

Comprehensive Annual Financial Report



State of North Dakota

For the Fiscal Year Ended June 30, 2013

STATE OF NORTH DAKOTA

Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED

June 30, 2013



Prepared by the Office of Management and Budget

State of North Dakota
Office of Management and Budget
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This CAFR is also available at our Fiscal Management website: <http://www.nd.gov/fiscal/cafr/>

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FOR THE FISCAL YEAR ENDED JUNE 30, 2013
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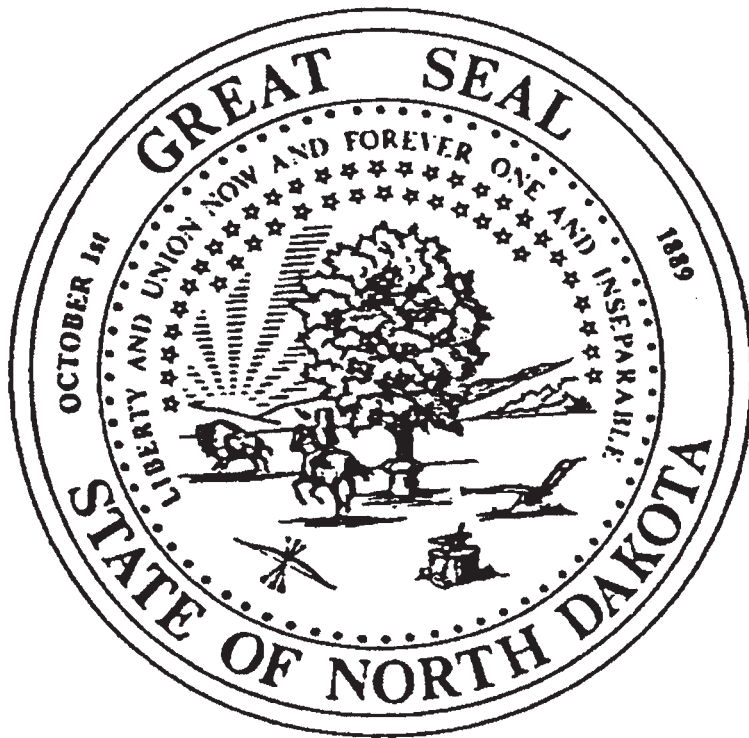
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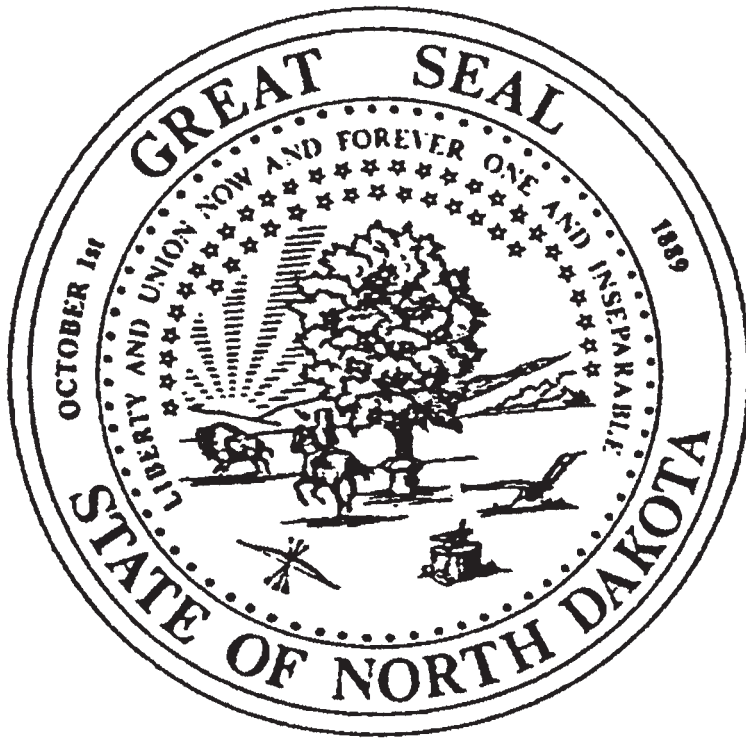
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Introductory Section



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OFFICE OF MANAGEMENT AND BUDGET

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

December 17, 2013

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, 2013. 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, 2013 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and evaluating the overall financial statement presentation. Their examination was conducted in accordance with GAAP and the standards applicable to financial audits contained in *Government Auditing Standards* as published by the Comptroller General of the United States. The SAO concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the State's financial statements for the fiscal year ended June 30, 2013, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report

The State of North Dakota is also required to undergo a single audit in conformity with the provision of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget's Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs, are included in a separately issued biennial single audit report.

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

PROFILE OF THE GOVERNMENT

The State of North Dakota provides for a full range of services, including education, health and social services, highway maintenance and construction, law enforcement, judicial, public safety, business regulation, community and economic development, and natural resource development. The State's reporting entity reflected in the CAFR includes all the funds of the state as legally defined, as well as all of its component units in conformity with the requirements of GASB Statement No. 14. Statement No. 14 provides that the financial statements should emphasize the primary government and permit financial statement users to distinguish between the primary government and its component units. Consequently, the transmittal letter, MD&A, and the financial statements focus on the primary government and its activities. Although information pertaining to the discretely presented component units is provided, their separately issued financial statements should be read to obtain a complete overview of their financial position. The State's reporting entity is described more fully in Note 1A to the basic financial statements.

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

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

LOCAL ECONOMY

Although the North Dakota economy is increasingly diversified, the agricultural industry continues to play a key role in the state's economy. The USDA's National Agricultural Statistics Service reports that for 2012 crop production, North Dakota is the nation's leading producer of durum wheat, spring wheat, sunflowers, canola, flaxseed, dry edible beans, dry edible peas, barley, 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 the state's economy. Oil production continues to set new records and has increased over 700 percent from 2003 to 2012. North Dakota's current crude oil production ranks second in the nation, behind only Texas. State and local tax revenues have been bolstered by increased oil and gas tax collections. Local economies throughout the western part of the state have seen unprecedented growth with an influx of energy-related jobs, people, and infrastructure improvement projects.

As the flourishing North Dakota economy attracts workers to the state, the state's population continues to grow and, based on the 2010 census, has reached a level not seen since the 1930's. The influx of people, along with a large state investment in infrastructure, has helped to fuel a construction boom. Construction accounts for nearly 7 percent of employment in the state, compared to only around 4 percent for the U.S. Manufacturing is also a prominent player in the state's economy, accounting for 6 percent of employment; mining, which includes oil extraction and production, provides jobs for nearly 6 percent of the state's workforce, compared to less than 1 percent nationally.

Machinery and transportation equipment make up nearly 30 percent of the state's exports. Other major exports are agriculture products, food, chemicals, and oil and gas. In 2012, exports totaled over \$4.3 billion.

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

LONG-TERM FINANCIAL PLANNING

The long-term financial plan of the state was summarized by Governor Dalrymple in his budget address to the 2013 legislature. The Governor's financial plan for the state encompasses three main objectives: to fund priorities such as education, human services, and infrastructure development; build significant financial reserves; and provide tax relief.

For the 2013-15 biennium, the legislature approved a budget that increases general fund appropriations for elementary and secondary education by 35 percent, higher education by 37 percent, and human services by 24 percent. In order to address needs for infrastructure improvements that facilitate continued economic growth in the state, the legislature approved an unprecedented \$1.46 billion general fund investment in roads.

By the end of the 2013-15 biennium, reserves are anticipated to total over \$2.54 billion. Reserves include the budget stabilization fund, strategic investment and improvements fund, foundation aid stabilization fund, and general fund ending balance. In addition, the legacy fund is projected to have a balance of \$2.97 billion. The legacy fund was established by the voters in November 2010 as a "savings account" to save a portion of oil tax revenues. The legacy fund will accumulate 30 percent of the state's share of oil tax revenue. Through a constitutional limitation, moneys in the fund cannot be spent until July 1, 2017. After that time, oil tax collections will continue to add to the principal of the fund and interest will accrue to the state general fund. Beginning July 1, 2017, up to 15 percent of the principal of the fund can be spent each biennium, but only with the approval of two-thirds of the members of both houses of the legislature.

As recommended by the Governor, the legislature provided expanded property tax relief and approved reductions in tax rates for individuals, corporations, and financial institutions.

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

The budgeting process begins with the development of a biennial budget proposal reflecting the Governor's priorities for the next two years. The budget is submitted to the legislature for their consideration and eventual enactment. With a biennial budget cycle, each revenue forecast and budget proposal provides a three-year plan for the revenues and expenditures of state government.

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 2.5 percent or more, the state is able to access funds from the budget stabilization fund. By June 30, 2015, the budget stabilization fund is anticipated to have a balance of \$584 million, which is the statutory limit of 9.5 percent of the 2013-15 biennium state general fund budget.

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. 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, 2015 balance of \$616 million.

Oil tax collections are split between state government and local political subdivisions. The state has recognized that while tax collections from oil contribute significantly to the state, the volatility of oil price and production levels make it difficult to rely on oil tax revenue to fund general government operations. Consequently, the general fund portion is limited to no more than \$300 million per biennium.

MAJOR INITIATIVES

Major initiatives proposed by Governor Jack Dalrymple and approved by the legislature for the 2013-15 biennium include investing in infrastructure and in other priorities, continuing to build the state's reserves, and providing North Dakota's citizens with substantial tax relief.

INFRASTRUCTURE INVESTMENTS

The 2013-15 biennium budget includes funding to rebuild and repair roads throughout the state and provides increased oil tax distributions and impact grants to counties and cities to fund a variety of local infrastructure projects. Funding for infrastructure improvements includes:

- \$1.16 billion to rebuild and repair state highways in the west region of the state.
- \$160 million for county road projects within the 17 oil and gas producing counties in western North Dakota.
- \$9 million for reconstruction and repair projects on township roads within the state's oil and gas counties.
- \$220 million dedicated to the repair and rebuilding of county roads outside the state's oil and gas region.
- \$240 million in grant funds to help communities in oil country offset direct impacts created by the rapidly developing energy industry.
- \$515 million for water-related projects, including the Community Water Facility Revolving Loan Fund, Devils Lake flood control, Fargo flood control, Mouse River flood control, Sheyenne River flood control, Fargo water supply, Southwest Pipeline Project, and Western Area Water Supply.

TAX RELIEF

The legislature approved and the Governor signed into law a comprehensive tax relief package to provide both income and property tax relief. The package provides:

- A new school aid formula, integrating property tax relief and school funding. The new formula significantly increases the state share of k-12 education and lowers the statutory limit on school district taxing authority, providing property tax relief for homeowners, farmers, ranchers and commercial businesses. Of the total appropriation of \$1.75 billion for the new integrated formula, over \$600 million is for property tax relief.
- A new state-paid property tax credit of 12 percent, providing property tax relief in the amount of \$200 million.
- Individual and corporate income tax rate reductions resulting in taxpayer savings of approximately \$125 million during the 2013-15 biennium.
- Expansion of the homestead tax credit to include more qualifying low-income seniors. Tax relief provided through the program is more than doubled from \$9 million in 2011-13 to \$20 million in the 2013-15 biennium.

EDUCATION

K-12 education initiatives include:

- \$1.75 billion in state funding for K-12 schools through the new integrated funding formula.
- \$14 million in grants to districts experiencing rapid enrollment growth.

- \$54 million to assist districts in the provision of transportation services.
- Over \$22 million for grants to support and expand career and technical education course offerings.

Higher Education initiatives include:

- \$414 million for capital projects and extraordinary repair projects at the eleven campuses.
- \$10 million to sustain the career and technical education and academic scholarship program.
- \$7 million for a Healthcare Workforce Initiative to expand class sizes and the number of residency positions at the UND School of Medicine and Health Sciences.
- \$5 million to create a performance funding pool for campuses that meet specific goals and performance measures.
- \$29 million for the North Dakota Higher Education Challenge matching grant fund, to encourage philanthropy by providing a state match for private contributions to the state's colleges and universities.
- \$3 million to enhance campus safety and security.

RESERVES

The 2013-15 biennium budget ensures that ongoing expenditures are less than ongoing revenues and continues to grow reserve funds. By June 30, 2015, total reserves in the budget stabilization fund, foundation aid stabilization fund, strategic investment and improvements fund, and general fund ending balance are anticipated to exceed \$2.54 billion. The general fund budget for the 2013-15 biennium totals \$6.86 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, 2012. This was the 22nd consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, the State of North Dakota received the GFOA's Award for Distinguished Budget Presentation for its 2011-2013 budget. In order to qualify for the Distinguished Budget Presentation Award, the State's budget document was judged to be proficient in several categories, including policy documentation, financial planning, and organization.

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

Sincerely,



Pam Sharp, Director
Office of Management and Budget



Government Finance Officers Association

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

Presented to

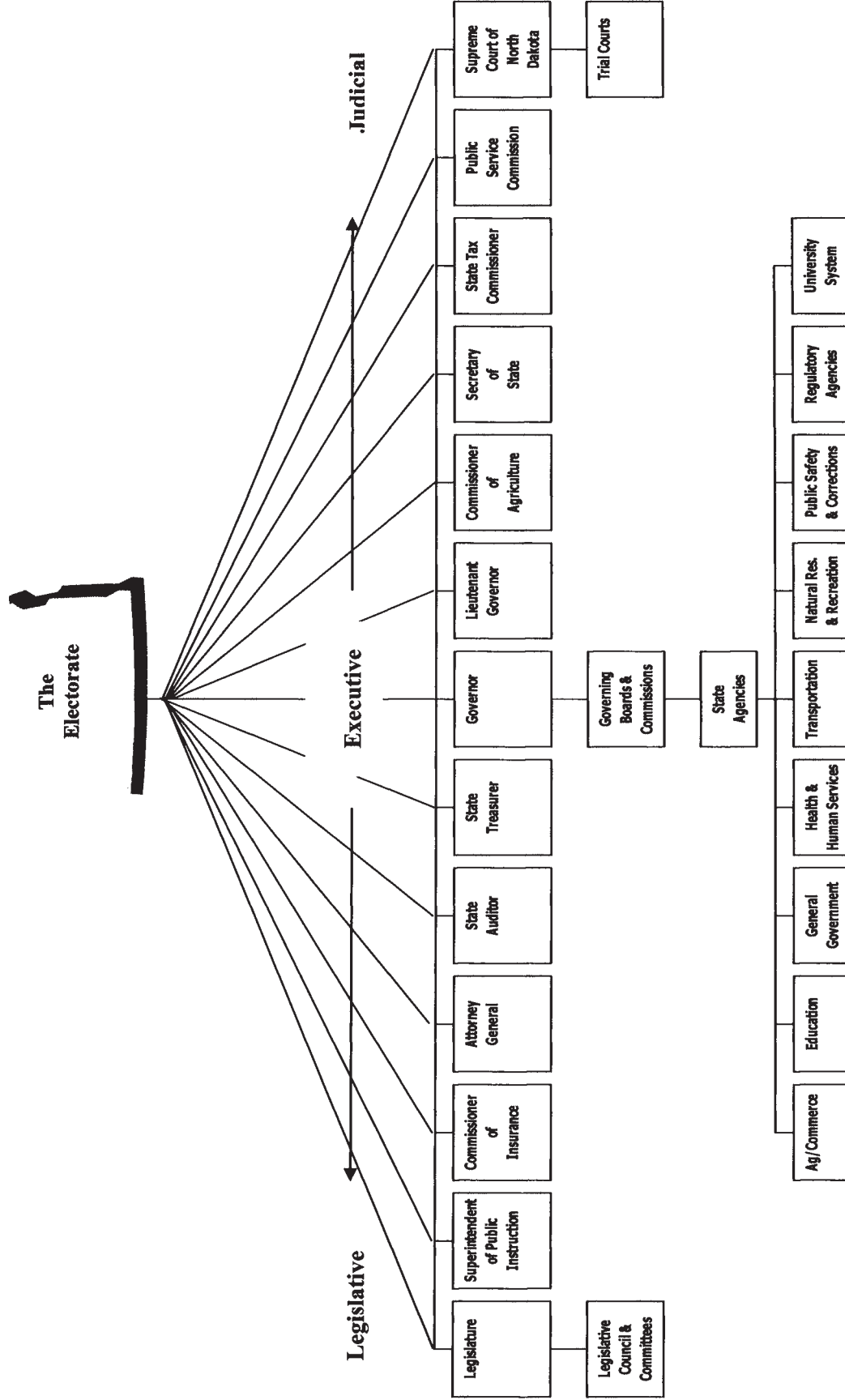
State of North Dakota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

STATE OF NORTH DAKOTA ORGANIZATIONAL CHART



**NORTH DAKOTA
PRINCIPAL STATE OFFICIALS**

June 30, 2013

ELECTED OFFICIALS

Jack Dalrymple, Governor
Drew Wrigley, Lieutenant Governor
Alvin A. Jaeger, Secretary of State
Wayne Stenehjem, Attorney General
Randel Christman, Public Service Commissioner
Julie Fedorchak, Public Service Commissioner
Brian Kalk, Public Service Commissioner
Doug Goehring, Commissioner of Agriculture
Robert R. Peterson, State Auditor
Adam Hamm, Commissioner of Insurance
Kirsten Baesler, Superintendent of Public Instruction
Cory Fong, Tax Commissioner
Kelly Schmidt, State Treasurer

LEGISLATIVE

Bill Devlin, Speaker of the House
Al Carlson, House Majority Leader
Kenton Onstad, House Minority Leader
Lt. Gov. Drew Wrigley, President of the Senate
Rich Warnder, Senate Majority Leader
Mac J. Schneider, Senate Minority Leader

JUDICIAL

Gerald W. VandeWalle, Chief Justice, North Dakota Supreme Court
Carol Ronning Kapsner, Justice
Mary Muehlen Maring, Justice
Daniel J. Crothers, Justice
Dale V. Sandstrom, Justice

Financial Section



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

Independent Auditor's Report

The Honorable Jack Dalrymple, Governor
of the State of North Dakota

Members of the Legislative Assembly
of the State of North Dakota

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, 2013, 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

The State of North Dakota's 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:

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

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	31%	32%	20%
Business-Type Activities	84%	53%	45%
Aggregate Discretely Presented Component Units	100%	100%	100%
<u>Fund Financial Statements</u>			
<u>Major Governmental Funds</u>			
General Fund	0%	0%	0%
Federal Fund	1%	0%	2%
State Special Revenue Fund	71%	73%	52%
<u>Major Enterprise Funds</u>			
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	93%	96%	72%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based 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 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, 2013, 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 \$1,034 and \$873 million at June 30, 2013 and 2012, respectively. Also, the actuary for the Highway Patrolmen's Retirement System has determined that the Fund's unfunded actuarial accrued liability is approximately \$21 and \$20 million at June 30, 2013 and 2012. The funding for the actuarial accrued liabilities is predicated on employer and employee funding rates mandated by North Dakota statutes. The actuary has determined that the current statutory contribution rates are insufficient to meet the actuarially determined requirement.

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.

As described in Note 22 to the financial statements, the State of North Dakota adopted the provisions of GASB 60 *Accounting and Financial Reporting for Service Concession Arrangements*, GASB 61 *The Financial Reporting Entity: Omnibus*, GASB 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and GASB 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinions are not modified with the implementation of these GASB statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Schedules and related reconciliations and notes on pages 20-30 and 133-139 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

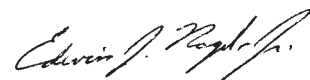
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2013 on our consideration of the State of North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 State of North Dakota's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor



Edwin J. Nagel, Jr., CPA
Director

Bismarck North Dakota

December 17, 2013

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, 2013. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

The assets of the State exceeded its liabilities at fiscal year end by \$14 billion (reported as net position), an increase of \$3.1 billion from the previous year. The net position of governmental activities increased by 34.2% while the net position of the business-type activities showed an increase of 7.2%.

Fund Level:

As of the close of fiscal year 2013 the State's governmental funds reported combined ending fund balances of \$9.4 billion, an increase of \$2.6 billion. Of this amount, \$1.4 billion is non-spendable, primarily for legal requirements. Spendable fund balance consists of \$3.7 billion restricted for specific purposes such as transportation, \$2 billion committed and \$65 million assigned for specific functional expenditures such as public safety and regulatory, with the unassigned fund balance making up the remaining amount of \$2.1 billion. At the end of the fiscal year, unassigned fund balance for the General Fund was \$2.1 billion.

The enterprise funds reported net position at year-end of \$2.4 billion, an increase of \$162 million during the year.

Long-term Debt:

The State's total debt (bonds and notes payable) decreased approximately 13% during the fiscal year to \$1.52 billion, a decrease of \$233 million, which represents the net difference between new issuances and payments. During the year the State issued \$94 million in bonds and \$53 million in notes.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Statements

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

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

The Statement of Activities presents information showing how the State's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and

expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both statements report three activities:

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

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

Discretely Presented Component Units – These are operations for which the State has financial accountability but they have certain independent qualities as well. These entities operate similar to private-sector business and the business-type activities described above. The State has 4 discretely presented component units. Financial information for these entities is presented separately from the financial information presented for the primary government.

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

Fund Financial Statements

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

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

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

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

Governmental funds include the General Fund, special revenue, capital project, debt service, and permanent funds. The State has several governmental funds, of which three (3) are considered major individual funds. These three are the General Fund, the Federal Fund, and the State Special Revenue

Fund. Each of these major funds is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance. The remaining governmental funds are combined in a single aggregated column on the basic fund statements. Individual fund data for each of these non-major governmental funds can be found in the other supplementary information section of this report.

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule, which includes reconciliation between the statutory fund balances for budgetary purposes and the fund balances for the General Fund, the State Special Revenue Fund and the Federal Fund as presented in the governmental fund financial statements.

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 \$14 billion at the end of fiscal year 2013. Net position increased 28.6% from the prior fiscal year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2013	2012	2013	2012	2013
Current and Other Assets	\$7,540,411	\$10,360,825	\$8,323,336	\$1,076,842	\$13,038,483	\$16,022,202
Capital Assets	2,092,289	2,465,894	1,034,415	9,020,465	3,126,703	3,542,735
Total Assets	9,632,700	12,826,719	9,357,751	10,097,307	16,165,186	19,564,937
Deferred Outflows of Resources	-	-	18,580	12,866	18,580	12,866
Long-Term Liabilities						
Outstanding	256,882	243,279	2,619,299	2,509,577	2,876,181	2,752,856
Other Liabilities	703,020	869,056	4,476,888	5,156,513	2,336,064	2,676,480
Total Liabilities	959,902	1,112,335	7,096,187	7,666,090	5,212,245	5,429,336
Net Position						
Invested in Capital Assets, Net of Related Debt	1,943,227	2,331,214	752,357	792,068	2,695,584	3,123,282
Restricted	3,094,031	3,786,155	569,991	632,432	3,664,023	4,418,587
Unrestricted	3,635,539	5,597,015	957,796	1,019,583	4,593,335	6,616,598
Total Net Position	\$8,672,797	\$11,714,384	\$2,280,144	\$2,444,083	\$10,952,942	\$14,158,467

The largest component (47%) 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-one percent (31%) 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-two percent (22%) of the State's net position reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges and other immovable assets) less any related debt outstanding that was needed to acquire or construct the assets. The State uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2013	2012	2013	2012	2013
Revenues:						
Program Revenues:						
Charges for Services	\$303,617	\$319,089	\$1,354,231	\$1,462,923	\$1,657,848	\$1,782,012
Operating Grants & Contributions	2,012,322	1,867,800	353,505	370,856	2,365,827	2,238,656
Capital Grants & Contributions	18,099	5,353	20,975	19,866	39,074	25,219
General Revenues:						
Income Taxes	658,905	863,018	-	-	658,905	863,018
Sales Taxes	1,543,141	1,654,187	-	-	1,543,141	1,654,187
Other Taxes	1,742,034	2,602,391	-	-	1,742,034	2,602,391
Investment Earnings	15,501	17,968	-	-	15,501	17,968
Tobacco Settlement	22,265	22,333	-	-	22,265	22,333
Other	170,545	206,709	1,940	39,166	172,485	245,875
Total Revenues	6,486,429	7,558,848	1,730,651	1,892,811	8,217,080	9,451,659
Expenses						
General Government	617,152	889,332	-	-	617,152	889,332
Education	843,780	875,991	-	-	843,780	875,991
Health and Human Services	1,271,697	1,318,900	-	-	1,271,697	1,318,900
Regulatory	33,988	44,814	-	-	33,988	44,814
Public Safety and Corrections	303,603	209,733	-	-	303,603	209,733
Agriculture and Commerce	91,653	93,213	-	-	91,653	93,213
Natural Resources	132,679	114,752	-	-	132,679	114,752
Transportation	796,123	595,647	-	-	796,123	595,647
Interest on Long Term Debt	9,064	8,454	-	-	9,064	8,454
Bank of North Dakota	-	-	71,997	68,888	71,997	68,888
Housing Finance	-	-	56,047	48,368	56,047	48,368
Loan Programs	-	-	8,093	8,756	8,093	8,756
State Lottery	-	-	18,877	19,714	18,877	19,714
Unemployment Compensation	-	-	89,237	118,377	89,237	118,377
University System	-	-	1,047,950	1,080,817	1,047,950	1,080,817
Workforce Safety and Insurance	-	-	359,216	448,535	359,216	448,535
Other	-	-	274,974	279,390	274,974	279,390
Total Expenses	4,099,739	4,150,836	1,926,391	2,072,845	6,026,130	6,223,681
Increase (decrease) in Net Position Before Contributions & Transfers	2,386,690	3,408,014	(195,739)	(180,034)	2,191,078	3,227,980
Special Item – Loss Comp. Proj.	-	-	-	(14,729)	-	(14,729)
Contributions to Permanent Fund Principal	12,470	13,723	-	-	12,470	13,723
Transfers	(368,077)	(409,586)	390,215	358,701	22,138	(50,885)
Increase in Net Position	2,031,083	3,012,151	194,476	163,938	2,225,686	3,176,089
Net Position - Beginning -As Restated	6,641,714	8,702,233	2,085,669	2,280,145	8,727,383	10,982,378
Net Position- Ending	\$8,672,797	\$11,714,384	\$2,280,145	\$2,444,083	\$10,952,941	\$14,158,467

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 \$2.1 billion, non-spendable was \$1.4 billion and \$840 million was committed for expenditure by various governmental functions.

Total General fund balance increased during the fiscal year by \$1.4 billion. Revenues increased approximately 6%, due primarily to increases in individual and corporate income tax of approximately \$200 million and sales use tax revenue of more than \$95 million. Explanations for these increases were explained with the increase in net position for governmental activities.

General fund expenditures increased by 19.3%. General government expenditures increased because of an increase in tax distributions to the counties as previously explained.

The State Special Revenue ending fund balance grew by \$1.2 billion to \$4.9 billion. Revenues increased 73% and expenditures increased 17%. Revenues increased in the state special revenue fund primarily due to an increase in oil, gas and coal tax revenues. General Government expenditures saw the highest increase in expenses due to an increase in tax distributions to the counties.

The June 30 Federal Fund balance of \$4.8 million consists of non-spendable items such as prepaids and inventory and unearned 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, 2013, was the second year of the 2011-13 budget cycle. The original budget increased \$666.3 million.

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

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

Several state agencies were authorized by appropriation laws to carryover a portion or all of their general fund appropriation for various purposes, including the Historical Society, \$35.1 million, the University System, \$31.2 million, the Department of Public Instruction, \$9.5 million, Commerce Department, \$7 million, Legislative Council, \$3.4 million and Legislative Assembly, \$2.6 million.

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

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

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

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

The 2013 Legislature authorized various general fund adjustments for the 2011-2013 budget. In a deficiency bill, \$59.5 million in additional general fund appropriation authority was given to various agencies, including \$20.9 million to the Department of Human Services and \$36.1 million to the Department of Transportation for operating costs.

An additional general fund budget appropriation of \$100 million was given to the State Treasurer's Office for the purpose of providing transportation funding distributions. In the same bill the Department of Transportation was given \$225 million for the construction and maintenance of state highways.

There were no expenditures in excess of general fund authority.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: At the end of the fiscal year 2013, the State had invested \$3.5 billion, net of accumulated depreciation, in a broad range of capital assets. Depreciation charges for this fiscal year totaled \$158 million.

(Net of Depreciation, Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012 Restated	2013	2012	2013	2012 Restated	2013
Land and Land Improvements	\$70,827	\$76,924	\$19,064	\$18,742	\$89,891	\$95,666
Building & Building Improvements	303,958	321,272	628,722	640,910	932,680	962,182
Equipment	137,614	141,231	160,161	162,565	297,775	303,796
Intangibles						
Software	32,052	31,788	17,342	15,312	49,394	47,100
Other	6,317	7,208	610	708	6,927	7,916
Infrastructure	979,227	1,026,212	93,065	104,835	1,072,292	1,131,047
Construction in Progress	591,729	861,259	115,451	133,770	707,180	995,029
Total	\$2,121,724	\$2,465,894	\$1,034,415	\$1,076,842	\$3,156,139	\$3,542,736

The total increase in the State's investments in capital assets for the current fiscal year was 12% in terms of net book value. However, actual expenditures to purchase or construct capital assets were approximately \$687 million for the year. A major portion of this amount was used to construct or reconstruct assets at the University Systems and for highway construction. More detailed information on the State's capital assets can be found in Note 3H to the financial statements.

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

provisions to the payment of the principal and interest of the bond. The State has no general obligation bonds outstanding at June 30, 2013.

The State does have a number of revenue bonds outstanding at June 30, 2013. 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 \$405 million. The advances have a fixed rate of interest, ranging from 2.20 percent to 7.35 percent.

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

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2013	2012	2013	2012	2013
Revenue Bonds	\$197,021	\$180,757	\$1,069,257	\$919,506	\$1,266,278	\$1,100,263
Notes Payable	7,428	6,211	481,735	415,856	489,163	422,067
Total	<u>\$204,449</u>	<u>\$186,968</u>	<u>\$1,550,992</u>	<u>\$1,335,362</u>	<u>\$1,755,441</u>	<u>\$1,522,330</u>

The State's total debt decreased approximately 13% 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 2013 publication. The report depicts a strong, growing economy, leading the nation in several areas. North Dakota's state gross domestic product (GDP), the value of goods and services produced in the state, has grown by over 35 percent from 2008 through 2012. In sharp contrast, GDP nationally has grown by only around 4 percent during that time. Moody's predicts that North Dakota's GDP will continue to outpace the nation over the next several years. The rate of growth in North Dakota's GDP is expected to exceed 5 percent during calendar year 2013 compared to less than 2 percent for the U.S.

The state's unemployment rate, only 2.7 percent in October 2013, is approximately one-third the U.S. rate of 7.3 percent and remains the lowest in the nation. The state's unemployment rate is expected to remain well below the national rate, remaining around 3 percent through 2016; the national rate is expected to decline, but is anticipated to remain at or above 7 percent through 2016.

The high level of economic activity, combined with the extremely low unemployment rate, has led to growth in the state's population. As the number of jobs has increased, so has the labor force as potential workers migrate from states with much weaker labor markets. From 2008 through 2012, employment in North Dakota grew by over 17 percent; nationally, it has declined by over 2 percent during that time.

Median household income and per capita income for North Dakota have both surpassed the national average. For 2011, median household income in North Dakota was \$55,766 compared to \$51,017 for the U.S. Per capita income for 2012 was \$54,871 for North Dakota, but only \$43,735 for the U.S.

Another indication of the state's strong economy -- the State of North Dakota recently earned a AAA credit rating, the highest rating available, from Standard & Poor's Rating Services. The new rating is an upgrade from the state's previous credit rating of AA+, the second-highest rating available. In determining the state's upgraded credit rating, Standard and Poor's considered the state's capacity to meet financial commitments, its strong government management and budgetary performance, growing reserves, low unemployment rate, and growth in per-capita gross state product. Standard and Poor's also upgraded the state's appropriation bonds from AA to AA+.

Moody's concludes that "North Dakota is in an enviable position and will outperform the U.S. for the next several years thanks to its booming energy industry. High prices and new technologies will support oil production, accompanied by growth in auxiliary industries throughout the state."

CONTACTING THE STATE'S OFFICE OF FINANCIAL MANAGEMENT

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

Basic Financial Statements

STATE OF NORTH DAKOTA

Statement of Net Position June 30, 2013

	Primary Government			Component Units (GASB Based)
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 17,732,105	\$ 849,228,310	\$ 866,960,415	\$ 22,488,000
Investments	5,135,474,742	3,744,676,822	8,880,151,564	2,417,840
Accounts Receivable - Net	96,908,319	159,267,209	256,175,528	1,790,683
Taxes Receivable - Net	608,377,669	-	608,377,669	-
Interest Receivable - Net	19,525,194	49,883,228	69,408,422	57,216
Intergovernmental Receivable - Net	242,168,106	43,509,213	285,677,319	-
Internal Receivable	4,082,717,784	-	733,629,286	-
Due from Component Units	-	11,281,702	11,281,702	-
Due from Primary Government	-	-	-	3,350,000
Prepaid Items	7,473,530	2,717,821	10,191,351	-
Inventory	19,328,031	37,707,004	57,035,035	-
Loans and Notes Receivable - Net	128,941,163	3,225,940,906	3,354,882,069	10,724,299
Unamortized Bond Financing Costs	560,681	9,119,844	9,680,525	1,182,000
Pension Assets	1,617,811	-	1,617,811	-
Other Assets	-	18,380,797	18,380,797	147,149
Restricted Assets:				
Cash and Cash Equivalents	-	151,571,352	151,571,352	27,376,000
Investments	-	34,097,643	34,097,643	605,389,000
Interest Receivable - Net	-	2,718,000	2,718,000	4,029,000
Loans and Notes Receivable - Net	-	680,365,000	680,365,000	-
Capital Assets:				
Nondepreciable	938,182,728	152,512,168	1,090,694,896	-
Depreciable, Net	1,527,710,899	924,329,673	2,452,040,572	25,883
Total Assets	<u>12,826,718,762</u>	<u>10,097,306,692</u>	<u>19,574,936,956</u>	<u>678,977,070</u>
DEFERRED OUTFLOWS OF RESOURCES				
Financial Derivative Instrument	-	12,866,000	12,866,000	-

* 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, 2013

	Primary Government		Total	Component Units (GASB Based)
	Governmental Activities	Business-Type Activities		
LIABILITIES				
Accounts Payable	276,989,994	60,747,561	337,737,555	2,799,609
Accrued Payroll	48,322,245	33,457,502	81,779,747	-
Securities Lending Collateral	251,722,709	1,052,551	252,775,260	-
Interest Payable	2,690,464	14,174,050	16,864,514	2,266,000
Intergovernmental Payable	142,674,270	6,731,385	149,405,655	-
Tax Refunds Payable	113,553,757	-	113,553,757	-
Internal Payable	-	3,349,088,498	-	-
Due to Component Units	-	58,862,106	58,862,106	-
Due to Primary Government	-	-	-	3,832,667
Contracts Payable	21,814,904	835,769	22,650,673	-
Federal Funds Purchased	-	275,960,000	275,960,000	-
Reverse Repurchase Agreements	-	-	-	-
Other Deposits	-	1,146,543,563	1,146,543,563	-
Amounts Held In Custody for Others	-	16,454,022	16,454,022	24,291
Unearned Revenue	11,287,623	162,592,317	173,879,940	239,926
Financial Derivative Instrument	-	12,866,000	12,866,000	-
Other Liabilities	-	17,147,575	17,147,575	-
Long-Term Liabilities				
Due within one year	24,569,705	312,739,565	337,309,270	14,554,289
Due in more than one year	218,709,181	2,196,837,405	2,415,546,586	222,003,000
Total Liabilities	<u>1,112,334,852</u>	<u>7,666,089,869</u>	<u>5,429,336,223</u>	<u>245,719,782</u>
NET POSITION				
Net Investment in Capital Assets	2,331,214,264	792,067,993	3,123,282,257	18,006
Restricted for:				
General Government	37,138,082	-	37,138,082	-
Education	2,908,386,165	-	2,908,386,165	-
Health and Human Services	16,714,895	-	16,714,895	-
Regulatory Purposes	60,820,427	-	60,820,427	-
Public Safety & Corrections	1,069,658	-	1,069,658	-
Agriculture and Commerce	38,386,593	-	38,386,593	-
Cultural and Natural Resources	359,511,218	-	359,511,218	-
Transportation	275,207,928	-	275,207,928	-
Capital Projects	2,165,000	43,772	2,208,772	7,061,906
Debt Service	16,767,264	142,587,228	159,354,492	137,642,000
Loan Purposes	-	45,554,052	45,554,052	258,438,000
Pledged Assets	-	227,652,000	227,652,000	-
Unemployment Compensation	-	166,653,983	166,653,983	-
Permanent Fund and University System - Nonexpendable	65,183,169	15,698,471	80,881,640	55,000
University System - Expendable	-	26,781,272	26,781,272	-
Other	4,804,330	7,461,180	12,265,510	-
Unrestricted	5,597,014,917	1,019,582,872	6,616,597,789	30,042,376
Total Net Position	<u>\$ 11,714,383,910</u>	<u>\$ 2,444,082,823</u>	<u>\$ 14,158,466,733</u>	<u>\$ 433,257,288</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, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 889,332,121	\$ 32,815,967	\$ 28,720,828	\$ -
Education	875,991,527	6,086,567	599,032,373	-
Health and Human Services	1,318,899,711	38,381,590	766,648,784	-
Regulatory	44,813,739	32,359,807	5,776,021	-
Public Safety and Corrections	209,732,547	26,614,392	68,813,671	-
Agriculture and Commerce	93,212,834	35,652,945	28,538,380	-
Natural Resources	114,752,488	26,356,862	18,588,782	4,552,606
Transportation	595,646,719	120,821,133	351,681,971	800,401
Interest on Long Term Debt	8,454,110	-	-	-
Total Governmental Activities	<u>4,150,835,796</u>	<u>319,089,263</u>	<u>1,867,800,810</u>	<u>5,353,007</u>
Business-Type Activities:				
Bank of North Dakota	68,887,617	161,080,000	611,000	-
Housing Finance	48,368,304	42,649,030	11,579,000	-
Loan Programs	8,756,357	7,538,124	80,336	-
State Lottery	19,713,987	27,999,486	2,938	-
Unemployment Compensation	118,377,072	127,174,321	3,785,894	-
University System	1,080,816,602	486,262,379	227,027,404	19,865,857
Workforce Safety & Insurance	448,535,174	320,237,794	123,246,187	-
Other	279,389,712	289,981,947	4,522,874	-
Total Business-Type Activities	<u>2,072,844,825</u>	<u>1,462,923,081</u>	<u>370,855,633</u>	<u>19,865,857</u>
Total Primary Government	<u>\$ 6,223,680,621</u>	<u>\$ 1,782,012,344</u>	<u>\$ 2,238,656,443</u>	<u>\$ 25,218,864</u>
Component Units (GASB Based):	<u>\$ 30,363,517</u>	<u>\$ 17,541,899</u>	<u>\$ 63,395,972</u>	<u>\$ -</u>

General Revenues:

Taxes:

