,455)	191,741,546	234,634,897	194,475,591
Total Primary Government	\$ 319,507,197	\$ 1,010,240,645	\$ 1,675,062,788	\$ 2,225,558,202

2013	2014	2015	2016	2017	2018
\$ 889,332,121	\$ 1,283,916,089	\$ 1,171,207,640	\$ 1,055,377,601	\$ 955,118,609	\$ 1,034,864,058
875,991,527	1,075,062,067	1,415,255,393	1,175,550,087	1,214,358,440	1,208,513,849
1,318,899,711	1,433,598,932	1,706,333,172	1,776,822,167	1,851,801,955	1,930,264,975
44,813,739	54,727,821	66,743,817	69,084,070	76,261,665	60,781,953
209,732,547	243,149,474	249,290,966	227,617,802	238,515,283	241,143,887
93,212,834	96,055,152	106,455,113	106,845,611	100,774,792	95,411,926
114,752,488	119,395,831	236,079,321	321,992,458	286,546,075	230,194,737
595,646,719	1,066,103,806	603,812,692	679,070,102	529,532,248	444,530,511
8,454,110	7,601,561	7,154,580	1,334,285	2,677,665	2,502,540
4,150,835,796	5,379,610,733	5,562,332,694	5,413,694,183	5,255,586,732	5,248,208,436
68,887,617	76,366,749	71,053,171	85,822,027	88,791,813	86,073,174
48,368,304	40,901,946	37,510,475	40,245,934	40,997,193	46,083,037
8,756,357	12,759,106	11,366,158	17,322,830	13,172,549	13,320,203
19,713,987	19,264,562	20,359,788	26,038,434	20,637,595	23,214,880
118,377,072	113,988,509	144,920,974	225,358,209	156,930,938	115,486,597
1,080,816,602	1,129,869,106	1,170,159,474	1,211,438,892	1,204,936,394	1,178,669,412
448,535,174	418,500,961	377,926,363	366,662,703	254,467,332	270,197,345
279,389,712	269,600,028	549,799,020	569,432,422	571,077,157	632,911,836
2,072,844,825	2,081,250,967	2,383,095,423	2,542,321,451	2,351,010,971	2,365,956,484
\$ 6,223,680,621	\$ 7,460,861,700	\$ 7,945,428,117	\$ 7,956,015,634	\$ 7,606,597,703	\$ 7,614,164,920
32,815,967	38,080,695	37,107,914	36,278,126	33,728,302	33,504,205
6,086,567	6,064,710	6,806,001	7,071,212	7,530,807	6,987,309
38,381,590	39,915,016	64,507,593	42,982,802	43,283,756	48,201,500
32,359,807	45,384,490	25,862,700	52,583,727	29,390,590	31,489,459
26,614,392	28,552,402	30,428,332	24,446,658	23,272,409	30,370,076
35,652,945	36,600,243	31,198,196	38,222,183	35,559,194	40,756,601
26,356,862	29,681,837	33,895,342	35,142,635	35,392,128	33,128,741
120,821,133	120,058,651	132,160,558	122,699,922	124,378,227	120,482,453
1,867,800,810	2,083,789,612	1,888,797,868	1,755,539,596	2,221,211,526	2,156,381,884
5,353,007	11,045,879	1,388,033	3,416,338	94,772	94,772
2,192,243,080	2,439,173,535	2,252,152,537	2,118,383,199	2,554,952,776	2,501,397,000
161,080,000	155,548,000	175,117,000	207,836,000	223,476,000	221,210,000
42,649,030	36,150,366	34,386,013	36,286,659	37,984,271	39,821,469
7,538,124	7,548,651	10,365,115	12,212,352	11,530,798	7,391,511
27,999,486	27,051,014	27,212,010	35,736,460	27,744,572	31,520,906
127,174,321	133,701,408	127,328,232	147,802,377	193,118,386	162,161,260
486,262,379	507,302,753	517,570,660	537,645,053	546,737,253	549,206,645
320,237,794	318,779,835	339,806,696	308,682,776	244,720,318	239,542,884
289,981,947	276,895,777	554,752,747	573,829,155	577,288,875	639,883,523
370,855,633	439,950,824	312,136,231	298,603,154	380,842,641	363,266,299
19,865,857	18,703,628	36,923,275	29,609,083	32,025,992	4,769,350
1,853,644,571	1,921,632,256	2,135,597,979	2,188,243,069	2,275,469,106	2,258,773,847
\$ 4,045,887,651	\$ 4,360,805,791	\$ 4,387,750,516	\$ 4,306,626,268	\$ 4,830,421,882	\$ 4,760,170,847
(1,958,592,716)	(2,940,437,198)	(3,310,180,157)	(3,295,310,984)	(2,700,633,956)	(2,746,811,436)
(219,200,254)	(159,618,711)	(247,497,444)	(354,078,382)	(75,541,865)	(107,182,637)
\$ (2,177,792,970)	\$ (3,100,055,909)	\$ (3,557,677,601)	\$ (3,649,389,366)	\$ (2,776,175,821)	\$ (2,853,994,073)
863,018,492	700,867,920	732,975,064	414,964,865	418,040,178	452,792,812
1,654,186,763	1,756,777,615	1,804,380,378	1,348,342,960	1,236,701,340	1,326,248,557
2,518,921,322	3,335,934,782	2,734,507,198	1,457,361,212	1,490,398,754	2,196,877,038
83,470,020	82,437,250	92,936,834	99,295,506	98,374,118	100,127,079
17,967,764	130,011,232	117,643,232	64,347,477	489,070,430	380,164,919
22,332,577	23,652,803	21,789,723	22,776,760	21,599,800	55,305,183
206,709,383	198,533,139	161,725,312	119,545,563	119,134,899	163,996,339
13,722,930	14,251,211	16,382,336	15,637,987	11,895,026	4,393,122
-	-	-	(4,948,596)	-	-
-	-	-	-	(38,379,966)	-
(409,585,575)	(424,008,500)	(542,713,254)	(603,556,908)	(503,278,766)	(367,497,321)
4,970,743,676	5,818,457,452	5,139,626,823	2,933,766,826	3,343,555,813	4,312,407,728
39,166,106	1,857,975	9,562,071	93,003	4,846,618	2,921,705
(14,728,630)	-	-	-	-	-
358,701,147	455,888,029	535,979,992	611,332,622	598,094,515	285,002,133
383,138,623	457,746,004	545,542,063	611,425,625	602,941,133	287,923,838
\$ 5,353,882,299	\$ 6,276,203,456	\$ 5,685,168,886	\$ 3,545,192,451	\$ 3,946,496,946	\$ 4,600,331,566
3,012,150,960	2,878,020,254	1,829,446,666	(361,544,158)	642,921,857	1,565,596,292
163,938,369	298,127,293	298,044,619	257,347,243	527,399,268	180,741,201
\$ 3,176,089,329	\$ 3,176,147,547	\$ 2,127,491,285	\$ (104,196,915)	\$ 1,170,321,125	\$ 1,746,337,493

STATE OF NORTH DAKOTA

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

(modified accrual basis of accounting)