- Individual and Corporate Income Taxes
- Sales and Use Taxes
- Oil, Gas and Coal Taxes
- Business and Other Taxes
- Unrestricted Investment Earnings
- Tobacco Settlement
- Miscellaneous
- Payment from State of North Dakota
- Contributions to Perm Fund Principal
- Special Item - Loss on Discontinuance of Computer Project
- 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			
Governmental Activities	Primary Government		Component Units (GASB Based)
	Business-Type Activities	Total	
\$ (827,795,326)		\$ (827,795,326)	
(270,872,587)		(270,872,587)	
(513,869,337)		(513,869,337)	
(6,677,911)		(6,677,911)	
(114,304,484)		(114,304,484)	
(29,021,509)		(29,021,509)	
(65,254,238)		(65,254,238)	
(122,343,214)		(122,343,214)	
(8,454,110)		(8,454,110)	
<u>(1,958,592,716)</u>		<u>(1,958,592,716)</u>	
	92,803,383	92,803,383	
	5,859,726	5,859,726	
	(1,137,897)	(1,137,897)	
	8,288,437	8,288,437	
	12,583,143	12,583,143	
	(347,660,962)	(347,660,962)	
	(5,051,193)	(5,051,193)	
	15,115,109	15,115,109	
-	<u>(219,200,254)</u>	<u>(219,200,254)</u>	
<u>(1,958,592,716)</u>	<u>(219,200,254)</u>	<u>(2,177,792,970)</u>	
			<u>\$ 50,574,354</u>
863,018,492	-	863,018,492	-
1,654,186,763	-	1,654,186,763	-
2,518,921,322	-	2,518,921,322	-
83,470,020	-	83,470,020	-
17,967,764	-	17,967,764	-
22,332,577	-	22,332,577	-
206,709,383	39,166,106	245,875,489	-
-	-	-	-
13,722,930	-	13,722,930	-
-	(14,728,630)	(14,728,630)	-
<u>(409,585,575)</u>	<u>358,701,147</u>	<u>(50,884,429)</u>	-
<u>4,970,743,676</u>	<u>383,138,623</u>	<u>5,353,882,299</u>	-
3,012,150,960	163,938,369	3,176,089,329	50,574,354
8,702,232,950	2,280,144,454	10,982,377,404	382,682,934
<u>\$ 11,714,383,910</u>	<u>\$ 2,444,082,823</u>	<u>\$ 14,158,466,733</u>	<u>\$ 433,257,288</u>

STATE OF NORTH DAKOTA

Statement of Net Assets Component Units - University System Foundation FASB Basis June 30, 2013

	Major University System Foundation	Nonmajor University System Foundation
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 44,915,721	\$ 12,913,300
Receivable from Primary Institution - Current	3,152,890	41,139
Investments	32,893,873	18,153,246
Accounts Receivable - Net	1,585,270	167,558
Unconditional Promises to Give - Net	11,750,823	416,837
Inventory	1,333,356	13,774
Other Assets - Current	4,547,375	363,191
Total Current Assets	100,179,308	32,069,045
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	5,495,744	858,078
Investments:		
Investments, Net of Current Portion	272,582,330	29,631,151
Investments, Temporarily Restricted	-	1,290,204
Investments, Permanently Restricted	-	4,114,303
Investments Held In Trust	30,469,691	112,656
Beneficial Interest In Trust	14,882,951	1,012,869
Charitable Gift Annuity Investments	4,766,388	-
Investments Held Under Split-Interest Agreement	1,761,279	-
Charitable Remainder Trust Account Investments	21,095,697	-
Endowment Investments	-	9,681,996
Real Estate and Equipment Held for Investment - Net	22,568,403	4,720,922
Other Long-Term Investments	7,277,125	656,702
Contracts for Deed & Notes Receivable, Net of Current Portion	1,234,213	-
Long-Term Pledges Receivable	52,431,924	474,187
Receivable from Primary Institution - Noncurrent	53,316,531	403,964
Other Receivables	46,233	127,516
Notes Receivable - Net	6,653,223	453,662
Other Assets - Noncurrent	1,480,429	356,826
Capital Assets - Net	133,962,090	14,703,702
Total Noncurrent Assets	630,024,251	68,598,738
Total Assets	730,203,559	100,667,783
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	2,869,612	1,329,096
Payable to University	11,034,931	3,120,286
Accrued Payroll	1,022,028	-
Gift Annuities & Life Income Agreements - Current	3,005,898	40,423
Unavailable Revenue - Current	9,153,687	695,594
Other Liabilities - Current	1,501,534	408,161
Long-Term Liabilities - Current	7,418,505	6,428,896
Total Current Liabilities	36,006,195	12,022,456
Noncurrent Liabilities:		
Deposits	26,351,174	-
Gift Annuities & Life Income Agreements - Noncurrent	17,031,181	320,730
Obligations Under Split-Interest Agreement	6,922,463	-
Other Liabilities - Noncurrent	166,012	-
Long-Term Liabilities - Noncurrent	76,200,646	15,138,449
Total Noncurrent Liabilities	126,671,476	15,459,179
Total Liabilities	162,677,671	27,481,635
Net Assets		
Temporarily Restricted	111,530,730	11,588,712
Permanently Restricted	285,821,754	44,054,252
Net Investment in Property & Equipment	68,282,309	-
Unrestricted	101,841,095	17,593,185
Total Net Asset	567,475,888	73,236,149
Total Liabilities and Net Assets	\$ 730,153,559	\$ 100,717,784

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, 2013

	<u>Major University System Foundation</u>	<u>Nonmajor University System Foundation</u>
Support and Revenue		
Gifts and Contributions	\$ 51,007,330	\$ 10,428,939
Investment Income	21,180,596	1,603,760
Net Realized and Unrealized Gains (Losses) on Investment Securities	11,174,797	3,661,636
Program and Event Income	51,448,403	7,592,425
Other Income	7,114,738	8,185,539
Total Support and Revenue	<u>141,925,864</u>	<u>31,472,299</u>
EXPENSES		
Program Services	30,873,836	8,496,684
Supporting Services	57,349,160	14,539,668
Impairment Loss	-	5,905,202
Fund Raising Expense	3,235,012	507,953
Total Expenses	<u>91,458,008</u>	<u>29,449,507</u>
Change in Split-Interest Agreement	<u>3,975,462</u>	<u>-</u>
Changes in Net Assets	54,443,318	2,022,792
Total Net Assets - Beginning of Year	<u>513,032,570</u>	<u>71,213,357</u>
Total Net Assets - End of Year	<u>\$ 567,475,888</u>	<u>\$ 73,236,149</u>

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Balance Sheet Governmental Funds June 30, 2013

	Special Revenue			Nonmajor Governmental Funds	Total
	General	Federal	State		
ASSETS					
Cash Deposits at the Bank of ND	\$ 2,462,502,869	\$ -	\$ 1,165,537,427	\$ 2,890,040	\$ 3,630,930,336
Cash and Cash Equivalents	10,233,100	-	5,396,769	1,579,748	17,209,617
Investments at the Bank of ND	115,782,620	3,000,000	304,873,182	14,036,015	437,691,817
Investments	1,465,753,180	-	3,620,466,708	38,340,510	5,124,560,398
Accounts Receivable - Net	7,574,275	8,854,526	80,240,597	-	96,669,398
Taxes Receivable - Net	445,986,584	-	162,355,679	35,406	608,377,669
Interest Receivable - Net	7,530,800	-	11,816,838	134,152	19,481,790
Intergovernmental Receivable - Net	200,054	234,105,170	7,691,508	-	241,996,732
Due from Other Funds	144,893,255	16,984,079	16,918,806	5,000	178,801,140
Prepaid Items	1,762,842	1,991,412	2,338,714	-	6,092,968
Inventory	2,764,851	8,888,882	7,588,920	-	19,242,653
Loans and Notes Receivable - Net	25,251,201	232,121	63,312,140	40,145,701	128,941,163
Total Assets	\$ 4,690,235,631	\$ 274,056,190	\$ 5,448,537,288	\$ 97,166,572	\$ 10,509,995,681
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 109,498,634	\$ 124,319,679	\$ 39,667,787	\$ 14,002	\$ 273,500,102
Accrued Payroll	28,015,730	6,935,357	11,056,217	-	46,007,304
Securities Lending Collateral	-	-	239,174,225	12,548,484	251,722,709
Interest Payable	-	-	415,649	-	415,649
Intergovernmental Payable	7,310,001	19,372,372	115,991,897	-	142,674,270
Tax Refunds Payable	111,948,450	-	1,605,307	-	113,553,757
Due to Other Funds	28,884,186	95,385,225	45,192,956	476,730	169,939,097
Contracts Payable	6,310,606	8,849,997	6,654,301	-	21,814,904
Unavailable Revenues	60,749,888	14,389,230	53,245,545	-	128,384,663
Total Liabilities	352,717,495	269,251,860	513,003,884	13,039,216	1,148,012,455
Fund Balances:					
Nonspendable					
Inventory	2,764,851	8,888,882	7,588,920	-	19,242,653
Long - Term Receivables	251,201	-	-	-	251,201
Prepaid Expenditures	1,762,842	1,991,412	2,338,714	-	6,092,968
Legal Requirements	1,350,400,547	-	-	-	1,350,400,547
Permanent Trust Fund	-	-	-	65,183,169	65,183,169
Restricted	-	-	3,660,316,090	18,932,264	3,679,248,354
Committed	840,061,206	-	1,200,559,125	11,923	2,040,632,254
Assigned	-	-	64,730,555	-	64,730,555
Unassigned	2,142,277,489	(6,075,964)	-	-	2,136,201,525
Total Fund Balances	4,337,518,136	4,804,330	4,935,533,404	84,127,356	9,361,983,226
Total Liabilities and Fund Balances	\$ 4,690,235,631	\$ 274,056,190	\$ 5,448,537,288	\$ 97,166,572	\$ 10,509,995,681

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2013

Total Fund Balances-Governmental Funds \$ 9,361,983,226

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 \$5,397,749,816 and the accumulated depreciation is \$3,024,015,688. 2,373,734,128

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. 117,097,040

Internal service funds are used to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 94,427,530

Bonds issued by the State have associated costs that are paid from current available financial resources in the funds. However, these costs are unamortized on the statement of net position. 554,000

The pension assets resulting from contributions in excess of annual required contribution are not financial resources and, therefore, are not reported in the funds. 1,617,811

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Those liabilities consist of:

Bonds Payable	(180,020,012)	
Notes Payable	(6,211,554)	
Accrued Interest on Long-Term Liabilities	(2,145,221)	
Compensated Absences	(41,359,302)	
Capital Leases	(957,056)	
Pension Obligation (Reported as Long Term Liabilities Due in More Than One Year)	(1,829,481)	
Claims and Judgments	(2,507,199)	
Total Long-Term Liabilities		<u>(235,029,825)</u>

Net Position of Governmental Activities \$ 11,714,383,910

STATE OF NORTH DAKOTA

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2013

	Special Revenue			Nonmajor Governmental Funds	Total
	General	Federal	State		
REVENUES					
Individual and Corporate Income Taxes	\$ 831,037,041	\$ -	\$ 14,553,563	\$ -	\$ 845,590,604
Sales and Use Taxes	1,326,166,750	-	326,097,555	-	1,652,264,305
Oil, Gas, and Coal Taxes	980,075,574	-	1,535,485,676	3,067,925	2,518,629,175
Business and Other Taxes	48,995,306	-	31,519,007	-	80,514,313
Licenses, Permits and Fees	16,957,171	-	174,311,358	-	191,268,529
Intergovernmental	736,078	1,377,791,289	45,065,327	4,578,025	1,428,170,719
Sales and Services	5,596,903	1,205,036	43,089,497	1,442,236	51,333,672
Royalties and Rents	31,869,063	3,183	358,117,397	-	389,989,643
Fines and Forfeits	6,199,825	-	17,570,273	-	23,770,098
Interest and Investment Income	16,910,569	11,687	232,318,563	1,142,325	250,383,144
Tobacco Settlement	-	-	31,344,429	-	31,344,429
Commodity Assessments	-	-	28,572,996	-	28,572,996
Miscellaneous	2,701,224	2,250,985	51,179,195	-	56,131,404
Total Revenues	3,267,245,504	1,381,262,180	2,889,224,836	10,230,511	7,547,963,031
EXPENDITURES					
Current:					
General Government	227,924,769	4,075,342	84,052,385	65,123	316,117,619
Education	662,339,477	145,977,593	66,031,895	-	874,348,965
Health and Human Services	510,622,025	726,175,863	79,798,429	-	1,316,596,317
Regulatory	14,186,476	5,233,871	15,947,723	-	35,368,070
Public Safety and Corrections	129,103,247	62,179,637	8,036,495	-	199,319,379
Agriculture and Commerce	20,164,064	27,686,572	44,585,233	-	92,435,869
Natural Resources	18,759,127	15,514,527	71,422,996	-	105,696,650
Transportation	107,150,447	189,755,740	253,477,166	-	550,383,353
Intergovernmental - Revenue Sharing	1,780,629	-	569,125,257	-	570,905,886
Capital Outlay	38,952,464	186,287,069	202,790,663	-	428,030,196
Debt Service:					
Principal	1,851,639	62,109	216,019	15,291,272	17,421,039
Interest and Other Charges	252,155	7,027	90,956	8,394,824	8,744,962
Total Expenditures	1,733,086,519	1,362,955,350	1,395,575,217	23,751,219	4,515,368,305
Revenues over (under) Expenditures	1,534,158,985	18,306,830	1,493,649,619	(13,520,708)	3,032,594,726
OTHER FINANCING SOURCES (USES)					
Capital Lease Acquisitions	108,689	97,446	76,010	-	282,145
Sale of Capital Assets	12,927	178,521	449,722	-	641,170
Transfers In	343,605,281	3,750,270	33,975,600	17,493,477	398,824,628
Transfers Out	(447,239,265)	(23,471,766)	(333,922,715)	(3,763,627)	(808,397,373)
Total Other Financing Sources (Uses)	(103,512,368)	(19,445,529)	(299,421,383)	13,729,850	(408,649,430)
Net Change in Fund Balances	1,430,646,617	(1,138,699)	1,194,228,236	209,142	2,623,945,296
Fund Balances - Beginning of Year	2,906,871,519	5,943,029	3,741,305,168	83,918,214	6,738,037,930
Fund Balances - End of Year	\$ 4,337,518,136	\$ 4,804,330	\$ 4,935,533,404	\$ 84,127,356	\$ 9,361,983,226

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, 2013

Net Change in Fund Balances-Total Governmental Funds \$ 2,623,945,296

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	428,064,882	
Depreciation expense	(81,662,981)	
Excess of capital outlay over depreciation expense		346,401,901

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. (1,614,558)

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. 155,059

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. (282,145)

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. 22,557,892

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 6,411,154

Bonds issued by the State have associated costs that are paid from current available financial resources in the funds. However, these costs are unamortized on the statement of net position. 30,000

The pension assets resulting from contributions in excess of annual required contribution are not financial resources and, therefore, are not reported in the funds. (6,112)

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	15,464,382	
Note payments	1,216,560	
Capital lease payments	1,109,067	
Total long-term debt repayment		17,790,009

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of:

Net increase/decrease in accrued interest	230,004	
Net increase/decrease in compensated absences	(1,626,868)	
Net increase/decrease in net pension obligation (reported as long term liabilities due in more than one year)	(807,299)	
Net increase/decrease in claims and judgments	(1,033,373)	
Total additional expenditures		(3,237,536)

Change in Net Position of Governmental Activities \$ 3,012,150,960

STATE OF NORTH DAKOTA

Statement of Net Position Proprietary Funds June 30, 2013

	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
ASSETS							
Current Assets:							
Cash Deposits at the Bank of ND	\$ 4,402,000	\$ 99,423,186	\$ 2,263,369	\$ 88,949,918	\$ 195,038,473	\$ 15,751,138	
Cash and Cash Equivalents	-	6,908,153	-	144,700,157	151,608,310	522,488	
Investments at the Bank of ND	-	77,292,037	14,537,107	20,529,000	112,358,144	-	
Investments	-	534,744	1,534,865,944	25,764,200	1,561,164,888	10,914,344	
Accounts Receivable - Net	583,000	21,812,518	51,185,290	85,619,928	159,200,736	238,365	
Interest Receivable - Net	172,000	1,103	8,374,245	1,710,880	10,258,228	43,404	
Intergovernmental Receivable - Net	110,000	36,811,959	-	6,587,254	43,509,213	171,374	
Due from Other Funds	52,000	21,380,966	-	925,700	22,358,666	7,598,767	
Due from Fiduciary Funds	-	-	-	59,981	59,981	-	
Due from Component Units	-	7,884,446	-	-	7,884,446	-	
Prepaid Items	59,000	-	458,677	2,200,144	2,717,821	1,380,562	
Inventory	-	8,384,669	-	29,322,335	37,707,004	85,378	
Loans and Notes Receivable - Net	-	8,100,809	-	7,950,296	16,051,105	-	
Other Assets	460,000	3,082,373	-	17,768	3,560,141	-	
Restricted Cash at the Bank of ND	12,118,000	-	-	3,830,718	15,948,718	-	
Restricted Cash and Cash Equivalents	149,003,000	-	-	-	149,003,000	-	
Restricted Investments at the Bank of ND	-	-	-	4,000,000	4,000,000	-	
Restricted Interest Receivable - Net	2,718,000	-	-	-	2,718,000	-	
Restricted Loans Receivable - Net	16,727,000	-	-	-	16,727,000	-	
Total Current Assets	186,404,000	291,616,963	1,611,684,632	422,168,279	2,511,873,874	36,705,820	
Noncurrent Assets:							
Restricted Cash at the Bank of ND	-	14,500,101	-	-	14,500,101	-	
Restricted Cash and Cash Equivalents	-	2,568,352	-	-	2,568,352	-	
Restricted Investments at the Bank of ND	-	5,936,133	-	-	5,936,133	-	
Restricted Investments	13,127,000	20,970,643	-	-	34,097,643	-	
Investments at the Bank of ND	-	104,695,000	-	-	104,695,000	-	
Investments	2,505,000	11,895,934	-	-	14,400,934	-	
Accounts Receivable	-	-	6,492	-	6,492	-	
Due from Component Units	-	953,256	-	-	953,256	-	
Loans and Notes Receivable - Net	-	28,853,378	-	83,236,423	112,089,801	-	
Restricted Loans Receivable - Net	662,638,000	-	-	1,000,000	663,638,000	-	
Unamortized Bond Issuance Costs	5,045,000	4,050,844	-	24,000	9,119,844	6,681	
Other Noncurrent Assets	2,668,000	420,000	-	5,541,656	8,629,656	-	
Capital Assets:							
Nondepreciable	-	144,560,679	901,974	5,361,515	150,824,168	-	
Depreciable, Net	20,000	839,259,732	10,743,307	64,357,634	914,380,673	92,159,105	
Total Noncurrent Assets	686,003,000	1,178,664,052	11,651,773	159,521,228	2,035,840,053	92,165,786	
Bank Related Assets:							
Cash and Cash Equivalents	\$ 697,620,000				\$ 697,620,000		
Investments	2,169,111,000				2,169,111,000		
Interest Receivable - Net	39,625,000				39,625,000		
Due from Other Funds	130,773,000				130,773,000		
Due from Component Units	2,444,000				2,444,000		
Loans and Notes Receivable - Net	3,097,800,000				3,097,800,000		
Other Assets	6,191,000				6,191,000		
Capital Assets:							
Nondepreciable	1,688,000				1,688,000		
Depreciable, Net	9,949,000				9,949,000		
Total Bank Related Assets	6,155,201,000				6,155,201,000		
Total Assets	6,155,201,000	872,407,000	1,470,281,015	1,623,336,405	581,689,507	10,702,914,927	128,871,606
DEFERRED OUTFLOWS OF RESOURCES							
Financial Derivative Instrument	-	12,866,000	-	-	-	12,866,000	-

STATE OF NORTH DAKOTA

Statement of Net Position Proprietary Funds June 30, 2013

	Business-Type Activities - Enterprise Funds					Governmental	
	Bank of North Dakota	Housing Finance	University System	Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
LIABILITIES							
Current Liabilities:							
Accounts Payable		852,000	31,428,251	3,425,300	24,621,591	60,327,142	3,504,375
Accrued Payroll		-	32,883,102	-	574,400	33,457,502	2,314,941
Securities Lending Collateral		-	-	1,052,551	-	1,052,551	-
Interest Payable		12,484,000	1,520,752	-	57,556	14,062,308	8,224
Intergovernmental Payable		8,000	265,322	-	6,842,385	7,115,707	-
Due to Other Funds		8,675,000	2,018,630	177,811	90,495,920	101,367,361	7,456,306
Due to Fiduciary Funds		-	-	-	420,416	420,416	-
Due to Component Units		-	3,230,692	-	-	3,230,692	-
Contracts Payable		-	835,769	-	-	835,769	-
Other Deposits		-	6,534,625	-	-	6,534,625	-
Amounts Held in Custody for Others		11,005,000	-	-	5,449,022	16,454,022	-
Claims/Judgments Payable		-	-	115,045,080	943,320	115,988,400	1,970,385
Dividends Payable		-	-	162,000,000	-	162,000,000	-
Compensated Absences Payable		173,000	1,850,960	1,137,670	56,543	3,218,173	112,278
Notes Payable		-	531,347	-	-	531,347	-
Capital Leases Payable		-	3,908,800	-	-	3,908,800	71,000
Bonds Payable		11,450,000	11,332,523	-	-	22,782,523	736,932
Unavailable Revenue		-	19,141,711	141,890,596	1,560,010	162,592,317	-
Other Current Liabilities		-	-	-	575	575	-
Total Current Liabilities		44,647,000	115,482,484	424,729,008	131,021,738	715,880,230	16,174,441
Noncurrent Liabilities:							
Intergovernmental Payable		80,000	3,702,559	-	6,134,264	9,916,823	-
Due to Component Units		-	53,803,414	-	-	53,803,414	-
Claims/Judgments Payable		-	-	843,663,920	1,295,000	844,958,920	5,410,503
Compensated Absences Payable		90,000	30,227,301	185,202	1,195,834	31,698,337	2,053,787
Notes Payable		-	9,507,917	-	-	9,507,917	-
Capital Leases Payable		-	28,620,214	-	-	28,620,214	39,397
Bonds Payable		684,468,000	184,235,194	-	1,000,000	869,703,194	-
Financial Derivative Instrument		12,866,000	-	-	-	12,866,000	-
Other Noncurrent Liabilities		2,485,000	2,798,508	-	8,686,492	13,970,000	-
Total Noncurrent Liabilities		699,989,000	312,895,107	843,849,122	18,311,590	1,875,044,819	7,503,687
Bank Related Liabilities:							
Interest Payable		95,000	-	-	-	95,000	-
Due to Other Funds		1,473,000	-	-	-	1,473,000	-
Due to Component Units		1,828,000	-	-	-	1,828,000	-
Federal Funds Purchased		275,960,000	-	-	-	275,960,000	-
Deposits Held for Other Funds		3,956,820,814	-	-	-	3,956,820,814	-
Other Deposits		1,045,827,186	-	-	-	1,045,827,186	-
Other Liabilities		3,177,000	-	-	-	3,177,000	-
Long Term Liabilities:							
Due within one year		3,926,000	-	-	-	3,926,000	-
Due in more than one year		402,432,000	-	-	-	402,432,000	-
Total Bank Related Liabilities		5,691,539,000	-	-	-	5,691,539,000	-
Total Liabilities		5,691,539,000	744,636,000	428,377,591	1,268,578,130	8,282,464,049	23,678,128
NET POSITION							
Net Investment in Capital Assets		11,637,000	20,000	699,209,394	11,645,281	69,556,318	792,067,993
Restricted for:							
Capital Projects		-	-	43,772	-	-	43,772
Debt Service		-	123,385,000	18,765,228	-	437,000	142,587,228
Loan Purposes		-	-	44,959,657	-	594,395	45,554,052
Pledged Assets		227,652,000	-	-	-	-	227,652,000
Unemployment Compensation		-	-	-	-	166,653,983	166,653,983
University System-Nonexpendable		-	-	15,698,471	-	-	15,698,471
University System-Expendable		-	-	26,781,272	-	-	26,781,272
Other		-	-	438,808	-	7,022,372	7,461,180
Unrestricted		224,373,000	17,232,000	236,006,822	343,112,994	188,092,111	1,008,816,927
Total Net Position		\$ 463,662,000	\$ 140,637,000	\$ 1,041,903,424	\$ 354,758,275	\$ 432,356,179	\$ 2,433,316,878

Reconciliation of the Proprietary Funds Statement of Net Position to the Statement of Net Position June 30, 2013

Total Net Position - Enterprise Funds	<u>2,433,316,878</u>
Amounts reported for business-type activities in the statement of net position are different because:	
Prior year net assets restatement and reduction of current year expenses	
based on the allocation of internal service fund's net income	<u>10,765,945</u>
Net Position of Business-Type Activities	<u>2,444,082,823</u>

STATE OF NORTH DAKOTA

Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds For the Fiscal Year Ended June 30, 2013

	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	\$ 7,932,000	\$ 4,969,030	\$ 79,550,613	\$ 316,549,760	\$ 450,620,407	\$ 859,621,810	\$ 102,669,025
Auxiliary Sales Pledges for Bonds	-	-	113,147,824	-	-	113,147,824	-
Tuition and Fees	-	-	289,264,752	-	-	289,264,752	-
Grants and Contributions	-	-	151,220,149	-	-	151,220,149	-
Royalties and Rents	-	-	-	742,222	190,385	932,607	-
Fines and Forfeits	-	-	-	2,945,812	-	2,945,812	-
Interest and Investment Income	153,759,000	37,680,000	-	-	1,705,791	193,144,791	-
Miscellaneous	-	-	1,185,772	-	36,740,844	37,926,616	46,929
Total Operating Revenues	161,691,000	42,649,030	634,369,110	320,237,794	489,257,427	1,648,204,361	102,715,954
OPERATING EXPENSES							
Cost of Sales and Services	-	-	42,641,721	-	239,772,469	282,414,190	1,173,408
Salaries and Benefits	12,060,000	3,102,000	689,410,036	19,131,897	17,506,736	741,210,669	28,214,519
Operating	11,681,000	7,417,306	243,954,764	3,749,563	41,194,169	307,996,802	48,333,819
Claims	-	-	-	272,288,784	120,305,882	392,594,666	5,127,695
Scholarships and Fellowships	-	-	36,543,561	-	-	36,543,561	-
Interest	44,311,000	25,960,000	-	-	22,000	70,293,000	-
Depreciation	883,000	19,000	55,178,707	1,029,313	4,794,644	61,904,664	13,371,560
Miscellaneous	-	-	500,625	-	6,000	506,625	-
Total Operating Expenses	68,935,000	36,498,306	1,068,229,414	296,199,557	423,601,900	1,893,464,177	96,221,001
Operating Income (Loss)	92,756,000	6,150,724	(433,860,304)	24,038,237	65,655,527	(245,259,816)	6,494,953
NONOPERATING REVENUES (EXPENSES)							
Grants and Contracts	-	11,287,000	45,237,083	-	2,595,547	59,119,630	-
Gifts	-	-	24,201,499	-	-	24,201,499	-
Interest and Investment Income	-	292,000	6,368,673	123,246,187	5,796,267	135,703,127	1,030,028
Interest Expense	-	-	(14,313,942)	(4,816,984)	(719,301)	(19,850,227)	(77,629)
Dividends Expense	-	-	-	(147,585,337)	-	(147,585,337)	-
Gain (Loss) on Sale of Capital Assets	-	-	521,492	-	(1,562)	519,930	615,192
Tax Revenue	-	-	3,113,418	-	-	3,113,418	-
Grant Expense	-	(11,877,000)	-	-	-	(11,877,000)	-
Other	-	1,000,000	-	-	(908,858)	91,142	73,794
Total Nonoperating Revenues (Expenses)	-	702,000	65,128,223	(29,156,134)	6,762,093	43,436,182	1,641,385
Income (Loss) Before Contributions and Transfers	92,756,000	6,852,724	(368,732,081)	(5,117,897)	72,417,620	(201,823,634)	8,136,338
Capital Grants and Contributions	-	-	19,865,857	-	-	19,865,857	644,147
Special Item	-	-	-	(14,728,630)	-	(14,728,630)	-
Transfers In	-	782,970	432,662,067	-	29,432,225	462,877,262	99,772
Transfer Out	(28,997,000)	(28,694)	(5,634,211)	-	(69,516,210)	(104,176,115)	(550,361)
Changes in Net Position	63,759,000	7,607,000	78,161,632	(19,846,527)	32,333,635	162,014,740	8,329,896
Total Net Position - Beginning of Year	399,903,000	133,030,000	963,741,792	374,604,802	400,022,544	2,271,302,138	96,863,582
Total Net Position - End of Year	\$ 463,662,000	\$ 140,637,000	\$ 1,041,903,424	\$ 354,758,275	\$ 432,356,179	\$ 2,433,316,878	\$ 105,193,478

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, 2013

Net Change in Net Position-Total Enterprise Funds \$ 162,014,740

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

Expenses were reduced based on the allocation of internal service fund's net income 1,923,629

Change in Net Position of Business-Type Activities **\$ 163,938,369**

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, 2013

	Business-Type Activities - Enterprise Funds		
	Bank of North Dakota	Housing Finance	University System
Cash Flows from Operating Activities:			
Receipts from Customers and Users	\$ 7,799,000	\$ 327,697,870	\$ 189,284,028
Receipts from Tuition and Fees	-	-	289,668,305
Interest Income on Loans	-	-	-
Receipts from Loan Principal Repayments	-	-	5,726,492
Receipts from Federal and Local Agencies	-	485,000	-
Receipts from Other Funds	-	41,313,000	-
Receipts from Grants and Contracts	-	-	151,926,313
Receipts from Others	-	-	1,936,673
Payments for Loan Funds	-	-	(5,131,303)
Payments to Other Funds	-	(361,000)	-
Payments for Scholarships and Fellowships	-	-	(36,543,561)
Payments to Suppliers	(10,272,000)	(152,163,000)	(276,556,906)
Payments to Employees	(12,001,000)	(3,101,000)	(685,016,597)
Claim Payments	-	-	-
Payments to Others	-	(1,529,000)	(518,049)
Other	-	-	-
Net Cash Provided by (Used for) Operating Activities	(14,474,000)	212,341,870	(365,224,605)
Cash Flows from Noncapital Financing Activities:			
Proceeds from Bonds	-	65,910,000	-
Proceeds from Sale of Notes and Other Borrowings	53,000,000	-	-
Principal Payments - Bonds	-	(209,045,000)	-
Principal Payments - Notes and Other Borrowings	(118,170,000)	-	-
Interest Payments - Bonds	-	(29,902,000)	-
Interest Payments - Notes and Other Borrowings	(27,454,000)	-	-
Payment of Bond Issue Costs	-	(658,000)	-
Transfers In	-	782,130	396,458,267
Transfers Out	(29,040,000)	(28,000)	-
Tax Revenue	-	-	3,113,418
Net Increase in Non-Interest Bearing Deposits	241,275,000	-	-
Net Increase in Interest Bearing Deposits	582,449,000	-	-
Payments of Interest on Deposits	(17,253,000)	-	-
Interest Paid on Federal Funds and Reverse Repurchase Agreements	(288,000)	-	-
Net Increase in Federal Funds and Reverse Repurchase Agreements	(42,365,000)	-	-
Advances Made	-	-	-
Loan Proceeds from Due To Other Funds	-	95,258,000	-
Principal Payments on Due To Other Funds	-	(121,406,000)	-
Grants and Gifts Received for Other than Capital Purposes	-	11,287,000	64,144,618
Agency Fund Cash Decrease	-	-	(991,472)
Grants Given for Other than Capital Purposes	-	(11,877,000)	(42,105)
Other	-	1,000,000	146,041
Net Cash Provided by (Used for) Noncapital Financing Activities	642,154,000	(198,678,870)	462,828,767
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(368,000)	-	(109,916,349)
Proceeds from Sale of Capital Assets	-	-	32,020
Payments for Discontinued Operations	-	-	-
Proceeds from Sale of Notes and Other Borrowings	-	-	26,978,391
Principal Payments - Bonds	-	-	-
Principal Payments - Notes and Other Borrowings	-	-	(43,206,702)
Interest Payments - Bonds	-	-	-
Interest Payments - Notes and Other Borrowings	-	-	(12,842,418)
Capital Appropriations	-	-	50,739,886
Payment on Capital Leases	-	-	-
Interest Payments - Capital Leases	-	-	-
Operating Transfers Out to Other Funds	-	-	(6,166,330)
Capital Grants and Gifts Received	-	-	16,003,186
Insurance Proceeds	-	-	358,517
Other	-	-	-
Net Cash Used for Capital and Related Financing Activities	(368,000)	-	(78,019,799)
Cash Flows from Investing Activities:			
Proceeds from Sale and Maturities of Investment Securities	394,779,000	89,585,000	48,188,191
Purchase of Investment Securities	(1,557,662,000)	(92,845,000)	(75,980,583)
Interest and Dividends on Investments	22,429,000	976,000	8,421,223
Proceeds from Sale of Other Real Estate	432,000	-	-
Net Decrease in Loans	(306,447,000)	-	-
Disbursements for Loans and Loan Purchases	-	-	-
Receipt of Loan Principal Repayments	-	-	-
Proceeds from Collection of Loans and Notes Receivable	17,311,000	-	-
Loan Income Received	130,096,000	-	-
Transfers In	-	-	-
Other	-	-	-
Net Cash Provided by (Used for) Investing Activities	(1,299,062,000)	(2,284,000)	(19,371,169)

The Accompanying Notes are an Integral Part of the Financial Statements

(Continued on Next Page)

Business-Type Activities - Enterprise Funds			Governmental Activities
Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
\$ 215,195,924	\$ 767,082,823	\$ 1,507,059,645	\$ 101,925,509
-	-	289,668,305	-
-	59,690	59,690	-
-	18,891,482	24,617,974	-
-	-	485,000	-
-	-	41,313,000	138,218
-	-	151,926,313	-
6,891,866	201,392	9,029,931	-
-	(17,872,043)	(23,003,346)	-
(2,229,662)	(482,437)	(3,083,099)	-
-	-	(36,543,561)	-
-	(632,976,525)	(1,071,968,431)	(47,934,607)
(14,040,581)	(22,531,471)	(736,690,649)	(27,886,764)
(181,282,283)	(84,761,218)	(266,043,501)	(364,381)
(18,681,323)	(178,812)	(20,907,184)	(4,431,296)
-	36,451,186	36,451,186	-
5,853,941	63,874,067	(97,628,727)	21,446,679
-	-	65,910,000	-
-	22,000,000	75,000,000	-
-	(2,200,000)	(211,245,000)	-
-	(19,024,543)	(137,194,543)	-
-	(24,000)	(29,926,000)	-
-	(605,514)	(28,059,514)	-
-	-	(658,000)	-
-	5,300,579	402,540,976	99,772
-	(21,250,081)	(50,318,081)	(550,361)
-	-	3,113,418	-
-	-	241,275,000	-
-	-	582,449,000	-
-	-	(17,253,000)	-
-	-	(288,000)	-
-	-	(42,365,000)	-
-	-	-	(7,000,000)
-	-	95,258,000	-
-	-	(121,406,000)	-
-	1,170,797	76,602,415	-
-	-	(991,472)	-
-	-	(11,919,105)	-
-	-	1,146,041	7,775
-	(14,632,762)	891,671,135	(7,442,814)
(972,625)	(9,181,516)	(120,438,490)	(14,036,504)
-	-	32,020	2,778,855
-	(3,566,424)	(3,566,424)	-
-	3,572,018	30,550,409	-
-	(420,000)	(420,000)	-
-	(3,762,475)	(46,969,177)	(736,600)
-	(8,843)	(8,843)	-
-	(4,804)	(12,847,222)	(39,805)
-	-	50,739,886	-
-	-	-	(103,021)
-	-	-	(10,137)
-	-	(6,166,330)	-
-	-	16,003,186	-
-	-	358,517	-
-	3,662,878	3,662,878	-
(972,625)	(9,709,166)	(89,069,590)	(12,147,212)
17,500,000	38,554,157	588,606,348	-
(21,996,399)	(39,131,399)	(1,787,615,381)	(931,106)
-	5,869,847	37,696,070	729,270
-	-	432,000	-
-	-	(306,447,000)	-
-	(15,735,239)	(15,735,239)	-
-	1,914,106	1,914,106	-
-	668,431	17,979,431	-
-	503,184	130,599,184	-
-	24,131,646	24,131,646	-
-	(124,500)	(124,500)	-
(4,496,399)	16,650,233	(1,308,563,335)	(201,836)

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, 2013

	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	(671,750,000)	11,379,000	213,194
Cash and Cash Equivalents at June 30, 2012	1,369,370,000	154,144,000	123,186,598
Cash and Cash Equivalents at June 30, 2013	\$ 697,620,000	\$ 165,523,000	\$ 123,399,792
Reconciliation:			
Current:			
Cash Deposits at the Bank of North Dakota	\$ -	\$ 4,402,000	\$ 99,423,186
Cash and Cash Equivalents	697,620,000	-	6,908,153
Restricted Cash Deposits at the Bank of North Dakota	-	12,118,000	-
Restricted Cash and Cash Equivalents	-	149,003,000	-
Noncurrent:			
Restricted Cash Deposits At The Bank of North Dakota	-	-	14,500,101
Restricted Cash and Cash Equivalents	-	-	2,568,352
Cash and Cash Equivalents	\$ 697,620,000	\$ 165,523,000	\$ 123,399,792
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:			
Operating Income (Loss)	\$ 92,756,000	\$ 6,150,724	\$ (433,860,304)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	883,000	19,000	55,178,707
Amortization/Accretion	-	1,353,000	-
Reclassification of Interest Revenue/Expense	(108,837,000)	26,248,146	-
Gain on Sale of Student Loans	(214,000)	-	-
Gain on Sale of Real Estate	(35,000)	-	-
Loss on Retirement/Sale of Fixed Assets	14,000	-	-
Net Increase in Fair Value of Investments	(611,000)	-	-
Interest Received on Program Loans	-	-	-
Dividend Credit Applied to Receivable	-	-	-
Receipt of Loan Principal Repayments	-	-	-
Provision for Losses	2,000,000	-	-
Other	-	-	(2,367,575)
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	-	176,956,000	(1,843,846)
(Increase) Decrease in Interest Receivable	-	835,000	-
(Increase) Decrease in Due From	37,000	111,000	-
(Increase) Decrease in Intergovernmental Receivable	-	3,000	-
(Increase) Decrease in Notes Receivable	-	-	412,355
(Increase) Decrease in Prepaid Items	-	(29,000)	-
Increase in Inventories	-	-	(230,185)
(Increase) Decrease in Other Assets	(1,373,000)	(760,000)	3,195,819
Increase (Decrease) in Accounts Payable	-	-	7,045,887
Decrease in Interest Payable	-	-	-
Increase in Claims/Judgments Payable	-	-	-
Increase (Decrease) in Intergovernmental Payable	-	(76,000)	-
Increase in Accrued Payroll	-	-	2,094,491
Increase in Compensated Absences Payable	-	5,000	2,298,946
Increase in Amounts Held for Others	-	1,172,000	-
Increase in Other Deposits	-	-	538,759
Increase (Decrease) in Due To	227,000	(36,000)	-
Increase in Unavailable Revenue	-	-	2,312,341
Increase in Other Liabilities	679,000	390,000	-
Increase in Dividends Payable	-	-	-
Total Adjustments	(107,230,000)	206,191,146	68,635,699
Net Cash Provided by (Used for) Operating Activities	\$ (14,474,000)	\$ 212,341,870	\$ (365,224,605)
Noncash Transactions:			
Net Increase (Decrease) in Fair Value of Investments	\$ 611,000	\$ (693,000)	197,846
Transfers from Net Position to Transfers Payable	28,997,000	-	-
Interest on Investments	-	-	-
Amortization of Bond Discount	-	-	-
Amortization of Bond Issuance Costs	-	-	-
Assets Acquired Through Capital Lease	-	-	853,509
Assets Acquired Through Special Assessments	-	-	60,807
Expenses Paid by Capital Lease	-	-	1,876,291
Value Received on Trade of Capital Asset	-	-	-
Gifts of Capital Assets	-	-	1,562,453
FEMA Receivable from Federal and State Governments	-	-	-
Interest Revenue on Prize Reserves	-	-	-
Total Noncash Transactions	\$ 29,608,000	\$ (693,000)	\$ 4,550,906

Business-Type Activities - Enterprise Funds			Governmental Activities
Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
384,917	56,182,372	(603,590,517)	1,654,817
1,878,452	181,298,421	1,829,877,471	14,618,809
<u>\$ 2,263,369</u>	<u>\$ 237,480,793</u>	<u>\$ 1,226,286,954</u>	<u>\$ 16,273,626</u>
\$ 2,263,369	\$ 88,949,918	\$ 195,038,473	\$ 15,751,138
-	144,700,157	849,228,310	522,488
-	3,830,718	15,948,718	-
-	-	149,003,000	-
-	-	14,500,101	-
-	-	2,568,352	-
<u>\$ 2,263,369</u>	<u>\$ 237,480,793</u>	<u>\$ 1,226,286,954</u>	<u>\$ 16,273,626</u>
\$ 24,038,237	\$ 65,655,527	\$ (245,259,816)	\$ 6,494,953
1,029,313	4,506,926	61,616,946	13,344,931
-	358,486	1,711,486	26,629
-	(666,014)	(83,254,868)	-
-	-	(214,000)	-
-	-	(35,000)	-
-	-	14,000	28,739
-	-	(611,000)	-
-	78,000	78,000	-
(147,585,337)	-	(147,585,337)	-
-	5,694,000	5,694,000	-
-	1,938,061	3,938,061	-
-	(94,400)	(2,461,975)	(7,285)
(8,498,607)	(10,533,030)	156,080,517	30,625
-	(1,290)	833,710	-
-	(466,751)	(318,751)	(836,565)
-	(2,944,810)	(2,941,810)	65,327
-	(4,257,197)	(3,844,842)	-
130,812	(666,175)	(564,363)	66,371
-	(1,947,792)	(2,177,977)	(215)
-	(45,890)	1,016,929	-
(341,241)	4,097,607	10,802,253	1,498,213
-	(1,000)	(1,000)	-
93,064,000	184,115	93,248,115	81,383
-	1,414,086	1,338,086	98,902
-	524,685	2,619,176	154,116
67,763	52,271	2,423,980	173,637
-	719,970	1,891,970	-
-	-	538,759	-
(65,257)	(197,575)	(71,832)	226,918
24,402,136	69,133	26,783,610	-
-	403,124	1,472,124	-
19,612,122	-	19,612,122	-
<u>(18,184,296)</u>	<u>(1,781,460)</u>	<u>147,631,089</u>	<u>14,951,726</u>
<u>\$ 5,853,941</u>	<u>\$ 63,874,067</u>	<u>\$ (97,628,727)</u>	<u>\$ 21,446,679</u>
\$ 47,426,491	\$ 892,695	\$ 48,435,032	\$ 259,917
-	-	28,997,000	-
77,375,641	-	77,375,641	-
-	1,461	1,461	-
-	555	555	-
-	-	853,509	69,442
-	-	60,807	-
-	-	1,876,291	-
-	12,089	12,089	-
-	-	1,562,453	-
-	1,424,750	1,424,750	-
-	185	185	-
<u>\$ 124,802,132</u>	<u>\$ 2,331,735</u>	<u>\$ 160,599,773</u>	<u>\$ 329,359</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, 2013

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Agency Funds
ASSETS				
Cash Deposits at the Bank of ND	\$ 22,231,857	\$ 776,642	\$ 7,724,842	\$ 23,783,832
Cash and Cash Equivalents	-	-	2,227,541	8,641,087
Receivables:				
Contributions Receivable	25,426,539	-	-	-
Accounts Receivable - Net	-	-	44,844	9,798,371
Taxes Receivable - Net	-	-	-	29,642,009
Interest Receivable - Net	11,366,973	104,682	1,559	37
Due from Other Funds	421,596	-	-	-
Due from Fiduciary Funds	218,765	-	-	-
Total Receivables	37,433,873	104,682	46,403	39,440,417
Investments, at Fair Value:				
Investments at the Bank of ND	-	-	21,549	27,812,961
Equity Pool	2,082,889,788	112,558,854	-	-
Fixed Income Pool	919,596,790	73,625,952	789,695	144,881
Cash and Cash Pool	51,419,595	1,205,246	-	-
Real Estate Pool	715,491,565	31,746,677	-	-
Alternative Investments	197,116,447	8,434,133	-	-
Annuities	95,018	-	-	-
Mutual Funds	74,564,162	-	329,558,179	-
Total Investments	4,041,173,365	227,570,862	330,369,423	27,957,842
Invested Securities Lending Collateral	-	-	73,152	-
Prepaid Items	551,340	-	-	-
Capital Assets (Net of Depreciation)	5,263,591	-	-	-
Total Assets	4,106,654,026	228,452,186	340,441,361	\$ 99,823,178
LIABILITIES				
Accounts Payable	5,741,568	286,533	725,376	\$ -
Accrued Payroll	127,572	-	-	-
Securities Lending Collateral	-	-	73,152	-
Intergovernmental Payable	-	-	-	53,726,927
Tax Refunds Payable	-	-	-	153,171
Due to Other Funds	94,535	-	-	-
Due to Fiduciary Funds	218,149	-	-	-
Amounts Held in Custody for Others	37,210	-	-	45,407,494
Unavailable Revenue	15,532	-	-	535,586
Compensated Absences Payable	157,405	-	-	-
Total Liabilities	6,391,971	286,533	798,528	\$ 99,823,178
NET Position				
Net Assets Held in Trust for:				
Pension Benefits	4,098,732,613	-	-	-
Other Employee Benefits	1,529,442	-	-	-
External Investment Pool Participants	-	228,165,653	-	-
Other Purposes	-	-	339,642,833	-
Total Net Position Held in Trust	\$ 4,100,262,055	\$ 228,165,653	\$ 339,642,833	

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Changes in Fiduciary Net Position Fiduciary Funds For the Fiscal Year Ended June 30, 2013

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds
ADDITIONS			
Contributions:			
Employer	\$ 120,651,741	\$ -	\$ -
Employee	119,706,181	-	-
From Participants	-	-	30,098,860
Transfers from Other Funds	412,500	-	-
Transfers from Other Plans	1,086,691	-	-
Donations	-	-	3,811
Total Contributions	<u>241,857,113</u>	<u>-</u>	<u>30,102,671</u>
Investment Income:			
Net Change in Fair Value of Investments	406,263,645	21,755,243	20,599,741
Interest and Dividends	<u>92,400,991</u>	<u>5,353,572</u>	<u>8,150,522</u>
Less Investment Expense	<u>13,356,086</u>	<u>739,779</u>	<u>-</u>
Net Investment Income	<u>485,308,550</u>	<u>26,369,036</u>	<u>28,750,263</u>
Repurchase Service Credit	10,615,993	-	-
Miscellaneous Income	<u>922,590</u>	<u>-</u>	<u>2,000</u>
Total Additions	<u>738,704,246</u>	<u>26,369,036</u>	<u>58,854,934</u>
DEDUCTIONS			
Benefits Paid to Participants	271,586,653	-	-
Refunds	8,868,412	-	-
Prefunded Credit Applied	6,458,449	-	-
Transfer to Other Plans	412,500	-	-
Payments in Accordance with Trust Agreements	-	-	34,499,401
Administrative Expenses	<u>5,214,340</u>	<u>-</u>	<u>2,450,656</u>
Total Deductions	<u>292,540,354</u>	<u>-</u>	<u>36,950,057</u>
Purchase of Units at Net Asset Value of \$1.00 Per Unit	<u>-</u>	<u>1,591,035</u>	<u>-</u>
Change in Net Position Held in Trust for:			
Pension Benefits	446,141,114	-	-
Other Employee Benefits	22,778	-	-
External Investment Pool Participants	-	27,960,071	-
Other Purposes	<u>-</u>	<u>-</u>	<u>21,904,877</u>
Total Change in Net Position	<u>446,163,892</u>	<u>27,960,071</u>	<u>21,904,877</u>
Net Position - Beginning of Year	<u>3,654,098,163</u>	<u>200,205,582</u>	<u>317,737,956</u>
Net Position - End of Year	<u>\$ 4,100,262,055</u>	<u>\$ 228,165,653</u>	<u>\$ 339,642,833</u>

The Accompanying Notes are an Integral Part of the Financial Statements



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STATE OF NORTH DAKOTA

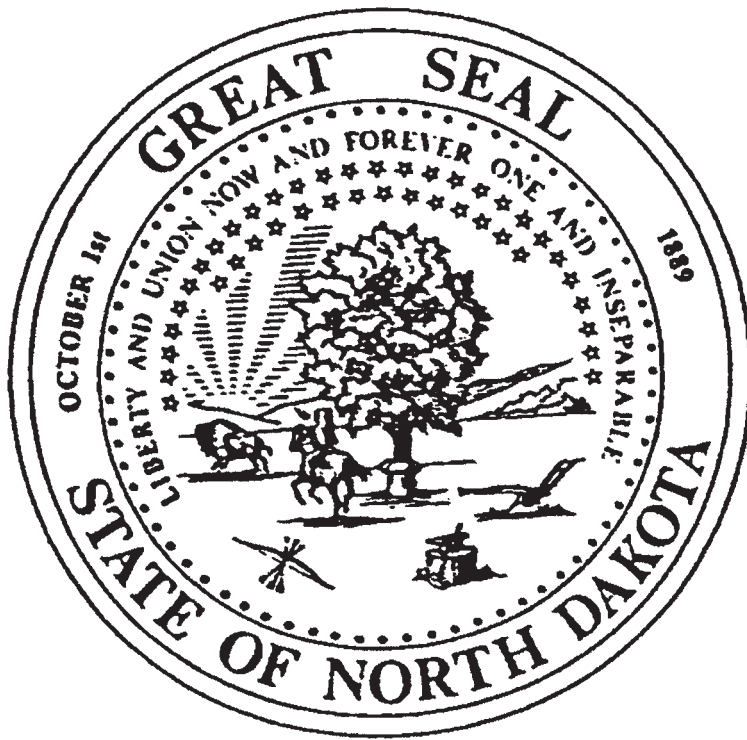
Combining Statement of Net Position Component Units - Proprietary Funds (Excludes FASB Based Component Units) June 30, 2013

	CHAND	Historical Foundation	Public Finance Authority	ND Development Fund	Total
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 4,624,705	\$ 3,252,844	\$ -	\$ 14,610,451	\$ 22,488,000
Investments	-	2,061,118	-	-	2,061,118
Accounts Receivable - Net	1,000	1,789,683	-	-	1,790,683
Interest Receivable - Net	-	-	-	57,216	57,216
Due from Primary Government	-	-	181,000	-	181,000
Loans and Notes Receivable - Net	-	-	-	4,150,406	4,150,406
Restricted Cash and Cash Equivalents	-	-	27,376,000	-	27,376,000
Restricted Investments	-	-	129,628,000	-	129,628,000
Restricted Interest Receivable - Net	-	-	4,029,000	-	4,029,000
Restricted Loans Receivable - Net	-	-	-	-	-
Total Current Assets	4,625,705	7,103,645	161,214,000	18,818,073	191,761,423
Noncurrent Assets:					
Restricted Investments	-	-	475,761,000	-	475,761,000
Investments	-	356,722	-	-	356,722
Due from Primary Government	-	-	3,169,000	-	3,169,000
Loans and Notes Receivable - Net	-	-	-	6,573,893	6,573,893
Unamortized Bond Issuance Costs	-	-	1,182,000	-	1,182,000
Other Noncurrent Assets	-	147,149	-	-	147,149
Capital Assets:					
Depreciable, Net	-	7,877	-	18,006	25,883
Total Noncurrent Assets	-	511,748	480,112,000	6,591,899	487,215,647
Total Assets	4,625,705	7,615,393	641,326,000	25,409,972	678,977,070
LIABILITIES					
Current Liabilities:					
Accounts Payable	2,695,596	69,360	21,000	13,653	2,799,609
Interest Payable	-	-	2,266,000	-	2,266,000
Intergovernmental Payable	-	-	54,000	-	54,000
Due to Primary Government	-	146,667	-	1,250,000	1,396,667
Amounts Held in Custody for Others	-	24,291	-	-	24,291
Compensated Absences Payable	-	20,289	-	-	20,289
Bonds Payable	-	-	14,480,000	-	14,480,000
Unavailable Revenue	199,466	40,460	-	-	239,926
Total Current Liabilities	2,895,062	301,067	16,821,000	1,263,653	21,280,782
Noncurrent Liabilities:					
Intergovernmental Payable	-	-	88,000	-	88,000
Due to Primary Government	-	-	2,436,000	-	2,436,000
Bonds Payable	-	-	221,915,000	-	221,915,000
Total Noncurrent Liabilities	-	-	224,439,000	-	224,439,000
Total Liabilities	2,895,062	301,067	241,260,000	1,263,653	245,719,782
Net Position					
Net Investment in Capital Assets	-	-	-	18,006	18,006
Restricted for:					
Capital Projects	-	7,061,906	-	-	7,061,906
Debt Service	-	-	137,642,000	-	137,642,000
Loan Purposes	-	-	258,438,000	-	258,438,000
Endowment Funds-Nonexpendable	-	55,000	-	-	55,000
Unrestricted	1,730,643	197,420	3,986,000	24,128,313	30,042,376
Total Net Position	\$ 1,730,643	\$ 7,314,326	\$ 400,066,000	\$ 24,146,319	\$ 433,257,288

STATE OF NORTH DAKOTA

Combining Statement of Activities Component Units - Proprietary Funds (Excludes FASB Based Component Units) For the Fiscal Year Ended June 30, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue	Change in Net Position	Net Position Beginning of Year	Net Position End of Year
	Expenses	Charges for Services	Operating Grants and Contributions				
CHAND	14,576,086	14,090,447	329,216	\$ (156,423)	\$ (156,423)	\$ 1,887,066	\$ 1,730,643
Historical Foundation	824,575	741,733	70,073	(12,769)	(12,769)	7,327,095	7,314,326
Public Finance Authority	14,405,000	1,975,000	62,987,000	50,557,000	50,557,000	349,509,000	400,066,000
ND Development Fund	557,856	734,719	9,683	186,546	186,546	23,959,773	24,146,319
Total Component Units	<u>\$ 30,363,517</u>	<u>\$ 17,541,899</u>	<u>\$ 63,395,972</u>	<u>\$ 50,574,354</u>	<u>\$ 50,574,354</u>	<u>\$ 382,682,934</u>	<u>\$ 433,257,288</u>



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NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The primary authority for the State's accounting and reporting requirements is the Office of Management and Budget. The Office of Management and Budget has adopted the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the State's accounting policies are as follows:

A. REPORTING ENTITY

For financial reporting purposes, the State of North Dakota has included all funds, organizations, agencies, boards and commissions that make up its legal entity. The State has also included all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State.

As required by accounting principles generally accepted in the United States of America, these financial statements present the State of North Dakota (the primary government) and its component units. The component units are included in the State's reporting entity because of the significance of their operational or financial relationships with the State.

BLENDED COMPONENT UNITS

These component units are entities that are legally separate from the State, but are so intertwined with the State that they are, in substance, the same as the State. They are reported as part of the State and blended into the appropriate fund types.

Building Authority (Debt Service Fund and Capital Projects Fund) - The Building Authority was created by the Legislature as a separate instrumentality of the State. Its purpose is to promote the general welfare of the citizens of the State by providing financing for use by the State in altering, repairing, maintaining or constructing buildings and making any improvements connected to State buildings. The Industrial Commission, which consists of the governor, the attorney general, and the commissioner of agriculture, is

the governing board of the Building Authority. The funds and account groups of the Building Authority were audited by other independent auditors for the fiscal year ended June 30, 2013, 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, 2012, 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, 2012, and their report has been previously issued under a separate cover.

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

STATE OF NORTH DAKOTA

June 30, 2013, and their report has been previously issued under a separate cover.

State Historical Society of North Dakota Foundation – The mission of the State Historical Society of North Dakota Foundation is to provide fundraising and membership development activities to support the State Historical Society of North Dakota and its people. The Fund of the State Historical Society of North Dakota Foundation were audited by other independent auditors for the fiscal year ended June 30, 2013, and their report has been previously issued under a separate cover.

Major and Non-major University System Foundations (Proprietary Fund Type) – The foundations are legally separate, tax-exempt organizations providing support and recognition to the respective colleges and universities through a variety of programs and activities. The foundations are normally managed by a board of directors made up primarily of alumni, friends or leading members of the communities. The component unit financial statements are presented under Financial Accounting Standards Board (FASB) standards. As such, certain disclosures are not reflected for the Major University System Foundation in the major component unit disclosures and no disclosures are included for the Non-major University System Foundation. A complete set of financial statements can be obtained at the North Dakota University System office at 600 E. Boulevard Avenue, Dept. 215, Bismarck, ND 58505-0230.

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

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

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

Public Finance Authority
1200 Memorial Highway
Bismarck, ND 58506

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

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

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

FUND FINANCIAL STATEMENTS

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the

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government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column.

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

FINANCIAL STATEMENT PRESENTATION

The State reports the following major governmental funds:

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

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

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

The State reports the following major enterprise funds:

The Bank of North Dakota Fund finances economic development throughout the state, participates in loans with North Dakota financial institutions, and holds interest-bearing deposit accounts for state and political subdivisions of North Dakota.

The Housing Finance Agency Fund is authorized to issue bonds to make loans to mortgage lenders for qualified residential mortgage loans and to make mortgage and construction loans for multi-family housing within the State of North Dakota.

The Mill and Elevator Fund engages in the business of manufacturing and marketing farm products.

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

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

Additionally, the State reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

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

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

PROPRIETARY FUND TYPES

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

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

FIDUCIARY FUND TYPES

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

Investment Trust Funds account for the transactions, assets, liabilities, and fund equity of the external pool participants (City of Bismarck, ND Association of Counties, and City of Fargo Fargodome RIO Investments). The State Investment Board (SIB) provides administrative services for the external pool participants. SIB issues a publicly available financial report that may be obtained by writing to the Retirement and Investment Office, 1930 Burnt Boat Drive, Bismarck, North Dakota 58503. Investment Trust Funds are accounted for in essentially the same manner as Proprietary Funds.

Private Purpose Trust Funds account for resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. Examples include student donations, the State's college savings plan, and a remediation trust.

Agency Funds account for assets held by the State as an agent for other governmental units, or other organizations, and do not involve measurement of results of operations.

D. GENERAL BUDGETARY POLICIES AND PROCEDURES

The State operates through a biennial appropriation that represents departmental appropriations recommended by the governor and presented to the Legislative Assembly at the beginning of each legislative session. The Legislative Assembly enacts the budgets of the various state departments through passage of specific appropriation bills. The governor has line item veto powers over all appropriations subject to legislative override.

Once passed and signed, the appropriation bill becomes the departments' financial plan for the next two years. Changes to the appropriation are limited to Emergency Commission authorization, initiative, allotment, or referendum action. The Emergency Commission can authorize receipt of federal or other moneys not appropriated by the Assembly if the Assembly did not indicate intent to reject the money. The Emergency Commission may authorize pass-through federal funds from one state agency to another. The Emergency Commission may authorize the transfer of expenditure authority between appropriated line items. The Legislature has also passed appropriation laws that authorize directors of certain state agencies to transfer appropriation authority among the various divisions of their specific agency, subject to the Budget Section of the North Dakota Legislative Council's approval. Unexpended appropriations lapse at the end of each biennium, except certain capital expenditures covered under the North Dakota Century Code (NDCC) section 54-44.1-11 and the University System's unexpended general fund appropriation authority.

The State's biennial budget is prepared primarily on a cash basis. The State does not use encumbrance accounting. The legal level of budgetary control is at the agency, appropriation, funding source and expenditure line item level, with administrative controls established at lower levels of detail in certain instances. The State does not formally budget revenues, and it does not budget by fund. The State appropriation is defined through the use of specific expenditure line items. Capital appropriations are generally made at the agency and project level.

North Dakota's Appropriation Act does not present budgets by GAAP fund. Instead, it authorizes General Fund appropriation authority by agency and Other Budgeted Income appropriation authority by agency.

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Other budgeted income includes all budgeted resources, other than the General Fund, and includes some governmental, proprietary, and fiduciary fund activities.

During the 2011-2013 biennium, there were general, federal and other funds supplemental appropriations totaling \$2,008,777,470.

E. CASH AND CASH EQUIVALENTS

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

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

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

The State had no cash overdrafts from pooled cash and investments at June 30, 2013.

All interest revenue is allocated to the General Fund unless state law (as outlined in the North Dakota Century Code) requires allocations of interest to other funds.

F. INVESTMENTS

All funds of the State record their investments in accordance with Government Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments." Investments are reported at fair value. Quoted market prices, when available, have been used to value investments. The fair value for securities that have no quoted market price represent estimated fair value.

Many factors are considered in arriving at that value. International securities are valued based upon quoted foreign market prices and translated into U.S. dollars at the exchange rate in effect at June 30. In general, corporate debt securities have been valued at quoted market prices or, if not available, values are based on yields currently available on comparable securities of issuers with similar credit ratings. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments. The fair value of real estate investment securities, including timberland, is based on appraisals plus fiscal year-to-date capital transactions. Publicly traded alternative investments are valued based on quoted market prices. When not readily available, alternative investment securities are valued using current estimates of fair value from the investment manager. Such valuations consider variables such as financial performance of the issuer, comparison of comparable companies' earnings multiples, cash flow analysis, recent sales prices of investments, withdrawal restrictions, and other pertinent information. Because of the inherent uncertainty of the valuation for these other alternative investments, the estimated fair value may differ from the values that would have been used had a ready market existed. The net change in fair value of investments consists of the realized gains or losses and the unrealized increase or decrease in fair value of investments during the year. Realized gains and losses on sales of investments are computed based on the difference between the sales price and the original cost of the investment sold.

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

Purchases of other state funds' debt issues by the Bank of North Dakota have been recorded as normal business transactions if they are the result of arms-length transactions.

Investments are presented on the fund balance sheets as "Investments at the Bank of North Dakota" and "Investments" to present the unique nature of the relationship between the Bank of North Dakota, an enterprise fund, and other state agencies.

Investments at the Bank of North Dakota. State agency investments, primarily certificates of deposits of the Bank of North Dakota, are included on the fund balance sheets as "Investments at the Bank of North Dakota." For purposes of the Government-wide Statement of Net Position, these amounts have been reclassified to internal balances.

Investments. State agency investments invested at financial institutions other than the Bank of North Dakota

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are included on the Government-wide Statement of Net Position as "Investments."

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

G. SECURITIES LENDING

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

The Agent lends securities of the type on loan at June 30, 2013, for collateral in the form of cash or other securities at 102% of the loaned securities fair value plus accrued interest for domestic securities and 105% of the loaned securities fair value plus accrued interest for international securities. The collateral for the loans is maintained at 100% per the contractual requirements. As of June 30, 2013, the State has no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State.

The Average Duration of the collateral investments as of June 30, 2013, was one day. The Average Weighted Maturity of collateral investments as of June 30, 2013, was 102 days. The interest rate sensitivity (duration) of the securities on loan had an interest sensitivity of 43 days.

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

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

Examination Council regulations concerning securities lending.

The State cannot pledge or sell collateral securities received unless the borrower defaults.

H. INTERFUND ACTIVITY AND BALANCES

INTERFUND ACTIVITY

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets (such as goods or cash) without equivalent flows of assets in return or a requirement for repayment. Residual transfer amounts exist in the Government-wide Statement of Activities due to different fiscal year ends of various agencies included in business-type activities.

INTERFUND BALANCES

Interfund receivables and payables have been eliminated from the Statement of Net Position, except for the residual amounts due between governmental and business-type activities.

I. INVENTORIES AND PREPAID ITEMS

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

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

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

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

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

J. UNAMORTIZED BOND ISSUANCE COSTS

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

K. CAPITAL ASSETS

Capital assets, which include land, buildings, equipment, intangibles (software, easements and other), construction in progress and infrastructure assets, are valued at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date of donation. Where necessary, estimates of original cost are derived by factoring price levels from the current period to the time of acquisition. Library books are not capitalized as capital assets except for the University System.

All other capital assets with an original cost of \$5,000 or more per unit and an estimated useful life in excess of one year are capitalized and reported in the applicable government or business-type activities columns in the government-wide financial statements. Exceptions include: infrastructure reported by the Department of Transportation, the threshold is \$100,000; intangible assets such as easements, water rights, patents and trademarks, the threshold is \$25,000; and software internally developed, the threshold is \$50,000. Capital asset costs include the purchase price or construction cost, plus the costs necessary to place the asset in its intended location and condition for use. In governmental activities, interest costs on self-constructed assets are not capitalized. In business-type activities, interest costs (if material) on self-constructed assets are also included in the cost. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. Normal maintenance and repair costs that do not materially add to the value or extend the life of the asset are not capitalized.

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

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

Fixed assets in Governmental Funds are recorded as expenditures in the funds used to acquire or construct them in the governmental fund financial statements. Capital assets, along with accumulated depreciation and depreciation expense, which includes amortization of intangible assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

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

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

L. LEASE COMMITMENTS

The State leases land, office facilities, office and computer equipment, and other assets. Leases are classified according to FASB 13. Many of these leases have fiscal funding clauses; however, these clauses have no effect on classifying these leases for accounting purposes. Leases which represent acquisitions are classified as capital leases, and the related assets and liabilities are recorded in the financial statements at the

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inception of the lease. Other leases are classified as operating leases with the lease payments recorded as expenditures or expenses during the life of the lease.

M. FEDERAL FUNDS PURCHASED

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

N. CLAIMS/JUDGMENTS PAYABLE

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

O. COMPENSATED ABSENCES

ANNUAL LEAVE

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

The governmental fund financial statements recognize annual leave when the liability is incurred and payable from available expendable resources. This normally occurs only if an employee has unused reimbursable leave still outstanding at the time of their retirement or resignation. The government-wide financial statements present the cost of accumulated annual leave as a liability. Proprietary and Fiduciary Funds recognize the expense and accrued liability when the annual leave is earned.

SICK LEAVE

The North Dakota Century Code, section 54-06-14, states employees accrue sick leave at the rate of one to a maximum of one and one-half working days per month of employment without limitation on the amount that can be accumulated. Employees vest at ten years of creditable service, at which time the State is liable for ten percent of the employee's accumulated unused sick leave. The governmental fund financial statements recognize sick leave as it is incurred. The government-wide financial statements present the estimated cost of sick leave as a liability after an employee has been employed by the State for five consecutive years.

P. DEPOSITS

The following two liability line items are presented in the Government-wide Statement of Net Position and/or fund financial statements:

Deposits Held For Other Funds. "Deposits Held for Other Funds" are those deposits held by the Bank of North Dakota for other funds included in the reporting entity and shown on the fund financial statements. For purposes of the Government-wide Statement of Net Position, these amounts have been reclassified to internal balances.

Other Deposits. "Other Deposits" are those deposits held by the Bank of North Dakota for non-reporting entity third parties. It also includes deposits held for students of the University System.

Differences on the fund balance sheets between the liability "Deposits Held for Other Funds" and the assets "Cash Deposits and Investments at the Bank of North Dakota" are attributable to timing differences resulting from the Bank of North Dakota having a different accounting year end than many other state agencies.

Q. UNAVAILABLE REVENUE

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

R. REVENUES AND EXPENDITURES/EXPENSES

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

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

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are for items such as salaries, grants, supplies, and services.

Capital outlay includes expenditures for real property or infrastructure (e.g., highways). Intergovernmental-revenue sharing accounts for the distribution of certain tax revenues that are shared with local units based upon constitutional and statutory requirements. Debt service includes both interest and principal outlays related to bonds and payments on capitalized leases.

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are sub classified by object (e.g., salaries, depreciation, and purchases for resale). Operating revenues consist of sales of goods and services, quasi-external operating transactions with other funds, grant revenues for specific activities that are considered to be operating activities of the grantor, receipts from other agencies for reimbursement of operating transactions, and other miscellaneous revenue that should be classified as operating. Grants that would qualify as an operating activity are those that do not subsidize an existing program, rather they finance a program the agency would otherwise not undertake. For certain loan and investment programs, revenue that would normally be classified as non-operating should be classified as operating. Examples of this would include interest and investment income. All other revenues that do not meet the above criteria should be classified as non-operating.

S. NET 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, 2013 was \$401,353,181. Based on past experiences in utilization of the fund, the fund is not expected to be expended in the foreseeable future.

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NOTE 2 – RESTATEMENTS

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

	Government-wide Gov't Activities
June 30, 2012, net position, as previously reported	\$ 8,672,797
Prior period adjustment:	
Correction of errors	29,436
June 30, 2012, net position, as restated	<u>\$ 8,702,233</u>

CORRECTION OF ERRORS

The beginning net position of the Government-wide Governmental Activities were restated \$29,435,846 due to an understatement of construction in progress / capital assets on the previous year financial statements.

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, 2013, the bank balance of the primary government's deposits was \$390,986,247. Of the bank amount, \$338,994,737 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, 2013. Their uninsured and uncollateralized deposits totaled \$328.8 million and \$10.7 million, and their bank deposits totaled \$329.8 million and \$8.6 million, respectively.

At June 30, 2013, the bank balance of the major component units' deposits was \$57,154,000. Of the bank

amount, \$41,986,451 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 Board of University and School Lands, the Bank of North Dakota, and the North Dakota State Treasurer's Office. Management responsibilities and investment instruments as authorized by statute are as follows:

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

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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, 2013: futures, options, swaps and currency forwards.

2. North Dakota Board of University and Schools Lands – The Century Code states that the Board of University and School Lands shall apply the prudent investor rule in investing its funds. The investment policies of the Board allow the use of derivative securities to hedge or replicate underlying exposures but not for speculation. All derivatives are considered investment derivative investments.
3. The Bank of North Dakota – NDCC 6-09 authorizes the Bank of North Dakota. The Bank is owned and operated by the State of North Dakota under the supervision of the North Dakota Industrial Commission. The Bank may have investments in anything that any bank lawfully may do, except what is restricted by NDCC 6-09.
4. The North Dakota State Treasurer's Office – The North Dakota Constitution and various sections of the Century Code authorize the State Treasurer to invest all State funds deposited with the State Treasury. However, the State Treasurer must invest the public funds with the Bank of North Dakota unless there is statutory authority to do otherwise. Generally, the State Treasurer pools deposits and invests in money market accounts and Bank of North Dakota certificates of deposit.
5. University System – NDCC 15-55-05 and 15-55-06 govern the investment of proceeds of revenue bonds and revenues pledged to bondholders. Such proceeds must be invested in the Bank of North

Dakota, in a separate fund in the State Treasury or in a duly authorized depository for the state funds that is a member of the FDIC. NDUS may invest such funds in direct obligation of, or in obligations where the United States of America guarantees the principal and interest, or obligations of the State of North Dakota or any municipality as defined in NDCC Section 21-03-01.

Agency investments, of the primary government, under management of the State Investment Board are included below with the Pension and Investment Trust funds.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates. The State does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates. However, North Dakota Housing Finance's respective bond resolutions permit only investments that will not adversely affect the rating quality of the outstanding bonds. Also, the maturity date or the date on which such investment obligations may be redeemed shall coincide as nearly as practicable with the date or dates on which moneys in the funds or accounts for which the investments were made will be required. The Bank of North Dakota's investment policy provides for a duration range of one to five years, which will serve to decrease interest rate risk.

At June 30, 2013, the following table shows the debt securities of the primary government by investment type and maturity (expressed in thousands).

STATE OF NORTH DAKOTA

Primary Government (includes Pension and Investment Trust Funds)

Investment Type	Total Market Value	Less Than 1 Year	1 - 6 Years	6 - 10 Years	More Than 10 Years
Asset Backed Securities	\$ 209,956	\$ 10,851	\$ 99,376	\$ 24,782	\$ 74,947
Commercial Mortgage-Backed	680,175	8,209	599,580	1,336	71,050
Commercial Paper	325,951	325,951	-	-	-
Corporate Bonds	1,339,515	70,665	979,795	140,682	148,373
Corporate Convertible Bonds	23,851	237	11,481	3,071	9,062
Government Agencies	1,670,210	51,515	1,596,698	10,765	11,232
Government Bonds	949,668	587,379	265,284	48,478	48,527
Government Mortgage-Backed	622,960	-	101,142	15,179	506,639
Index-Linked Government Bonds	155,391	3,564	147,874	-	3,953
Municipal/Provincial Bonds	44,302	3,392	30,881	867	9,162
Non-Government-Backed CMOs	39,865	14,813	3,054	729	21,269
Short Term Bills and Notes	46,415	46,415	-	-	-
Short Term Investment Funds	50,754	50,754	-	-	-
Pooled Investments	1,072,653	149,007	554,708	123,955	244,983
Total Debt Securities	\$ 7,231,666	\$ 1,322,752	\$ 4,389,873	\$ 369,844	\$ 1,149,197

Major Component Units

Investment Type	Total Market Value	Less Than 1 Year	1 - 6 Years	6 - 10 Years	More Than 10 Years
Government Bonds	\$ 116,823	\$ 116,823	\$ -	\$ -	\$ -
Total Debt Securities	\$ 116,823	\$ -	\$ -	\$ -	\$ -

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

Some investments are more sensitive to interest rate changes than others. Variable and floating rate collateralized mortgage obligations (CMO's), asset-backed securities (ABS), interest-only and principal-only securities are examples of investments whose fair values may be highly sensitive to interest rate changes. Interest-only (IO) and principal-only (PO) strips are transactions which involve the separation of the interest and principal components of a security. They are highly sensitive to prepayments by mortgagors, which may result from a decline in interest rates. The State has no policy regarding IO or PO strips.

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State does not have an investment policy that specifically addresses credit risk, however the Bank of North Dakota has established a minimum credit quality rating for its investment in debt securities. The State Investment Board maintains a highly diversified portfolio of debt securities encompassing a wide range of credit ratings. Each debt securities manager is given a specific set of guidelines to invest within, based on the mandate for which it was hired. The guidelines specify in which range of credit the manager may invest. These ranges include investment grade and high yield categories. The Bank of North Dakota's investment policy provides minimum credit quality ratings for its investments and asset allocation ranges for investments as a percentage of the total portfolio.

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As of June 30, 2013, the following tables present the debt securities of the primary government

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

	Total Market Value	AAA	AA	A	BBB
Asset Backed Securities	\$ 209,956	\$ 119,831	\$ 42,650	\$ 24,401	\$ 10,545
Commercial Mortgage-Backed	77,375	41,939	12,598	14,157	3,507
Commercial Paper	325,951	-	-	325,951	-
Corporate Bonds	1,339,515	20,652	58,406	304,109	554,795
Corporate Convertible Bonds	23,851	-	-	2,170	1,522
Government Agencies	1,670,210	1,537,701	123,490	5,256	3,763
Government Bonds	180,268	19,304	16,725	38,138	57,971
Government Mortgage Backed	1,008,489	600,080	407,789	-	-
Index Linked Government Bonds	144,403	-	-	-	142,280
Municipal/Provincial Bonds	20,664	4,868	6,551	6,381	2,346
Non-Government Backed CMOs	38,770	5,573	5,949	8,213	7,058
Short-Term Investment Funds	15,626	-	15,626	-	-
Pooled Investments	1,123,408	223,156	402,725	32,863	78,121
Total Credit Risk Debt Securities	6,178,486	\$ 2,573,104	\$ 1,092,509	\$ 761,639	\$ 861,908
US Gov't & Agencies	1,053,180				
Total Debt Securities	\$ 7,231,666				

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

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

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and their respective ratings (expressed in thousands).

BB	B	CCC	CC	C	D	Not Rated
\$ 3,274	\$ 3,789	\$ 1,623	\$ 145	\$ -	\$ 2	\$ 3,696
1,148	-	-	-	-	-	4,026
-	-	-	-	-	-	-
216,222	152,116	22,991	1,529	-	441	8,254
11,692	6,876	1,591	-	-	-	-
-	-	-	-	-	-	-
12,416	164	-	-	-	-	35,550
-	-	-	-	-	-	620
-	-	-	-	-	-	2,123
518	-	-	-	-	-	-
1,058	63	5,370	1,114	276	2,143	1,953
-	-	-	-	-	-	-
-	18,478	-	-	196,342	-	171,723
<u>\$ 246,328</u>	<u>\$ 181,486</u>	<u>\$ 31,575</u>	<u>\$ 2,788</u>	<u>\$ 196,618</u>	<u>\$ 2,586</u>	<u>\$ 227,945</u>

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CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State does not have an investment policy that specifically addresses concentrations of credit risk in a single issuer, however the Bank of North Dakota has established asset allocation ranges for investments as a percentage of their total portfolio.

The Bank of North Dakota had the following concentrations at June 30, 2013 (expressed in thousands):

	Amount	Percent
Federal Agency		
Freddie Mac	\$ 532,516	24.4%
Federal Home Loan Bank	455,855	21.0%
Fannie Mae	414,130	19.1%
Mortgage-backed		
Fannie Mae	327,064	15.1%
Freddie Mac	169,853	7.8%

FOREIGN CURRENCY RISK

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

At June 30, 2013, foreign currency risk exposure on investments managed by the Board of University and School Lands and State Investment Board were as follows (expressed in thousands).

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Primary Government (includes Pension and Investment Trust Funds)

Currency	Short-Term	Debt	Equity	Total
Australian dollar	\$ (7,940)	\$ 10,243	\$ 33,285	\$ 35,588
Brazilian real	1,898	4,751	6,905	13,554
British pound sterling	13,886	5,142	129,758	148,786
Canadian dollar	132	724	17,011	17,867
Chilean peso	3,297	(2)	-	3,295
Chinese yuan renminbi	137	(2)	-	135
Columbian peso	100	14	-	114
Czech koruna	(1)	2	1,922	1,923
Danish krone	-	-	4,597	4,597
Euro	(15,889)	21,992	196,766	202,869
Hong Kong dollar	128	-	25,099	25,227
Hungarian forint	(16)	3,809	1,034	4,827
Iceland krona	31	-	-	31
Indian rupee	4,605	8	-	4,613
Indonesian rupiah	-	-	56	56
Israeli shekel	42	-	1,590	1,632
Japanese yen	14,150	72	118,089	132,311
Malaysian ringgit	94	4,209	2,173	6,476
Mexican peso	317	19,099	-	19,416
New Zealand dollar	(2,692)	2,871	49	228
Norwegian krone	449	(197)	4,035	4,287
Peruvian nuevo sol	(61)	-	-	(61)
Philippine peso	-	2,219	-	2,219
Polish zloty	65	3,708	1,239	5,012
Russian ruble	15	(9)	-	6
Singapore dollar	450	(1)	8,889	9,338
South African rand	91	3,206	4,024	7,321
South Korean won	(4,224)	4,435	8,344	8,555
Swedish krona	1,067	(510)	12,994	13,551
Swiss franc	-	-	55,281	55,281
Thai baht	56	32	1,172	1,260
Turkish lira	(394)	3,220	997	3,823
International commingled funds (various currencies)	-	91,153	327,274	418,427
Total international investment securities	\$ 9,793	\$ 180,188	\$ 962,583	\$ 1,152,564

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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, 2013, 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 \$90.1 million. At June 30, 2013, the State investment portfolio had the notional futures shown below (expressed in thousands).

Futures	Notional Value
Cash and cash equivalent derivative futures	
Long	\$180,058
Short	(165,105)
Equity derivative futures	
Long	478,996
Short	-
Fixed income derivative futures	
Long	3,124
Short	(64,623)
Total futures	\$432,450

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 \$43,000. The State investment portfolio had no option balances as of June 30, 2013.