	<u>2009</u>	<u>2010</u>
General Fund		
Reserved	\$ 4,123,554	\$ 4,990,240
Unreserved	863,093,388	834,021,114
Total General Fund	<u>867,216,942</u>	<u>839,011,354</u>
All Other Governmental Funds		
Reserved	1,021,911,207	2,201,584,878
Unreserved, Reported in:		
Special Revenue Funds	1,195,606,640	1,525,108,012
Total All Other Governmental Funds	<u>2,217,517,847</u>	<u>3,726,692,890</u>
Total Fund Balances, Governmental Funds	<u>\$ 3,084,734,789</u>	<u>\$ 4,565,704,244</u>

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Fund			
Nonspendable	\$ 4,628,040	\$ 498,042,684	\$ 1,355,179,441
Restricted	-	-	-
Committed	682,696,887	996,737,740	840,061,206
Unassigned	712,046,495	1,412,091,095	2,142,277,489
Total General Fund	<u>1,399,371,422</u>	<u>2,906,871,519</u>	<u>4,337,518,136</u>
All Other Governmental Funds			
Nonspendable	81,757,950	82,345,060	85,991,097
Restricted	2,371,817,130	3,003,088,539	3,679,248,354
Committed	1,055,012,373	682,600,401	1,200,571,048
Assigned	124,052,099	66,930,266	64,730,555
Unassigned	(3,205,875)	(3,797,855)	(6,075,964)
Total All Other Governmental Funds	<u>3,629,433,677</u>	<u>3,831,166,411</u>	<u>5,024,465,090</u>
Total Fund Balances, Governmental Funds	<u>\$ 5,028,805,099</u>	<u>\$ 6,738,037,930</u>	<u>\$ 9,361,983,226</u>

Statistical Section

2014	2015	2016	2017	2018
\$ 2,447,681,621	\$ 3,465,933,483	\$ 3,908,797,255	\$ 4,761,588,134	\$ 5,551,216
-	-	-	-	8,990,891
1,365,420,166	1,332,805,458	997,494,805	364,544,853	411,711,769
1,421,552,566	1,061,519,282	421,702,619	353,772,107	6,242,855,378
5,234,654,353	5,860,258,223	5,327,994,679	5,479,905,094	6,669,109,254
88,250,884	179,976,824	197,452,648	208,038,662	216,171,493
4,913,528,772	6,037,108,398	6,000,049,002	5,996,248,585	6,124,510,110
1,628,346,627	1,230,446,562	617,111,539	480,910,925	398,555,411
224,403,093	-	79,512,397	228,964,056	381,732,051
-	(8,477,525)	(3,376,686)	(3,146,889)	-
6,854,529,376	7,439,054,259	6,890,748,900	6,911,015,339	7,120,969,065
\$ 12,089,183,729	\$ 13,299,312,482	\$ 12,218,743,579	\$ 12,390,920,433	\$ 13,790,078,319

STATE OF NORTH DAKOTA

Schedule 4 -- Changes in Fund Balances, Governmental Funds Last Ten Fiscal Years

(modified accrual basis of accounting)

	2009	2010	2011	2012
Revenues				
Individual and Corporate Income Taxes	\$ 505,011,491	\$ 380,068,970	\$ 602,185,856	\$ 643,107,392
Sales and Use Taxes	857,400,779	883,265,443	1,120,803,578	1,542,807,423
Oil, Gas, and Coal Taxes	428,629,782	633,497,612	1,058,519,977	1,670,529,100
Business and Other Taxes	61,017,632	62,344,622	70,417,133	72,084,077
Licenses, Permits and Fees	133,219,868	143,516,524	154,090,944	183,303,744
Intergovernmental	1,252,165,449	1,692,074,692	1,610,019,463	1,753,469,275
Sales and Services	48,871,700	47,993,528	53,599,656	51,864,186
Royalties and Rents	125,251,686	407,051,277	328,289,031	392,165,022
Fines and Forfeits	15,774,414	13,282,502	16,213,841	18,151,711
Interest and Investment Income	(110,353,157)	181,825,499	270,760,984	74,621,630
Tobacco Settlement	39,327,032	32,839,602	30,453,643	31,277,903
Commodity Assessments	16,502,864	19,558,592	23,111,279	19,710,327
Miscellaneous	5,863,644	11,870,275	7,622,389	25,651,998
Total Revenues	3,378,683,184	4,509,189,138	5,346,087,774	6,478,743,788
Expenditures				
Current:				
General Government	165,062,399	118,135,852	174,560,163	193,919,196
Education	564,579,714	849,104,680	830,379,618	842,666,213
Health and Human Services	1,002,699,816	1,147,503,138	1,240,584,657	1,267,415,392
Regulatory	22,284,389	22,114,812	25,371,933	30,249,484
Public Safety and Corrections	187,059,227	276,719,107	233,108,649	292,979,177
Agriculture and Commerce	67,987,832	85,141,016	97,880,158	91,516,274
Natural Resources	58,433,165	73,359,931	110,413,413	123,117,235
Transportation	353,240,413	425,930,371	430,542,156	753,087,144
Intergovernmental - Revenue Sharing	253,363,580	273,118,311	326,572,267	415,775,866
Capital Outlay	113,879,585	155,148,376	233,071,350	358,083,597
Debt Service:				
Principal	20,207,193	30,513,501	16,869,266	18,282,996
Interest and Other Charges	12,280,656	12,318,072	10,659,235	9,736,260
Total Expenditures	2,821,077,969	3,469,107,167	3,730,012,865	4,396,828,834
Revenue over (under) Expenditures	557,605,215	1,040,081,971	1,616,074,909	2,081,914,954
Other Financing Sources (Uses)				
Bonds and Notes Issued	3,005,000	-	2,575,000	-
Refunding Bonds Issued	-	-	5,337,000	20,004,000
Payment to Refund Bond Escrow Agent	-	-	-	-
Payment of Refunded Bonds	-	-	(4,940,000)	(25,041,000)
Capital Lease Acquisitions	88,245	166,951	1,402,326	147,344
Sale of Capital Assets	86,625	471,890	539,837	284,974
Other	-	-	-	-
Transfers In	278,233,887	474,985,111	566,165,036	1,162,122,470
Transfers Out	(507,501,746)	(825,481,779)	(931,469,432)	(1,530,199,911)
Total Other Financing Sources (Uses)	(226,087,989)	(349,857,827)	(360,390,233)	(372,682,123)
Extraordinary Item	-	-	-	-
Net Changes in Fund Balances	\$ 331,517,226	\$ 690,224,144	\$ 1,255,684,676	\$ 1,709,232,831
Debt Service as a Percentage of Noncapital Expenditures	1.2%	1.3%	<1%	<1%

2013	2014	2015	2016	2017	2018
\$ 845,590,604	\$ 736,426,799	\$ 714,657,090	\$ 424,229,756	\$ 397,563,377	\$ 459,742,512
1,652,264,305	1,747,358,775	1,790,646,715	1,353,955,780	1,227,777,645	1,308,380,507
2,518,629,175	3,336,441,100	2,734,607,036	1,457,086,135	1,489,177,632	2,198,245,617
80,514,313	85,216,692	93,445,691	99,743,017	99,358,473	100,050,115
191,268,529	205,896,279	215,706,207	207,163,123	201,347,912	209,425,979
1,428,170,719	1,433,023,985	1,626,610,762	1,643,431,832	1,718,291,215	1,666,435,743
51,333,672	54,206,137	81,988,980	57,382,857	56,713,042	59,147,530
389,989,643	474,293,031	398,048,916	237,379,524	256,351,062	358,554,090
23,770,098	23,022,332	26,167,673	22,979,377	25,792,953	27,794,757
250,383,144	515,486,326	149,053,816	63,615,120	863,607,155	668,469,231
31,344,429	33,896,173	30,512,364	31,872,848	25,677,716	55,305,183
28,572,996	24,788,270	23,662,092	25,007,037	27,771,103	25,879,090
56,131,404	37,337,036	17,176,577	43,591,538	19,059,502	32,577,808
<u>7,547,963,031</u>	<u>8,707,392,935</u>	<u>7,902,283,919</u>	<u>5,667,437,944</u>	<u>6,408,488,787</u>	<u>7,170,008,162</u>
316,117,619	391,604,389	690,034,696	363,410,801	375,462,221	196,145,504
874,348,965	1,073,921,730	1,116,260,493	1,174,928,314	1,212,413,715	1,205,816,564
1,316,596,317	1,430,474,509	1,707,702,397	1,774,061,712	1,830,146,819	1,895,273,724
35,368,070	47,317,516	58,625,606	60,161,098	66,319,143	50,990,125
199,319,379	230,055,951	237,542,738	216,354,458	221,427,867	217,079,519
92,435,869	95,791,431	106,304,742	106,791,473	100,053,823	93,502,803
105,696,650	107,874,535	185,712,117	307,669,526	270,375,075	210,225,132
550,383,353	1,015,136,123	550,382,661	613,815,927	446,115,824	369,478,453
570,905,886	887,469,331	811,392,745	693,793,125	574,300,791	826,616,477
428,030,196	250,938,968	648,582,253	770,056,268	585,432,696	339,847,100
17,421,039	18,094,333	35,744,666	63,766,311	11,576,381	16,169,612
8,744,962	7,999,247	7,915,666	4,544,267	2,809,155	2,532,662
<u>4,515,368,305</u>	<u>5,556,678,063</u>	<u>6,156,200,780</u>	<u>6,149,353,280</u>	<u>5,696,433,510</u>	<u>5,423,677,675</u>
3,032,594,726	3,150,714,872	1,746,083,139	(481,915,336)	712,055,277	1,746,330,487
-	-	-	-	-	42,812,909
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	(20,347,000)
282,145	52,526	244,493	149,891	1,728,159	175,968
641,170	336,557	49,910	5,712,951	27,150	19,343
-	-	-	-	-	-
398,824,628	104,808,196	1,176,200,047	838,882,833	346,374,625	291,318,581
(808,397,373)	(528,711,650)	(1,718,913,302)	(1,443,399,242)	(849,628,391)	(658,815,902)
(408,649,430)	(423,514,371)	(542,418,852)	(598,653,567)	(501,498,457)	(344,836,101)
-	-	-	-	(38,379,966)	-
<u>\$ 2,623,945,296</u>	<u>\$ 2,727,200,501</u>	<u>\$ 1,203,664,287</u>	<u>\$ (1,080,568,903)</u>	<u>\$ 172,176,854</u>	<u>\$ 1,401,494,386</u>
<1%	<1%	<1%	1.3%	<1%	<1%

STATE OF NORTH DAKOTA

Schedule 5 Taxable Sales by Industry Last Ten Calendar Years

	Calendar Year			
	2008	2009	2010	2011
Mining and Oil Extraction	\$ 951,773,654	\$ 704,397,852	\$ 1,491,748,626	\$ 3,609,963,576
Construction	452,093,539	429,559,387	494,291,922	702,237,062
Manufacturing	697,482,110	649,627,740	711,340,542	995,535,882
Transportation, Communications, And Public Utilities	654,070,303	489,144,528	390,215,115	577,280,642
Wholesale	2,645,755,217	2,413,689,772	3,367,800,790	4,394,667,162
Retail	4,366,831,911	4,334,670,425	4,686,288,902	5,448,304,958
Services	1,479,230,174	1,542,498,356	1,724,349,874	2,490,644,719
Accommodation and Food Service	1,149,837,849	1,179,623,344	1,271,280,053	1,471,737,060
Miscellaneous	-	-	-	-
Total	\$ 12,397,074,757	\$ 11,743,211,404	\$ 14,137,315,824	\$ 19,690,371,061
Effective Tax Rate	4.97%	4.97%	4.98%	4.86%

Source: ND State Tax Department

Schedule 6 Sales Tax Revenue Payers by Industry Calendar Years 2008 and 2017

(Dollars are in Millions)

	Calendar Year 2008			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Retail Trade	9,053	30.8%	240.18	38.9%
Wholesale Trade	4,861	16.5%	111.12	18.0%
Services	6,115	20.8%	58.64	9.5%
Transportation, Communications, And Public Utilities	354	1.2%	32.70	5.3%
Manufacturing	2,161	7.4%	34.87	5.7%
Construction	1,477	5.0%	22.60	3.7%
Miscellaneous	4,987	17.0%	68.99	11.2%
Mining and Oil Extraction	366	1.2%	47.59	7.7%
Total	29,374	100.0%	616.70	100.0%

Source: ND State Tax Department

Calendar Year					
2012	2013	2014	2015	2016	2017
\$ 5,117,138,306	\$ 4,374,052,860	\$ 5,194,104,870	\$ 3,195,799,670	\$ 1,270,571,326	\$ 1,933,586,774
1,073,180,098	985,079,023	965,197,436	893,628,575	788,360,652	572,742,527
1,270,236,581	1,334,723,444	1,527,873,493	1,256,620,179	955,191,364	940,433,285
652,478,635	569,453,738	630,444,105	566,226,446	359,835,574	325,778,272
5,987,059,129	6,434,467,781	7,391,400,913	5,339,698,317	3,564,195,615	3,971,599,479
6,348,806,735	6,569,146,675	6,900,590,520	6,634,790,900	6,137,317,234	6,039,261,375
3,135,679,592	3,441,014,994	3,684,213,017	3,176,227,835	2,547,155,903	2,411,082,485
1,706,097,731	1,756,625,375	1,928,607,097	1,839,842,915	1,705,940,154	1,706,215,062
<u>\$ 25,290,676,807</u>	<u>\$ 25,464,563,890</u>	<u>\$ 28,222,431,451</u>	<u>\$ 22,902,834,837</u>	<u>\$ 17,328,567,822</u>	<u>\$ 17,900,699,259</u>
5.08%	5.08%	5.00%	5.35%	5.42%	5.06%

Calendar Year 2017			
Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
8,724	27.6%	302.15	33.4%
4,994	15.8%	199.60	22.0%
8,507	26.9%	89.54	9.9%
472	1.5%	36.15	4.0%
2,610	8.3%	47.62	5.3%
2,212	7.0%	31.48	3.5%
3,482	11.0%	101.37	11.2%
576	1.8%	97.84	10.8%
31,577	100.0%	\$ 905.75	100.0%

STATE OF NORTH DAKOTA

Schedule 7 Ratios of Outstanding Debt by Type Last Ten Fiscal Years

(dollars in thousands)