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

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

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

Gains and losses on swaps are determined based on fair values and are recorded with the net change in fair value of investments in the Statement of Changes in Net Position and totaled \$(933) thousand. The maximum loss that would be recognized at June 30, 2013, if all counterparties failed to perform as contracted is \$4.25 million. Swap fair values are determined by a third party pricing source. At June 30, 2013, the States’ investment portfolio had the swap fair value balances as shown below (expressed in thousands).

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Credit Default Swaps

Counterparty/Moody's Rating	Notional Amount	Expiration Date	Fair Value
JP Morgan Chase Bank N.A./Aa3 (3 contracts)	\$ 11,000	10-12-2052	\$ -
JP Morgan Chase Bank N.A./Aa3	400	3-20-2017	-
JP Morgan Chase Bank N.A./Aa3 (3 contracts)	12,700	6-20-2017	-
Deutsche Bank AG New York/Aa3	45	3-20-2014	-
Deutsche Bank AG New York/Aa3	120	9-20-2013	-
Morgan Stanley Cap Services NY/Baa1 (3 contracts)	300	3-20-2013	-
Citibank N.A. NY/A3	2,000	6-20-2017	-
Bank of America N.A./A3	1,560	12-20-2017	6
Credit Suisse International London/A1	240	12-20-2016	(15)
Deutsche Bank AG New York/A2 (3 contracts)	2,160	12-20-2016	(135)
Deutsche Bank AG New York/A2	120	9-20-2013	-
Deutsche Bank AG New York/A2	1,560	6-20-2017	1
Deutsche Bank AG New York/A2 (2 contracts)	(3,250)	12-20-2017	34
Deutsche Bank London/A2	1,560	6-20-2017	1
Deutsche Bank London/A2	1,560	12-20-2017	6
JP Morgan Chase U.S. NYC/Aa3	400	3-20-2017	-
JP Morgan Chase N.A./Aa3 (4 contracts)	12,700	6-20-2017	(140)
JP Morgan Chase N.A./Aa3 (2 contracts)	4,400	12-20-2017	(46)
JP Morgan Chase N.A./Aa3 (2 contracts)	30	10-12-2052	1
Total credit default swaps	<u>\$ 49,605</u>		<u>\$ (287)</u>

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Interest Rate Swaps

Counterparty	Notional Amount	Rate Range	Counterparty Rate	Expiration Date Range	Counterparty Rating (Moody's)	Fair Value
Bank of Nova Scotia (4 contracts)	\$ (493)	0.751% to 1.355%	Various overnight	08-2013 – 10/2019	Aa2	\$ 34
Barclays Bank PLC London (2 contracts)	(53)	2.065% to 4.423%	bank rates depending on currency	12/2027 – 12/2032	A2	2
Barclays Bank PLC New York (13 contracts)	6,047	0.359% to 5.750%		08/2012 – 02/2022	A2	-
Barclays Bank PLC New York (6 contracts)	4,240	0.00% to 5.48%		07/2013 – 12/2037	A2	(108)
Barclays Capital Securities London (7 contracts)	3,124	1.10% to 6.60%		02/2013 – 02/2022	A2	-
Barclays Capital Securities London (9 contracts)	1,800	0.00% to 7.42%		09/2013 – 05/2023	A2	(19)
Citibank N.A. New York (11 contracts)	5,426	0.62% to 7.70%		11/2012 – 06/2022	A3	-
Citibank N.A. New York (14 contracts)	(2,094)	0.349% to 4.50%		12/2014 – 04/2023	A3	57
Citibank London (3 contracts)	1,364	0.695% to 4.42%		01/2016 – 06/2017	A3	(58)
Credit Suisse First Boston Corporation (5 contracts)	1,783	0.689% to 7.25%		06/2018 – 05/2023	A1	(6)
Deutsche Bank London (2 contracts)	670	1.96% to 3.12%		10/2013 – 01/2014	A2	-
Deutsche Bank Singapore (1 contract)	316	0.345%		7/21/2012	A2	-
Goldman Sachs Bank USA (2 contracts)	233	0.52% to 1.438%		4/19/2020	A2	3
HSBC Bank USA New York (1 contract)	190	3.810%		1/3/2028	A1	-
HSBC Bank USA New York (6 contracts)	2,277	0.38% to 3.81%		07/2013 – 01/2028	A1	54
JP Morgan Chase Bank N.A. (4 contracts)	(4,109)	0.913% to 6.380%		07/2012 – 01/2028	Aa3	-
JP Morgan Chase Bank N.A. (5 contracts)	206	0.654% to 4.74%		07/2013 – 08/2016	Aa3	(23)
Morgan Stanley Capital Services NY (1 contract)	290	6.370%		5/25/2022	Baa1	-
Morgan Stanley Capital Services NY (1 contract)	299	6.370%		5/25/2022	Baa1	(4)
Morgan Stanley Capital Group Inc. NY (1 contract)	1,090	1.355%		2/15/2020	Baa1	(48)
Morgan Stanley & Co. Inc. NY (5 contracts)	(2,435)	1.155% to 6.06%		10/2013 – 05/2022	Baa1	27
Total Interest Rate Swaps	\$ 20,171					\$ (89)

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

difference between the original contracts and the closing of such contracts is included in the net change in fair value of investments in the Statement of Changes in Net Position and totaled \$3.5 million. At June 30, 2013, the States' investment portfolio included the currency forwards balances shown below (expressed in thousands).

Currency	Cost	Purchases	Sales	Fair Value
Australian dollar	\$ (21,248)	\$ 1,996	\$ (22,731)	\$ (19,600)
Brazilian real	(1,028)	2,087	(3,117)	(1,218)
British pound sterling	8,263	9,121	(858)	8,074
Canadian dollar	(10,781)	1,259	(11,846)	(10,597)
Chilean peso	3,369	3,501	(132)	3,296
Chinese yuan renminbi	132	522	(390)	138
Columbian peso	102	102	-	101
Czech koruna	1	606	(605)	(2)
Euro	(73,423)	638	(73,312)	(72,510)
Hungarian forint	(3,475)	836	(4,298)	(3,462)
Indian rupee	4,741	4,803	(62)	4,605
Japanese yen	(238)	4,198	(4,551)	(345)
Malaysian ringgit	68	68	-	68
Mexican peso	(5,712)	1,465	(7,054)	(5,595)
New Zealand dollar	(8,219)	1,260	(9,435)	(8,149)
Norwegian krone	(5,503)	2,269	(7,549)	(5,309)
Peruvian Nuevo sol	(61)	56	(117)	(61)
Polish zloty	(5,737)	864	(6,468)	(5,619)
Russian ruble	32	2,180	(2,148)	15
Singapore dollar	394	2,063	(1,669)	378
South African rand	(3,487)	-	(3,240)	(3,240)
South Korean won	(4,365)	68	(4,433)	(4,225)
Swedish krona	(7,917)	1,779	(9,423)	(7,665)
Thai baht	(3,382)	-	(3,215)	(3,215)
Turkish lira	(425)	420	(845)	(395)
United Kingdom pound	(1,315)	-	(1,319)	(1,319)
United States dollar	139,211	181,376	(42,166)	139,210
Total forwards subject to currency risk				\$ 3,359

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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, 2013, 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	\$ (218,918)	\$ (38,025)	\$ (98,722)	\$ (89,857)	\$ 7,686	\$ -
	Total Fair Value	3 Months or Less	3 to 6 Months	6 to 12 Months	1-5 Years	Greater Than 5 Years
Options on interest rate futures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Swaps-interest rate contracts	(90)	22	10	(31)	(142)	51
Total	\$ (90)	\$ 22	\$ 10	\$ (31)	\$ (142)	\$ 51

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Mill and Elevator Derivative Financial Instruments –

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2013, and the changes in fair value of such derivative instruments for the year then ended as reported in the State's financial statements are \$814,703, classified as derivative-grain futures contract (one contract equals 5,000 bushels) and \$814,703, classified as deferred inflow of resources. The fair value of the grain futures contracts was determined on the Minneapolis Grain

Exchange. The margin requirement is \$0.60 per bushel, unless the market price changes the limit for two consecutive days, then the margin requirement is \$0.90 per bushel. The Mill has entered into futures contracts for spring wheat to lock in a price for a future delivery or settlement period. These contracts are entered into to protect the Mill against price fluctuation of the commodity. The price protection is needed to cover any long or short positions compared to flour sales.

Futures	Brokerage Firm	Number of Contracts	Average Cost	Fair Value	Effective Date
Sept 2013	RJ O'Brien	(116)	\$ 7.9470	\$ 7.7500	June 2013
Sept 2013	ADM Investor Services	(92)	7.9472	7.7500	June 2013
Dec 2013	RJ O'Brien	100	8.9838	7.8300	June 2013
Dec 2013	ADM Investor Services	77	8.2132	7.8300	June 2013
March 2014	RJ O'Brien	22	8.4920	7.9675	June 2013
March 2014	ADM Investor Services	44	8.5449	7.9675	June 2013
May 2014	RJ O'Brien	25	8.0225	8.0225	June 2013
May 2014	ADM Investor Services	11	8.3377	8.0225	June 2013
July 2014	ADM Investor Services	31	8.2321	8.0600	June 2013

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, 2013, the table below shows the hedge ratio by futures month going forward:

Period	Hedge Ratio
Sept 2013	1.1
Dec 2013	1.0
Mar 2014	1.1
May 2014	0.9
July 2014	0.9
Net Position	0.9

Alternative Investments – The AICPA defines Alternative Investments for the purpose of performing audits. The definition includes investments for which a readily determinable fair value does not exist (that is, investments not listed on national exchanges or over-the-counter markets, or for which quoted market prices are not available from sources such as financial publications, the exchanges, or NASDAQ). These types of investments can be held within any of the asset classes used by the State based on underlying portfolio

holdings and analysis of risk and return relationships. These investments can be structured in different ways, including limited partnerships, limited liability companies, common trusts and mutual funds. Some are closed-ended with a specific life and capital commitment while others are open-ended with opportunity for ad hoc contributions or withdrawals and termination upon proper notice.

Private Equity - Private Equity investments are typically private interests in corporations across different areas of the capital structure and in different stages of the corporations' development via limited partnership vehicles. Private Equity investments are illiquid and long term in nature (10-12 years), typically held until maturity. Private Equity portfolios generally have a "J-Curve Effect" whereby there are low to negative returns in the initial years due to the payment of investment management fees and initial funding of investments made by the General Partner during a period when investments are typically carried at cost and returns have not been realized. To diversify the program, Private Equity investments are made across business cycles, vintage years, and different strategies. The State has a dedicated asset class for private equity investments.

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

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

Distressed Debt - These include investments in the debt instruments of companies which may be publicly traded or privately held that are financially distressed and are either in bankruptcy or likely candidates for bankruptcy. Typical holdings are senior and subordinated debt instruments, mortgages and bank loans. The State includes these types of investments in its private equity asset class.

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

Mezzanine Debt - This strategy is a hybrid of debt and equity financing. It is basically debt capital that gives the lender the rights to convert to an ownership or equity interest in the company if the loan is not paid back in time and in full. It is generally subordinated to senior debt. The State utilizes this strategy, through a limited partnership structure, in its below investment grade fixed income allocation.

Equity Long/Short - This strategy is a combination of long and short positions, primarily in publicly traded equities. The State utilizes this strategy in its US equity allocations.

Real Estate and Real “Tangible” Assets - These investments are intended to provide allocations to tangible assets that are expected to be inflation protected and provide performance above the inflation rate as indicated by the CPI. Investments are generally structured as limited partnerships or limited liability companies. Investments in Real Estate and Real Estate Assets include:

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

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

Infrastructure – includes investments in limited partnerships that have an ownership interest in transportation assets such as toll roads, tunnels and bridges; and regulated assets such as electricity transmission, gas and oil distribution and wastewater collection. Other possible investments would include communication assets and social infrastructure. The State has a dedicated asset class for these types of investments.

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C. SECURITIES LENDING

The following represents the balances relating to the securities lending transactions at June 30, 2013 (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	\$ 149	\$ -	\$ 153
US government securities	96,630	-	98,465
US corporate fixed income securities	81,490	-	83,417
Global government fixed income securities	1,027	-	1,042
US equities	67,049	-	68,719
Lent for non-cash collateral:			
US agency securities	-	-	-
US government securities	-	-	-
US corporate fixed income securities	-	-	-
US equities	-	-	-
Total	<u>\$ 246,345</u>	<u>\$ -</u>	<u>\$ 251,796</u>

D. ENDOWMENT FUNDS

The endowment funds reported herein are institutional funds under the terms of the gift instrument and are not wholly expendable by the institution. NDCC Section 59-21, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) applies to the investment of endowments governed by a gift instrument. NDUS SBHE policy 810 stipulates endowment funds shall be invested according to the intent of the donor provided such intent is consistent with applicable laws. Absent terms expressing donor intent in a gift instrument, NDUS institution officers initially shall deposit the funds in institution accounts at the Bank of North Dakota. Thereafter, the funds may be invested according to NDCC 59-21. Subject to the intent of the donor, NDUS institution officers are delegated authority to manage and invest these institutional funds as provided by UPMIFA. NDCC Section 59-21-02.5a(7) applies to standard of conduct in the administration of powers to make and retain investments. It states that in managing and investing an institutional fund, the needs of the institution and the fund to make distributions and to preserve capital must be considered. Given the flexibility in NDCC 59-21-02, campuses have differing policies with respect to spending investment income and net appreciation on endowment funds. UND changed managers in September 2013, the University of North Dakota Foundation is the investment manager for UND endowments. The payout is calculated using the average balance of the last four quarters multiplied by 4 percent. MiSU allows for 5.0% of the three year average market value of the assets to be expended; 4.50% for scholarships and 0.5% for administrative expense. MaSU, NDSU, VCSU and WSC give departments authority to spend all investment income earned on the endowment funds. Net appreciation on investments are available for expenditure and consist of the following at June 30, 2013:

Mayville State University	\$ 3,223	<u>Reflected in net position as:</u> Expendable scholarships & fellowships Expendable scholarships & fellowships
Minot State University	54,473	
Total NDUS	<u>\$ 57,696</u>	

Endowment funds reported herein do not include the Federal Land Grant Fund held by the State Land Department. The annual proceeds from assets held by the State Land Commissioner are deposited into each college/university's operating fund at the State Treasury and are used for current operating purposes. Bismarck State College, Lake Region State College and Williston State College do not participate in the proceeds allocated by the State Land Department. Total assets held by the State Land Department and proceeds for the fiscal year ended June 30, 2013 are approximately \$107.9 million and \$1.91 million respectively.

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E. REVERSE REPURCHASE AGREEMENTS

State statutes permit the State to enter into reverse repurchase agreements, that is, the sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in fair value of the securities. All sales of investments under these agreements are for fixed terms. In investing the proceeds of these agreements, State policy is for the term to maturity of the investment to be the same as the term of the agreement. Such matching existed at year end. These agreements are secured by Fed book-entry securities held in the State's name. At June 30, 2013, the State had no reverse repurchase agreements outstanding and did not participate in reverse repurchase agreements during the fiscal year.

F. RECEIVABLES

Receivables at June 30, 2013, consist of the following (expressed in thousands):

	General	Federal	State	Other Governmental Funds	Bank of North Dakota	Housing Finance	University System
Receivables:							
Accounts	\$ 12,143	\$ 8,854	\$ 94,920	\$ -	\$ -	\$ 583	\$ 27,626
Less Allowance	(4,569)	-	(14,679)	-	-	-	(5,813)
Taxes	510,759	-	170,291	35	-	-	-
Less Allowance	(64,772)	-	(7,935)	-	-	-	-
Interest	7,531	-	11,818	134	39,625	2,890	1
Less Allowance	-	-	(1)	-	-	-	-
Current Loans and Notes	278	232	66,058	40,146	773,115	16,727	9,739
Less Allowance	(27)	-	(2,746)	-	-	-	(1,638)
Noncurrent Loans and Notes	25,000	-	-	-	2,376,925	662,638	34,990
Less Allowance	-	-	-	-	(52,280)	-	(6,137)
Net Receivables	\$ 486,343	\$ 9,086	\$ 317,726	\$ 40,315	\$ 3,137,425	\$ 682,838	\$ 58,768

	Workforce Safety & Insurance	Other Enterprise Funds	Internal Service Funds	Fiduciary Funds	Major Component Units	Total
Receivables:						
Accounts	\$ 55,185	\$ 95,488	\$ 238	\$ 9,843	\$ 1,818	\$ 306,698
Less Allowance	(4,000)	(9,868)	-	-	(27)	(38,956)
Taxes	-	-	-	34,038	-	715,123
Less Allowance	-	-	-	(4,396)	-	(77,103)
Interest	8,374	1,711	43	11,473	4,086	87,686
Less Allowance	-	-	-	-	-	(1)
Current Loans and Notes	-	7,950	-	-	4,150	918,435
Less Allowance	-	-	-	-	-	(4,411)
Noncurrent Loans and Notes	-	87,684	-	-	13,091	3,200,328
Less Allowance	-	(4,448)	-	-	(6,517)	(69,382)
Net Receivables	\$ 59,559	\$ 178,517	\$ 281	\$ 50,958	\$ 16,601	\$ 5,038,417

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G. INTERFUND ACCOUNTS AND TRANSFERS

DUE FROM OTHER FUNDS/DUE TO OTHER FUNDS

Interfund balances at June 30, 2013, consist of the following (expressed in thousands):

Due To General Fund From:	
Federal Fund	\$ 85,171
State Fund	29,362
Bank of North Dakota	1,096
Nonmajor Enterprise Funds	29,228
All Others	36
Total Due To General Fund	<u>\$ 144,893</u>

Due To Federal Fund From:	
General Fund	\$ 4,689
State Fund	12,241
All Others	54
Total Due To Federal Fund	<u>\$ 16,984</u>

Due To State Fund From:	
General Fund	\$ 2,061
Federal Fund	6,621
Internal Service Funds	7,363
Nonmajor Enterprise Funds	596
All Others	278
Total Due To State Fund	<u>\$ 16,919</u>

Included in the Internal Service Funds amount is an advance to Fleet Services from the Highway Fund for \$7,000,000. This is not expected to be repaid within one year.

Due To Internal Service Funds From:	
General Fund	\$ 4,461
State Fund	927
University System	916
All Others	1,295
Total Due To Internal Service Funds	<u>\$ 7,599</u>

Due To Bank of North Dakota From:	
State Fund	\$ 50,415
Nonmajor Enterprise Funds	33,168
Internal Service Funds	39,649
Housing Finance	7,249
All Others	292
Total Due To Bank of North Dakota	<u>\$ 130,773</u>

Included in the Nonmajor Enterprise Funds amount is a loan to Roughrider Industries for \$162,831. Included in the State Fund amount is a loan to Highway Patrol for \$1,716,000. These amounts are not expected to be repaid within one year.

Due To University System From:	
General Fund	\$ 16,087
Federal Fund	4,912
All Others	382
Total Due To University System	<u>\$ 21,381</u>

Due To All Other Funds From:	
All Other	<u>\$ 1,683</u>

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

These balances are a result of a time lag between the dates that (1) services are provided and goods received or reimbursable expenditures occur, (2) the payments are made, (3) the transactions are entered into the accounting system, and (4) because of transactions occurring between funds with a fiscal year other than June 30, 2013.

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

Due From's	\$ 340,232
General Fund/Bank of ND	(1,099)
Bank of ND/Housing Finance	1,408
Mill & Elevator/Bank of ND	(11,000)
Bank of ND/University System	709
Bank of ND/Student Loan Trust	144
Bank of ND/Guaranteed Student Loan	1,898
Governmental Agencies/Bank of ND	(48,990)
Bank of ND/Enterprise Funds	(2,333)
Total Differences	(59,263)
Due To's	<u>\$ 280,969</u>

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

INTERFUND TRANSFERS

A summary of interfund transfers for the fiscal year ended June 30, 2013, follows (expressed in thousands):

	Transfers In							Total
	General	Special Revenue Federal	Special Revenue State	Non-major Governmental	Housing Finance	University System	Non-major Enterprise	
Transfers Out								
General	\$ -	\$ 1,963	\$ 2,102	\$ -	\$ -	\$ 421,374	\$ 21,800	\$ 447,239
Special Revenue – Federal	7,332	-	15,683	-	457	-	-	23,472
Special Revenue - State	306,101	1,789	-	11,799	326	11,288	2,620	333,923
Non-major Governmental	968	-	907	-	-	-	1,888	3,763
Bank of North Dakota	-	-	-	-	-	-	28,997	28,997
Housing Finance	-	-	29	-	-	-	-	29
University System	-	-	-	5,634	-	-	-	5,634
Non-major Enterprise	29,204	-	9,702	60	-	-	30,550	69,516
Total	\$343,605	\$ 3,752	\$ 28,423	\$ 17,493	\$ 783	\$ 432,662	\$ 85,856	\$ 912,573

(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, 2013, legislatively-mandated transfers were made to the general fund of \$7.3 million from the State Lottery.

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

Transfers In	\$ 861,702
Differences:	
Bank of ND/PACE	2,700
Bank of ND/Rebuilder Loan Program	53,141
Special Rev – State/State Fair	582
Bank of ND/Information Tech. Dept.	(10,554)
Other	2
Student Loan Trust	5,000
Total Differences	<u>50,871</u>
Transfers Out	<u>\$912,573</u>

The above timing differences of \$50,871,000 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, Student Loan Trust, September and Beginning Farmer, December. This difference is also the total net transfers on the Government-wide Statement of Activities.

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H. CAPITAL ASSETS

PRIMARY GOVERNMENT:

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

<u>Description</u>	Balance July 1, 2012 Restated*	Increases	Decreases	Balance June 30, 2013
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 70,827	\$ 6,123	\$ (26)	\$ 76,924
Construction in Progress	591,729	353,378	(83,848)	861,259
Total Capital Assets Not Being Depreciated	<u>662,556</u>	<u>359,501</u>	<u>(83,874)</u>	<u>938,183</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	515,986	30,779	(1,505)	545,260
Equipment	259,486	26,961	(14,431)	272,016
Intangibles				
Software	82,847	7,677	(7,321)	83,203
Other	8,706	721	(74)	9,353
Infrastructure	<u>3,621,085</u>	<u>101,399</u>	<u>(4,579)</u>	<u>3,717,905</u>
Total Capital Assets Being Depreciated	<u>4,488,110</u>	<u>167,537</u>	<u>(27,910)</u>	<u>4,627,737</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(212,028)	(13,311)	1,351	(223,988)
Equipment	(121,872)	(19,978)	11,065	(130,785)
Intangibles				
Software	(50,795)	(7,848)	7,228	(51,415)
Other	(2,389)	-	244	(2,145)
Infrastructure	<u>(2,641,858)</u>	<u>(54,113)</u>	<u>4,278</u>	<u>(2,691,693)</u>
Total Accumulated Depreciation	<u>(3,028,942)</u>	<u>(95,250)</u>	<u>24,166</u>	<u>(3,100,026)</u>
Total Capital Assets Being Depreciated, Net	<u>1,459,168</u>	<u>72,287</u>	<u>(3,744)</u>	<u>1,527,711</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,121,724</u>	<u>\$ 431,788</u>	<u>\$ (87,618)</u>	<u>\$ 2,465,894</u>

*See note 2 for details on restatement.

Infrastructure assets of the State Water Commission, with a carrying value of \$30,516,290 are considered temporarily impaired at June 30, 2013.

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Description	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Business-Type Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 19,064	\$ 243	\$ (565)	\$ 18,742
Construction in Progress	115,451	71,418	(53,099)	133,770
Total Capital Assets Not Being Depreciated	134,515	71,418	(53,099)	152,512
Capital Assets Being Depreciated:				
Buildings and Improvements	1,092,404	38,464	(60)	1,130,808
Equipment	441,865	30,909	(9,902)	462,872
Intangibles				
Software	39,060	1,430	(778)	39,712
Other	716	122	-	838
Infrastructure	176,840	17,459	(450)	193,849
Total Capital Assets Being Depreciated	1,750,885	88,384	(11,190)	1,828,079
Less Accumulated Depreciation for:				
Buildings and Improvements	(463,682)	(26,786)	570	(489,898)
Equipment	(281,704)	(27,061)	8,458	(300,307)
Intangibles				
Software	(21,718)	(3,125)	443	(24,400)
Other	(106)	(24)	-	(130)
Infrastructure	(83,775)	(5,456)	217	(89,014)
Total Accumulated Depreciation	(850,985)	(62,452)	9,688	(903,749)
Total Capital Assets Being Depreciated, Net	899,900	25,932	(1,502)	924,330
Business-Type Activities Capital Assets, Net	\$ 1,034,415	\$ 97,350	\$ (54,601)	\$ 1,076,842

Description	Balance July 1, 2012 Restated	Increases	Decreases	Balance June 30, 2013
Major Component Units:				
Capital Assets Not Being Depreciated				
Land	\$ 3,623	\$ 19	\$ -	\$ 3,642
Construction in Progress	13,074	241	(13,074)	241
Total Capital Assets Not Being Depreciated	16,697	260	(13,074)	3,883
Capital Assets Being Depreciated:				
Buildings and Improvements	163,254	20,826	(1,483)	182,597
Equipment	39,838	5,752	(4,103)	41,487
Infrastructure	1,248	187	-	1,435
Total Capital Assets Being Depreciated	204,340	26,765	(5,586)	225,519
Less Accumulated Depreciation for:				
Buildings and Improvements	50,221	4,025	-	54,246
Equipment	16,788	3,415	(2,149)	18,054
Infrastructure	546	66	-	612
Total Accumulated Depreciation	67,555	7,506	(2,149)	72,912
Total Capital Assets Being Depreciated, Net	136,785	19,259	(3,437)	152,607
Major Component Unit Capital Assets, Net	\$ 153,482	\$ 19,519	\$ (16,511)	\$ 156,490

Beginning capital asset balances were adjusted for certain reclassifications.

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

Governmental Activities:		
General Government	\$	8,031
Education		1,286
Health and Human Services		3,633
Regulatory		258
Public Safety & Corrections		10,381
Agriculture and Commerce		923
Natural Resources		10,147
Transportation		47,705
Total Governmental Activities Depreciation Expense	\$	<u>82,364</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, 2013</u>	<u>Balance Authorized</u>
Information Technology Department	\$ 5,556	\$ 374	\$ 5,182
Office of Management and Budget	1,500	1,500	-
Office of Attorney General	576	345	231
State Historical Society	51,700	34,248	17,452
Secretary of State	4,435	4,435	-
Department of Human Services	131,295	63,401	67,894
Adjutant General	13,537	7,667	5,870
Department of Corrections	53,361	48,446	4,898
Job Service North Dakota	2,000	571	1,429
Department of Transportation	950,145	698,614	251,531
Highway Patrol	2,560	1,536	1,024
Game and Fish	191	122	69
Total Governmental Activities	<u>\$ 1,216,856</u>	<u>\$ 861,259</u>	<u>\$ 355,580</u>

<u>Business-Type Activities</u>	<u>Amount Authorized</u>	<u>Amount Expended Through June 30, 2013</u>	<u>Balance Authorized</u>
Mill and Elevator	\$ 7,935	\$ 4,749	\$ 3,186
University System	271,117	129,021	140,199
Total Business-Type Activities	<u>\$ 279,052</u>	<u>\$ 133,770</u>	<u>\$ 143,385</u>

I. OPERATING LEASES

PAYMENTS ON OPERATING LEASES

The State is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the resulting expenditures are recognized as incurred. Lease expenditures for the year ended June 30, 2013, amounted to \$13,103,692 for governmental activities and \$11,726,083 for business-type activities.

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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, 2013, for all fund types are as follows (expressed in thousands):

Year Ending June 30	Governmental Activities	Business-type Activities
2014	\$ 9,604	\$ 8,930
2015	8,761	7,710
2016	3,425	6,037
2017	2,667	4,599
2018	2,383	3,241
2019-2023	8,737	3,058
2024-2028	2,834	726
2029-2033	-	726
2034-2038	-	288
Total Minimum Lease Payments	<u>\$ 38,411</u>	<u>\$ 35,315</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, 2013 (expressed in thousands):

Year Ending June 30	Governmental Activities	Business- type Activities	Major Component Units
2014	\$ 489	\$ 8,172	\$ 127
2015	391	7,536	126
2016	176	6,953	126
2017	73	6,704	126
2018	19	7,954	126
2019-2023	-	20,910	632
2024-2028	-	12,631	632
2029-2033	-	8,416	632
2034-2038	-	4,973	63
2039-2043	-	876	-
Total Minimum Lease Payments	<u>1,148</u>	<u>85,125</u>	<u>2,590</u>
Less: Amount Representing Interest	<u>(81)</u>	<u>(23,329)</u>	<u>(940)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 1,067</u>	<u>\$ 61,796</u>	<u>\$ 1,650</u>

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, 2013, is as follows (expressed in thousands):

	Governmental Activities	Business- Type Activities	Major Component Units
Infrastructure	\$ -	\$ 560	\$ -
Buildings	-	69,566	1,979
Equipment	2,722	29,907	-
Less: Accumulated Depreciation	<u>(1,796)</u>	<u>(28,598)</u>	<u>(632)</u>
Total	<u>\$ 926</u>	<u>\$ 71,435</u>	<u>\$ 1,347</u>

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K. LONG-TERM DEBT

Debt authorized is generally limited by the state constitution. The Constitution of North Dakota provides that the State may issue or guarantee the payment of bonds, provided that all bonds in excess of \$2 million are: (1) secured by first mortgage upon property and no further indebtedness may be incurred by the State unless evidenced by a bond issue; (2) authorized by law; (3) for a certain purpose; (4) provisioned to pay the interest semiannually; and (5) the principal is paid within 30 years. Additionally, the law authorizing the bond issue must specifically appropriate the provisions to the payment of the principal and interest of the bond.

BONDS AND NOTES PAYABLE

Bonds payable at June 30, 2013, consisted of bonds issued by the State and are accounted for by the respective state agencies in the government-wide financial statements that issued the bonds.

1. REVENUE BONDS

Current state statutes empower certain state agencies to issue bonds as part of their activities. This debt is not backed by the full faith and credit of the State of North Dakota. The principal and interest on such bonds shall be payable only from the applicable agency's program income.

Primary Government

Building Authority

The 2005 Series A Bonds, the 2006 Series A and B Bonds, and the 2010 Series A and B and the 2012 Series A bonds have interest payable semiannually on June 1 and December 1 of each year. The bonds of each series are subject to optional and/or extraordinary optional redemption prior to maturity upon the occurrence of certain events. The bonds are independently secured by the funds, certain mortgaged property, and all rights, titles, and interests of the Building Authority as lessor, including all basic rent payments, investment earnings on the funds and any other income derived by the Building Authority with respect to the lease. Total net revenue pledges for fiscal year 2013 were \$8.4 million. For fiscal year 2013, principal and interest paid by the Authority on the bonds was \$8.5 million. The total principal and interest remaining to be paid as of June 30, 2013, is \$80.4 million payable through December 2024.

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

Water Commission

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

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

Total net revenue pledges for fiscal year 2013 were \$9.8 million. The total principal and interest remaining to be paid on the bonds is \$114.9 million payable through July 2048. For fiscal year 2013, principal and interest paid by the Commission on the bonds was \$9.9 million.

Department of Transportation

The North Dakota Department of Transportation (NDDOT) is authorized pursuant to NDCC 24-02, to issue grant and revenue anticipation bonds for the purpose of financing certain qualified federal aid transportation projects. The Series 2005 Bonds are limited obligations of NDDOT, payable solely from federal transportation funds, pledged state highway funds and other moneys. The Series 2005 Bonds will not be deemed or construed as creating an indebtedness of the State within the meaning of the State Constitution or laws of the State concerning or limiting the creation of indebtedness of the State. The total principal and interest remaining to be paid on the bonds is \$37.2 million payable through June 2017. For the current year principal and interest paid and total net pledged revenues before interest expense were \$5.3 million and \$5.3 million respectively.

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

Information Technology Department

The State financed the ConnectND project with revenue bonds. The total principal and interest remaining to be paid on the bonds is \$1.6 million payable through June 2014. For fiscal year 2013, revenue pledged and total principal and interest paid by ITD were \$6.0 million and \$0.78 million, respectively.

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Student Loan Trust

Interest is payable semiannually on June 1 and December 1 of each year. The 2004 Series A Bonds are variable rate bonds. The rate of interest is determined based on the lesser of either the one-month LIBOR plus .7% or Federal Home Loan Bank plus .7%. The maximum rate of interest is 12% per annum. Details of the terms and provisions of the variable rate bonds are outlined in Section 2.1 of the Fourth Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds First General Bond Resolution. Section 2.2 of the Fourth Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds First General Bond Resolution has deemed these to be Federally Taxable Bonds. The Series 2004 Bonds are subject to redemption prior to maturity at the option of the Commission from any source of funds, in whole or in part, on any date at a redemption price equal to 100% of the principal amount plus accrued interest to date of redemption.

Interest is payable semiannually on June 1 and December 1 of each year. The Subordinate Series 2004 Bonds are variable rate bonds and are Federally Taxable Bonds. The rate of interest is determined based on the lesser of either the one-month LIBOR plus .7% or Federal Home Loan Bank plus .7%. The maximum rate of interest is 12% per annum. Details of the terms and provisions of the variable rate bonds are outlined in Section 2.1 of the Fourth Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds First General Bond Resolution. The Subordinate Series 2004 Bonds are subject to redemption prior to maturity at the option of the commission from any source of funds, in whole or in part, on any date at a redemption price equal to 100% of the principal amount plus accrued interest to date of redemption. As of June 1, 2013, there are no Subordinate Series Bonds outstanding.

The total principal and interest remaining to be paid on the outstanding bond is \$1.1 million payable through June 2029. For fiscal year 2013, revenue pledged and total principal and interest paid by ITD were \$318,000 and \$2.2 million, respectively

Housing Finance

Housing Finance Bonds were issued to provide financing to purchase mortgage loans to finance multifamily housing projects. The bonds are the direct obligation of the Housing Finance Agency and are secured by the mortgage loans purchased under the applicable resolutions; the revenues, prepayments, insurance and foreclosure proceeds received related to the mortgage loans; and certain funds and accounts established pursuant to the applicable bond resolution. The term bonds of all bond series have mandatory sinking fund requirements starting in 1998.

Revenues Pledged – The agency has homeownership bonds outstanding in the amount of \$695.9 million maturing at various times from January 1, 2014 through July 1, 2042. 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 \$238.6 million and \$283.0 million, respectively. Bond principal was reduced through customer revenues and the refunding of older bonds with proceeds from new bond issues.

University System

Revenue bonds are limited obligations of the University System. The principal and interest on the bonds are payable generally from the net income of specific auxiliary activities, designated student fees, interest subsidies and debt service reserve funds. These revenues are generally pledged to the payment of bonds in accordance with the specific terms of the specific indenture. Net pledged revenues for fiscal year 2013 were \$63.5 million. Principal and interest paid for the current fiscal year were \$14.9 million, with total remaining principal and interest of \$361.1 million payable through June 2041.

Major Component Units

Public Finance Authority

The bonds of the Public Finance Authority were issued to provide financing to purchase municipal securities in order to provide local political subdivisions with funds to finance local projects. The bonds are direct obligations of the Public Finance Authority and are secured by municipal securities purchased under the applicable resolutions, interest earnings and certain accounts established pursuant to the applicable bond resolutions. Net pledged revenues for fiscal year 2013 were \$34.5 million. Principal and interest paid for the current fiscal year were \$67.59 million, with total remaining principal and interest of \$317.2 million payable through June 2041.

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Revenue Bonds outstanding (expressed in thousands):

Fund Type/Fund	Maturities	Interest Rates	Balance 6/30/13
Primary Government			
<u>Governmental:</u>			
Building Authority	2014-2031	1.50-6.25	\$ 63,380
Water Commission	2014-2049	2.50-5.00	84,970 ¹⁾
Department of Transportation	2014-2020	3.00-5.00	31,670
Information Technology Department	2014	4.00-5.25	737
<u>Proprietary:</u>			
Student Loan Trust	2014-2029	0.95	1,000 ²⁾
Housing Finance:			
Homeownership	2014-2043	0.35-5.75	695,918 ²⁾
University System:			
VCSU—Valley City	2014-2040	2.80-7.05	8,755
Williston State College	2014-2041	3.00-6.90	9,021
Lake Region State College	2014-2018	3.00-5.125	450
UND—Grand Forks	2014-2036	0.75-5.0	65,695
NDSU—Fargo	2014-2040	1.5-6.50	98,270
NDSU—Wahpeton	2014-2037	3.76-5.5	9,000
MiSU—Minot	2014-2041	0-6.60	13,905
MaSU—Mayville	2014-2030	1.55-6.63	5,108
BSC—Bismarck	2014-2033	2.00-5.35	10,580
NDUS – Univ. Sys. State Office	2014	4.28	1,804
Total Revenue Bonds Payable— Primary Government			\$ 1,100,263
Major Component Units			
<u>Proprietary:</u>			
Public Finance Authority	2014-2041	0.24-10.00	\$ 236,395
University System Foundation	2014-2038	0.85-6.00	65,848
Total Revenue Bonds Payable— Major Component Units			\$ 302,243

¹⁾ Approximately \$51 million of the Water Commission's bonds payable is not associated with fixed assets of the State.

²⁾ Entire amount of bonds payable are not associated with fixed assets of the State.

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

Primary Government:

Governmental Activities

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 17,276	\$ 7,698
2015	16,423	7,021
2016	17,116	6,331
2017	16,590	5,586
2018	38,545	8,663
2019-2023	44,274	11,183
2024-2028	19,372	3,602
2029-2033	4,359	1,294
2034-2038	1,106	736
2039-2043	1,360	493
2044-2048	1,397	198
2049-2053	156	8
Bond Premium	2,783	(2,783)
Total	\$ 180,757	\$ 50,030

Business-type Activities

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 24,118	\$ 36,643
2015	25,494	36,034
2016	31,738	35,171
2017	33,542	33,990
2018	33,576	32,737
2019-2023	157,770	144,332
2024-2028	153,807	112,705
2029-2033	175,045	77,768
2034-2038	187,358	37,850
2039-2043	90,731	6,534
Bond Premium	6,327	(6,327)
Total	\$ 919,506	\$ 547,437

Major Component Units

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 18,786	\$ 12,777
2015	17,860	11,244
2016	17,699	10,630
2017	22,080	9,955
2018	32,375	9,244
2019-2023	77,395	35,014
2024-2028	60,450	18,861
2029-2033	39,541	5,862
2034-2038	4,510	645
2039-2043	1,130	95
Bond Premium	10,417	(10,417)
Total	\$ 302,243	\$ 103,910

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2. NOTES PAYABLE

The following is a schedule of notes payable outstanding at June 30, 2013 (expressed in thousands):

<u>Fund Type/Fund</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Balance 6/30/13</u>
Primary Government			
<u>Governmental:</u>			
Department of Corrections	2014-2015	4.59	\$ 134
Department of Human Services	2014-2015	4.24	746
Department of Transportation	2014-2022	4.18	1,784
Office of Management and Budget	2014-2022	4.18	3,369
School for the Deaf	2014-2021	4.8408	179
<u>Proprietary:</u>			
Bank of North Dakota	2014-2025	2.20-7.35	405,338
University System	2014-2024	3.27-9.90	10,518
Major Component Units			
University System Foundation	2014-2032	0.25-6.86	15,538

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

The Public Finance Authority has a note payable of \$2,435,000 due to the Bank of North Dakota which is reported in the state's financial statements as a due to primary government.

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

Primary Government:

Governmental Activities

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 1,210	\$ 240
2015	590	200
2016	521	179
2017	564	157
2018	609	133
2019-2023	2,718	250
2024-2028	-	-
2029-2033	-	-
Total	\$ 6,212	\$ 1,159

Business-type Activities

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 3,679	\$ 16,762
2015	3,831	16,610
2016	4,010	16,450
2017	11,194	16,036
2018	4,390	15,697
2019-2023	377,813	33,611
2024-2028	10,939	1,294
Total	\$ 415,856	\$ 116,460

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Major Component Units

Fiscal Year	Principal	Interest
2014	\$ 4,137	\$ 576
2015	1,766	438
2016	2,554	355
2017	1,543	288
2018	4,510	176
2019-2023	1,028	26
2024-2028	-	-
2029-2033	-	-
Total	\$ 15,538	\$ 1,859

Changes in General Long-Term Liabilities

Changes in Long-Term Liabilities for the year ended June 30, 2013, are summarized as follows (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Notes Payable	\$ 7,428	\$ -	\$ (1,217)	\$ 6,211	\$ 1,210
Bonds Payable	197,021	1,498	(17,762)	180,757	17,410
Capital Leases Payable	1,928	352	(1,212)	1,068	454
Intergovernmental Payable	7	-	(7)	-	-
Compensated Absences	41,725	28,393	(26,594)	43,524	2,742
Claims/Judgments Payable	8,773	6,808	(5,693)	9,888	2,754
Net Pension & OPEB Obligation	1,022	2,692	(1,884)	1,830	-
Total Long-Term Liabilities	\$ 257,904	\$ 39,738	\$ (54,364)	\$ 243,278	\$ 24,570
Business-Type Activities:					
Notes Payable	\$ 481,735	\$ 53,000	\$ (118,879)	\$ 415,856	\$ 3,680
Bonds Payable	1,069,256	92,301	(242,051)	919,506	24,118
Capital Leases Payable	73,211	3,156	(14,571)	61,796	5,497
Intergovernmental Payable	10,851	18,053	(18,603)	10,301	384
Compensated Absences	33,462	5,162	(2,688)	35,936	4,034
Dividends Payable	142,388	147,585	(127,973)	162,000	162,000
Claims/Judgments Payable	867,662	308,297	(215,012)	960,947	115,988
Total Long-Term Liabilities	\$ 2,678,565	\$ 627,554	\$ (739,777)	\$ 2,566,342	\$ 315,701
Major Component Units:					
Notes Payable	\$ 11,999	\$ 9,627	\$ (6,088)	\$ 15,538	\$ 4,137
Bonds Payable	311,441	68,448	(77,646)	302,243	17,678
Capital Leases Payable	1,705	-	(55)	1,650	50
Intergovernmental Payable	770	23	(68)	725	88
Total Long-Term Liabilities	\$ 325,915	\$ 78,098	\$ (83,857)	\$ 320,156	\$ 21,953

*Notes Payable, Bonds Payable and Capital Leases Payable includes \$478,356, \$27,020,000 and \$29,266,716 respectively, classified as Due to Component Units in the Statement of Net Position for the University System. Of the above amounts, \$38,139, \$1,335,000 and \$1,588,521 are shown as current.

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

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Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$2,166,065 of internal service fund compensated absences and \$7,380,888 of claims and judgments are included in the above amounts. Other governmental activities compensated absences generally have been liquidated by the General Fund (55%), the Highway Fund (12%), the Federal Fund (20%), and other various funds. Other governmental activities claims and judgments have all been liquidated by the Petroleum Release Compensation Fund.

3. DEFEASED DEBT

University System

University of North Dakota

During fiscal year 2013, the University of North Dakota issued \$17.36 million of Housing and Auxiliary Facilities Revenue Refunding Bonds (Series 2013) with an interest rates ranging from 2.0 to 5.0 percent. The bonds were used to call \$17.6 million of outstanding Series 2002 and 2004 Housing and Auxiliary Facilities Revenue Bonds. The University advance refunded the 2004 bonds and current refunded the 2002 bonds to reduce its total debt service payments over the next 21 years by approximately \$1.9 million and to obtain an economic gain (difference of the present values of the debt service payments on the old and new debt) of approximately \$1.4 million.

Component Units

Public Finance Authority Bonds

The Finance Authority issued \$19,705,000 of revenue bonds (Series 2012A SRF Bonds) with an average interest rate of 4.52 percent on August 29, 2012. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments on the refunded bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$2,093,000. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is the same as the life of the new debt issued. This refunding was undertaken to reduce total debt service payments over the next 13 years by

\$1,617,000 and resulted in an economic gain of \$1,479,000. As of December 31, 2012, \$20,685,000 of bonds outstanding is considered defeased and the liability has been removed from the balance sheet.

The Finance Authority issued \$17,900,000 of revenue bonds (Series 2012B SRF Bonds) with an average interest rate of 1.6 percent on August 29, 2012. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments on the refunded bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$2,155,000. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is the same as the life of the new debt issued. This refunding was undertaken to reduce total debt service payments over the next 9 years by \$1,196,000 and resulted in an economic gain of \$1,138,000. As of December 31, 2012, \$16,250,000 of bonds outstanding is considered defeased and the liability has been removed from the balance sheet.

L. ARBITRAGE REBATE PAYABLE

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

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

The State has an arbitrage rebate payable to the federal government of approximately \$222,000 at June 30, 2013. These amounts are reported in the Government-wide and Proprietary Fund Type financial statements as an intergovernmental payable.

NOTE 4 – NET POSITION

The government-wide Statement of Net Position reports \$3,786,154,729 of restricted net position, of which \$824,923,736 is restricted by enabling legislation.

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NOTE 5 – Major Purpose Presentation

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

Federal Special Revenue Fund by Source

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

	<u>Total</u>
Intergovernmental	\$ 1,377,791,289
Sales and Services	1,205,036
Royalties and Rents	3,183
Interest and Investment Income	11,687
Miscellaneous	2,250,985
Transfers In	<u>3,750,270</u>
Total Federal Special Revenue	<u>\$ 1,385,012,450</u>

State Special Revenue Fund by Source

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

	<u>Total</u>
Individual and Corporate Income Taxes	\$ 14,553,563
Sales and Use Taxes	326,097,555
Oil, Gas, and Coal Taxes	1,535,485,676
Business and Other Taxes	31,519,007
Licenses, Permits and Fees	174,311,358
Intergovernmental	45,065,327
Sales and Services	43,089,497
Royalties and Rents	358,117,397
Fines and Forfeits	17,570,273
Interest and Investment Income	232,318,563
Tobacco Settlement	31,344,429
Commodity Assessments	28,572,996
Miscellaneous	51,179,195
Transfers In	<u>33,975,600</u>
Total State Special Revenue	<u>\$ 2,923,200,436</u>

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Governmental Fund Balance By Purpose

	Special Revenue			Nonmajor Governmental Funds	Total
	General	Federal	State		
Fund Balances:					
Nonspendable					
Inventory	\$ 2,764,851	\$ 8,888,882	\$ 7,588,920	\$ -	\$ 19,242,653
Long – Term Receivables	251,201	-	-	-	252,201
Prepaid Expenditures	1,762,842	1,991,412	2,338,714	-	6,092,968
Legal Requirements	1,350,400,547	-	-	-	1,350,400,547
Permanent Trust Fund	-	-	-	65,183,169	65,183,169
Total Nonspendable	1,355,179,441	10,880,294	9,927,634	65,183,169	1,441,170,538
Restricted for:					
Education Programs	-	-	338,376,721	-	338,376,721
Distribution to					
Common Schools	-	-	2,569,918,694	-	2,569,918,694
Health & Human Services	-	-	9,671,530	-	9,671,530
Judicial & Legal	-	-	155,611	-	155,611
Public Safety & Corrections	-	-	865,697	-	865,697
Agriculture & Commerce	-	-	6,214,196	-	6,214,196
Highway Projects	-	-	239,499,803	-	239,499,803
Transportation	-	-	17,214,691	-	17,214,691
Debt Services	-	-	-	16,767,264	16,767,264
Other	-	-	478,399,147	2,165,000	480,564,147
Total Restricted	-	-	3,660,316,090	18,932,264	3,679,248,354
Committed to:					
Tobacco Prevention	-	-	46,694,033	-	46,694,033
Judicial & Legal	-	-	12,206,447	-	12,206,447
Public Safety & Corrections	77,075,079	-	3,121,925	-	80,197,004
Agriculture & Commerce	15,488,631	-	22,052,258	-	37,540,889
Transportation Programs	-	-	6,168,331	-	6,168,331
Property Tax Relief	341,790,000	-	-	-	341,790,000
Stabilization	401,353,181	-	-	-	401,353,181
Strategic Investments & Improvements	-	-	969,920,162	-	969,920,162
Other	4,354,315	-	140,395,969	11,923	144,762,207
Total Committed	840,061,206	-	1,200,559,125	11,923	2,040,632,254
Assigned to:					
Education Programs	-	-	1,620,976	-	1,620,976
Human Services					
Operations	-	-	34,175,023	-	34,175,023
Judicial & Legal	-	-	8,156,970	-	8,156,970
Public Safety & Corrections	-	-	8,823,529	-	8,823,529
Agriculture & Commerce	-	-	1,047,623	-	1,047,623
Other	-	-	10,906,434	-	10,906,434
Total Assigned	-	-	64,730,555	-	64,730,555
Unassigned	2,142,277,489	(6,075,964)	-	-	2,136,201,525
Total Fund Balances	\$ 4,337,518,136	\$ 4,804,330	\$ 4,935,533,404	\$ 84,127,356	\$ 9,361,983,226

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NOTE 6 – RETIREMENT SYSTEMS

A. DESCRIPTION OF PLANS

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

NORTH DAKOTA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

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

At June 30, 2013, the number of participating local political subdivisions in PERS was:

Cities and Park Districts	83
Counties	49
School Districts	117
Other	<u>73</u>
Total Participating Local Political Subdivisions	<u><u>322</u></u>

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

years of service for the Main System and National Guard/Law Enforcement, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the employee's accrued normal retirement benefit, or monthly payments in an amount equal to the employees' accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

For judges only, the death benefit is changed to the greater of (i) lump sum payment of accumulated contributions, and (ii) 100% of the member's accrued benefit (not reduced on account of age), payable for the spouse's lifetime.

Eligible employees who become totally disabled after a minimum of 180 days of service receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the employee has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for "disabled" is set by the Board in the North Dakota Administrative Code.

For Judges only, the disability benefit formula is changed to 70% of final average salary minus social security and workers compensation benefits.

Pension benefits are set by statute. The System has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equals or exceeds 85 or at normal retirement age (65), equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64, with three or more years of service for the Main System and five or more years of service for the Supreme and district court judges. The monthly pension benefit for Supreme and district court judges at normal retirement age (65) or the rule of 85 is equal to a percentage of average monthly salary using the highest 36 consecutive months out of the last 180 months of service. The percentage is equal to 3.5% of final average monthly salary multiplied by the first 10 years of service, plus 2.80% of final average monthly salary times the second 10 years of service, plus 1.25% of final average monthly salary times years of service in excess of 20 years. The judicial retirement formula is only applied to eligible judicial service. Non-judicial service benefits are calculated using the 2.00% multiplier. The monthly pension benefit for National Guard at normal retirement age (55), and Law Enforcement, normal retirement age (55) or the rule of 85, is equal to 2.00 percent of their average monthly salary, using the highest 36 months out of the last 180

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months of service, for each year of service. The plan permits early retirement at ages 50-55 with three or more years of service.

Employees may elect to receive the pension benefits in the form of a single life, joint and survivor, level social security, term-certain annuity, or partial lump sum with ongoing annuity. (The level of social security option is no longer an option for retirements effective 7/1/2013 and thereafter). Employees may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the employee's accumulated contributions plus interest.

The System is funded by employee contributions (set by statute). During the 1983-1985 biennium, the State implemented the employer pickup provision of the IRS code, whereby a portion or all of the required employee contributions are made by the employer. The State is paying 4% of the full employee contribution. Some of the political subdivisions are paying all or part of the employee contributions. Member contribution rates are established as a percent of covered compensation as follows:

	Effective 1/1/2012	Effective 1/1/2013	Effective 1/1/2014
PERS	5.00%	6.00%	7.00%
Judges Retirement System	6.00%	7.00%	8.00%
National Guard Retirement System	4.00%	4.00%	4.50%
Law Enforcement with previous service State	5.00%	6.00%	6.00%
Political subdivisions	4.50%	5.00%	5.50%
Law Enforcement without previous service	4.50%	5.00%	5.50%

Employer contributions are established as a percent of covered compensation as follows:

	Effective 1/1/2012	Effective 1/1/2013	Effective 1/1/2014
PERS	5.12%	6.12%	7.12%
Judges Retirement System	15.52%	16.52%	17.52%
National Guard Retirement System	6.50%	6.50%	7.00%
Law Enforcement with previous service State	9.31%	10.31%	10.31%
Political subdivisions	8.81%	9.31%	9.81%
Law Enforcement without previous service	6.93%	7.43%	7.93%

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

Except for Supreme and district court judges, the employees' account balance includes the vested

employer contributions equal to the employee's contributions to an eligible deferred compensation plan.

The minimum member contribution is \$25, and the maximum may not exceed certain parameters based upon years of service.

The North Dakota Retirement Board was created by the State Legislature and is the governing authority of PERS. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code.

NORTH DAKOTA HIGHWAY PATROLMEN'S RETIREMENT SYSTEM (NDHPRS)

The North Dakota Highway Patrolmen's Retirement System is a single-employer defined benefit pension plan covering substantially all sworn officers of the Highway Patrol of the State of North Dakota. It is not subject to the provisions of the Employee Retirement Income Security Act of 1974. NDHPRS issues a publicly available financial report that may be obtained by writing to North Dakota Public Employees Retirement System, 400 East Broadway, Suite 505, Bismarck, North Dakota 58501.

Death and disability benefits are set by statute. If an active employee dies with less than 10 years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than 10 years of credited service, the surviving spouse, if any, will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50 percent of the employee's accrued normal retirement benefit. If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be payable to any designated beneficiary.

Eligible employees who become totally disabled after a minimum of 180 days service receive monthly disability benefits that are up to 70 percent of their final average salary, reduced by workers compensation with a minimum benefit of \$100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled and apply for benefits within one year of termination.

Pension benefits are set by statute. The System has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees are entitled to unreduced pension benefits after a minimum of 10 years of service upon attainment of age 55 or when the sum of age and years of credited service equals or exceeds 80. The annual pension benefit is equal to a percentage of average monthly salary using the highest 36 months out of the last 180 months of service. The percentage is equal to the sum of the first 25 years of service multiplied by 3.60% and 1.75% multiplied by years of service in excess of 25, if any. The plan permits early retirement at ages 50-54, with ten or more years of service.

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

The System is funded by employee contributions of 11.30% (through December 31, 2012), 12.30% (effective January 1, 2013), and 13.3% (effective January 1, 2014) (of which the State is paying 4%) of total compensation and an employer contribution 17.70% (through December 31, 2012), 18.70% (effective January 1, 2013), and 19.7% (effective January 1, 2014). The required contributions are determined using an entry age normal cost method. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDHPRS. Benefit and contribution provisions are administered in accordance with chapter 39-03 of the North Dakota Century Code.

REFUNDS OF MEMBER CONTRIBUTIONS

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

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

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

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

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

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

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

Benefits are established through the plan document, as amended. The System provides a post-retirement cost-of-living adjustment each year based on the Consumer Price Index. Employees are entitled to annual pension benefits beginning at normal retirement age (65). Employees may elect optional retirement eligibility at age 62 with 5 years of credited service, at age 60 with 20 years of credited service, or at age 55 with 30 years of credited service. Pension benefits are calculated based on the final average earnings (basic monthly earnings averaged over the highest three consecutive years of basic earnings) of the employee multiplied by the sum of:

- 1.5% times years of credited service up to 5 plus;
- 1.75% times years of credited service between 6 and 10 plus;
- 2.0% times years of credited service in excess of 10.

The System is funded by employee contributions of 7% of retirement wages (of which 4% is paid by the employer in lieu of salary increases). The required employer contributions are determined using the aggregate cost method. Benefit and contribution provisions of the JSND are administered in accordance with chapter 52-11 of the North Dakota Century Code. Effective July 1, 1999, the "scheduled contribution" will be zero as long as the Plan's actuarial value of assets

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exceeds the actuarial present value of projected benefits. The “scheduled contribution” and amortization will be determined when the plan is not in surplus and will be based on a funding policy adopted by the employer.

TEACHERS' FUND FOR RETIREMENT (TFFR)

The North Dakota Teachers' Fund for Retirement is a cost-sharing multiple-employer defined benefit pension plan covering employees for all public and certain college, State and non-public teachers of the State who meet certain requirements of age, period of productive service and employment. TFFR provides for pension, survivor and disability benefits. Teachers' Fund for Retirement issues a publicly available financial report that may be obtained by writing to the Retirement and Investment Office, 1930 Burnt Boat Drive, Bismarck, North Dakota 58503.

At June 30, 2013, the number of participating employer units in TFFR was:

<u>Type</u>	<u>Number</u>
Special Education Units	19
Vocational Education Units	5
Public School Districts	179
County Superintendents	7
Other	10
Total	<u>220</u>

Effective July 1, 2008, for purposes of determining pension benefits, members are classified as those employed before July 1, 2008, who have not taken a refund (Tier 1), and those employed after July 1, 2008 (Tier 2). (Note: Legislation approved in 2011 will modify pension eligibility requirements for certain non-grandfathered Tier 1 member and Tier 2 members effective July 1, 2013.)

Tier 1 - A member is entitled to receive full benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and has reached age 65, or the sum of age and years of service equals or exceeds 85. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 6% per year for every year the member's retirement age is less than 65 years or the date as of which age plus service equal 85. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or

level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Tier 2 - A member is entitled to receive full benefits when five or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and has reached age 65, or the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 6% per year for every year the member's retirement age is less than 65 years or the date as of which age plus service equal 90. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the five highest annual salaries earned divided by 60 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Survivor benefits may be paid to a member's designated beneficiary. If a member's death occurs before retirement, the benefit options available are determined by the member's vesting status prior to death. If a member's death occurs after retirement, the death benefit received by the beneficiary (if any) is based on the retirement plan the member selected at retirement.

An active member is eligible to receive disability benefits when: (a) a total disability lasting twelve months or more does not allow the continuation of teaching, (b) the member has accumulated one year of credited service in North Dakota, and (c) the Board of Trustees of TFFR has determined eligibility based upon medical evidence. The amount of the disability benefit is computed by the retirement formula in NDCC 15-39.1-10 without consideration of age and assuming the member has a minimum of 20 years of credited service. There is no actuarial reduction for reason of disability retirement. (Note: Legislation approved in 2011 will modify disability eligibility requirements and benefit calculations effective July 1, 2013.)

Assessments and contributions paid to TFFR are set by NDCC 15-39.1-09. Every eligible teacher in the state of North Dakota is required to be a member of TFFR and is assessed at a rate of 9.75% 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 10.75% of the teacher's salary. Member contributions will increase to 11.75% on July 1, 2014 and 12.75% on July 1, 2014. Member and employer contributions will be reduced to 7.75% each when the fund reaches 100% funded ratio on an actuarial basis.

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

Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

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

	<u>PERS</u>	<u>NDHPRS</u>	<u>JSND</u>	<u>TFFR</u>
Retirees and Beneficiaries				
Currently Receiving Benefits:	8,721	116	213	7,489
Special Prior Service Retirees:	9	-	-	-
Terminated Employees:				
Vested	4,258	9	3	1,500
Nonvested	3,505	6	-	563
Total Terminated Employees	7,763	15	3	2,063
Active Employees:				
Vested	15,718	71	15	7,465
Nonvested	5,870	78	-	2,673
Total Active Employees	21,588	149	15	10,138
Date of Annual Valuation	July 1, 2013	July 1, 2013	July 1, 2013	July 1, 2013

The above table includes retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits, but not yet receiving them.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

BASIS OF ACCOUNTING

The public employee retirement systems described above are considered part of the State of North Dakota's reporting entity and are included in the State's financial statements as pension trust funds. The financial statements of these systems are prepared using the accrual basis of accounting. Employee contributions are recognized as revenues in the period in which they are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contribution. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

METHOD USED TO DETERMINE EMPLOYER CONTRIBUTIONS

Employer contributions for the PERS and NDHPRS were determined by an actuarial formula identified as entry age normal cost method. The formula determines the amount of contributions necessary to fund: (a) the current service cost, which represents the estimated amount necessary to pay for benefits earned by

employees during the current service year and, (b) the prior service cost, which represents the amount necessary to pay for benefits earned prior to the effective date of the plan.

METHOD USED TO VALUE INVESTMENTS

Investments are recorded at fair value determined by reference to published market data for publicly traded securities and through the use of independent valuation services and appraisals for other investments. The net increase in fair value of investments consists of the realized gains or losses and the unrealized increase or decrease in fair value of investments during the year. Realized gains and losses on sales of investments are computed based on the difference between the sales price and the original cost of the investment. Unrealized increases or decreases are computed based on changes in the fair value of investments between years. Security transactions are accounted for on a trade date basis. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date.

Investments of PERS and NDHPRS are commingled and invested. Earnings on the investments and expenses relating to administering the plans are

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allocated to each plan based upon their percentage of ownership or number of participants.

C. FUNDING STATUS AND PROGRESS

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

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

	PERS NDHPRS	JSND	TFFR
Valuation Date	July 1, 2013 ¹	July 1, 2013	July 1, 2012
Actuarial Cost Method	Entry Age Normal	Aggregate Cost ²	Entry Age Norma ³
Amortization Method	Level Percent Open	Level Dollar Closed	Level Percentage of Payroll
Remaining Amortization Period	20 years	15 years	30 years ^c
Asset Valuation Method	5-year smoothed market	5-year smoothed market	5-year smoothed market ⁵
Actuarial Assumptions:			
Investment rate of return	8.0%	8.0%	8.0%
Projected salary increase	4.5%*	5.0%	4.5% to 14.75%
Includes inflation at	3.5%	5.0%	3.0%
Post retirement cost-of-living adjustment	None	5.0%	None

¹ Inflation together with wage increases attributable to seniority, merit and "standard of living" increases. For judges, the assumed salary increase is 5.0% per year for all years of service.

² As of July 1, 2013, the actuarial value of assets exceeds the present value of projected benefits; therefore, the unfunded actuarial accrued liability is currently zero. The aggregate cost method does not identify or separately amortize unfunded liabilities, therefore, information about funded status and funding progress is presented using the entry age actuarial cost method and information presented is intended to serve as a surrogate for the funded status and funding progress of the plan.

³ Effective July 1, 2013, the entry age normal method shall be applied to the projected benefits in determining the Normal Cost and the Actuarial Accrued Liability. The Normal cost shall be determined as a level percentage of pay on an individual basis for each active member based on the benefit provisions applicable to that member.

⁴ The ARC is defined as the contribution rate required to pay the employer normal cost and to amortize the unfunded actuarial accrued liability over a 30-year open period as a level percentage of payroll, but not less than the statutory contribution rate. Effective July 1, 2013 the unfunded actuarial accrued liability shall be amortized over a "closed" 30-year period.

⁵ Effective July 1, 2013, the investment gains or losses of each valuation period, as a result of comparing the actual market return to the expected market return, shall be recognized in level amounts over 5 years in calculating the Actuarial Value of Assets. Deferred investment gains or losses cannot exceed a corridor of 20% of the Market Value of Assets (i.e., the Actuarial Value of Assets cannot be more than 120%, nor less than 80%, of the Market Value of Assets as of any valuation date).

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Schedule Of Funding Progress (Dollars In Millions)

Actuarial Valuation Date	Actuarial Value Of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (Funded Excess)	Funded Ratio	Annual Covered Payroll	UAAL (Funded Excess) As A Percentage Of Annual Covered Payroll
PERS						
July 1, 2008	\$ 1,609.8	\$ 1,737.6	\$ 127.8	92.6%	\$ 640.7	19.9%
July 1, 2009	1,617.1	1,901.2	284.1	85.1%	697.7	40.7%
July 1, 2010	1,621.7	2,208.4	586.7	73.4%	769.7	76.2%
July 1, 2011	1,650.4	2,339.8	689.4	70.5%	804.2	85.7%
July 1, 2012	1,627.4	2,501.3	873.9	65.1%	800.9	109.1%
July 1, 2013	1,683.0	2,716.5	1,033.5	62.0%	888.5	116.3%
NDHPRS						
July 1, 2008	\$ 50.8	\$ 54.6	\$ 3.8	93.0%	\$ 6.5	58.5%
July 1, 2009	50.2	57.6	7.4	87.2%	7.0	105.0%
July 1, 2010	49.3	61.8	12.5	79.8%	7.7	161.0%
July 1, 2011	49.5	67.1	17.6	73.7%	8.0	220.0%
July 1, 2012	48.1	68.4	20.3	70.3%	8.2	247.6%
July 1, 2013	49.0	71.9	22.9	68.2%	9.3	246.2%
JSND						
July 1, 2008	\$ 77.0	\$ 70.8	\$ (6.2)	108.8%	\$ 1.8	0.0%
July 1, 2009	74.5	71.1	(3.4)	104.7%	1.7	0.0%
July 1, 2010	73.5	70.1	(3.4)	104.8%	1.6	0.0%
July 1, 2011	74.1	67.4	(6.7)	110.0%	1.2	0.0%
July 1, 2012	75.1	71.4	(3.7)	105.2%	1.0	0.0%
July 1, 2013	76.3	66.0	(10.3)	115.6%	0.8	0.0%
TFFR						
July 1, 2008	\$ 1,909.5	\$ 2,330.6	\$ 421.1	81.9%	\$ 417.7	100.8%
July 1, 2009	1,900.3	2,445.9	545.6	77.7%	440.0	124.0%
July 1, 2010	1,842.0	2,637.2	795.2	69.8%	465.0	171.0%
July 1, 2011	1,822.6	2,749.8	927.2	66.3%	488.8	189.7%
July 1, 2012	1,748.1	2,871.9	1,123.8	60.9%	505.3	222.4%
July 1, 2013	1,762.3	2,997.1	1,234.8	58.8%	526.7	234.4%

D. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

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

In 2011, the Legislative Assembly passed an increase in the employee and employer contribution rates for the PERS, Judges, Law Enforcement, Highway Patrol and Defined Contribution plans. Effective January 2012, the employee contribution rate will be increased by 1% and the employer contribution rate will be increased by 1%. Effective January 2013, both the employee and employer contribution rates will be increased by an additional 1%. Effective January 2014, both the employee and employer contribution rates will be increased by an additional 1%.

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The contribution rate is not actuarially determined for TFFR; it is set by statutory law under the North Dakota Century Code 15-39.1-09. It is required that every eligible teacher be a member of the Fund and assessed at a rate of 9.75 percent of gross salary and that every governmental body employing a teacher pay into the plan a sum equal to 10.75 percent of the teacher's salary. On July 1, 2014, member contributions will increase to 11.75 percent and employer contributions will increase to 12.75 percent. Member and employer contributions will be reduced to 7.75 percent each when the fund reaches 100% funded ratio on an actuarial basis.

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

Schedule of Employer Contributions

	Annual Required Contribution	Percentage Contributed
PERS		
2010	\$ 82,909,840	39.0%
2011	91,458,077	42.0%
2012	97,984,640	50.0%
TFFR		
2011	\$ 65,112,696	68.4%
2012	69,373,794	66.5%
2013	52,396,153	113.3%

For NDHPRS and JSND, sole employer plans, the following schedule represents the annual pension costs and net pension obligations for the year ended June 30, 2013:

	NDHPRS	JSND
Annual required contributions	\$ 2,191,076	\$ -
Interest on net pension obligations	37,959	(121,794)
Adjustment to annual required contributions	(33,115)	127,906
Annual pension costs	2,195,920	6,112
Contributions made	1,586,186	-
Increase in net pension obligations	609,734	6,112
Net pension obligations, beginning of year	474,490	(1,623,923)
(Assets in excess of) net pension obligations, end of year	<u>\$ 1,084,224</u>	<u>\$ (1,617,811)</u>

The following schedule presents the annual pension costs, the percentages contributed, and the net pension obligations:

	Annual Pension Costs (APC)	Percentage of APC Contributed	Net Pension Obligations
NDHPRS			
2011	\$ 1,744,270	74%	\$ (270,334)
2012	2,170,736	66%	474,490
2013	2,191,076	72%	1,084,224
JSND			
2011	\$ 6,159	0%	\$ (1,630,058)
2012	6,135	0%	(1,623,923)
2013	6,112	0%	(1,617,811)

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E. DEFINED CONTRIBUTION PLAN

The North Dakota Defined Contribution Retirement Plan was established on January 1, 2000, and is administered in accordance with chapter 54-52.6 of the North Dakota Century Code. The Defined Contribution Plan covers state employees who are in positions not classified by the central personnel division of the State. Employees of the judicial branch or the Board of Higher Education and state institutions under the jurisdiction of the Board of Higher Education are not eligible to participate in the Defined Contribution Plan. (Effective October 1, 2013, eligibility is expanded to include all state employees hired on or after October 1, 2013 through July 31, 2017, with the exception of employees eligible for the Highway Patrol Retirement System, Teachers Fund for Retirement or the alternative retirement plan of the Board of Higher Education.) The Defined Contribution Plan had 274 participants as of June 30, 2013.

Upon the death of a participating employee or former participating employee, the vested account balance of that deceased participant is available to the participant's designated beneficiary(ies). An employee who becomes totally and permanently disabled while employed by the State is eligible to receive a distribution of the vested account balance. To qualify under this section, the employee must meet the criteria established by the System for being totally disabled.

Employees are entitled to their vested account balance. A participating employee is immediately 100% vested in the employee's contributions. A participating employee vests in the employer contributions made on the employee's behalf as follows:

Upon completion of two years of service	50%
Upon completion of three years of service	75%
Upon completion of four years of service	100%

Employees may elect to receive their account balance in a lump sum, lump sum direct rollover, or periodic distribution.

Contributions are set by state statute and are a percentage of salaries and wages. Employee contributions are established at 5% (6% effective January 1, 2013), and 7% (effective January 1, 2014), and employer contributions are established at 5.12% (6.12% effective January 1, 2013 and 7.12% effective January 1, 2014) of regular compensation. Employer and employee contributions totaled \$906,296 and \$886,855 respectively, for the fiscal year ended June 30, 2013.

The Board, or vendors contracted by the Board, has exclusive authority to invest and manage the assets of the Defined Contribution Retirement Plan. State statute allows each participating employee to direct the investment of the individual's employer and employee contributions and earnings to one or more investment

options within the available categories of investment as established by the Board.

F. TEACHERS' INSURANCE ANNUITY ASSOCIATION

The Teachers' Insurance and Annuity Association (TIAA-CREF), a privately-administered defined contribution retirement plan, provides individual retirement fund contracts for eligible employees as defined by the Board of Higher Education in its approved TIAA-CREF retirement resolution. All benefits vest immediately to the participant. Further information can be obtained by writing to TIAA-CREF, Denver Regional Office, 1700 Broadway, Suite 770, Denver, Colorado 80290 or by calling 800-842-2009.

Employees are eligible for retirement benefits after attaining the age of 65, which is payable periodically for life. All benefits vest immediately to the participant. The plan requires employee and employer contributions be based on a classification system and years of service based on the schedule shown below.

Employment Class	Years Of Service	By The Participant	By The Institution	Total
I	0 thru 10	3.50%	11.50%	15.00%
	over 10	4.00%	12.00%	16.00%
II	0 thru 2	2.50%	6.50%	9.00%
	3 thru 10	3.50%	11.50%	15.00%
	over 10	4.00%	12.00%	16.00%
President/ Chancellor (additional employer contribution)	0 thru 12	0.00%	8.33%*	8.33%*
	or			
	less than 3	0.00%	0.00%	0.00%
	3 to less than 6	0.00%	4.00%	4.00%
	6 yrs and over	0.00%	8.00%	8.00%

*A final contribution is made in the year the president terminates employment equal to the difference between total contributions made and the president's final annual salary in year of termination of employment.

Plan contributions are made on a tax-deferred basis in accordance with section 414(h)(2) of the Internal Revenue Code. All contributions are applied as premiums to retirement annuity contracts owned by the participant. The State has no further liability once annual contributions are made. The State contributed \$35,644,345 to TIAA-CREF during the fiscal year ending June 30, 2013.

NOTE 7 - POST-RETIREMENT BENEFITS

The Retiree Health Insurance Credit Fund, a cost-sharing multiple-employer plan, is administered by the North Dakota Retirement Board (the Board) to provide members receiving retirement benefits from the Public Employees Retirement System (which includes judges retired under NDCC 27-17), and the Highway

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Patrolmen's Retirement System a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

The employer contribution for the Public Employees Retirement System, the Highway Patrolmen's Retirement System, and the Defined Contribution Retirement Plan is set by state statute on an actuarially determined basis at 1.14 percent of covered compensation. The employer contribution for employees of the State Board of Career and Technical Education is 2.99 percent of covered compensation beginning in the month following the transfer under NDCC 54-52-02.14 and continuing thereafter for a period of eight years. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14 percent of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the pension trust funds.

Retiree health benefits are set by state statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the Public Employees Retirement System (which includes judges retired under NDCC 27-17), the Highway Patrolmen's Retirement System, or the Defined Contribution Retirement Plan, are eligible to receive credit toward their monthly health insurance premium under the state health plan. The benefits are equal to \$5.00 for each of the employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health benefit is also available for early retirement with reduced benefits.

Net effect of changes in actuarial assumptions	
Changes in plan provisions	
Changes in plan experience during the year	

Death and disability benefits are set by state statute. An employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit, are eligible to receive a credit toward their monthly health insurance premium under the state health plan. The benefits are equal to \$5.00 for each of the employee's or deceased employee's years of credited service, not to exceed the premium in effect for selected coverage.

Actuarial valuations of the Fund were done as of June 30, 2013. The actuarial cost method used is the Projected Unit Actuarial Credit Cost Method. The significant actuarial assumptions used to determine funding requirements are (a) a rate of return on the investment of present and future assets of 8.0 percent, (b) inflation at 3.50 percent per annum, (c) pre- and post-mortality life expectancies of participants based upon RP-2000 Combined Healthy Mortality, (d) rates of withdrawal from active service before retirement for reasons other than death, rates of disability, and expected retirement ages developed on the basis of actual plan experience, and (e) administrative expenses of \$97,000 per year. Plan assets are valued, for actuarial purposes, using a five-year smoothed market method.

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

	As a Percentage of Covered Payroll	Dollar Effect
	0.00%	\$ -
	0.00%	-
	0.13%	(1,188,679)
	0.13%	\$ (1,188,679)

Employer contributions totaling \$9,959,603, \$9,388,040 and \$8,929,903 were made for the years ended June 30, 2013, 2012 and 2011. The actuarially required employer contribution of \$7,410,911, \$7,263,487 and \$7,053,215 for the years ended June 30, 2013, 2012 and 2011 is 0.81 percent, 0.88 percent and 0.85 percent of the covered payroll and reflects the fact that the statutory rate of one percent is sufficient to cover future costs of the Fund. At June 30, 2013, the cost of benefits incurred for the fund was \$6,000,703.

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

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Schedule Of Funding Progress (Dollars In Millions)

Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liabilities AAL-Entry Age	Unfunded Value of Assets (UAA)	Ratio of Assets to AAL	Covered Payroll	UAA As A Percentage Of Covered Payroll
June 30, 2011	\$ 53.7	\$ 108.3	\$ 54.6	49.6%	\$ 828.9	6.6%
June 30, 2012	58.3	112.4	54.1	51.9%	824.9	6.6%
June 30, 2013	66.0	114.1	48.1	57.8%	914.4	5.3%

Employee membership is as follows:

Retirees receiving benefit	4,635
Active participants	<u>21,955</u>
Total Membership	<u><u>26,590</u></u>

The fair value of the net position available for benefits at June 30, 2013, is \$75,556,001.

Another component of the Retiree Health Insurance Credit Fund provides health care coverage to eligible retirees who are not eligible for Medicare. The premiums for this coverage are set under NDCC 54-52.1-02 as a percent of the active member single and family plan rates and are paid by the retiree. The premiums for this coverage are not age-rated. Currently, the premiums for their group do not cover the costs of the coverage; therefore, the costs of this group are being subsidized through the active group rates. This subsidy is not funded in advance and there is no guarantee that the subsidy for the 2011-13 biennium will continue in the future. In the event the legislature does not fund the subsidy beyond the current biennium, the coverage would discontinue and the unfunded actuarial accrued

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

A member must be receiving a retirement from NDPERS to be eligible for the retiree health care coverage. In addition, a member receiving a retirement allowance from NDTFFR or TIAA-CREF is also eligible for the retiree health care coverage.

The premiums for this plan are reported as employee contributions on the statement of changes in Plan Assets as they are fully paid by the retirees. The full amount of the premiums collected are expended each year and are reported as health premiums paid on the statement of changes in Plan Assets.

Significant actuarial assumption for the implicit subsidy unfunded plan include; using the RP-2000 Mortality tables applied on a gender-specific basis; health care cost trends of 9.0% for select and 6% for ultimate with select trends reduced 0.5% each year until reaching the ultimate trend; and retirement and termination probabilities have been developed from the assumptions for the NDPERS pension plans. The funded status of the plan as of the most recent actuarial valuation dates is as follows:

(Dollars in Millions)

Actuarial Valuation Date	Actuarial Value Of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
June 30				
2009	\$ -	\$ 53.7	\$ 53.7	0.0%
2011	-	65.2	65.2	0.0%

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JOB SERVICE NORTH DAKOTA

Job Service North Dakota engaged an actuary to determine the Agency's liability for post-employment benefits other than pensions as of June 30, 2013. The actuary determined the obligation the agency has to record as of June 30, 2013 is the difference between the Annual Required Contribution (ARC), defined as the normal cost plus an amortization for prior years unfunded liability, and the amount paid during the year.

Former employees receiving retirement benefits under the Retirement Plan for Employees of Job Service North Dakota are eligible to participate in the Retiree Health Benefits Fund, a cost-sharing multiple-employer plan, as administered by the Public Employees Retirement Board. The retired employee is provided a credit toward their monthly health insurance premium under the state health plan based upon their years of credited service. In accordance with NDCC 54-52.1-03.2, Job Service North Dakota reimburses the Retiree Health Benefits Fund monthly for credit received by members of the retirement plan established by Job Service North Dakota. This benefit is equal to \$5.00 for each of the employee's, or

decreased employee's years of credited service not to exceed the premium in effect for selected coverage.

Job Service North Dakota employees who had a Met Life Insurance policy in effect on December 1, 1999, when the Met Life Insurance benefit plan was discontinued for new employees, receive the following benefits: Job Service North Dakota pays 33% of the monthly Basic Met Life Insurance premium of current employees with a Met Life Insurance policy and upon retirement the employees Basic Met Life Insurance premiums are covered 100% by Job Service North Dakota. The Basic Life Insurance Benefits are equal to the employees annual salary up to a maximum of \$45,000 and are decreased at a rate of 2% per month at age 65 until the benefit is 25% of the original amount. Job Service has authority to change the funding and benefit policy of this plan.

Membership of the Other Post Retirement Benefit plans consisted of the following at July 1, 2013, the date of the latest actuarial valuation:

Retirees and beneficiaries currently receiving benefits
 Terminated employees entitled to benefits but not yet receiving them
 Current vested employees
 Total

Retiree Health Benefits Fund	Met Life Insurance Benefit
200	182
1	-
20	36
<u>221</u>	<u>218</u>

The funding policy of the plans thru June 30, 2013 is pay-as-you go plan, contributing annually the amount necessary to pay benefits of retirees. Below is listed the actuarial methods and assumptions which were used in the actuary report and study conducted by Bryan, Pendleton, Swats & McAllister, LLC.