	Fiscal Year			
	2009	2010	2011	2012
Governmental Activities				
Revenue bonds	\$ 251,526	\$ 232,102	\$ 219,221	\$ 197,021
Capital leases	4,056	2,842	2,964	1,928
Notes Payable	26,523	19,493	8,563	7,428
Total Governmental Activities	<u>282,105</u>	<u>254,437</u>	<u>230,748</u>	<u>206,377</u>
Business-type Activities				
Revenue bonds	1,051,542	1,301,368	1,193,816	1,069,257
Capital leases	68,097	72,461	75,649	73,211
Notes payable	318,847	412,095	403,509	481,735
Total Business-Type Activities	<u>1,438,486</u>	<u>1,785,924</u>	<u>1,672,974</u>	<u>1,624,203</u>
Total Primary Government	<u>\$ 1,720,591</u>	<u>\$ 2,040,361</u>	<u>\$ 1,903,722</u>	<u>\$ 1,830,580</u>
Debt as a Percentage of Personal Income ¹	6.3%	7.6%	6.5%	5.5%
Amount of Debt per Capita ¹	\$ 2,617	\$ 3,068	\$ 2,822	\$ 2,671

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

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

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 180,757	\$ 163,031	\$ 129,345	\$ 64,049	\$ 54,105	\$ 40,429
1,068	667	600	467	1,695	1,415
6,211	4,981	4,412	3,891	2,181	22,248
<u>188,036</u>	<u>168,679</u>	<u>134,357</u>	<u>68,407</u>	<u>57,981</u>	<u>64,092</u>
919,506	901,527	884,086	1,040,019	1,019,125	1,246,470
61,796	44,774	41,224	38,533	41,425	40,058
415,856	484,763	665,792	747,186	1,299,860	1,289,686
<u>1,397,158</u>	<u>1,431,064</u>	<u>1,591,102</u>	<u>1,825,738</u>	<u>2,360,410</u>	<u>2,576,214</u>
<u>\$ 1,585,194</u>	<u>\$ 1,599,743</u>	<u>\$ 1,725,459</u>	<u>\$ 1,894,145</u>	<u>\$ 2,418,391</u>	<u>\$ 2,640,306</u>
4.0%	4.0%	4.0%	4.5%	5.8%	6.4%
\$ 2,258	\$ 2,210	\$ 2,332	\$ 2,503	\$ 3,191	\$ 3,483

STATE OF NORTH DAKOTA

Schedule 8 Pledged-Revenue Coverage Last Ten Fiscal Years

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Requirements		Coverage
				Principal	Interest	
BUILDING AUTHORITY BONDS						
2009	12,827,000	-	12,827,000	8,103,000	4,309,000	1.03
2010	11,026,000	-	11,026,000	10,360,000	4,005,000	0.77
2011	9,570,000	-	9,570,000	6,243,000	3,656,000	0.97
2012	11,298,000	-	11,298,000	7,106,000	3,211,000	1.10
2013	8,394,000	-	8,394,000	5,806,000	2,655,000	0.99
2014	9,176,000	-	9,176,000	6,825,000	2,336,000	1.00
2015	8,163,000	-	8,163,000	6,130,000	2,080,000	0.99
2016	9,868,000	-	9,868,000	6,375,000	1,896,000	1.19
2017	5,300,000	-	5,300,000	5,315,000	1,680,000	0.76
2018	\$ 32,500,000	\$ -	\$ 32,500,000	\$ 31,110,000	\$ 1,485,000	1.00

Pledged revenues include interest and lease payments.

WATER COMMISSION BONDS						
2009	9,526,211	-	9,526,211	4,859,000	4,863,040	0.98
2010	9,658,200	-	9,658,200	5,055,000	4,685,748	0.99
2011	9,425,473	-	9,425,473	5,227,642	4,645,491	0.95
2012	9,761,020	-	9,761,020	5,541,961	4,372,017	0.98
2013	9,863,578	-	9,863,578	5,760,272	4,142,814	1.00
2014	16,615,188	-	16,615,188	5,990,528	3,911,439	1.68
2015	8,783,565	-	8,783,565	13,343,592	3,318,972	0.53
2016	45,840,868	-	45,840,868	52,525,000	1,309,125	0.85

Pledged revenues include user fees, interest, and Tobacco Settlement funds.

INFORMATION TECHNOLOGY BONDS						
2009	45,225,141	39,036,294	6,188,847	6,613,350	935,650	0.82
2010	48,633,238	38,453,612	10,179,626	1,716,372	790,686	4.06
2011	49,841,497	41,956,029	7,885,468	10,537,178	324,831	0.73
2012	53,268,445	47,300,345	5,968,100	694,550	89,028	7.62
2013	58,427,069	52,478,918	5,948,151	736,600	39,805	7.66
2014	60,619,327	53,925,234	6,694,093	711,950	14,239	9.22

Pledged revenues include user fees.

DEPARTMENT OF TRANSPORTATION BONDS						
2009	5,379,338	-	5,379,338	3,255,000	2,067,750	1.01
2010	5,750,480	-	5,750,480	3,355,000	2,397,783	1.00
2011	5,271,363	-	5,271,363	3,465,000	1,854,138	0.99
2012	5,345,315	-	5,345,315	3,595,000	1,726,615	1.00
2013	5,344,822	-	5,344,822	3,725,000	1,597,010	1.00
2014	5,320,012	-	5,320,012	3,865,000	1,451,535	1.00
2015	5,318,070	-	5,318,070	4,015,000	1,303,070	1.00
2016	5,317,250	-	5,317,250	4,165,000	1,150,500	1.00
2017	5,315,500	-	5,315,500	4,375,000	942,250	1.00
2018	\$ 5,300,000	\$ -	\$ 5,300,000	\$ 4,590,000	\$ 723,500	1.00

Pledged revenues include interest and federal (intergovernmental revenues and transfers from fund 002), highway fund appropriations, and transfers from Highway fund (200).

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Requirements		Coverage
				Principal	Interest	
STUDENT LOAN TRUST						
2009	2,714,000	1,492,000	1,222,000	59,400,000	929,000	0.02
2010	1,630,000	925,000	705,000	1,000,000	535,000	0.46
2011	1,406,000	923,000	483,000	9,000,000	288,000	0.05
2012	1,168,000	770,000	398,000	2,000,000	39,000	0.20
2013	976,000	658,000	318,000	2,200,000	24,000	0.14
2014	868,000	559,000	309,000	-	9,000	34.33
2015	732,000	487,000	245,000	-	9,000	27.22
2016	639,000	402,000	237,000	-	10,000	23.70
2017	543,000	361,000	182,000	-	14,000	13.00
2018	\$ 237,000	\$ 57,000	\$ 180,000	\$ -	\$ 22,000	8.18

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

HOUSING FINANCE AGENCY						
2009	67,073,021	35,458,000	31,615,021	254,020,000	40,733,000	0.11
2010	72,564,000	26,958,000	45,606,000	354,181,000	37,499,000	0.12
2011	74,163,000	46,020,000	28,143,000	247,099,000	36,352,000	0.10
2012	62,386,855	42,874,000	19,512,855	246,535,000	36,562,000	0.07
2013	55,452,870	36,480,000	18,972,870	209,045,000	29,902,000	0.08
2014	48,261,366	28,677,687	19,583,679	189,830,000	22,360,000	0.09
2015	46,104,013	25,535,000	20,569,013	136,385,000	18,303,000	0.13
2016	48,479,659	27,986,000	20,493,659	102,480,000	17,801,000	0.17
2017	50,851,271	28,185,000	22,666,271	249,400,000	17,985,000	0.08
2018	\$ 54,771,000	\$ 31,255,000	\$ 23,516,000	\$ 126,620,000	\$ 18,900,000	0.16

Pledged revenues include income and proceeds from mortgage loan activity.