Valuation Date	June 30, 2012
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	15-Year Amortization Open
Remaining Amortization Period	15 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.5%
Includes Inflation at	5%

Annual OPEB Cost and Net OPEB Obligation – The Agency's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The following table shows the components of the Agency's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Agency's net OPEB obligation:

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	Retiree Health Benefits Fund	Insurance Benefit	Total
Annual required contributions	\$ 385,689	\$ 124,634	\$ 510,323
Interest on OPEB obligation	6,900	7,540	14,440
Adjustment to annual required contributions	(13,967)	(15,263)	(29,230)
Annual OPEB costs	378,622	116,911	495,533
Contributions made	247,112	50,855	297,967
Increase in net OPEB obligation	131,510	66,056	197,566
Net OPEB obligations, beginning of year	291,630	256,061	547,691
Net OPEB obligations, end of year	\$ 423,140	\$ 322,117	\$ 745,257

The following schedule presents the annual OPEB cost contributed, the net pension obligations, and the percentage contributed:

June 30	Annual Retiree Health Benefits OPEB Costs	Annual Met Life Insurance OPEB Costs	Annual Retiree Health Benefit Cost Contributed	Annual Met Life Insurance Cost Contributed	OPEB Obligation	Annual OPEB Cost Contributed
2011	\$ 249,460	\$ 103,806	\$ 240,307	\$ 50,669	\$ 62,290	82.4%
2012	378,622	116,911	243,420	50,855	201,258	59.4%
2013	378,622	116,911	247,112	50,855	197,566	60.1%

Funded Status and Funding Progress – As of July 1, 2012 the most recent actuarial valuation date, the plans were unfunded. The actuarial liability for benefits was \$5,572,574, and the actuarial value of assets was \$0.00 resulting in an unfunded actuarial accrued liability (UAAL) of \$5,572,574. The covered payroll (annual payroll of active employees covered by the plans) was \$2,111,709 and the ratio of the UAAL to the covered payroll was 263.89 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer as made about the future.

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

NOTE 8 - DEFERRED COMPENSATION PLAN

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

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

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

Plan Participation By:	
State of North Dakota	\$ 44,717
Other Jurisdictions	5,455
Total Value	\$ 50,172

NOTE 9 - PERS UNIFORM GROUP INSURANCE PROGRAM

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

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the employees of the State of North Dakota, or any of its political subdivision, institutions, departments or agencies. The contract provides for an accounting of premiums paid and claims incurred during the biennium. The contract for the 2009-2011 biennium provides for an accounting of premiums paid and claims incurred during the biennium, with a gain sharing provision, with the final accounting taking place two years after the end of the biennium. The final accounting for the 2009-2011 biennium occurred on June 30, 2013. Premiums exceeded claims, therefore, a gain of \$36.6 million was returned to the State. The State has entered into a similar contract with BCBS for the 2011-2013 biennium. The accumulated surplus and other invested funds in the amount of \$42.6 million are shown as cash on the State's financial statements.

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

any combination of these costs, for plan participants, or (3) reduce any combination of the costs in (1) and (2). The System Board determined that any reimbursements received under this program be used to help reduce health care costs for members of the Uniform Group Insurance Program. The System submitted an application and determined to be an eligible employer. The State received a reimbursement of \$1.0 million during the fiscal year 2012 and \$1.7 million during fiscal year 2011 which is included in Cash on the State's financial statements. Funding for this program is no longer available; therefore no reimbursements were received in fiscal year 2013.

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, 2013, was as follows (expressed in thousands):

	Home-Ownership Bond Funds
Condensed Statement of Net Position	
Current assets – other	\$ 169,831
Noncurrent assets – other	666,713
Total Assets	836,544
Deferred outflow of resources	12,866
Current liabilities – other	28,611
Noncurrent liabilities – other	697,414
Total Liabilities	726,025
Net position – restricted	123,385
Total Net Position	\$ 123,385
Condensed Statement of Revenues, Expenses and Change in Fund Net Position	
Operating revenues	\$ 36,838
Operating expenses	(32,578)
Operating income	4,260
Change in net position	
Total net position, beginning of year	119,220
Equity transfer out	(95)
Total net position, end of year	\$ 123,385
Condensed Statement of Cash Flows	
Net cash from operating activities	\$ 184,046
Net cash used for noncapital financing activities	(172,789)
Net change in cash and cash equivalents	11,257
Cash and cash equivalents, beginning of year	138,859
Cash and cash equivalents, end of year	\$ 150,116

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NOTE 11 - MAJOR COMPONENT UNIT TRANSACTIONS

NORTH DAKOTA DEVELOPMENT FUND

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

BISMARCK STATE COLLEGE AND BISMARCK STATE COLLEGE FOUNDATION

On January 25, 2007, BSC and BSC Foundation entered into a 15-year lease agreement to facilitate the construction of a Mechanical Maintenance building. Under the agreement, BSC is responsible for the payment of all rent, maintenance, and repair of the facility, maintenance of all insurance required under the lease, and restrictions of use of the facility as set forth in the lease. The amount of the rent is tied to the \$1.4 million debt service retirement. Upon payment of all the bonds, BSC will have the option to purchase the premises for \$100.

On October 19, 2007, BSC and BSC Foundation entered into a 25-year lease agreement to facilitate the construction of the National Energy Center of Excellence building. Under the agreement, BSC is responsible for payment of all rent, maintenance, and repair of the facility, maintenance of all insurance required under the lease, and restrictions of use of the facility as set forth in the lease. The amount of the rent is tied to the \$5.0 million debt service retirement. Upon payment of all the bonds, BSC will have the option to purchase the premises for \$100. The audited financial statements of BSC Foundation for fiscal year 2013 report this transaction as a receivable from BSC and a long-term liability. BSC's financial statements include the capitalized asset and a long-term liability due to BSC Foundation.

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

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

DICKINSON STATE UNIVERSITY AND DICKINSON STATE UNIVERSITY FOUNDATION

The Dickinson State University Foundation issued two series of revenue bonds of \$9,200,000 on June 4, 2009, to finance the Badland Activities Center project. The bonds will be paid off with private donations raised by the Foundation and are summarized as follows:

\$5,000,000 bond at a fixed rate of 5.89%. The bond is amortized over 15 years with semi-annual payments due each January and July 15th. The payments in 2010 will be interest only, with the first principal payment due in January of 2011.

\$4,200,000 bond with a variable rate of interest, currently 0.95%. The bond is re-priced every six months and has payments each January and July. There are neither time limits nor prepayment penalties on this issue. As of July 15, 2013 this bond was paid in full.

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

On December 30, 1999, North Dakota State University, through the State of North Dakota and North Dakota State Board of Higher Education, entered into a ground lease, whereby the NDSU Research and Technology Park, Inc. (component unit) leases 40 acres of land for \$1 per year for the next seventy-five years.

On November 1, 2000, NDSU Research and Technology Park, Inc. (RTP) entered into a \$6.5 million lease agreement with the City of Fargo to finance the construction of laboratory and research facilities and all equipment and furnishings located on property owned by the city. The agreement assigned to NDSU all of RTP's obligations under the lease, including but not limited to the payment of all rent, maintenance, and repair of the facility, maintenance of all insurance required under the lease, and restrictions of use of the facility set forth in the lease. Upon payment of all the bonds, title to the facility will revert to RTP. On August 1, 2002, essentially the same legal and financial structure used to construct Research Building #1 was used to construct a second Research Building. The second lease agreement was for \$20,450,000.

On January 25, 2007, the city of Fargo, on behalf of the NDSU Research & Technology Park, issued \$4,735,000 of Series 2007A (Research 1) and \$18,100,000 of Series 2007B (Research 2) Lease Revenue Refunding Bonds. These bonds are used to advance refund the callable maturities of both the Series 2000 (Research 1) and

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Series 2002 (Research 2) bonds and to pay the costs of issuance (including the insurance premium for the insurance policy and the reserve fund surety bond) relating to bonds for both Series 2007A and 0072B bonds. During the year ended June 30, 2011, the Series 2000 bonds were repaid in full with the funds held in escrow from the Series 2007A bond refinancing. During the fiscal year ended June 30, 2012, the Series 2002 bonds were repaid in full with the funds held in escrow from the Series 2007A bond refinancing.

The audited financial statements of RTP for fiscal year 2013 report these transactions as an operating lease and report the related capital assets and related debt as assets and debt of RTP.

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

During fiscal year 2013, NDSU and the RTP entered into renewed agreements, whereby NDSU leases Research Building #1 for an annual rent of \$628,943 and Research Building #2 for \$1,525,963 through June 30, 2022, plus utilities and insurance. The annual rent will be re-adjusted by mutual agreement every two years. These agreements are subject to funding and legislative appropriations.

During fiscal year 2013 NDSU made other payments to the RTP that were unrelated to the building lease for Research #1 and #2. These payments consist of the following: 1) \$28,242 for an operating lease for lab space in the RTP's Appareo Building, 2) \$65,707 for defeasance escrow settlement (including trustee and appraisal fees) for repurchase of equipment originally purchased from Series 2000 and 2002 bond proceeds, 3) \$131,222 for grant sub-awards. Also, during fiscal year 2013, the RTP paid NDSU a total of \$32,613 as reimbursement of NDSU operating expenses.

NORTH DAKOTA STATE UNIVERSITY AND NDSU DEVELOPMENT FOUNDATION

NDSU EQUINE CENTER

Effective January 1, 2003, NDSU and the NDSU Development Foundation entered into a ten-year lease agreement with an option for an additional ten-year term to facilitate the construction of an Equine Science Center. Under the agreement, NDSU will pay rent to NDSU Development Foundation for use of the premises. The amount of the rent is tied to the \$4.355 million debt service retirement plus necessary insurance and taxes incurred by the Development Foundation. NDSU paid the Development Foundation \$333,568 in fiscal year 2013 under this agreement.

The facility is included in long-term investments and the debt is included in long-term liabilities on the financial reports of the NDSU Development Foundation. NDSU has also recorded a capital asset and a capital lease,

reflected as "Due to Component Unites" by NDSU, of \$2,885,000 as of June 30, 2013. Since the Development Foundation is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for the Equine Center, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution.

FARGODOME LEASE AND IMPROVEMENTS

In fiscal year 2006, the NDSU Development Foundation financed the construction and equipping of office space, locker rooms, meeting rooms, and related facilities in the Fargodome for use by NDSU through the sale of revenue bonds issued by Cass County. The Foundation has leased the space in the Fargodome from the City of Fargo and subleased the space, furniture, fixtures and equipment to NDSU. Under the agreement, NDSU will pay rent to the NDSU Development Foundation for use of the premises. The amount of the rent is tied to the \$3.5 million debt service retirement plus the Fargodome annual space rent and all costs incurred by the Development Foundation incident to the lease, less any contributions received by the Foundation for the project. NDSU paid the Development Foundation \$337,991 in fiscal year 2013 under this agreement.

The facility is included in long-term investments and the debt is included in long-term liabilities on the financial reports of the NDSU Development Foundation. NDSU has also recorded a capital asset and a capital lease payable of \$2,063,622 as of June 30, 2013. Since the Development Foundation is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for the Fargodome improvements, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution.

RENAISSANCE HALL

The former Northern School Supply building was donated to the NDSU Development Foundation by NDSU alum in December 2001. During fiscal years 2003 and 2004, the NDSU Development Foundation renovated the building with the intent to lease the facility to NDSU beginning fall 2004. The Development Foundation transferred nearly the entire ownership of the building to 650 NP Avenue, LLC and Kilborurne Design Group, LLC, for a five-year period in order to achieve tax credits that would ultimately reduce the cost of the building to NDSU. During the five-year tax credit period, NDSU leased the building from the two LLCs, with lease payments composed of interest and fees. With the five-year tax credit period ending December 31, 2010 (as extended), and the ownership was transferred back to the Development Foundation, permanent financing was put in place on December 17, 2010, with the issuance of \$5,650,000 of 20-year University Facilities Revenue bonds, Series 2010 (Renaissance Hall Project). The

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financing structure involving the five-year temporary ownership transfer resulted in achieving tax credits of \$4.9 million which directly lowered the leasing cost to NDSU.

Under this refinanced debt issuance and lease agreement, as approved by the State Board of Higher Education on December 16, 2010, the property is leased to NDSU for rent equal to the semi-annual principal and interest on the bonds, plus all costs incurred by the Development Foundation incident to ownership of the property. Ownership of the property will transfer to NDSU when the bonds are repaid in full. NDSU paid the Development Foundation \$432,785 in fiscal year 2013 under this agreement. As of June 30, 2013, the outstanding balance on the bonds, reflected as "Due to Component Units" by NDSU, is \$5,210,000.

AIRCRAFT

Effective June 28, 2007, NDSU and the NDSU Development Foundation entered into a \$2,348,000, ten-year, lease agreement for the purchase of an aircraft. Under the agreement, NDSU will pay rent to the NDSU Development Foundation for use of the aircraft. The amount of the rent is equal to the amount of the principal and interest payments on the loan, for the life of the loan. During fiscal year 2013, NDSU made \$322,919 of debt service to the NDSU Development Foundation on the aircraft lease. The University is responsible for all costs incurred in operation and maintenance of the aircraft. Upon completion of the loan payments, ownership of the aircraft will be transferred to NDSU. Since the Development Foundation is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for the leased aircraft, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution. As of June 30, 2013 the outstanding balance on the lease, reflected as "Due to Component Units" by NDSU, is \$1,121,280.

BARRY HALL BUSINESS BUILDING AND KLAI HALL ARCHITECTURE BUILDING

Effective November 28, 2007, NDSU and the NDSU Development Foundation entered into a lease agreements for two buildings in downtown Fargo, formerly known as the "Pioneer Mutual Building" and "Lincoln Mutual Building". The Foundation financed the construction of the Barry Hall business building and Klai Hall architecture building projects through the sale of \$18.52 million of 20-year University Facilities Revenue Bonds issue by the City of Fargo, North Dakota. The City has loaned the bond proceeds to the Foundation for payments equal to the sum of the semi-annual interest payments and installments of varying principal amounts on the variable rate bonds and the semi-annual principal and interest payment on the fixed-rate bonds. The principal payments on the variable rate bonds will be funded from payments on donor pledges restricted for the project. Under the terms of the loan, the Foundation

is responsible for the real estate taxes, insurance, repairs and maintenance, and other costs incident to ownership of the property. The property is included with property in the financial statements and the bonds have been recorded as a direct obligation of the Foundation. Ownership of the property will transfer to NDSU when the bonds are repaid in full. The bonds are guaranteed by the Foundation. This property is leased to NDSU for rental equal to the sum of the semi-annual interest only payments on the variable term bonds plus the semi-annual principal and interest payments on the fixed-rate bonds for the term of the bonds, plus all the costs incurred by the Foundation incident to ownership of the property.

In May 2012, the NDSU Development Foundation refinanced the original bonds issued in November 2007. As a result new leases were executed. Under the terms of the new leases, NDSU pays and recognized a liability for the entire amount of previously issued bonds, including the portion originally planned to be paid from the collections of pledges. During fiscal year 2013, NDSU paid \$934,576 to the NDSU Development Foundation under the new leases for debt service, property taxes and insurance on Barry Hall and Klai Hall. During fiscal year 2013, the Foundation paid \$93,544 to NDSU from the collection of pledges. NDSU has an option to acquire the property upon full payment of the bonds. As of June 30, 2013 the outstanding balance of the bonds, reflected as "Due to Component Unites" by NDSU, is \$11,390,000 and the portion payable by the Foundation to NDSU for the collection of pledges is recognized by NDSU as current and non-current "Due from Component Units" for \$1,233,256.

PRESIDENT'S RESIDENCE

On September 15, 2008, the NDSU Development Foundation financed the construction of a new residence for the NDSU President through the sale of \$900,000 of 30 year University Facilities Bonds. The interest rate is a fixed rate of 4.20% with semi-annual principal and interest payments. The repayment source is private donations and pledges. The bonds payable have a balance of \$829,510 at December 31, 2012. During fiscal year 2010, the President's House was capitalized on NDSU's books for the sum of the Foundation & NDSU costs, plus the donated services (\$2,605,983). The bonds are an obligation of the NDSU Development Foundation, therefore are only reflected as bonds payable on the books of the Foundation. The bonds are not included in NDSU's liabilities.

OTHER TRANSACTIONS

NDSU also has agreements in place with the Foundation for maintenance of the University's alumni records, for use and insurance on certain land and buildings and for lease of a vehicle. Amounts paid under these agreements as of June 30, 2013, totaled \$480,998. In addition, the Development Foundation may contract with NDSU for materials and personnel in the service and utility areas and will reimburse NDSU based on separate agreements.

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

UNIVERSITY OF NORTH DAKOTA AND UND AEROSPACE FOUNDATION

The Aerospace Foundation reimbursed UND for salaries, building rent, aircraft rental, and goods and services under an operating agreement aggregating approximately \$20.0 million in fiscal year 2013. The amount paid UND included aircraft rental, flight repairs, fuel of \$12.0 million, room and board of \$698,000, tuition and fees of \$3.2 million, salaries of \$4.0 million. This operating agreement has no specific term and is intended to memorialize various operating agreements, rate structures, duties, and obligations each party has to the other.

UND reimbursed the foundation for air service and hangar, CRJ, 360-degree tower, and aircraft rental of \$1.0 million. These expense reimbursements represent actual costs incurred. In addition, the Aerospace Foundation may contract with UND for materials and personnel in the service and utility areas and will reimburse UND based on separate arrangements. As of June 30, 2013, the Foundation has recorded accounts payable to UND of \$874,000 for reimbursable costs and services under these arrangements.

The Aerospace Foundation entered into a sublease with UND to lease the aircraft storage hangar/ground support equipment facility. The lease term is for 20 years, commencing on July 7, 2003, until July 6, 2023. A balloon payment of \$1,011,392 is due on July 6, 2023. For the first 15 years of the sublease, UND will pay the Foundation monthly minimum payments.

The rate is adjusted annually based upon changes to the ground lease payments to the Grant Forks Regional Airport Authority. The fiscal year 2013 monthly rate increased from \$12,281 to \$12,902 on January 2013. Of the monthly lease payment, \$10,529 is recorded as payment on principal and interest, the remaining amount is recorded as an operating lease payment, this is the portion that relates to ground lease payments. At the end of the 15 years of the sublease, rent will be adjusted based upon an interest rate adjustment or a refinancing of the debt incurred by the Foundation in the construction of the hangar. The audited financial statements of the Foundation report the capital assets and related debt for this lease. Since the Foundation is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for this transaction, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution.

UNIVERSITY OF NORTH DAKOTA AND RE ARENA, INC.

RE Arena, Inc. manages, operates and maintains an arena known as the Ralph Engelstad Arena, which was constructed in 2001 for the benefit of UND athletics. UND and RE Arena, Inc. enter into an annual operating agreement. The operating agreement sets forth the facility usage, fees and services, ticket administration and revenue allocation, sponsorship sales administration and revenue allocation, and net income disposition. In accordance with this agreement: (i) RE Arena, Inc. collects all ticket revenue from ticketed UND athletic events (men's and women's hockey, football, men's and women's basketball, and volleyball), RE Arena, Inc. retains 52% of such ticket revenue and remits 48% to UND, and (ii) RE Arena, Inc. collects all sponsorship sales revenue from UND Athletic events, RE Arena, Inc. retains 64% of such sponsorship revenue, net of direct costs and remits 36% to UND. If UND collects sponsorship revenue, the amount is applied towards RE Arena Inc.'s obligation to pay UND. The UND Athletic Department maintains institutional control of all marketing activities and sponsorship sales as outlined in the NCAA constitution. In addition, UND and RE Arena Inc. recognize the mutual benefit by UND Athletics and REA in collaborating on marketing and sales functions the UND enterprise.

In addition, RE Arena, Inc. may contract with UND for materials and personnel in the service and utility areas and will reimburse UND based on separate agreements. Revenue and expense arrangements for all other UND events held at the arena will be negotiated on an event-by-event basis. The transactions in relation to the contractual relationship are as follows:

- Gross ticket sales were \$4,078,304 of which UND recognized revenue of \$1,957,586 and expenses of \$2,120,718. REA recognized net revenue of \$2,203,968, a difference of \$83,250 due to trade allocations.
- Gross ticket sales for the next athletic season year are recorded as due from component unit and deferred revenue at gross; the amount is \$2,746,445. UND also records at gross with a deferred revenue in current liabilities.
- UND recognizes sponsorship (advertising) revenue at net of \$391,125, while REA recognizes at gross and expenses for the amount allocated to UND.
- REA owes UND net income allocation for fiscal year 2012 of \$550,000.
- REA paid UND \$941,981 for utilities and maintenance staff.

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

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UNIVERSITY OF NORTH DAKOTA AND UNIVERSITY OF NORTH DAKOTA FOUNDATION

The University of North Dakota Foundation issued, tax-exempt lease revenue bonds on October 24, 2003, of \$4,400,000 to finance the land purchase and construction of the Minot Family Practice Center. The center is a component of the School of Medicine & Health Sciences at UND. The interest rate is fixed at 4.15 percent until 2018. Principal balance outstanding at June 30, 2013, is \$2,943,507. Payments of \$136,000 are required semi-annually through 2018. A receivable from UND and the bond payable is included on the financial reports of the foundation, and UND has recorded a capital asset and a capital lease payable as of June 30, 2013.

On July 24, 2002, UND Foundation issued lease revenue bonds of \$8,595,000 on behalf of UND to i) finance the construction of an office building for EERC, ii) renovate the current EERC building, iii) finance capitalized interest, and iv) pay cost of issuance of the bonds. On October 18, 2012, the UND Foundation issued Taxable Refunding Lease Revenue Bonds, Series 2012 in the amount of \$6,405,000 to refund its outstanding Lease Revenue Bonds, Series 2002. The Foundation also amended the related lease agreement with UND. The bonds bear an interest rate of 0.75% to 4.2% and mature in 2027. The lease revenue bond has a balance of \$6,080,000 at June 30, 2013. The foundation's financial statements include this transaction as a receivable from UND and a long-term liability. UND's financial statements include the capitalized asset and a long-term liability due to UND Foundation.

In 2008, the Foundation issued bonds to finance the UND School of Medicine construction of the Human Patient Simulation Center. The facility is being leased to UND for a period of five years for a total amount of \$206,810 which is equivalent to finance the costs of construction. In fiscal year 2013, the organization received \$41,362 with the remaining annual lease payments of \$41,362 expected in fiscal years 2014 through 2015.

Other transaction details include:

- Foundation pays UND gifts for scholarships and other expenses totaling \$8.3 million.
- Foundation pays UND for services such as telecom, facilities, catering, and printing totaling \$283,253.
- UND pays the Foundation for database, campaign, giving support, alumni review advertising and support, totaling \$1,068,000.
- UND pays the Foundation on an operating lease for space in the Gorecki Center of \$260,168.
- UND pays Athletics event coordination totaling \$30,000.

At the end of the fiscal year, UND owes the Foundation \$9,962 excluding lease revenue bonds and the Foundation owed UND \$13,691.

NORTH DAKOTA STATE UNIVERSITY AND NORTH DAKOTA STATE UNIVERSITY RESEARCH FOUNDATION

Revenues from research fees & royalties received from patents and other intellectual property or know-how are first used to cover expenses incurred in patenting, licensing, collection, and other expenses related to technology. After these expenses have been paid, the net research fee (royalty) income is divided so that at least 30% of the net proceeds will be paid to those responsible for the invention, and 70% is distributed by negotiation between the department, college, and the Foundation. Once NDSU's share of the revenue distribution has been determined, the monies are transferred from the NDSU Research Foundation to NDSU.

During fiscal year 2013, the NDSU Research Foundation distributed license fee and royalty revenue of \$790,028 to NDSU. The Research Foundation recognizes an operating expense and NDSU recognized operating revenue (Sales and Services of Educational Departments) because of this revenue distribution.

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

For the year ended June 30, 2013, NDSCS paid the foundation \$174,000 for the rental of the Skills & Technology Training Center Building.

UNIVERSITY OF NORTH DAKOTA AND UNIVERSITY OF NORTH DAKOTA RESEARCH FOUNDATION

For the year ended June 30, 2013, UND paid the foundation \$250,000 per a contract and \$192,929 rent for research space for grant-funded projects.

UNIVERSITY OF NORTH DAKOTA AND UNIVERSITY OF NORTH DAKOTA CENTER FOR INNOVATION FOUNDATION

For the year ended June 30, 2013, UND received \$154,106 in gifts from the Foundation, \$240,628 in grant funding and \$75,000 in contract services, and \$22,261 for facility services.

VALLEY CITY STATE UNIVERSITY AND VALLEY CITY STATE UNIVERSITY FOUNDATION

The foundation has a Memorandum of Agreement with VCSU for administrative services. Under this agreement, the foundation paid VCSU approximately \$95,886 during fiscal year 2013.

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WILLISTON STATE COLLEGE AND WILLISTON STATE COLLEGE FOUNDATION

In fiscal year 2012, WSC and the foundation entered into an agreement whereby the foundation lent WSC \$500,000 for a dormitory geothermal heating project. The note has an eleven year term and a 5 percent fixed annual interest rate.

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

BANK OF NORTH DAKOTA

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

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

	Contract Amount (in thousands)
Commitments to extend credit	\$ 780,001
Financial standby letters of credit	260,731
	<u>\$ 1,040,732</u>

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

Financial standby letters of credit are conditional commitments issued by the State to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The

likelihood of funding any of these letters of credit is considered to be remote. The State generally holds collateral supporting those commitments it deemed necessary.

Financial standby letters of credit include letters of credit pledged for public deposits by North Dakota banks for \$191,935,000 at December 31, 2012. These letters of credit are an authorized form of collateral for public deposits per NDCC 21-04-09.

COMMUNITY WATER FACILITY LOAN FUND

In the normal course of business, the Loan Fund makes various commitments that are not reflected in the financial statements. These commitments include commitments to extend credit of \$4,917,000 at December 31, 2012.

REBUILDERS LOAN PROGRAM

The State, through the Rebuilders Loan Program, is a party to credit related financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. Such commitments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet. The Program's exposure to credit loss is represented by the contractual amount of these commitments. The Program follows the same credit policies in making commitments as it does for on-balance-sheet instruments. There were 54 commitments to extend credit for \$870,565 as of June 30, 2013.

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 \$44,089,000 at June 30, 2013. Of this \$44,089,000 commitments to extend credit, \$22,815,000 would qualify for Ginnie Mae securitization. The permanent financing for committed government insured loans will be determined based on the cost availability of bond proceeds as compared to the current market value of a Ginnie Mae Mortgage Backed Security. The Agency does not anticipate any material losses as a result of these commitments.

The bond resolutions require that the funds in the loan acquisition accounts be expended within 42 months of

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the related bond delivery date. Any remaining funds must be used for debt reduction. The loan acquisition funds totaled \$91,000 at June 30, 2013.

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 \$55,924,000 at December 31, 2012.

NOTE 13 - INTEREST RATE SWAP

NORTH DAKOTA HOUSING FINANCE AGENCY

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, the Agency entered into several cash flow hedges or swaps in connection with various variable-rate housing bond series. The Agency cash flow hedges are pay-fixed. The intention of these swaps was to effectively change the Agency's interest rate on the bonds to a fixed rate. The Agency also has cash flow hedges that were entered into in connection with variable-rate housing bond series that no longer have bonds outstanding as those bonds have been called. The cash flow hedges that are not connected to a specific bond series hedge the risk related to the Agency's other variable-rate housing bonds that are unhedged.

The bonds and the related swap agreements have a stated issuance and maturity date. Some of the swaps have optional termination dates. Under the swaps, the authority pays the counterparty a fixed payment and receives a variable payment computed as a percent of the London Interbank Offered Rate (LIBOR) plus a fixed percentage on the swap notional amount. On the other hand, the bond's variable-rate coupons are determined by the remarketing agent. If for any reason the remarketing agent fails to act, the rate shall be the lesser of (i) the TBMA Index plus 0.25% or (ii) the Maximum Rate as defined within the applicable series resolution.

As of June 30, 2013, the Agency did not have any swaps that had a positive fair value. Of the swaps with negative fair value, the Agency is not exposed to credit risk. However, the swap exposes the Agency to basis risk should the relationship between LIBOR and TBMA converge, changing the synthetic rate on bonds. The swap counterparty has guaranteed all payments and is rated AAa/AA+/AAA by Moody's Investor Services, Standard & Poor's, and Fitch, respectively. To mitigate potential credit risk, the counterparty has entered into Credit Support Agreements with Bank of New York Mellon and the Royal Bank of Canada as a credit enhancement.

The Agency has entered into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the

terms of these arrangements netting provisions permit each party to net the transactions' fair values so that a single sum will be owed by, or owed to, the other party. At June 30, 2013, the Agency owed the swap providers a fixed rate on the notional amount of the swaps of \$2,632,000 and the swap providers owed the Agency a variable rate on the notional amounts of \$272,000 making the net payment that the Agency owed the swap providers \$2,360,000.

Due to the difference in the variable rate indices, the swaps had a net negative fair value of \$12,866,000 as of June 30, 2013. 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, 2013. 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, 2013. 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

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Agency will be re-exposed to the risks being hedged by the hedging derivative instrument. The Agency also is

exposed to rollover risk on the swaps that mature and the Agency does not call the related variable rate debt.

1.	Bond Series	Bonds Called	2004 C	2005 C	2006 A
2.	Issuance Date	4/1/2004	6/10/2004	9/21/2005	5/4/2006
3.	Maturity Date	7/1/2035	7/1/2014	1/1/2036	7/1/2016
4.	Notional Amount	\$ 12,900,000	\$1,075,000	\$12,000,000	\$30,210,000
5.	Variable-rate Bonds	N/A	\$1,075,000	\$12,000,000	\$30,210,000
6.	Fixed Rate	3.980%	4.095%	3.889%	3.955%
7.	LIBOR Percentage	63.00%	63.00%	63.00%	63.00%
8.	Additional Percentage	0.34%	0.34%	0.31%	0.31%
9.	Bonds Variable-rate	N/A	0.17000%	0.21000%	0.17000%
10.	Fair Value	\$ (228,000)	\$ (38,000)	\$(1,059,000)	\$(3,394,000)
11.	Percentage of LIBOR	0.34000%	0.34000%	0.31000%	0.31000%
12.	Synthetic Rate	3.64000%	3.92500%	3.78900%	3.81500%
13.	Actual Synthetic Rate	N/A	4.06597%	3.77069%	3.82462%
14.	Change in Fair Value	\$ 452,000	\$ 60,000	\$ 360,000	\$ 989,000
15.	Optional Termination Date	7/1/2013	N/A	1/1/2016	N/A

1.	Bond Series	2008 A	2008 B	2008 D	2009 B
2.	Issuance Date	2/26/2008	2/26/2008	8/5/2008	7/30/2009
3.	Maturity Date	1/1/2017	7/1/2038	7/1/2039	1/1/2025
4.	Notional Amount	\$13,700,000	\$10,285,000	\$21,850,000	\$40,605,000
5.	Variable-rate Bonds	\$13,700,000	\$12,735,000	\$21,850,000	\$47,745,000
6.	Fixed Rate	3.198%	4.725%	3.919%	3.108%
7.	LIBOR Percentage	63.00%	100.00%	63.70%	64.70%
8.	Additional Percentage	0.32%	0.00%	0.20%	0.23%
9.	Bonds Variable-rate	0.17000%	0.17000%	0.15000%	0.17000%
10.	Fair Value	\$ (1,277,000)	\$ (1,446,000)	\$(2,776,000)	\$(2,649,000)
11.	Percentage of LIBOR	0.32000%	0.00000%	0.20000%	0.23000%
12.	Synthetic Rate	3.04800%	4.89500%	3.86900%	3.04800%
13.	Actual Synthetic Rate	3.01836%	5.08106%	3.77878%	2.86882%
14.	Change in Fair Value	\$ 367,000	\$ 668,000	\$ 889,000	\$ 1,129,000
15.	Optional Termination Date	N/A	1/1/2020	1/1/2018	7/1/2016

Using rates as of June 30, 2013, 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, 2013. 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		
2014	\$ 17,980	\$ 219	\$ 4,297	\$ 22,496
2015	4,305	201	4,141	8,647
2016	3,410	195	4,023	7,628
2017	43,650	132	2,624	46,406
2018	2,360	116	2,342	4,818
2019-2023	22,585	486	9,937	33,008
2024-2028	9,275	319	6,937	16,531
2029-2033	8,015	266	5,925	14,206
2034-2038	19,270	132	3,193	22,595
2039-2043	8,420	8	193	8,621
	<u>\$ 139,270</u>	<u>\$ 2,074</u>	<u>\$ 43,612</u>	<u>\$ 184,956</u>

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NOTE 14 – SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

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

NOTE 15 – RISK MANAGEMENT

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

THE STATE FIRE AND TORNADO FUND

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

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

STATE BONDING FUND

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

FLEET SERVICES

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

WORKFORCE SAFETY & INSURANCE

Workforce Safety & Insurance (WSI), an Enterprise Fund, is a State insurance fund and a "no fault" insurance system, covering the State's employers and employees. WSI is financed by premiums assessed to employers. The rate of such premiums is periodically adjusted to assure the solvency of WSI. The premiums are available primarily for the payment of claims to employees injured in the course of employment. During fiscal year 2013, a total of \$272,288,784 in claims was recognized. Incurred but not reported claims of \$958,709,000 have been accrued as a liability based primarily upon actuarial estimates.

RISK MANAGEMENT FUND

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

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

The RMF liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Unpaid claim liabilities are based on an actuarial study of the outstanding loss reserve need for the fund and a forecast of ultimate loss and loss expense. These liabilities were determined on an undiscounted expected level of ultimate loss. Because actual claims liabilities are affected by complex factors including inflation, changes in legal doctrines, and unanticipated damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities will be re-evaluated periodically to take in consideration settled claims, the frequency of claims, and other economic and social factors.

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The following table presents the changes in claims liabilities balance for the fiscal years ending June 30, 2012, and June 30, 2013:

Fiscal Year	Beginning Balance	Current Year Claims and Changes In Estimates	Claims Payments	Ending Balance
2012	\$ 1,955,254	\$ 178,451	\$ 332,174	\$ 1,801,531
2013	1,801,531	218,253	371,976	1,647,808

The Risk Management Workers Compensation Program (WCP) was established to consolidate all state entities under one workers compensation account, allowing for transitional duty between entities. The statutory liability of the fund is limited to \$100,000 per claim with Workforce Safety & Insurance, providing excess insurance for claims that exceed the \$100,000 cap. WCP pays separately for this coverage. Since the inception of WCP on July 1, 2001, twenty-four claims exceeded coverage by \$5,054,117.

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

each entity. Each entity also pays a deductible of \$250 per claim.

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

The following table presents the changes in claims liabilities balance for the fiscal year ending June 30, 2013:

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2012	\$ 4,646,867	\$ 4,772,078	\$ 3,920,972	\$ 5,497,973
2013	5,497,973	4,909,442	4,674,335	5,733,080

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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 1,136 policies to participating entities for a total building and content coverage of \$11.4 billion. The Bonding Fund is used to provide fidelity bonding of public employees and officials. The Fund has issued 2,981 policies to participating entities. The total coverage for the Bonding Fund is \$684.7 million. If the assets of these funds were exhausted, fund participants would not be responsible for the funds' liabilities.

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

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

WORKFORCE SAFETY & INSURANCE

Workforce Safety & Insurance (WSI), an Enterprise Fund, is a state insurance fund and a "no fault" insurance system covering the State's employers and employees. At June 30, 2013, coverage extended to the following employers:

<u>Annual Premium</u>	
\$250 - \$5,000	18,465
\$5,001 - \$50,000	5,400
\$50,001 - \$100,000	478
Over \$100,000	450
Total Employers	<u>24,793</u>

WSI is financed by premiums assessed to the employers of North Dakota. The premiums are available primarily for the payment of claims to employees injured in the course of employment.

The operations of WSI are accounted for on the accrual basis. Liability for incurred but not reported and incomplete claims and claims expense is estimated by WSI's actuary. The estimate is developed by WSI's actuary, taking into consideration past experience of WSI in paying claims, and general conditions of the environment in which WSI operates. The liability includes estimates of costs to settle individual claims that have been reported, plus a provision for losses incurred but not yet reported and includes the effects of inflation and other societal and economic factors. WSI records the liability at a discounted amount.

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

For the year ended June 30, 2013, 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>Expected Value</u>	<u>High</u>
Full Value Basis (undiscounted)	\$1,421,870	\$ 1,603,535	\$ 1,757,873
Present Value Basis (discounted at 5% rate)	\$ 853,350	\$ 958,709	\$ 1,052,735

WSI has adjusted the estimated liability for unpaid loss and loss adjustment expense to the actuary's five percent discounted expected value of \$865,645,000 at June 30, 2013.

While management has recorded amounts that fall within the ranges of estimated liabilities as computed under actuarial assumptions, the high level of uncertainty indicates that actual losses and expenses could be materially higher than the recorded estimated liability.

WSI did not incur any acquisition costs that should have been capitalized at June 30, 2013.

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B. RECONCILIATION OF CLAIMS LIABILITIES

The following is a reconciliation of total claims liabilities, including an analysis of changes in aggregate liabilities for claims and claim adjustment expenses for the current fiscal year and the prior year (expressed in thousands):

	Fire And Tornado		Bonding		Workforce Safety & Ins	
	2013	2012	2013	2012	2013	2012
Unpaid claims and claims adjustment expenses at the beginning of the year	\$ 1,811	\$ 3,135	\$ 205	\$ 202	\$ 865,645	\$ 814,023
Incurred claims and claims adjustment expenses:						
Provision for current fiscal year	1,929	1,461	(115)	3	299,882	157,587
Change in provision for prior fiscal year	-	-	-	-	7,381	80,357
Payments and claims and adjustment expenses attributable to:						
Current fiscal year insured events	267	351	157	202	(52,886)	(44,224)
Prior fiscal years' insured events	(1,811)	(3,135)	(205)	(202)	(116,146)	(89,035)
Total Payments	(1,544)	(2,784)	(48)	-	(169,032)	(133,259)
Change in provision for discount	-	-	-	-	(45,167)	(53,063)
Total unpaid claims and claims adjustment expenses at the end of the year	\$ 2,196	\$ 1,812	\$ 42	\$ 205	\$ 958,709	\$ 865,645

NOTE 17 – BANK OF NORTH DAKOTA

GASB Statement No. 34 requires assets and liabilities of enterprise funds be presented in a classified format to distinguish between current and long-term assets and liabilities. The Bank of North Dakota is the only government-owned bank in the United States. Banks do not present a classified balance sheet because current assets are not matched with current liabilities. Presentation of a classified balance sheet would give the false impression that there is a liquidity problem at the bank. Presentation of a classified balance sheet for the Bank of North Dakota would be misleading to the extent that the financial statements may be materially misstated. Therefore, the balance sheet of the Bank of North Dakota presents assets and liabilities in order of their relative liquidity, rather than in a classified format.

NOTE 18 - COMMITMENTS AND CONTINGENCIES

A. LONG-TERM COMMITMENTS

BANK OF NORTH DAKOTA

H.B. 1021, Sections 4 & 6 – The Health Information Technology Office Director may request the Bank of North Dakota to transfer up to \$8,000,000 to the Health Information Technology Loan Fund to meet any required match for federal funds or to the Electronic Health Information Exchange Fund to meet any required match for federal funds or as directed, a portion to both funds to meet any required match for federal funds. The Health Information Technology Office Director shall request

fund transfers from the Bank only as necessary to comply with federal requirements and to meet cash flow needs of the funds. The Health Information Technology Office Director may request the Bank of North Dakota to transfer up to \$5,000,000 to the Health Information Technology Planning Loan Fund. The Health Information Technology Office Director shall request transfers from the Bank only as necessary to meet cash flow needs of the fund. For the year ended December 31, 2012, the Bank had transferred \$1,224,000 to this fund.

Under chapter 61-02.1-04 of North Dakota Century Code, principal and interest on State Water Commission bonds issued are payable from transfers to be made and appropriated by the legislative assembly from the water development trust fund as provided in section 61-02.1-05, then from transfers to be made and appropriated by the legislative assembly from revenues in the resources trust fund other than revenues from state taxes, then from appropriations of other available revenues in the then current biennium, and then from any other revenues the State Water Commission makes available during the then current biennium for that purpose, including any federal moneys received by the state for the construction of flood control or reduction projects to pay bonds issued for that project. If sufficient funds from these sources are not available, then from transfers to be made and appropriated by the legislative assembly from the first available current biennial earnings of the Bank of North Dakota not to exceed \$6,500,000 per biennium prorated with any other bonds payable from transfers to be made and appropriated by the legislative assembly from the available current biennial earnings of the Bank of North Dakota, to be credited by the trustee to the fund established for paying principal and interest

STATE OF NORTH DAKOTA

on the bonds under a trust indenture. If the bank has to provide a transfer to the State Water Commission to make principal and interest payments on these bonds, the State Water Commission would then have to request from the next legislative assembly funding to repay the transfer made by the bank.

Chapter 6-09.7-09 provides that the Bank of North Dakota may guarantee the loan of money by banks, credit unions, lending institutions that are part of the farm credit system, and savings and loan associations in this state to eligible persons for the purchase of agricultural real estate or the restructuring of agricultural real estate loans, provided the transactions do not exceed a loan to value ratio of 80% and further provided that no single loan exceeds \$400,000. The Bank may have no more than \$8,000,000 in outstanding loan guarantees under this program. The Bank may guarantee up to 75% of the amount of principal due the lender. The guarantee term may not exceed 5 years. As of December 31, 2012, the Bank has guarantees outstanding totaling \$106,000. The Bank had no guarantee commitments outstanding as of December 31, 2012.

Chapter 6-09.15 provides that the Bank of North Dakota provide a Beginning Entrepreneur Loan Guarantee Program. The program includes an agreement with a lender that in the event of default by a beginning entrepreneur under a note and mortgage or other loan or financing agreement, the Bank shall pay the lender the amount agreed upon up to 85 percent of the amount of principal due the lender on a loan at the time the claim is approved. The total outstanding loans that the Bank may guarantee cannot exceed 5% of the Bank's tier one capital as define by the Department of Financial Institutions. A lender may apply to the Bank for a loan guarantee for a loan of up to \$200,000. The term of the guarantee may not exceed five years. As of December 31, 2012, the Bank has guarantees outstanding totaling \$4,516,000 and had guarantee commitments outstanding of \$558,000 included in commitments to extend credit.

Chapter 6-09-41 of the North Dakota Century Code provides that the Bank of North Dakota establish and administer a loan guarantee program that is designed to expand livestock feeding and dairy farming in this state. This program was effective through June 30, 2009. The Bank may guarantee loans made by the bank, credit union, a savings and loan association, or any other lending institution in this state to the owner of a commercial livestock feeding operation or to the owner of a new or expanding dairy operation. In the event of a default, the Bank shall pay to the lender the amount agreed upon, provided that the amount may not exceed 85% of the principal due the lender at the time the claim is approved. As of December 31, 2012, the Bank has guarantees outstanding totaling \$743,000.

S.B. 2371, Section 7 – The Bank shall transfer up to \$30,000,000 from its current earnings and undivided profits to the Rebuilders Loan Program. For the year

ended December 31, 2012, the Bank had transferred the entire \$30,000,000 to the fund.

PUBLIC EMPLOYEE RETIREMENT SYSTEM

In 2007, the System entered into agreements with Sagitec Solutions, LLC and L.R Wechsler, Ltd for the development of its new integrated benefits administration system. The contract with Sagitec is \$7.7 million and the contract with L.R. Wechsler is \$1 million, and the total appropriation for this project is approximately \$9.6 million, which was anticipated to be fully completed by June 2011. As of June 30, 2013, the System had paid \$8.6 million towards these contracts. The System delayed implementation of the member self-service functionality to 2012, therefore, the final payment to Sagitec was made during fiscal year 2013 upon upon completion of the warranty period.

RETIREMENT AND INVESTMENT OFFICE (RIO)

The State Investment Board has at June 30, 2013, committed to fund certain alternative investment partnerships for an amount of \$900.0 million. Funding of \$694.1 million has been provided leaving an unfunded commitment of \$205.9 million.

MANDAN REMEDIATION TRUST

As of November 23, 2004, the North Dakota Department of Health entered into a quick start contract with Leggette, Brashears & Graham, Inc. (LBG) for the performance of remediation services. The amount of the contract was \$149,262. A master services agreement was signed on January 18, 2005, between LBG and the North Dakota Department of Health for the performance of remediation services. Mandan Remediation Trust agrees to pay LBG for services rendered under the quick start contract and the master services agreement pursuant to the Mandan Remediation Trust Agreement. The master services agreement provides a fee schedule for consulting services and equipment use. LBG was reimbursed \$289,359 during 2012 for services rendered under the contract.

INDUSTRIAL COMMISSION

Under the Lignite Vision 21 Program, the Commission has entered into an amended contract for the amount of \$10,000,000 with American Lignite Energy. The purpose of the amended contract is for conducting the FEED process for a coal-to-liquids plant in McLean County. The balance outstanding at June 30, 2013, is \$8,649,998. In addition, the Commission has entered into a contract for conducting pre-FEED and FEED studies with Great Northern Power Development. The balance outstanding at June 30, 2013, is \$3,572,866.

Under the Lignite Research Program, the Commission has entered into a contract with Lignite Energy Council to enhance, preserve and protect North Dakota Lignite Industry Phase VI. The balance outstanding at June 30, 2013 is \$4,472,250.

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Under the Oil and Gas Research Program, the Commission has entered into a contract with University of North Dakota for a public-private partnership to support geology and geological engineering education and research at UND's College of Engineering and Mines. The balance outstanding at June 30, 2013 is \$4,000,000. Also under this program, the Commission has entered into a contract with the Energy and Environmental Research Center to determine the uniqueness of Three Forks Bench Reserves, determine optimal well density in the Bakken Pool and optimizing Bakken production. The balance outstanding at June 30, 2013 is \$8,000,000.

The Commission also has various significant commitments at June 30, 2013, for the purchase of various types of research, services and other goods totaling \$4,107,303.

MILL AND ELEVATOR

As of June 30, 2013, the Mill had commitments to purchase 2,343,733 bushels of spring wheat and 2,562,987 bushels of durum.

BUILDING AUTHORITY

The Authority has committed funds to complete various construction and modernization programs at June 30, 2013, totaling \$385,000.

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, 2012, \$4,252,000 of credit was available through these letters of credit and no funds have been advanced.

JOB SERVICE NORTH DAKOTA

As of June 30, 2013, Job Service has commitments to pay \$2,601,172 for purchase orders and contracts awarded for goods, services, software licenses, software support, and software server hosting to be provided in future periods, all federally funded. Of this amount \$2,000,000 is committed to the WyCAN Consortium to build a Unemployment Insurance computer system.

HOUSING INCENTIVE FUND

The Fund makes various commitments relating to construction projects to meet unmet housing needs across North Dakota. The Fund had \$8,998,030 of signed commitments for construction projects as of June 30, 2013. The Fund had an additional \$5,590,809 of conditional commitments for construction projects as of June 30, 2013. The total paid on these commitments as of June 30, 2013 was \$6,838,779.

DEPARTMENT OF HUMAN SERVICES

As of June 30, 2013, the Department of Human Services had significant commitments for the purchase of various types of services totaling \$60,127,232.

AERONAUTICS COMMISSION

As of June 30, 2013, the Aeronautics Commission had significant commitments of approximately \$2,437,607. This amount consists of grants to political subdivisions for maintenance and improvements of their airports.

DAIRY PRODUCTS PROMOTION COMMISSION

As of June 30, 2013, the Dairy Products Commission had significant commitments of \$152,500. This amount consists of a contract with Midwest Dairy Association to implement and administer programs intended to contribute to the betterment of North Dakota dairy farmers and the State's dairy industry. The contract also provides the Commission with administrative, financial, and reporting services.

NORTH DAKOTA SOYBEAN COUNCIL

As of June 30, 2013, the North Dakota Soybean Council had significant commitments of \$1,542,552. This amount mainly consists of grants for the research and development of soybeans.

STATE WATER COMMISSION

As of June 30, 2013, the State Water Commission had long-term commitments of \$175,723,325 for various water projects.

NORTH DAKOTA DEPARTMENT OF TRANSPORTATION

At June 30, 2013, the North Dakota Department of Transportation (Special Revenue Fund) had non-construction contract commitments of approximately \$42.0 million.

Construction commitments at June 30, 2013, totaled approximately \$635.0 million, of which \$219.0 million represents federal programs which are cost reimbursable. These commitments will be funded with future appropriations as work is performed.

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UNIVERSITY SYSTEMS

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

	Original Issue	Paid To Date	Amount To Be Paid
BSC	\$ 8,059	\$ 965	\$ 7,094
DCB	594	564	30
DSU	129	11	118
MASU	9,008	8,983	25
MiSU	4,074	3,554	520
NDSCS	18,032	15,585	2,447
NDSU	70,609	64,743	5,866
UND	20,859	14,766	6,093
VCSU	8,044	7,826	218
WSC	9,040	9,000	40

NORTH DAKOTA DEVELOPMENT FUND

The board of directors has approved equity investments, loans, grants, and guaranty of collections at June 30, 2013, for which funds have not been disbursed or written agreements entered into in the amount of \$2,714,634.

OTHER CONSTRUCTION COMMITMENTS

Highway Patrol	\$ 1,024
Office of Attorney General	370
Department of Human Services	67,894
Department of Corrections	4,898
Adjutant General	5,765
Game and Fish	69
Historical Society	10,109
Transportation	251,351

B. LITIGATION

The estimated loss in all of the litigation against the State in which a loss to the State is probable is estimated at zero. Litigation that is reasonably possible to result in an unfavorable outcome is estimated at a range of \$960,000 to \$1,010,000.

The estimated gain in all the litigation brought by the State in which a gain is probable is estimated at \$1,349,500.

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

payments (e.g., volume adjustments). The net effect of these adjustments on future payments is unclear.

The State had not settled any cases before June 30, 2013, in which the settlement had not been paid as of June 30, 2013.

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, 2012, was completed and issued in March of 2013. As a result of this audit, approximately \$115,976 of identifiable questioned costs was noted. Also, there were several findings which had potentially significant, unknown, questioned costs. The State is cooperating with the federal government to resolve the findings and is optimistic these findings will not have a material impact on the State.

NOTE 19 – EXTRAORDINARY ITEM

STATE FAIR

During the month of June 2011, flooding from the Souris River directly impacted the North Dakota State Fair Association, resulting in the cancellation of the State Fair and causing significant damage to the buildings and other properties. Total final expenses to repair and clean the property are not final, and still in process at year-end. Costs are expected to be substantially recovered from federal financial assistance programs. Included in the State's financial statements are \$1,767,739 in expenditures incurred or payable and \$1,424,750 in federal grants receivable from the Federal Emergency Management Agency.

NOTE 20 - SPECIAL ITEM

WORKFORCE SAFETY & INSURANCE

Previous to July 1, 2012, the Agency contracted with multiple software development companies to develop a software replacement project. The Agency cancelled this project during fiscal year 2013 resulting in a write-off of construction in progress totaling \$14,728,630, which is shown as a special item on the Government-wide Statement of Activities – Governmental Activities.

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NOTE 21 - SUBSEQUENT EVENTS

STATE INVESTMENT BOARD

In February 2009, the State was notified of legal action being taken against one of its investment advisors. The principals of WG Trading Company (WGTC), the broker/dealer for the Westridge Capital Management portfolios, were charged with securities fraud for allegedly diverting investor funds for their personal use. The State was an investor along with numerous other public and private pension funds. Investors had been offered two options: invest directly in WGTC by purchasing a limited partnership interest in it; or lend money to WG Trading Inc. (WGTI). WGTC was subject to SEC regulation, capital requirements, reporting and oversight, whereas WGTI was an unregulated and unaudited entity. The State chose to invest directly in the regulated, audited WGTC.

At the time the Commodity Futures Trading Commission (CFTC) and SEC charges were filed, the court appointed a receiver to take control of any recoverable assets. The receiver recommended the court distribute the recovered assets as follows: pool the assets of WGTC and WGTI, and distribute those assets *pro rata* to all investors. The receiver's method did not take into consideration the terms in which each investor entered into the investment (i.e. limited partnership interest versus note holder agreement), even though the majority of the WGTC assets were intact and the fraud predominantly occurred with WGTI. The State joined with other WGTC investors and objected to a *pro rata* distribution to all investors. The receiver and the WGTI investors opposed. The court agreed with the receiver and in April, 2011, the recovered assets were distributed to all investors in a *pro rata* distribution based on net investment balances. The State received a total distribution of \$63.9 million, which represented approximately 85% of its remaining cost basis with WGTC.

The State does not agree with the method used to distribute the assets, and along with the other limited partners is appealing the District Courts' ruling. It is the State's position that the District Court incorrectly determined the amount of the distribution; and that the audited limited partners are entitled to a greater share of the recovered assets than the unaudited note holders. In April 2013, the District Court's original ruling was upheld by the United States Court of Appeals for the Second Circuit and the State received an additional \$3.1 million *pro rata* distribution, bring the total distributions received to \$67.1 million. It should be noted that the receiver continues to pursue certain "clawback" actions and to dispose of various real and personal property held by the receiver in order to recover additional funds that may eventually be distributed to the investors, including the State. While future additional distributions are possible, the amount of any additional distributions to the State will likely be small as compared to the prior distributions. Total distributions to date have resulted in a net realized loss attributable to the fraud of \$8.2 million which was

allocated to the participating pooled funds as follows (express in thousands):

The State has been listed as a defendant in a putative defense class action originally filed in the United States Bankruptcy Court for the District of Delaware, styled The Official Committee of Unsecured Creditors of Tribune Company v. Fitzsimmons, et al., Bankr. Case No. 10-54010 (the "Adversary Proceeding"), and subsequently transferred to a multi-district litigation proceeding in the United States District Court for the Southern District of New York, Case Nos. 12-cv-02652, and 11-md-02296. In addition to the Advisory Proceeding, other Tribune creditors have filed numerous state court actions (the "State Court Actions") to assert fraudulent transfer claims against certain recipients of the offering described below. The State was not named in any of these actions, which have been consolidated and transferred to the MDL Proceeding (the State Court Actions together with the Adversary Proceeding, the "Tribune LBO Litigation").

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

The Committee purportedly served the State with a copy of the summons and complaint in the Adversary Proceeding on or about February 13, 2012. On July 26, 2013, the Court granted the Litigation Trustee leave to file a Fifth Amended Complaint. A response to the Litigation Trustee's Fifth Amended Complaint will not yet be required, and the Court has stayed all discovery pending its disposition of a Motion to Dismiss in the State Court Actions. The Court held a hearing on May 23, 2013, and took the matter under advisement. In large part, however, the Adversary Proceeding has been stayed from its inception, and continues to be stayed. No substantive motions or answers have been filed by the State or any other defendant in response to the complaint. Under the circumstances, we are not able to assess the likelihood of a loss to the State or predict the probability of a favorable or unfavorable outcome or the amount of potential loss, in the event of an unfavorable outcome.

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BANK OF NORTH DAKOTA

Subsequent to the Bank's year end, Bank of North Dakota prepaid \$67 million of FHLB advances and called \$10 million of FHLB Advances. The maturities of these advances varied from August 2016 to October 2018. Approximately \$8.9 million in prepayment penalties were assessed the Bank to unwind the advances, however interest savings realized over the maturities will result in a net gain.

In January 2013, the Bank transferred \$7,500,000 from Undivided Profits to the Health Information Exchange in accordance with H.B. 1021.

HOUSING FINANCE

Subsequent to June 30, 2013, the agency issued the Series 2013 A Housing Finance Program Bond Funds totaling \$69,970,000. In addition, the Agency securitized mortgage loans to create mortgage backed securities which were sold for proceeds of \$21,597,000.

PUBLIC FINANCE AUTHORITY

Subsequent to June 30, 2013, the Authority issued \$51,375,000 of Capital Financing Program Bonds, Series 2013A. The bonds are payable in annual principal payments and semi-annual interest payments through 2033. The interest rate on the bonds vary from 3.0% to 4.0%.

UNIVERSITY OF NORTH DAKOTA

On November 7, 2013, the University of North Dakota issued \$8.3 million in revenue bonds to finance the purchase of the Hamline Square. Hamline Square is a 77 unit apartment complex built by a private developer located on University land. In fiscal year 2013, the building was recorded in the University's financial statements as a capital asset and capital lease liability. In fiscal year 2014, the asset will remain on the University's financial statements and the debt will move from a capital lease liability to a bond payable liability. The bonds are payable in annual payments through 2034 and have an interest rate ranging from 2.00 percent to 4.10 percent.

In September 2013, the University of North Dakota entered into a financing agreement for the purchase of a 50,000 square foot research building owned by the UND Research Foundation. The loan is \$9,800,000, amortized for years at 5.38% with a balloon payment of \$7.4 million on September 1, 2023.

HOUSING INCENTIVE FUND

In July 2013, the Fund made conditional commitments for construction projects of \$20,387,542. These commitments are dependent on the Fund receiving enough contributions from taxpayers to fund the projects and the project meeting the final construction requirements to receive those funds.

NORTH DAKOTA STATE UNIVERSITY

On October 21, a closing was held where NDSU sold an airplane and paid off the related lease payable through the NDSU Development Foundation. The airplane's sales price was \$1,350,000 and the lease payoff was \$1,088,7853 (including \$28,972 interest). After deducting a \$1,000 closing fee, the cash proceeds of \$260,247 were sent to NDSU and are being held in local unrestricted funds. Both the capital asset and related debt will be removed from NDSU's general ledger in fiscal year 2014.

On November 4, 2013, NDSU used the 10 year call provision in the Series 2003 lease revenue bond indenture to pay off the remaining bonds in the amount of \$2,695,984. These bonds were issued through the NDSU Development Foundation in 2003 to construct the Equine Science Center and have been treated like a capital lease on NDSU's records. This debt will be removed from NDSU's general ledger in fiscal year 2014.

NOTE 22 – NEW PRONOUNCEMENTS

The State implemented the following new pronouncement for fiscal year 2013:

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

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

GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" will be effective for financial statement periods beginning after December 15, 2011 with early application

STATE OF NORTH DAKOTA

encouraged. The Statement brings the authoritative accounting and financial reporting literature together in one place, with the guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial users. It will eliminate the need to financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, resulting in a more consistent application of applicable guidance in financial statements of state and local governments.

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

The State will implement the following new pronouncements for fiscal years ending after 2013:

GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities" is effective for financial statements for periods beginning after December 15, 2012. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66, "Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62", is effective for financial statements for periods beginning after December 15, 2012. The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989, FASB and AICPA Pronouncements".

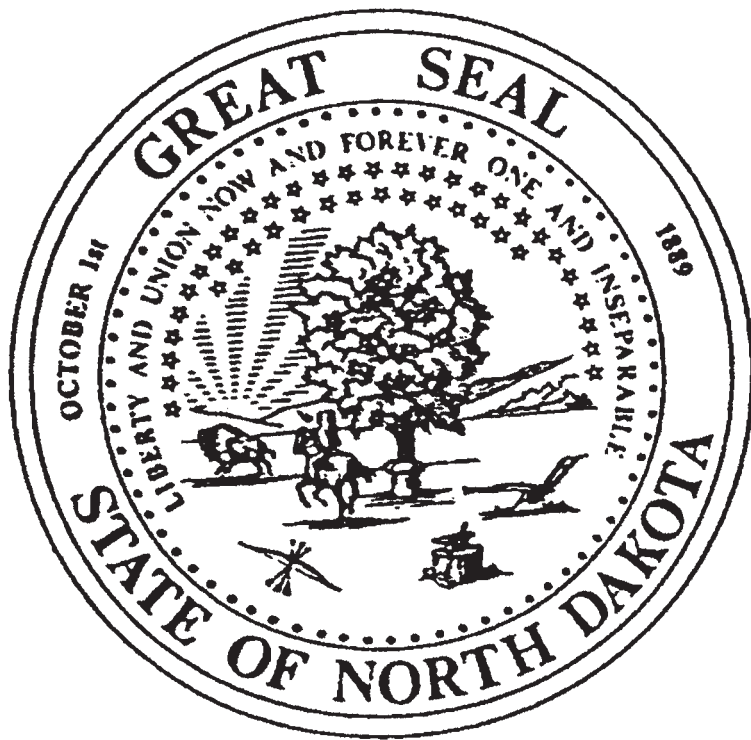
GASB Statement No. 67, "Financial Reporting for Pension Plans", is effective for financial statements for periods beginning after June 15, 2013. The objective of this statement is to improve financial reporting by state and local governmental pension plans. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans", and No. 50, "Pension

Disclosures", as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement and to defined contribution plans that provide postemployment benefits other than pensions.

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

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

GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees", requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. Or a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a nonexchange financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a nonexchange financial guarantee may be applied prospectively.



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Required Supplementary Information - Budgetary Schedule

STATE OF NORTH DAKOTA

Required Supplemental Information Budgetary Comparison Schedule General Fund For the Biennium Ended June 30, 2013

	Approved Budget 2011-2013 Biennium	Appropriation Adjustments 2011-2013 Biennium	Adjusted Budget 2011-2013 Biennium	Actual Biennium To Date Thru 6-30-13	Difference Uncollected/ Unspent Thru 6-30-13
Budgetary Fund Balance, July 1	\$ 660,231,525	\$ -	\$ 660,231,525	\$ 861,080,338	\$ 200,758,813
Resources (Inflows):					
Sales and Use Tax	1,382,234,660	777,763,356	2,159,998,016	2,196,977,793	36,979,777
Income Tax	670,909,334	592,525,450	1,263,434,784	1,431,975,483	168,540,699
Financial Institutions Tax	5,041,666	2,241,494	7,283,160	11,236,510	3,953,350
Oil And Gas Production Tax	133,834,000	29,624,104	163,458,104	163,458,104	-
Oil Extraction Tax	166,166,000	(29,624,104)	136,541,896	136,541,896	-
Insurance Premium Tax	70,560,000	8,082,395	78,642,395	82,857,729	4,215,334
Cigarette, Cigar and Tobacco Tax	43,902,000	10,583,013	54,485,013	53,723,649	(761,364)
Wholesale Liquor Tax	14,934,000	2,644,477	17,578,477	17,617,501	39,024
Coal Conversion Tax	35,764,000	3,661,126	39,425,126	38,399,414	(1,025,712)
Gaming Tax	9,241,952	2,067,817	11,309,769	11,136,421	(173,348)
Lottery	11,000,000	1,500,000	12,500,000	14,300,000	1,800,000
Department Fees and Collections	63,284,446	8,649,808	71,934,254	76,994,265	5,060,011
Mineral Leasing Fees	17,000,000	17,781,711	34,781,711	43,052,074	8,270,363
Motor Vehicle Excise Tax	183,039,167	75,926,338	258,965,505	252,725,403	(6,240,102)
Interest on Public Funds	42,700,000	(28,533,284)	14,166,716	13,671,280	(495,436)
Gas Tax Administration	1,485,000	-	1,485,000	1,673,990	188,990
Transfers In	606,650,000	-	606,650,000	609,513,047.84	2,863,048
Total Revenue Inflows	3,457,746,225	1,474,893,701	4,932,639,926	5,155,854,560	223,214,634
Amounts Available for Appropriation	4,117,977,750	1,474,893,701	5,592,871,451	6,016,934,898	424,063,447
Charges to Appropriations (Outflows):					
General Government:					
Governor's Office	3,773,942	-	3,773,942	3,452,614	321,328
Secretary of State	9,016,160	93,000	9,109,160	7,758,124	1,351,036
Secretary of State Public Printing	310,000	-	310,000	261,500	48,500
Office of Management and Budget	403,892,699	108,299,322	512,192,021	500,447,294	11,744,727
Information Technology	19,252,204	2,376,580	21,628,784	17,240,523	4,388,261
State Auditor	7,143,808	1,320	7,145,128	7,106,145	38,983
State Treasurer	26,705,390	124,108,840	150,814,230	150,516,119	297,811
Attorney General	31,542,245	416,200	31,958,445	31,923,239	35,206
Tax Department	39,238,449	1,031,855	40,270,304	37,552,023	2,718,281
Legislative Assembly	14,267,917	2,644,736	16,912,653	14,464,121	2,448,532
Legislative Council	11,561,158	3,489,755	15,050,913	9,321,899	5,729,014
Supreme Court	83,482,362	-	83,482,362	80,994,564	2,487,798
Legal Counsel for Indigents	9,808,430	-	9,808,430	9,808,324	106
Public Employees Retirement System	-	-	-	-	-
Education:					
Public Instruction	1,243,980,651	9,547,500	1,253,528,151	1,241,068,454	12,459,697
Land Department	-	30,017,722	30,017,722	3,845,237	26,172,485
Education Practices & Standards Board	-	-	-	-	-
State Library	5,263,975	-	5,263,975	5,263,134	841
School for the Deaf	6,718,772	145,611	6,864,383	6,782,487	81,896
School for the Blind	3,797,240	-	3,797,240	3,797,127	113
Vocational Education	27,981,679	-	27,981,679	27,981,679	-
Health & Human Services:					
Dept. of Health	34,013,780	570,685	34,584,465	32,947,044	1,637,421
Veteran's Home	5,553,323	1,542,126	7,095,449	6,484,081	611,368
Indian Affairs Commission	822,878	2,328	825,206	787,890	37,316
Veteran's Affairs	1,417,219	-	1,417,219	1,384,928	32,291
Dept. of Human Services-Management	32,777,092	11,840,108	44,617,200	27,984,864	16,632,336
Dept. of Human Services-Program and Policy	737,967,143	19,009,474	756,976,617	747,117,498	9,859,119
Dept. of Human Services-Centers	161,280,984	85,694	161,366,678	161,113,212	253,466
Protection and Advocacy	1,985,365	-	1,985,365	1,985,365	9
Job Service	1,879,892	20,247	1,900,139	1,402,509	497,630
Regulatory:					
Insurance Commission	-	-	-	-	-
Industrial Commission	17,075,613	1,000,000	18,075,613	16,672,482	1,403,131
Labor Commission	1,540,125	10,000	1,550,125	1,480,616	69,509
Public Service Commission	6,020,215	3,600	6,023,815	5,693,828	329,987
Securities Commissioner	1,909,220	-	1,909,220	1,723,530	185,690
Public Safety and Corrections:					
Highway Patrol	34,443,274	981,870	35,425,144	35,343,073	82,071
Division of Emergency Management	-	-	-	-	-
Corrections & Rehab	159,565,919	2,828,813	162,394,732	159,331,471	3,063,261
Adjutant General	29,353,555	5,650,598	35,004,153	30,720,466	4,283,687
Agriculture & Commerce:					
Department of Commerce	41,759,865	7,030,421	48,790,286	44,339,550	4,450,736
Department of Agriculture	8,196,746	64,609	8,261,355	8,215,672	45,683
State Fair	730,000	674,361	1,404,361	1,134,731	269,630
Racing Commission	317,501	-	317,501	317,500	1
Natural Resources:					
Historical Society	13,034,891	35,128,705	48,163,596	42,465,857	5,697,739
Council on the Arts	1,363,602	-	1,363,602	1,327,296	36,306
Parks and Recreation	16,623,556	1,026,210	17,649,766	16,928,860	720,906
Water Commission	14,995,199	-	14,995,199	14,253,825	741,374
Transportation:					
Aeronautics Commission	554,500	-	554,500	554,500	-
Department of Transportation	5,850,000	261,138,893	266,988,893	107,775,759	159,213,134
Transfers Out	788,085,254	35,488,560	823,573,814	806,026,872	17,546,943
Total Charges to Appropriations	4,066,853,792	666,269,744	4,733,123,536	4,435,098,177	298,025,359
Ending Budgetary Fund Balance	\$ 51,123,958	\$ 808,623,957	\$ 859,837,915	\$ 1,581,836,721	\$ 721,998,806

STATE OF NORTH DAKOTA

Required Supplemental Information Budgetary Comparison Schedule Budget to GAAP Reconciliation General Fund For the Biennium Ended June 30, 2013

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	5,155,854,560
Backing out revenue from 2012	(2,520,275,804)
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	49,879,395
Certain due from other funds are recorded under GAAP, but not Budget	925,815,672.48
Reimbursement activity between state agencies is eliminated only for GAAP	(345,420)
Proceeds are recorded for new capital leases on GAAP, but not for Budget	108,689
Repayment received on loan receivable are revenue for Budget to GAAP	(64,691)
Total revenues and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 3,610,972,401</u>

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	4,435,098,177
Back out expenditures from 2012	(2,224,144,068)
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	(24,463,338)
New capital leases are recorded as expenditures for GAAP, but not for Budget	108,689
Certain due to other funds are recorded under GAAP, but not for Budget	(6,273,676)
Total expenditures and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 2,180,325,784</u>

STATE OF NORTH DAKOTA

Required Supplemental Information Budgetary Comparison Schedule Federal Fund For the Biennium Ended June 30, 2013

	Approved Budget 2011-2013 Biennium	Appropriation Adjustments 2011-2013 Biennium	Adjusted Budget 2011-2013 Biennium	Actual Biennium To Date Thru 6-30-13	Difference Uncollected/ Unspent Thru 6-30-13
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):					
Other Budgeted Income	3,279,019,744	973,062,089	4,252,081,833	3,102,301,183	(1,149,780,649)
Total Revenue Inflows	3,279,019,744	973,062,089	4,252,081,833	3,102,301,183	(1,149,780,649)
Amounts Available for Appropriation	3,279,019,744	973,062,089	4,252,081,833	3,102,301,183	1,149,780,649
Charges to Appropriations (Outflows):					
General Government:					
Governor's Office	21,517,716	(9,215,990)	12,301,726	12,240,725	61,001
Secretary of State	6,056,812	(250,000)	5,806,812	1,906,387	3,900,425
Office of Management & Budget	-	-	-	-	-
Information Technology	10,325,000	-	10,325,000	4,482,449	5,842,551
State Auditor	918,583	10,000	928,583	924,992	3,591
Attorney General	13,363,481	100,000	13,463,481	7,688,951	5,774,530
Tax Department	10,000	115,000	125,000	16,840	108,160
Administrative Hearings	-	-	-	-	-
Legislative Assembly	-	-	-	-	-
Supreme Court	1,856,775	-	1,856,775	1,503,740	353,035
Legal Counsel for Indigents	-	-	-	-	-
Education:					
Public Instruction	347,668,814	(12,231,795)	335,437,019	283,270,195	52,166,824
State Library	2,042,758	-	2,042,758	1,945,199	97,559
School for the Deaf	266,701	40,000	306,701	267,630	39,071
School for the Blind	-	-	-	-	-
Vocational Education	10,561,914	-	10,561,914	8,673,142	1,888,772
Health & Human Services:					
Dept. of Health	122,681,625	3,606,498	126,288,123	103,110,505	23,177,618
Tobacco Prevention & Control	-	-	-	-	-
Veteran's Home	-	29,475	29,475	29,475	-
Indian Affairs	-	-	-	-	-
Dept. of Human Services-Management	45,802,544	67,302,783	113,105,327	53,173,170	59,932,157
Dept. of Human Services-Program and Policy	1,417,023,189	(15,106,219)	1,401,916,970	1,202,883,065	199,033,905
Dept. of Human Services-Centers	96,532,031	488,846	97,020,877	88,950,704	8,070,173
Protection and Advocacy	3,118,888	-	3,118,888	2,610,421	508,467
Job Service	69,600,082	2,600,000	72,200,082	50,943,874	21,256,208
Regulatory:					
Insurance Department	1,812,751	1,450,768	3,263,519	923,349	2,340,170
Industrial Commission	263,485	-	263,485	256,990	6,495
Labor Commission	424,511	165,400	589,911	563,755	26,156
Public Service Commission	12,036,648	-	12,036,648	10,811,103	1,225,545
Financial Institutions	-	-	-	-	-
Securities Commission	-	-	-	-	-
Public Safety and Corrections:					
Highway Patrol	6,499,563	-	6,499,563	5,445,515	1,054,048
Division of Emergency Management	-	-	-	-	-
Corrections & Rehab	8,249,468	-	8,249,468	6,870,576	1,378,892
Adjutant General	211,335,824	333,050,442	544,386,266	247,766,949	296,619,317
Agriculture & Commerce:					
Department of Commerce	79,868,603	242,000,000	321,868,603	65,568,983	256,299,620
Department of Agriculture	7,479,497	-	7,479,497	5,151,209	2,328,288
State Seed	-	-	-	-	-
Natural Resources:					
Historical Society	3,550,413	-	3,550,413	1,876,912	1,673,501
Council on the Arts	1,791,345	-	1,791,345	1,480,321	311,024
Game and Fish	29,902,607	2,500,000	32,402,607	27,875,693	4,526,914
Parks and Recreation	6,757,335	(2,000,705)	4,756,630	3,201,717	1,554,913
Water Commission	53,984,383	-	53,984,383	21,038,879	32,945,504
Transportation:					
Aeronautics Commission	4,696,000	-	4,696,000	569,297	4,126,703
Department of Transportation	681,020,398	358,407,585	1,039,427,983	878,278,471	161,149,512
Total Charges to Appropriations	3,279,019,744	973,062,089	4,252,081,833	3,102,301,183	1,149,780,649
Ending Budgetary Fund Balance	\$ -	\$ -	\$ -	\$ 0	\$ 0

STATE OF NORTH DAKOTA

Required Supplemental Information Budgetary Comparison Schedule Budget to GAAP Reconciliation Federal Fund For the Biennium ended June 30, 2013

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

Sources/Inflows of resources

Actual Amounts (budgetary basis) "total revenue inflows" from the budgetary comparison schedule	3,102,301,183
Backing out 2012 activity	(1,728,251,586)
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	11,238,820
Total revenues and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 1,385,288,417</u>

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	3,102,301,183
Backing out 2012 activity	(1,728,251,586)
Differences-Budget to GAAP:	
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	17,830,173
New Loans issued are expenditures for Budget but not for GAAP	(2,078,495)
GAAP, but not Budget expenditures are reduced by year end inventory balances	5,909,374
Intrafund activity eliminated for GAAP	(9,263,455)
Certain due to other funds are recorded under GAAP, but not for Budget	(20,078)
Total expenditures and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 1,386,427,116</u>

STATE OF NORTH DAKOTA

Required Supplemental Information Budgetary Comparison Schedule State Fund For the Biennium Ended June 30, 2013

	Approved Budget 2011-2013 Biennium	Appropriation Adjustments 2011-2013 Biennium	Adjusted Budget 2011-2013 Biennium	Actual Biennium To Date Thru 6-30-13	Difference Uncollected/ Unspent Thru 6-30-13
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):					
Other Budgeted Income	2,156,778,567	369,445,637	2,526,224,204	1,875,882,743	(650,341,461)
Total Revenue Inflows	2,156,778,567	369,445,637	2,526,224,204	1,875,882,743	(650,341,461)
Amounts Available for Appropriation	2,156,778,567	369,445,637	2,526,224,204	1,875,882,743	(650,341,461)
Charges to Appropriations (Outflows):					
General Government:					
Governor's Office	-	-	-	-	-
Secretary of State	730,172	548,526	1,278,698	983,478	295,220
Office of Management & Budget	10,514,461	-	10,514,461	8,123,509	2,390,952
Information Technology	134,751,683	19,346,077	154,097,760	115,837,108	38,260,652
State Auditor	1,508,939	(10,000)	1,498,939	1,295,860	203,079
Attorney General	14,063,696	553,675	14,617,371	8,168,744	6,448,627
Tax Department	-	-	-	-	-
Administrative Hearings	1,827,199	500,000	2,327,199	2,071,720	255,479
Legislative Assembly	70,000	-	70,000	63,071	6,929
Supreme Court	325,499	-	325,499	311,570	13,929
Legal Counsel for Indigents	1,970,852	-	1,970,852	1,846,438	124,414
Public Employees Retirement System	6,867,890	597,338	7,465,228	6,609,238	855,990
Education:					
Public Instruction	108,534,609	2,214,423	110,749,032	110,745,916	3,116
Land Department	105,465,189	35,000,000	140,465,189	71,198,000	69,267,189
State Library	91,852	-	91,852	73,828	18,024
School for the Deaf	1,821,306	160,000	1,981,306	1,473,287	508,019
School for the Blind	835,091	-	835,091	569,211	265,880
Vocational Education	204,974	-	204,974	9,760	195,214
Health & Human Services:					
Dept. of Health	38,267,128	(3,606,498)	34,660,630	13,910,286	20,750,344
Tobacco Prevention & Control	12,922,614	-	12,922,614	11,758,913	1,163,701
Veteran's Home	15,343,323	30,894	15,374,217	13,968,993	1,405,224
Indian Affairs	-	-	-	-	-
Dept. of Human Services-Management	1,997,030	-	1,997,030	1,816,990	180,040
Dept. of Human Services-Program and Policy	82,988,414	400,000	83,388,414	83,153,722	234,692
Dept. of Human Services-Centers	29,057,624	-	29,057,624	28,345,750	711,874
Protection and Advocacy	-	-	-	-	-
Job Service	516,724	-	516,724	74,000	442,724
Regulatory:					
Insurance Department	16,588,979	(808,418)	15,780,561	14,220,420	1,560,141
Industrial Commission	46,503,271	-	46,503,271	30,964,615	15,538,656
Labor Commission	-	-	-	-	-
Public Service Commission	1,025,000	-	1,025,000	18,016	1,006,984
Financial Institutions	6,836,318	-	6,836,318	6,169,838	666,480
Securities Commission	317,199	-	317,199	64,040	253,159
Public Safety and Corrections:					
Highway Patrol	5,025,762	-	5,025,762	5,025,762	-
Division of Emergency Management	-	-	-	-	-
Corrections & Rehab	23,356,682	44,534,196	67,890,878	59,775,248	8,115,630
Adjutant General	41,268,554	38,724,193	79,992,747	26,672,285	53,320,462
Agriculture & Commerce:					
Department of Commerce	8,766,334	836,767	9,603,101	3,481,519	6,121,582
Department of Agriculture	7,321,754	36,000	7,357,754	6,106,743	1,251,011
State Seed Department	6,894,011	-	6,894,011	5,029,864	1,864,147
Racing Commission	130,000	-	130,000	103,767	26,233
Natural Resources:					
Historical Society	-	12,060,000	12,060,000	60,000	12,000,000
Council of Arts	63,515	-	63,515	21,431	42,084
Game and Fish	35,785,135	(643,582)	35,141,553	33,485,771	1,655,782
Parks and Recreation	5,912,197	2,180,000	8,092,197	8,058,213	33,984
Water Commission	390,435,838	81,350,000	471,785,838	268,284,579	203,501,259
Transportation:					
Aeronautics Commission	7,837,688	1,251,645	9,089,333	6,518,685	2,570,648
Department of Transportation	982,034,061	134,190,401	1,116,224,462	919,412,555	196,811,907
Total Charges to Appropriations	2,156,778,567	369,445,637	2,526,224,204	1,875,882,743	650,341,461
Ending Budgetary Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -

STATE OF NORTH DAKOTA

**Required Supplemental Information
Budgetary Comparison Schedule
Budget to GAAP Reconciliation
State Fund
For the Biennium ended June 30, 2013**

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	1,875,882,743
Backing out 2012 activity	(956,567,052)
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	2,004,410,477
Total revenues and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 2,923,726,168</u>

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	1,875,882,743
Backing out 2012 activity	(956,567,052)
Differences-Budget to GAAP:	
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	936,479,353
New Loans issued are expenditures for Budget but not for GAAP	(829,888)
GAAP, but not Budget expenditures are reduced by year end inventory balances	660,661
Intrafund activity eliminated for GAAP	(125,582,178)
Certain due to other funds are recorded under GAAP, but not for Budget	(545,707)
Total expenditures and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 1,729,497,932</u>

STATE OF NORTH DAKOTA

Note To Required Supplemental Information - Budgetary Reporting

For the Biennium Ended June 30, 2013

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

North Dakota's Appropriation Acts include a dual legal level of budgetary control - one at the General Fund versus Other Budget Income level for each agency and one at the line item level for each agency. Line items are not separate between General Fund and Other Budgeted Income so that control is not presented in our budgetary comparison schedule for major funds. The legal level of control for all agencies is reported in a publication titled "State of North Dakota 2011-2013 Biennium Budget and Actual Detail (Budgetary Basis) For the Biennium Ended June 30, 2013." This budget information is available through the Office of Management and Budget, 600 East Boulevard Ave Dept. 110, Bismarck, ND 58505. For the 2011-2013 biennium there were general, federal, and special fund supplemental appropriations of \$2,008,777,470.