UNIVERSITY SYSTEM						
2009	615,327,588	768,207,013	(152,879,425)	31,757,754	13,848,295	(3.35)
2010	663,347,234	823,053,516	(159,706,282)	25,067,090	12,968,810	(4.20)
2011	777,992,712	937,253,706	(159,260,994)	19,435,268	14,390,104	(4.71)
2012	708,136,180	979,701,772	(271,565,592)	27,187,867	15,553,703	(6.35)
2013	729,800,506	1,012,017,963	(282,217,457)	43,206,702	12,842,418	(5.04)
2014	750,780,897	1,051,848,696	(301,067,799)	42,458,545	11,650,094	(5.56)
2015	758,127,326	1,090,845,378	(332,718,052)	45,904,456	13,702,718	(5.58)
2016	838,245,926	1,200,399,795	(362,153,869)	60,435,257	12,328,344	(4.98)
2017	794,108,239	1,186,452,340	(392,344,101)	18,255,594	12,539,581	(12.74)
2018	\$ 804,576,891	\$ 1,160,802,711	\$ (356,225,820)	\$ 17,814,513	\$ 12,241,613	(11.85)

Pledged revenues include student fees, auxiliary revenues, sales, tax revenue, investment income and debt service grants.

NOTE: Gross revenues include nonoperating interest income. Operating expenses do not include bond interest or depreciation expenses.

**Schedule 9
Legal Debt Limit
Fiscal Year Ending June 30, 2018**

The state may issue or guarantee the payment of bonds, provided that all bonds in excess of two million dollars shall be secured by first mortgage upon real estate in amounts not to exceed sixty-five percent of its value; or upon real and personal property of state-owned utilities, enterprises, or industries, in amounts not exceeding its value, and provided further, that the state shall not issue or guarantee bonds upon property of state-owned utilities, enterprises, or industries in excess of ten million dollars.

No further indebtedness shall be incurred by the state unless evidenced by a bond issue, which shall be authorized by law for certain purposes, to be clearly defined. Every law authorizing a bond issue shall provide for levying an annual tax, or make other provision, sufficient to pay the interest semiannually, and the principal within thirty years from the date of the issue of such bonds and shall specially appropriate the proceeds of such tax, or of such other provisions to the payment of said principal and interest, and such appropriation shall not be repealed nor the tax or other provisions discontinued until such debt, both principal and interest, shall have been paid. No debt in excess of the limit named herein shall be incurred except for the purpose of repelling invasion, suppressing insurrection, defending the state in time of war or to provide for the public defense in case of threatened hostilities.

The State is in compliance with the Legal Debt Margin.

Source: North Dakota Constitution, Art. X, Section 13.

The State of North Dakota has had no General Obligation Bonded Debt since Fiscal Year 1998. No Schedule of Ratios of General Bonded Debt is being presented.

Schedule 10
Demographic and Economic Indicators
Last Ten Calendar Years

<u>Year</u>	<u>Population (a)</u>	<u>Total Personal Income (b) (000's)</u>	<u>Per Capita Personal Income (b)</u>	<u>ND Unemployment Rate (c)</u>	<u>Annual Average UI Covered Employment (d)</u>
2008	657,569	27,100,616	41,213	3.2%	350,442
2009	664,968	26,687,878	40,134	4.1%	349,561
2010	674,518	29,450,250	43,661	3.8%	358,674
2011	684,830	33,306,563	48,635	3.5%	379,433
2012	701,380	39,449,209	56,245	3.1%	411,710
2013	722,908	40,296,443	55,742	2.9%	427,109
2014	738,658	42,991,436	58,202	2.7%	444,658
2015	754,859	42,002,831	55,643	2.8%	437,078
2016	755,548	41,404,978	54,801	3.1%	417,150
2017	755,393	41,277,100	54,643	2.6%	414,039

Source:

- (a) Census Bureau
- (b) Bureau of Economic Analysis
- (c) Local Area Unemployment Statistics program
- (d) Quarterly Census of Employment and Wages program

Schedule 11 Principal Employers

North Dakota Century Code 52-01-02 and 52-01-03 prohibits Job Service North Dakota from disclosing information provided to them by employers, including the employer name and number of employees, unless authorized by the employer. Sufficient permission has not been received to allow for presentation of this schedule.

The following schedule is being presented as an alternative to the principal employer schedule:

Schedule 12 Employment by Industry Current Calendar Year and Ten Years Ago

<u>Industry</u>	2017			2008		
	Number of Employees	Rank	Percent of Total Nonagricultural Wage and Salary Employment	Number of Employees	Rank	Percent of Total Nonagricultural Wage and Salary Employment
Government	82,400	1	19.14%	76,300	1	20.77%
Educational and Health Services	63,100	2	14.65%	52,100	2	14.18%
Retail Trade	47,700	3	11.08%	43,100	3	11.73%
Leisure and Hospitality	39,100	4	9.08%	33,600	4	9.15%
Professional and Business Services	34,500	5	8.01%	30,300	5	8.25%
Construction	27,000	6	6.27%	20,800	7	5.66%
Manufacturing	24,700	7	5.74%	26,400	6	7.19%
Financial Activities	24,400	8	5.67%	20,300	8	5.53%
Wholesale Trade	24,000	9	5.57%	19,900	9	5.42%
Transportation, Warehousing and Utilities	23,100	10	5.36%	14,900	11	4.06%
Logging and Mining	17,800	11	4.13%	6,800	13	1.85%
Other Services	16,300	12	3.79%	15,400	10	4.19%
Information	6,500	13	1.51%	7,500	12	2.04%
Total	430,600		100%	367,400		100%

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

Schedule 13 Education Enrollment Last Ten Academic Years

Public School Enrollment

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
Kindergarten	6,442	7,446	8,236	8,575	8,822	9,033	8,925	8,841	9,271	9,324
Grades 1-3	20,594	21,592	22,229	23,796	24,859	25,960	26,585	26,320	26,316	26,663
Grades 4-6	20,429	20,788	20,932	22,008	22,810	23,751	24,513	25,244	26,076	26,580
Grades 7-8	14,498	14,662	14,740	14,750	14,920	15,299	15,642	16,115	16,511	16,845
Grades 9-12	30,373	30,241	29,641	30,063	30,245	30,235	30,405	30,343	30,771	31,430
Total Enrollment	92,336	94,729	95,778	99,192	101,656	104,278	106,070	106,863	108,945	110,842
Special Education Students	13,261	13,170	13,123	13,268	13,399	13,675	13,988	14,429	15,175	NA

Source: Department of Public Instruction

University System Full-Time Equivalent Student Enrollment

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
Bismarck State College	3,160	3,208	3,209	2,990	2,955	2,909	2,912	2,860	2,646	2,611
Dakota College at Bottineau	490	540	524	474	502	518	459	490	527	590
Dickinson State University	2,187	2,054	1,959	1,454	1,201	1,176	1,070	1,114	1,128	1,090
Lake Region State College	868	921	988	973	943	978	981	971	995	1,005
Mayville State University	662	704	704	759	749	798	796	782	784	817
Minot State University	2,832	3,002	2,795	2,731	2,710	2,600	2,570	2,591	2,467	2,483
ND State College Of Science	2,076	2,217	2,366	2,354	2,295	2,272	2,305	2,298	2,253	2,126
North Dakota State University	12,577	12,708	12,606	12,707	12,797	12,934	12,834	12,782	12,784	12,394
University of North Dakota	11,306	12,018	12,319	12,728	12,606	12,420	12,455	12,180	11,964	11,585
Valley City State University	833	957	1,011	995	975	990	1,031	1,044	1,086	1,096
Williston State College	573	570	608	537	593	579	738	756	763	806
Total	37,564	38,899	39,089	38,702	38,326	38,174	38,151	37,870	37,398	36,603

Source: North Dakota University System, Fall Enrollment Reports

Schedule 14
State Employees by State Agency
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
EXECUTIVE BRANCH										
Adjutant General	174	174	172	174	178	177	170	155	155	155
Aeronautics Commission	5	6	6	6	6	6	6	7	7	7
Bank of North Dakota	179	177	177	177	177	180	180	182	183	190
Barley Council	6	6	5	5	5	5	5	5	5	5
Beef Commission	2	2	2	2	2	2	2	2	3	3
Career and Technical Education	34	34	34	34	34	34	29	27	27	25
Corn Council	3	3	3	4	5	6	6	6	6	6
Council on the Arts	5	5	5	5	5	5	5	5	5	5
Department of Agriculture	68	72	75	75	76	77	77	77	77	73
Department of Commerce	68	68	68	68	68	70	69	69	69	54
Department of Corrections and Rehabilitation	703	704	705	739	812	813	834	838	845	845
Department of Emergency Services	57	60	65	64	68	70	76	79	79	79
Department of Financial Institutions	26	29	29	29	29	29	29	30	31	30
Department of Human Services	2,275	2,222	2,232	2,201	2,201	2,203	2,215	2,216	2,218	2,163
Department of Public Instruction	98	99	101	99	99	99	100	100	92	92
Department of Transportation	1,056	1,057	1,066	1,066	1,081	1,084	1,082	1,081	1,081	1,047
Department of Trust Lands	20	21	23	26	28	31	34	34	33	30
Game and Fish Department	156	20	157	157	158	158	164	163	163	163
Highway Patrol	193	194	194	198	198	213	215	215	204	204
Historical Society	63	63	63	66	73	72	73	80	80	77
Indian Affairs Commission	4	4	4	4	5	5	5	5	5	5
Industrial Commission	58	60	68	73	93	93	114	113	114	106
Information Technology Department	338	339	341	335	326	341	354	350	352	346
Job Service North Dakota	309	309	309	309	252	239	238	182	182	182
Milk Marketing Board	6	6	6	6	6	6	6	6	6	6
ND Department of Health	343	346	341	345	352	354	365	366	368	360
ND Horse Racing Commission	2	2	2	2	2	2	2	2	2	2
ND Housing Finance Agency	42	46	46	46	46	46	40	41	41	41
ND Mill and Elevator Association	126	130	131	130	131	134	135	142	147	153
ND Vision Services/School for the Blind	32	32	33	33	33	33	33	32	32	30
North Dakota University System	7,261	7,579	7,775	7,756	7,763	7,904	8,028	8,012	7,532	7,290
Office of Administrative Hearings	7	7	7	7	7	5	5	5	5	5
Office of Management and Budget	133	133	135	134	134	134	132	124	123	117

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
EXECUTIVE BRANCH, Continued										
Office of the Attorney General	188	202	202	205	214	217	248	253	253	240
Office of the Governor	18	18	18	18	18	18	18	18	19	17
Office of the Insurance Commissioner	46	46	45	49	49	49	49	49	49	46
Office of the Labor Commissioner	12	12	12	12	13	13	15	15	15	14
Office of the State Auditor	56	56	56	56	55	55	61	62	62	57
Office of the State Tax Commissioner	133	133	133	133	134	134	134	135	135	132
Office of the State Treasurer	7	7	7	8	8	8	8	8	8	7
Oilseed Council	1	1	1	1	1	1	2	1	1	1
Parks and Recreation Department	49	52	53	53	53	55	65	66	65	63
Protection and Advocacy	28	28	29	29	29	28	28	28	28	28
Public Employees Retirement System	33	33	33	33	33	33	33	35	35	35
Public Service Commission	44	45	46	43	44	44	46	46	47	47
Retirement and Investment Office	17	17	18	18	18	19	19	19	19	19
School for the Deaf	44	50	50	50	50	50	51	51	51	51
Secretary of State	28	28	28	31	31	31	34	34	34	32
Securities Department	9	9	9	9	9	9	9	9	9	10
Seed Department	30	30	30	30	30	30	30	30	31	31
Soybean Council	5	5	5	6	7	7	8	8	8	7
State Fair Association	26	28	27	27	27	28	27	27	26	27
State Library	30	30	30	30	30	30	31	30	30	29
State Radio	0	0	0	0	0	0	0	0	0	0
Veteran's Affairs Department	7	7	7	8	8	8	8	9	9	9
Veterans Home	98	98	116	114	117	118	120	116	118	120
Water Commission	84	86	87	87	88	90	95	96	96	93
Wheat Commission	8	8	8	8	8	8	8	8	8	8
Workforce Safety and Insurance	240	241	251	251	254	256	266	265	265	265
LEGISLATIVE BRANCH										
Legislative Council	33	34	34	34	34	36	36	37	36	36
JUDICIAL BRANCH										
Judiciary Branch	368	372	342	344	362	363	364	392	392	355
Total State Employees	15,494	15,685	16,052	16,062	16,177	16,368	16,639	16,598	16,118	15,675

NOTE: Fulltime employees are reported as of fiscal year end. ND University System employees based on annual budgets.
 Certain agencies have been reorganized, eliminated or created over the fiscal years resulting in fluctuations.
 Agencies are being displayed based on the organizational structure of the State.

Sources: Office of Management and Budget, ND University System, Bank of North Dakota, Mill and Elevator, Housing Finance Agency

Schedule 15
Operating Indicators by Function
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
Office of the Tax Commissioner										
Number of returns filed electronically ¹	222,254	242,792	289,387	319,759	352,150	383,906	412,559	428,347	391,234	460,464
Education										
Department of Public Instruction										
Public School Enrollment ²	92,336	94,729	95,778	99,192	101,656	104,278	106,070	106,863	108,945	110,842
North Dakota University System										
Full Time Equivalent Student Enrollment ³	37,564	38,899	39,089	38,702	38,326	38,174	38,151	37,870	37,398	36,603
Health and Human Services										
North Dakota Department of Health										
Number of Autopsies Performed in ND ⁴	305	300	323	367	365	261	258	244	234	NA
Air Quality - Percent of Facilities in Compliance ⁴	99	99	100	99	99	99	100	100	100	NA
Public Water Systems - Percent of Facilities in Compliance ⁴	95	96	95	96	96	95	96	98	99	NA
Department of Human Services										
Number of TANF Caseloads	4,733	4,238	3,668	3,329	3,032	2,773	2,515	2,367	2,313	2,206
Number of Medicaid Recipients	77,637	84,529	88,618	90,453	91,382	105,539	114,364	122,374	123,766	124,371
Regulatory										
Office of the Insurance Commissioner										
Licensed Insurance Agents ⁴	48,308	49,157	50,392	52,417	55,241	61,142	65,671	74,118	75,769	79,899
Public Service Commission										
Weighing and Measuring Devices Inspected	11,395	10,465	10,673	7,437	9,559	5,892	5,446	6,136	5,172	5,183
Weights and Measures Quality Assurance Inspections	0	0	0	0	0	166	249	216	207	160
Gas Pipeline Safety Inspections	67	67	61	53	83	127	72	81	82	78
Gas Pipeline Safety Inspection-Person Days	74	88	97	97	138	162	124	134	150	191
Public Safety and Corrections										
Department of Corrections and Rehabilitation										
Average Daily Adult Prison Population ⁴	1,442	1,497	1,460	1,477	1,553	1,617	1,767	1,794	1,813	NA
Office of the Attorney General-Bureau of Investigations										
Criminal Cases Opened ⁴	389	410	366	422	355	478	449	558	514	NA
Drug Cases Opened ³	372	447	421	375	403	380	387	544	446	NA
Office of the Attorney General-Crime Laboratory										
Toxicology Alcohol Blood and Breath Analyses ³	6,883	7,576	7,583	7,918	7,421	6,523	6,472	5,472	5,201	NA
Methamphetamine/Amphetamine Samples Processed ⁴	897	964	745	1,381	2,387	2,942	4,527	4,669	3,932	NA
Office of the Adjutant General										
Assigned National Guard ⁵	4,299	4,349	4,375	4,363	4,210	4,167	4,006	3,980	4,032	4,002
Agriculture and Commerce										
Department of Agriculture										
Pounds of Pesticide Waste Collected	205,021	215,594	189,996	290,932	248,354	310,754	384,857	137,297	180,692	340,074
Department of Commerce										
Net Job Growth from Nonfarm Employment ⁴	-600	9,300	20,600	32,400	15,400	16,800	-7,700	-19,300	-3,700	NA
New Private Sector Businesses ⁴	-53	667	1,627	2,301	1,414	984	397	-51	-255	NA
Natural Resources										
Game and Fish Department										
Registered Boats ⁴	51,609	56,128	47,527	62,799	69,381	53,558	61,328	67,026	57,220	NA
Hunting and Fishing Licenses Issued	319,414	326,333	330,833	321,086	359,734	357,488	354,728	356,548	351,704	NA
Department of Parks and Recreation										
Park Visitations ⁴	1,055,930	1,057,922	1,099,714	1,191,483	1,067,054	1,187,022	1,211,150	1,182,628	1,196,868	NA
Camping Nights ⁴	58,984	50,749	55,018	67,425	66,533	68,480	71,075	73,316	71,555	NA
Snowmobile Registrations ⁴	11,421	5,278	11,872	3,354	11,763	3,743	8,958	2,779	8,767	NA
OHV Registrations ⁴	9,118	16,335	10,841	21,862	12,198	26,200	12,753	25,316	13,673	NA
Transportation										
Department of Transportation										
Registered Vehicles ⁴	952,616	945,282	1,048,240	1,063,203	1,110,241	1,159,317	1,168,252	1,160,042	1,159,040	NA
Licensed Drivers	476,561	483,097	490,146	502,807	513,838	527,541	545,027	555,935	561,667	561,333
Unemployment Compensation										
Job Service North Dakota										
Number of Covered Workers ⁴	349,561	358,674	379,433	411,710	427,109	444,658	437,078	417,150	414,039	NA
Workforce Safety and Insurance										
Number of Claims Filed	20,543	19,384	21,693	24,643	25,835	26,395	24,798	21,227	20,045	19,830
Number of Covered Workers	340,915	340,117	348,743	369,996	402,771	418,234	435,993	427,899	408,107	405,367

NA-Not Available

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

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

Schedule 16
Capital Assets by Function
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
Office of Management and Budget										
Capitol Complex Buildings	7	7	7	7	7	7	7	7	7	7
Education										
Department of Land										
Common Schools Trust										
Land Acreage	597,426	632,393	631,940	631,921	631,939	631,997	632,039	631,794	631,806	631,806
ND University System										
Buildings	516	522	522	512	512	528	528	534	534	516
Buildings Square Footage	14,003,445	14,700,708	14,700,708	15,019,252	15,019,252	15,852,457	15,852,457	16,299,100	16,299,100	16,571,905
Health and Human Services										
Dept. of Human Services										
Buildings	74	74	74	74	64	63	63	63	63	63
Public Safety and Corrections										
Department of Corrections and Rehabilitation										
Buildings	72	72	72	72	69	71	71	71	70	70
Office of the Adjutant General										
Headquarters, Camp and Armory Buildings	341	282	282	283	268	280	298	298	302	330
Natural Resources										
Game and Fish Department										
Wildlife Management Areas	189	192	199	201	201	204	201	200	201	201
Boats, ATV's, Snowmobiles, Tractors,Other	425	429	443	446	463	462	460	472	491	493
Dept. of Parks and Recreation										
Park/Recreational Sites	15	15	15	15	15	15	15	15	15	15
Park Maintenance Vehicles/Equipment	255	255	262	291	304	305	305	363	392	364
Transportation										
Department of Transportation										
Lane Miles Maintained	8,515	8,517	8,518	8,504	8,509	8,509	8,563	8,614	8,614	8,614
Fleet Vehicles	3,273	3,493	3,564	3,567	3,600	3,652	3,664	3,726	3,740	3,541
Heavy Equipment	341	463	471	500	434	441	448	441	445	479
Buildings	81	85	94	123	126	142	158	159	162	164

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

**Schedule 17
Claims Development Information
Last Ten Fiscal Years**

The following tables illustrate how the individual funds' earned revenues and investment income compare to related costs of loss and other expenses assumed by the funds as of the end of each of the last ten years. The rows of the tables are defined as follows: (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues. (2) This line shows each fiscal year's other operation costs of the fund including overhead and claims expense not allocable to individual claims. (3) This line shows the funds' incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year). (4) This section of 10 columns shows the cumulative amounts paid as of the end of successive years for each policy year. (5) This section of 10 columns shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received regarding unknown claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. (6) This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the tables show data for successive policy years (expressed in thousands).

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

Bonding Fund

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
1 Net Earned Required Contribution and Investment Revenues	\$ 157	\$ 214	\$ 202	\$ 195	\$ 140	\$ 133	\$ 70	\$ 173	\$ 101	\$ 42
2 Unallocated Expenses	25	34	25	28	22	33	36	67	26	21
3 Estimated Incurred Claims and Expense, End of Policy Year	128	49	22	4	(115)	39	94	26	21	87
4 Paid (Cumulative) as of:										
End of Policy Year	(61)	(148)	(179)	(202)	(157)	(32)	(35)	(77)	(86)	(19)
One Year Later	(61)	(148)	(179)	(202)	(157)	(32)	(35)	(77)	(86)	
Two Years Later	(61)	(148)	(179)	(202)	(157)	(32)	(35)	(77)		
Three Years Later	(61)	(148)	(179)	(202)	(157)	(32)	(35)			
Four Years Later	(61)	(148)	(179)	(202)	(157)	(32)				
Five Years Later	(61)	(148)	(179)	(202)	(157)					
Six Years Later	(61)	(148)	(179)	(202)						
Seven Years Later	(61)	(148)	(179)							
Eight Years Later	(61)	(148)								
Nine Years Later	(61)									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	128	49	22	4	(115)	39	94	26	(21)	87
One Year Later	128	49	22	4	(115)	39	94	26	(21)	
Two Years Later	128	49	22	4	(115)	39	94	26		
Three Years Later	128	49	22	4	(115)	39	94			
Four Years Later	128	49	22	4	(115)	39				
Five Years Later	128	49	22	4	(115)					
Six Years Later	128	49	22	4						
Seven Years Later	128	48	22							
Eight Years Later	128	48								
Nine Years Later	128									
6 Increase in Estimated Incurred Claims and Expense From End of Policy Year	0	0	0	0	0	0	0	0	0	0

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

Fire and Tornado Fund

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
1 Net Earned Required Contribution and Investment Revenues	\$ (492)	\$ 8,099	\$ 4,709	\$ 3,031	\$ 4,103	\$ 5,388	\$ (2,124)	\$ 2,908	\$ 4,765	\$ 3,567
2 Unallocated Expenses	819	1,344	1,340	849	768	915	800	912	1,348	1,118
3 Estimated Incurred Claims and Expense, End of Policy Year	2,363	3,386	4,663	1,162	1,501	998	1,141	3,039	4,750	2,352
4 Paid (Cumulative) as of:										
End of Policy Year	1,586	1,670	2,571	958	1,106	562	9,378	8,890	3,805	8,318
One Year Later	2,398	3,381	4,191	1,225	1,871	1,067	1,553	3,117	4,466	
Two Years Later	2,499	3,569	4,360	1,318	1,905	1,080	1,564	3,119		
Three Years Later	2,516	3,569	4,492	1,691	1,905	1,080	1,564			
Four Years Later	2,516	3,569	4,492	1,691	1,905	1,080				
Five Years Later	2,516	4,944	4,492	1,691	1,905					
Six Years Later	2,516	4,946	4,492	1,691						
Seven Years Later	2,516	4,946	4,492							
Eight Years Later	2,516	4,946								
Nine Years Later	2,516									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	2,363	3,386	4,663	1,162	1,501	998	1,516	3,039	4,750	2,352
One Year Later	2,554	4,323	4,502	1,550	2,009	1,146	1,725	3,292	4,692	
Two Years Later	2,503	4,873	4,528	1,549	2,012	1,122	1,723	3,229		
Three Years Later	2,520	4,865	4,520	1,711	2,012	1,122	1,723			
Four Years Later	2,520	4,864	4,520	1,711	2,012	1,122				
Five Years Later	2,520	4,944	4,516	1,711	2,012					
Six Years Later	2,520	4,946	4,516	1,711						
Seven Years Later	2,516	4,946	4,516							
Eight Years Later	2,516	4,946								
Nine Years Later	2,516									
6 Increase in Estimated Incurred Claims and Expense From End of Policy Year	152	1,559	(147)	549	511	125	582	191	(58)	0

Schedule 17

Claims Development Information

Last Ten Fiscal Years

(Expressed In Thousands)

Workforce Safety & Insurance

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
1 Net Earned Required Contribution and Investment Revenues	\$ 48	\$ 289	\$ 357	\$ 341	\$ 443	\$ 502	\$ 408	\$ 377	\$ 396	\$ 343
2 Unallocated Expenses	31	33	30	33	52	41	41	43	47	44
3 Estimated Incurred Claims and Expense, End Of Policy Year	169	160	192	230	300	338	315	229	198	193
4 Paid (Cumulative) as of:										
End of Policy Year	32	31	39	44	53	65	61	41	40	42
One Year Later	55	52	65	87	99	111	102	74	65	
Two Years Later	63	60	76	102	117	128	120	84		
Three Years Later	70	65	85	111	128	140	132			
Four Years Later	75	69	90	116	136	148				
Five Years Later	79	73	94	120	142					
Six Years Later	83	76	96	123						
Seven Years Later	84	77	98							
Eight Years Later	87	78								
Nine Years Later	88									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	169	160	192	230	300	338	315	229	198	192
One Year Later	157	151	192	258	293	321	283	204	177	
Two Years Later	153	195	193	344	288	299	271	191		
Three Years Later	150	193	187	241	272	291	267			
Four Years Later	148	142	174	228	266	285				
Five Years Later	148	139	181	221	261					
Six Years Later	150	137	174	214						
Seven Years Later	147	134	171							
Eight Years Later	145	132								
Nine Years Later	155									
6 Increase in Estimated Incurred Claims and Expense From End of Policy Year	(14)	(28)	(21)	(17)	(39)	(53)	(47)	(38)	(22)	0

Schedule 18 Agricultural Production

Value of Export Shares of Agricultural Commodities - 2016 - 2017

	2016	2016	2017	2017
	<u>Dollars</u> (Mil.)	<u>% of U.S.</u>	<u>Dollars</u> (Mil.)	<u>% of U.S.</u>
Wheat	952.0	17.81	1,070.6	17.66
Soybeans and Products	1,500.5	5.57	1,340.0	5.29
Other Oil Seeds and Products	662.2	29.72	602.2	28.87
Vegetables Fresh and Processed	279.4	3.88	248.0	3.39
Grain Products	203.0	4.59	204.4	4.64
Vegetable Oils	204.2	6.74	205.8	6.59
Feeds and Other Feed Grains	235.2	2.68	235.6	2.83
Corn	249.3	2.52	260.6	2.86
Other Plant Products	172.1	3.44	166.4	3.28
Beef, Veal and Pork	103.2	0.84	126.5	0.92
Other Livestock Products	36.9	1.46	40.8	1.34
Hides and Skins	21.5	1.12	22.8	1.21
Dairy Products	7.5	0.16	8.5	0.16
Poultry Products	2.4	0.13	3.1	0.16
Total	<u>\$ 4,629.5</u>	<u>3.44%</u>	<u>\$ 4,535.3</u>	<u>3.28%</u>

1/ Includes other nonpoultry meats, animal fat, live farm animals, and other animal parts.

2/ Includes turkey meat, eggs, and other fowl products.

3/ Includes processed feeds, fodder, barley, oats, rye, and sorghum.

4/ Includes peanuts (oilstock), other oil crops, corn meal, other oilcake and meal, protein substances, bran and residues.

5/ Includes sweeteners and products, other horticulture products, planting seeds, cocoa, coffee, and other processed foods.

Data sources: USDA Economic Research Service; USDA Foreign Agricultural Service (Global Agricultural Trade System).

Totals may not add due to rounding.

2018 Crop Rank Among States

North Dakota Ranks	Crop Description	North Dakota Produces
1st	Flaxseed	89%
	Canola	82%
	Pinto Beans	62%
	Durum Wheat	53%
	Dry Edible Peas	52%
	Spring Wheat	50%
	Navy Beans	40%
	All Dry Edible Beans	35%
	Honey Production	23%

Source: North Dakota Agricultural Statistics August 2018