The Budgetary Comparison Schedule reports expenditures on a budgetary basis. The accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present the financial statements in accordance with GAAP. Reconciliations of the three for the biennium ended June 30, 2013, for the General Fund, Federal Fund, and State Fund is on the previous pages.

Combining Financial Statements

STATE OF NORTH DAKOTA

Permanent Fund

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

956-Coal Development Permanent Fund

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

Capital Projects Funds

A capital projects fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

BUILDING AUTHORITY

960 - Building Authority Capital Projects Fund

Account for the acquisition or construction of buildings primarily for use by the State and making any improvements connected to those buildings.

Debt Service Funds

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

BUILDING AUTHORITY

919 - Building Authority Debt Service Fund

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

WATER COMMISSION

962 - Water Commission Debt Service Fund

Account for accumulation of resources for, and the payment of, principal and interest on bonds issued by the State Water Commission.

DEPARTMENT OF TRANSPORTATION

949 - Department of Transportation Debt Service Fund

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

STATE OF NORTH DAKOTA

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013**

	Perm Fund	Debt Service Funds				Capital Proj. Fund	Total Nonmajor Governmental Funds
	Coal Development Trust Fund	Building Authority	Dept. of Trans.	Water Comm.	Total	Building Authority	
ASSETS							
Cash Deposits at the Bank of ND	\$ 371,026	\$ 76,000	\$ 85,014	\$ -	\$ 161,014	\$ 2,358,000	\$ 2,890,040
Cash and Cash Equivalents	-	-	-	1,579,748	1,579,748	-	1,579,748
Investments at the Bank of ND	-	6,038,000	-	7,998,015	14,036,015	-	14,036,015
Investments	37,356,510	-	-	984,000	984,000	-	38,340,510
Taxes Receivable - Net	35,406	-	-	-	-	-	35,406
Interest Receivable - Net	132,665	-	-	1,487	1,487	-	134,152
Due from Other Funds	-	5,000	-	-	5,000	-	5,000
Loans and Notes Receivable - Net	40,145,701	-	-	-	-	-	40,145,701
Total Assets	\$ 78,041,308	\$ 6,119,000	\$ 85,014	\$ 10,563,250	\$ 16,767,264	\$ 2,358,000	\$ 97,166,572
LIABILITIES AND FUND BALANCE							
Liabilities:							
Accounts Payable	\$ 14,002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,002
Securities Lending Collateral	12,548,484	-	-	-	-	-	12,548,484
Due to Other Funds	283,730	-	-	-	-	193,000	476,730
Total Liabilities	12,846,216	-	-	-	-	193,000	13,039,216
Fund Balances:							
Nonspendable	65,183,169	-	-	-	-	-	65,183,169
Restricted	-	6,119,000	85,014	10,563,250	16,767,264	2,165,000	18,932,264
Committed	11,923	-	-	-	-	-	11,923
Total Fund Balances	65,195,092	6,119,000	85,014	10,563,250	16,767,264	2,165,000	84,127,356
Total Liabilities and Fund Balances	\$ 78,041,308	\$ 6,119,000	\$ 85,014	\$ 10,563,250	\$ 16,767,264	\$ 2,358,000	\$ 97,166,572

STATE OF NORTH DAKOTA

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2013**

	Perm Fund	Debt Service Funds				Capital Proj. Fund	Total Nonmajor Governmental Funds
	Coal Development Trust Fund	Building Authority	Dept. of Trans.	Water Comm.	Total	Building Authority	
REVENUES							
Oil, Gas, and Coal Taxes	\$ 3,067,925	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,067,925
Intergovernmental	-	-	4,578,025	-	4,578,025	-	4,578,025
Sales and Services	-	-	-	1,442,236	1,442,236	-	1,442,236
Interest and Investment Income	947,662	64,000	234	24,429	88,663	106,000	1,142,325
Total Revenues	4,015,587	64,000	4,578,259	1,466,665	6,108,924	106,000	10,230,511
EXPENDITURES							
Current:							
General Government	65,123	-	-	-	-	-	65,123
Debt Service:							
Principal	-	5,806,000	3,725,000	5,760,272	15,291,272	-	15,291,272
Interest and Other Charges	-	2,655,000	1,597,010	4,142,814	8,394,824	-	8,394,824
Total Expenditures	65,123	8,461,000	5,322,010	9,903,086	23,686,096	-	23,751,219
Revenues over (under) Expenditures	3,950,464	(8,397,000)	(743,751)	(8,436,421)	(17,577,172)	106,000	(13,520,708)
OTHER FINANCING SOURCES (USES)							
Transfers In	-	8,330,000	766,563	8,396,914	17,493,477	-	17,493,477
Transfers Out	(3,115,627)	-	-	-	-	(648,000)	(3,763,627)
Total Other Financing Sources (Uses)	(3,115,627)	8,330,000	766,563	8,396,914	17,493,477	(648,000)	13,729,850
Net Change in Fund Balances	834,837	(67,000)	22,812	(39,507)	(83,695)	(542,000)	209,142
Fund Balances - Beginning of Year	64,360,255	6,186,000	62,202	10,602,757	16,850,959	2,707,000	83,918,214
Fund Balances - End of Year	\$ 65,195,092	\$ 6,119,000	\$ 85,014	\$ 10,563,250	\$ 16,767,264	\$ 2,165,000	\$ 84,127,356

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

985 – Rebuilders Loan Program

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

BEGINNING FARMER REVOLVING LOAN

973 - Beginning Farmer Revolving Loan Fund

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

BONDING

210 (924) - State Bonding Fund

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

COMMUNITY WATER FACILITY LOAN

974 - Community Water Facility Loan Fund

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

DEVELOPMENTALLY DISABLED FACILITY LOAN

971 - Developmentally Disabled Facility Loan Fund

Accounts for loans to nonprofit corporations for costs related to facilities for developmentally disabled, chronically mentally ill, and physically disabled persons.

FIRE AND TORNADO

211 (923) - State Fire and Tornado Fund

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

GUARANTEED STUDENT LOAN

969 - North Dakota Guaranteed Student Loan

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

HIT PLANNING LOAN FUND

987 – HIT Planning Loan Fund

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

INFORMATION TECHNOLOGY DEPARTMENT

408 (903) - Edutech Fund

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

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, 2013**

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Edutech	Fire and Tornado	Guaranteed Student Loan	HIT Planning Loan Fund
ASSETS							
Current Assets:							
Cash Deposits at the Bank of ND	\$ 3,981,000	\$ 1,502,855	\$ 6,560,000	\$ 770,719	\$ 2,654,765	\$ 2,491,879	\$ -
Cash and Cash Equivalents	-	-	-	-	-	-	-
Investments at the Bank of ND	-	-	-	-	-	12,500,000	-
Investments	-	1,683,588	-	-	24,080,612	-	-
Accounts Receivable - Net	-	245,284	-	12,323	60,248	123,055	-
Interest Receivable - Net	-	23,894	217,000	-	106,658	-	3,617
Intergovernmental Receivable - Net	-	-	-	-	-	4,730,017	-
Due from Other Funds	-	-	-	-	-	305,662	-
Due from Fiduciary Funds	-	-	-	-	-	-	-
Prepaid Items	1,431,000	-	-	-	211,698	-	-
Inventory	-	-	-	-	-	-	-
Loans and Notes Receivable - Net	-	-	602,000	-	-	-	945,709
Other Assets	-	-	-	-	-	-	-
Restricted Cash at the Bank of ND	-	-	-	-	-	3,388,740	441,978
Restricted Investments at the Bank of ND	-	-	-	-	-	3,500,000	-
Total Current Assets	5,412,000	3,455,621	7,379,000	783,042	27,113,981	27,039,353	1,391,304
Noncurrent Assets:							
Loans and Notes Receivable - Net	-	-	15,160,000	-	-	-	7,725,561
Restricted Loans Receivable - Net	-	-	-	-	-	-	-
Unamortized Bond Issuance Costs	-	-	-	-	-	-	-
Other Noncurrent Assets	3,597,000	-	-	-	-	-	-
Capital Assets:							
Nondepreciable	-	-	-	-	-	-	-
Depreciable, Net	-	-	-	-	-	-	-
Total Noncurrent Assets	3,597,000	-	15,160,000	-	-	-	7,725,561
Total Assets	9,009,000	3,455,621	22,539,000	783,042	27,113,981	27,039,353	9,116,865
LIABILITIES							
Current Liabilities:							
Accounts Payable	-	97	-	50,044	5,336	327,143	9,676
Accrued Payroll	-	1,351	-	-	46,890	-	-
Interest Payable	-	888	-	-	19,522	-	-
Intergovernmental Payable	-	-	-	-	-	2,040,384	-
Due to Other Funds	-	47	21,000	11,429	25,564	2,204,154	-
Due to Fiduciary Funds	-	-	-	-	-	-	-
Amounts Held in Custody for Others	-	-	-	-	-	-	-
Claims/Judgments Payable	-	42,380	-	-	900,940	-	-
Compensated Absences Payable	-	96	-	-	2,395	-	-
Unavailable Revenue	-	-	-	-	-	1,186,000	-
Other Current Liabilities	-	-	-	-	-	-	-
Total Current Liabilities	-	44,859	21,000	61,473	1,000,647	5,757,681	9,676
Noncurrent Liabilities:							
Intergovernmental Payable	-	-	-	-	-	6,134,264	-
Claims/Judgments Payable	-	-	-	-	1,295,000	-	-
Compensated Absences Payable	-	1,830	-	-	45,496	-	-
Bonds Payable	-	-	-	-	-	-	-
Other Noncurrent Liabilities	-	-	-	-	-	8,686,492	-
Total Noncurrent Liabilities	-	1,830	-	-	1,340,496	14,820,756	-
Total Liabilities	-	46,689	21,000	61,473	2,341,143	20,578,437	9,676
Net Position							
Net Investment in Capital Assets	-	-	-	-	-	-	-
Restricted for:							
Debt Service	-	-	-	-	-	-	-
Loan Purposes	-	-	-	-	-	594,395	-
Unemployment Compensator	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Unrestricted	9,009,000	3,408,932	22,518,000	721,569	24,772,838	5,866,521	9,107,189
Total Net Position	\$ 9,009,000	\$ 3,408,932	\$ 22,518,000	\$ 721,569	\$ 24,772,838	\$ 6,460,916	\$ 9,107,189

Mill and Elevator	PERS Uniform Group Insurance	Rebuilders Loan Program	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 225	\$ 44,435,293	\$ 10,867,779	\$ 2,672,821	\$ 4,237,422	\$ 8,576,270	\$ 108,000	\$ 90,890	\$ 88,949,918
-	6,064,294	-	500	-	-	-	138,635,363	144,700,157
-	-	-	-	-	-	8,029,000	-	20,529,000
-	-	-	-	-	-	-	-	25,764,200
50,258,871	424,648	-	689,095	28,741	327,440	-	33,450,223	85,619,928
-	-	209,431	-	-	-	260,000	890,280	1,710,880
-	-	-	-	330,801	-	16,000	1,510,436	6,587,254
-	-	-	618,038	-	-	2,000	-	925,700
-	59,981	-	-	-	-	-	-	59,981
488,176	-	-	12,309	39,760	17,201	-	-	2,200,144
27,926,954	-	-	1,395,381	-	-	-	-	29,322,335
345,290	-	325,297	-	-	-	5,732,000	-	7,950,296
-	-	17,768	-	-	-	-	-	17,768
-	-	-	-	-	-	-	-	3,830,718
-	-	-	-	-	-	500,000	-	4,000,000
79,019,516	50,984,216	11,420,275	5,388,144	4,636,724	8,920,911	14,647,000	174,577,192	422,168,279
-	-	34,543,862	-	-	-	25,807,000	-	83,236,423
-	-	-	-	-	-	1,000,000	-	1,000,000
-	-	-	-	-	-	24,000	-	24,000
338,086	-	319,814	-	-	1,286,756	-	-	5,541,656
4,970,699	-	-	-	390,816	-	-	-	5,361,515
38,067,659	2,122,442	-	1,096,967	23,056,466	14,100	-	-	64,357,634
43,376,444	2,122,442	34,863,676	1,096,967	23,447,282	1,300,856	26,831,000	-	159,521,228
122,395,960	53,106,658	46,283,951	6,485,111	28,084,006	10,221,767	41,478,000	174,577,192	581,689,507
20,272,904	80,735	-	193,044	113,101	557,239	9,000	3,003,272	24,621,591
264,543	62,715	-	136,481	-	62,420	-	-	574,400
-	-	-	140	36,006	-	1,000	-	57,556
-	-	-	-	-	-	-	4,802,001	6,842,385
33,221,295	12,846	46,283,951	162,831	964,830	7,324,037	146,000	117,936	90,495,920
-	420,416	-	-	-	-	-	-	420,416
-	5,449,022	-	-	-	-	-	-	5,449,022
-	-	-	-	-	-	-	-	943,320
-	5,006	-	4,046	45,000	-	-	-	56,543
-	-	-	9,111	-	364,899	-	-	1,560,010
-	-	-	575	-	-	-	-	575
53,758,742	6,030,740	46,283,951	506,228	1,158,937	8,308,595	156,000	7,923,209	131,021,738
-	-	-	-	-	-	-	-	6,134,264
-	-	-	-	-	-	-	-	1,295,000
877,631	74,700	-	122,790	24,856	48,531	-	-	1,195,834
-	-	-	-	-	-	1,000,000	-	1,000,000
-	-	-	-	-	-	-	-	8,686,492
877,631	74,700	-	122,790	24,856	48,531	1,000,000	-	18,311,590
54,636,373	6,105,440	46,283,951	629,018	1,183,793	8,357,126	1,156,000	7,923,209	149,333,328
43,038,358	2,122,442	-	934,136	23,447,282	14,100	-	-	69,556,318
-	-	-	-	-	-	437,000	-	437,000
-	-	-	-	-	-	-	-	594,395
-	-	-	-	-	-	-	166,653,983	166,653,983
-	5,735,616	-	-	-	1,286,756	-	-	7,022,372
24,721,229	39,143,160	-	4,921,957	3,452,931	563,785	39,885,000	-	188,092,111
\$ 67,759,587	\$ 47,001,218	\$ -	\$ 5,856,093	\$ 26,900,213	\$ 1,864,641	\$ 40,322,000	\$ 166,653,983	\$ 432,356,179

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, 2013

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Edutech	Fire and Tornado	Guaranteed Student Loan	HIT Planning Loan Fund
OPERATING REVENUES							
Sales and Services	\$ -	\$ 364,035	\$ -	\$ 232,412	\$ 4,585,607	\$ 5,832,561	\$ -
Royalties and Rents	-	-	-	-	-	-	-
Interest and Investment Income	-	-	509,000	-	-	-	60,980
Miscellaneous	-	-	-	-	-	-	-
Total Operating Revenues	-	364,035	509,000	232,412	4,585,607	5,832,561	60,980
OPERATING EXPENSES							
Cost of Sales and Services	-	-	-	-	-	-	-
Salaries and Benefits	-	15,374	-	-	493,316	-	-
Operating	1,504,363	2,190	88,796	61,203	3,082,801	5,043,960	74,139
Claims	-	-	-	-	1,928,810	-	-
Interest	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Miscellaneous	6,000	-	-	-	-	-	-
Total Operating Expenses	1,510,363	17,564	88,796	61,203	5,504,927	5,043,960	74,139
Operating Income (Loss)	(1,510,363)	346,471	420,204	171,209	(919,320)	788,601	(13,159)
NONOPERATING REVENUES (EXPENSES)							
Grants and Contracts	-	-	-	-	-	-	-
Interest and Investment Income	5,000	72,795	5,000	-	1,695,994	51,108	-
Interest Expense	-	(4,566)	-	-	(66,008)	-	-
Loss on Sale of Capital Assets	-	-	-	-	-	-	-
Other	-	16,647	-	-	980,928	-	-
Total Nonoperating Revenues (Expenses)	5,000	84,876	5,000	-	2,610,914	51,108	-
Income (Loss) Before Contributions and Transfers	(1,505,363)	431,347	425,204	171,209	1,691,594	839,709	(13,159)
Transfers In	-	-	-	550,360	-	-	4,280,219
Transfer Out	(4,000,000)	-	-	-	-	-	-
Change in Net Position	(5,505,363)	431,347	425,204	721,569	1,691,594	839,709	4,267,060
Total Net Position - Beginning of Year	14,514,363	2,977,585	22,092,796	-	23,081,244	5,621,207	4,840,129
Total Net Position - End of Year	\$ 9,009,000	\$ 3,408,932	\$ 22,518,000	\$ 721,569	\$ 24,772,838	\$ 6,460,916	\$ 9,107,189

Mill and Elevator	PERS Uniform Group Insurance	Rebuilders Loan Program	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 268,140,265	\$ 1,049,309	\$ -	\$ 8,396,207	\$ 6,846,204	\$ 27,999,486	\$ -	\$ 127,174,321	\$ 450,620,407
-	-	-	190,385	-	-	-	-	190,385
-	-	178,811	-	-	-	957,000	-	1,705,791
-	36,663,686	-	77,158	-	-	-	-	36,740,844
268,140,265	37,712,995	178,811	8,663,750	6,846,204	27,999,486	957,000	127,174,321	489,257,427
235,143,292	-	-	4,629,177	-	-	-	-	239,772,469
12,089,602	695,301	-	1,941,299	1,524,491	747,353	-	-	17,506,736
5,477,565	563,519	1,359,099	189,668	4,126,261	18,962,605	658,000	-	41,194,169
-	-	-	-	-	-	-	118,377,072	120,305,882
-	-	-	-	-	-	22,000	-	22,000
3,004,826	287,718	-	165,585	1,332,486	4,029	-	-	4,794,644
-	-	-	-	-	-	-	-	6,000
255,715,285	1,546,538	1,359,099	6,925,729	6,983,238	19,713,987	680,000	118,377,072	423,601,900
12,424,980	36,166,457	(1,180,288)	1,738,021	(137,034)	8,285,499	277,000	8,797,249	65,655,527
-	-	-	-	2,595,547	-	-	-	2,595,547
11,939	143,367	-	-	3,232	2,938	19,000	3,785,894	5,796,267
(605,514)	-	-	(4,804)	(38,409)	-	-	-	(719,301)
-	-	-	(1,027)	(535)	-	-	-	(1,562)
75,822	(212,500)	-	-	(1,769,755)	-	-	-	(908,858)
(517,753)	(69,133)	-	(5,831)	790,080	2,938	19,000	3,785,894	6,762,093
11,907,227	36,097,324	(1,180,288)	1,732,190	653,046	8,288,437	296,000	12,583,143	72,417,620
-	-	24,131,646	-	470,000	-	-	-	29,432,225
(6,315,466)	-	(46,278,244)	-	-	(7,922,500)	(5,000,000)	-	(69,516,210)
5,591,761	36,097,324	(23,326,886)	1,732,190	1,123,046	365,937	(4,704,000)	12,583,143	32,333,635
62,167,826	10,903,894	23,326,886	4,123,903	25,777,167	1,498,704	45,026,000	154,070,840	400,022,544
\$ 67,759,587	\$ 47,001,218	\$ -	\$ 5,856,093	\$ 26,900,213	\$ 1,864,641	\$ 40,322,000	\$ 166,653,983	\$ 432,356,179

STATE OF NORTH DAKOTA

Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Fiscal Year Ended June 30, 2013

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Edutech	Fire and Tornado	Guaranteed Student Loan	HIT Planning Loan Fund
Cash Flows from Operating Activities:							
Receipts from Customers and Users	\$ -	\$ 33,670	\$ -	\$ 220,359	\$ 4,591,733	\$ 2,454,128	\$ -
Interest Income on Loans	-	-	-	-	-	-	59,690
Receipts from Loan Principal Repayments	-	-	-	-	-	17,871,959	1,019,523
Receipts from Others	-	-	-	-	-	-	-
Payments to Other Funds	-	(694)	-	-	(30,392)	-	-
Payments for Loan Funds	-	-	-	-	-	(17,872,043)	-
Payments to Suppliers	(2,118,000)	(2,141)	(89,000)	-	(2,956,773)	(3,774,966)	(25,888)
Payments to Employees	-	(15,283)	-	-	(495,145)	-	(5,278,720)
Claim Payments	-	(48,028)	-	-	(1,544,415)	-	-
Payments to Others	(6,000)	-	-	-	(141,397)	-	-
Other	-	-	-	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	(2,124,000)	(32,476)	(89,000)	220,359	(576,389)	(1,320,922)	(4,223,395)
Cash Flows from Noncapital Financing Activities:							
Proceeds from Sale of Notes and Other Borrowings	-	-	-	-	-	-	-
Principal Payments - Bonds	-	-	-	-	-	-	-
Principal Payments - Notes and Other Borrowings	-	-	-	-	-	-	-
Interest Payments - Bonds	-	-	-	-	-	-	-
Interest Payments - Notes and Other Borrowings	-	-	-	-	-	-	-
Transfers In	-	-	-	550,360	-	-	4,280,219
Transfers Out	(4,000,000)	-	-	-	-	-	-
Grants Received	-	-	-	-	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(4,000,000)	-	-	550,360	-	-	4,280,219
Cash Flows from Capital and Related Financing Activities:							
Acquisition and Construction of Capital Assets	-	-	-	-	-	-	-
Payments For Discontinued Operations	-	-	-	-	-	-	-
Proceeds from Sale of Notes and Other Borrowings	-	-	-	-	-	-	-
Principal Payments - Bonds	-	-	-	-	-	-	-
Principal Payments - Notes and Other Borrowings	-	-	-	-	-	-	-
Interest Payments - Bonds	-	-	-	-	-	-	-
Interest Payments - Notes and Other Borrowings	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Net Cash Used for Capital and Related Financing Activities	-	-	-	-	-	-	-
Cash Flows from Investing Activities:							
Proceeds from Sale and Maturities of Investment Securities	-	-	-	-	-	24,446,102	-
Purchase of Investment Securities	-	(25,360)	-	-	(1,202,039)	(25,000,000)	-
Interest and Dividends on Investments	5,021	87,965	5,000	-	1,739,803	90,305	-
Transfers In	-	-	-	-	-	-	-
Disbursements for Loans and Loan Purchases	-	-	(1,818,000)	-	-	-	-
Receipt of Loan Principal Repayments	-	-	1,914,106	-	-	-	-
Proceeds from Collection of Loans and Notes Receivable	-	-	-	-	-	-	-
Loan Income Received	-	-	494,000	-	-	-	-
Other	-	-	-	-	-	-	-
Net Cash Provided by (Used for) Investing Activities	5,021	62,605	595,106	-	537,764	(463,593)	-
Net Change in Cash:							
Net Increase (Decrease) in Cash and Cash Equivalents	(6,118,979)	30,129	506,106	770,719	(38,625)	(1,784,515)	56,824
Cash and Cash Equivalents at June 30, 2012	10,099,979	1,472,726	6,053,894	-	2,693,390	7,665,134	385,154
Cash and Cash Equivalents at June 30, 2013	\$ 3,981,000	\$ 1,502,855	\$ 6,560,000	\$ 770,719	\$ 2,654,765	\$ 5,880,619	\$ 441,978
Reconciliation:							
Current:							
Cash Deposits at the Bank of North Dakota	\$ 3,981,000	\$ 1,502,855	\$ 6,560,000	\$ 770,719	\$ 2,654,765	\$ 2,491,879	\$ -
Cash and Cash Equivalents	-	-	-	-	-	-	-
Restricted Cash Deposits at the Bank of North Dakota	-	-	-	-	-	3,388,740	441,978
Cash and Cash Equivalents	\$ 3,981,000	\$ 1,502,855	\$ 6,560,000	\$ 770,719	\$ 2,654,765	\$ 5,880,619	\$ 441,978

Mill and Elevator	PERS Uniform Group Insurance	Rebuilders Loan Program	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 310,512,686	\$ 293,430,845	\$ -	\$ 8,416,917	\$ 6,931,738	\$ 21,757,701	\$ 6,773,000	\$ 111,960,046	\$ 767,082,823
-	-	-	-	-	-	-	-	59,690
-	-	-	-	-	-	-	-	18,891,482
-	-	-	-	-	41,942	-	159,450	201,392
-	-	-	(461,351)	-	-	-	-	(492,437)
-	-	-	-	-	-	-	-	(17,872,043)
(289,735,372)	(292,598,500)	-	(4,324,025)	(4,035,208)	(12,869,998)	(680,000)	(19,766,654)	(632,976,525)
(11,537,179)	(681,454)	-	(1,947,245)	(1,516,412)	(737,062)	-	(324,971)	(22,531,471)
-	-	-	-	-	-	-	(83,168,775)	(84,761,218)
-	-	(31,415)	-	-	-	-	-	(178,812)
-	36,451,186	-	-	-	-	-	-	36,451,186
9,240,135	36,602,077	(31,415)	1,684,296	1,380,118	8,192,583	6,093,000	8,859,096	63,874,067
22,000,000	-	-	-	-	-	-	-	22,000,000
-	-	-	-	-	-	(2,200,000)	-	(2,200,000)
(19,024,543)	-	-	-	-	-	-	-	(19,024,543)
-	-	-	-	-	-	(24,000)	-	(24,000)
(605,514)	-	-	-	-	-	-	-	(605,514)
-	-	-	-	470,000	-	-	-	5,300,579
(4,319,581)	-	-	-	-	(7,622,500)	(5,308,000)	-	(21,250,081)
-	-	-	-	1,170,797	-	-	-	1,170,797
(1,949,638)	-	-	-	1,640,797	(7,622,500)	(7,532,000)	-	(14,632,762)
(7,703,479)	(51,025)	-	(51,909)	(1,375,103)	-	-	-	(9,181,516)
-	-	-	-	(3,566,424)	-	-	-	(3,566,424)
-	-	-	-	3,572,018	-	-	-	3,572,018
-	-	-	-	(420,000)	-	-	-	(420,000)
-	-	-	(99,494)	(3,662,981)	-	-	-	(3,762,475)
-	-	-	-	(8,843)	-	-	-	(8,843)
-	-	-	(4,804)	-	-	-	-	(4,804)
-	-	-	(103)	3,662,981	-	-	-	3,662,878
(7,703,479)	(51,025)	-	(156,310)	(1,798,352)	-	-	-	(9,709,166)
-	-	-	-	219,055	-	13,889,000	-	38,554,157
-	-	-	-	-	-	(12,904,000)	-	(39,131,399)
3,398	143,367	-	-	3,232	3,021	29,000	3,759,735	5,869,847
-	-	24,131,646	-	-	-	-	-	24,131,646
-	-	(13,917,239)	-	-	-	-	-	(15,735,239)
-	-	-	-	-	-	-	-	1,914,106
-	-	668,431	-	-	-	-	-	668,431
-	-	9,184	-	-	-	-	-	503,184
-	-	(124,500)	-	-	-	-	-	(124,500)
3,398	143,367	10,767,522	-	222,287	3,021	1,014,000	3,759,735	16,650,233
(409,584)	36,694,419	10,736,107	1,527,986	1,444,850	573,104	(425,000)	12,618,831	56,182,372
409,809	13,805,168	131,672	1,145,335	2,792,572	8,003,166	533,000	126,107,422	181,298,421
\$ 225	\$ 50,499,587	\$ 10,867,779	\$ 2,673,321	\$ 4,237,422	\$ 8,576,270	\$ 108,000	\$ 138,726,253	\$ 237,480,793
\$ 225	\$ 44,435,293	\$ 10,867,779	\$ 2,672,821	\$ 4,237,422	\$ 8,576,270	\$ 108,000	\$ 90,890	\$ 88,949,918
-	6,064,294	-	500	-	-	-	138,635,363	144,700,157
-	-	-	-	-	-	-	-	3,830,718
\$ 225	\$ 50,499,587	\$ 10,867,779	\$ 2,673,321	\$ 4,237,422	\$ 8,576,270	\$ 108,000	\$ 138,726,253	\$ 237,480,793

STATE OF NORTH DAKOTA

Combining Statement of Cash Flows Nonmajor Enterprise Funds (Continued) For the Fiscal Year Ended June 30, 2013

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Edutech	Fire and Tornado	Guaranteed Student Loan	HIT Planning Loan Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:							
Operating Income (Loss)	\$ (1,510,363)	\$ 346,471	\$ 420,204	\$ 171,209	\$ (919,320)	\$ 788,601	\$ (13,159)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:							
Depreciation	-	-	-	-	-	-	-
Amortization/Accretion	-	-	-	-	-	-	-
Reclassification of Interest Revenue/Expense	-	-	(509,204)	-	-	-	-
Interest Received on Program Loans	-	-	-	-	-	-	-
Receipt of Loan Principal Repayments	-	-	-	-	-	-	-
Provision for Losses	-	-	-	-	-	316,094	44,000
Other	-	-	-	-	-	17,734	-
Change in Assets and Liabilities:							
(Increase) Decrease in Accounts Receivable	-	(178,114)	-	(12,323)	6,126	(19,238)	-
Increase in Interest Receivable	-	-	-	-	-	-	(1,290)
(Increase) Decrease in Due From	-	-	-	-	-	-	-
Increase in Intergovernmental Receivable	-	-	-	-	-	(2,230,310)	-
Increase in Notes Receivable	-	-	-	-	-	-	(4,257,197)
(Increase) Decrease in Prepaid Items	(613,637)	-	-	-	(13,338)	-	-
(Increase) Decrease in Inventories	-	-	-	-	-	-	-
(Increase) Decrease in Other Assets	-	-	-	-	-	-	-
Increase (Decrease) in Accounts Payable	-	(644)	-	50,044	(2,031)	367,300	4,251
Decrease in Interest Payable	-	-	-	-	-	-	-
Increase (Decrease) in Claims/Judgments Payable	-	(200,280)	-	-	384,395	-	-
Increase (Decrease) in Intergovernmental Payable	-	-	-	-	(30,392)	(482,520)	-
Increase (Decrease) in Accrued Payroll	-	10	-	-	4,111	-	-
Increase (Decrease) in Compensated Absences Payable	-	81	-	-	(5,940)	-	-
Increase (Decrease) in Amounts Held for Others	-	-	-	-	-	-	-
Increase (Decrease) in Due To	-	-	-	11,429	-	(146,816)	-
Increase in Unavailable Revenue	-	-	-	-	-	68,233	-
Increase in Other Liabilities	-	-	-	-	-	-	-
Total Adjustments	(613,637)	(378,947)	(509,204)	49,150	342,931	(2,109,523)	(4,210,236)
Net Cash Provided by (Used for) Operating Activities	\$ (2,124,000)	\$ (32,476)	\$ (89,000)	\$ 220,359	\$ (576,389)	\$ (1,320,922)	\$ (4,223,395)
Noncash Transactions:							
Net Change in Fair Value of Investments	\$ -	\$ (135)	\$ -	\$ -	\$ 892,830	\$ -	\$ -
Amortization of Bond Discount	-	-	-	-	-	-	-
Amortization of Bond Issuance Costs	-	-	-	-	-	-	-
Interest Revenue on Prize Reserves	-	-	-	-	-	-	-
Value Received on Trade of Capital Asset	-	-	-	-	-	-	-
FEMA Receivable from Federal & State Governments	-	-	-	-	-	-	-
Total Noncash Transactions	\$ -	\$ (135)	\$ -	\$ -	\$ 892,830	\$ -	\$ -

Mill and Elevator	PERS Uniform Group Insurance	Rebuilder's Loan	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 12,424,980	\$ 36,166,457	\$ (1,180,288)	\$ 1,738,021	\$ (137,034)	\$ 8,285,499	\$ 277,000	\$ 8,797,249	\$ 65,655,527
3,004,826	-	-	165,585	1,332,486	4,029	-	-	4,506,926
-	287,718	17,768	-	-	-	53,000	-	358,486
-	-	(178,810)	-	-	-	22,000	-	(666,014)
-	-	-	-	-	-	78,000	-	78,000
-	-	-	-	-	-	5,694,000	-	5,694,000
257,222	-	1,324,745	-	-	-	(4,000)	-	1,938,061
100,366	(212,500)	-	-	-	-	-	-	(94,400)
(8,562,509)	(74,822)	-	(247,136)	85,534	(19,295)	-	(1,511,253)	(10,533,030)
-	-	-	-	-	-	-	(1,290)	(1,290)
-	(5,421)	-	(461,351)	-	-	-	21	(466,751)
-	-	-	-	-	-	-	(714,500)	(2,944,810)
-	-	-	-	-	-	-	-	(4,257,197)
(46,172)	-	-	20,784	(1,058)	(12,754)	-	-	(666,175)
(2,403,052)	-	-	455,260	-	-	-	-	(1,947,792)
(22,858)	-	-	18,198	-	(41,230)	-	-	(45,890)
3,924,172	(248,352)	-	-	92,111	(42,489)	-	(46,755)	4,097,607
-	-	-	-	-	-	(1,000)	-	(1,000)
-	-	-	-	-	-	-	-	184,115
-	(2,432)	-	-	-	-	-	1,929,430	1,414,086
504,957	7,594	-	4,332	-	3,681	-	-	524,685
47,466	6,253	-	(10,278)	8,079	6,610	-	-	52,271
-	719,970	-	-	-	-	-	-	719,970
-	(42,388)	(14,830)	-	-	7,935	(26,000)	13,095	(197,575)
-	-	-	303	-	597	-	-	69,133
10,737	-	-	578	-	-	-	391,809	403,124
(3,184,845)	435,620	1,148,873	(53,725)	1,517,152	(92,916)	5,816,000	61,847	(1,781,460)
\$ 9,240,135	\$ 36,602,077	\$ (31,415)	\$ 1,684,296	\$ 1,380,118	\$ 8,192,583	\$ 6,093,000	\$ 8,859,096	\$ 63,874,067
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 892,695
-	-	-	-	1,461	-	-	-	1,461
-	-	-	-	555	-	-	-	555
-	-	-	-	-	185	-	-	185
-	-	-	-	12,089	-	-	-	12,089
-	-	-	-	1,424,750	-	-	-	1,424,750
\$ -	\$ -	\$ -	\$ -	\$ 1,438,855	\$ 185	\$ -	\$ -	\$ 2,331,735

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, 2013

	Central Services	Fleet Services	Information Technology Department	Risk Management	Total
ASSETS					
Current Assets:					
Cash Deposits at the Bank of ND	\$ 1,761,441	\$ 3,298,033	\$ 8,030,063	\$ 2,661,601	\$ 15,751,138
Cash and Cash Equivalents	12,789	508,628	-	1,071	522,488
Investments	-	-	-	10,914,344	10,914,344
Accounts Receivable - Net	52,900	86,714	98,751	-	238,365
Interest Receivable - Net	-	-	-	43,404	43,404
Intergovernmental Receivable - Net	35,542	-	135,832	-	171,374
Due from Other Funds	227,944	1,561,678	5,801,237	7,908	7,598,767
Prepaid Items	5,045	-	1,375,517	-	1,380,562
Inventory	85,378	-	-	-	85,378
Total Current Assets	2,181,039	5,455,053	15,441,400	13,628,328	36,705,820
Noncurrent Assets:					
Unamortized Bond Issuance Costs	-	-	6,681	-	6,681
Capital Assets:					
Depreciable, Net	169,156	81,199,263	10,790,686	-	92,159,105
Total Noncurrent Assets	169,156	81,199,263	10,797,367	-	92,165,786
Total Assets	2,350,195	86,654,316	26,238,767	13,628,328	128,871,606
LIABILITIES					
Current Liabilities:					
Accounts Payable	183,147	1,633,232	1,682,794	5,202	3,504,375
Accrued Payroll	73,862	175,185	2,029,392	36,502	2,314,941
Interest Payable	-	-	-	8,224	8,224
Due to Other Funds	7,899	7,193,909	31,545	222,953	7,456,306
Claims/Judgments Payable	-	-	-	1,970,385	1,970,385
Compensated Absences Payable	3,800	3,673	102,418	2,387	112,278
Capital Leases Payable	71,000	-	-	-	71,000
Bonds Payable	-	-	736,932	-	736,932
Total Current Liabilities	339,708	9,005,999	4,583,081	2,245,653	16,174,441
Noncurrent Liabilities:					
Claims/Judgments Payable	-	-	-	5,410,503	5,410,503
Compensated Absences Payable	72,197	67,370	1,878,595	35,625	2,053,787
Capital Leases Payable	39,397	-	-	-	39,397
Total Noncurrent Liabilities	111,594	67,370	1,878,595	5,446,128	7,503,687
Total Liabilities	451,302	9,073,369	6,461,676	7,691,781	23,678,128
NET POSITION					
Net Investment in Capital Assets	58,759	81,199,263	10,790,687	-	92,048,709
Unrestricted	1,840,134	(3,618,316)	8,986,404	5,936,547	13,144,769
Total Net Position	\$ 1,898,893	\$ 77,580,947	\$ 19,777,091	\$ 5,936,547	\$ 105,193,478

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, 2013

	Central Services	Fleet Services	Information Technology Department	Risk Management	Total
OPERATING REVENUES					
Sales and Services	\$ 2,789,882	\$ 35,508,468	\$ 58,427,069	\$ 5,943,606	\$ 102,669,025
Miscellaneous	-	46,929	-	-	46,929
Total Operating Revenues	2,789,882	35,555,397	58,427,069	5,943,606	102,715,954
OPERATING EXPENSES					
Cost of Sales and Services	1,173,408	-	-	-	1,173,408
Salaries and Benefits	876,431	3,018,078	23,902,008	418,002	28,214,519
Operating	459,006	18,703,636	28,576,910	594,267	48,333,819
Claims	-	-	-	5,127,695	5,127,695
Depreciation	105,468	8,747,601	4,514,446	4,045	13,371,560
Total Operating Expenses	2,614,313	30,469,315	56,993,364	6,144,009	96,221,001
Operating Income (Loss)	175,569	5,086,082	1,433,705	(200,403)	6,494,953
NONOPERATING REVENUES (EXPENSES)					
Interest and Investment Income	-	-	-	1,030,028	1,030,028
Interest Expense	(10,137)	-	(43,055)	(24,437)	(77,629)
Gain (Loss) on Sale of Capital Assets	-	643,930	-	(28,738)	615,192
Other	490	-	73,304	-	73,794
Total Nonoperating Revenues (Expenses)	(9,647)	643,930	30,249	976,853	1,641,385
Income Before Contributions and Transfers	165,922	5,730,012	1,463,954	776,450	8,136,338
Capital Grants and Contributions	-	644,147	-	-	644,147
Transfers In	-	99,772	-	-	99,772
Transfer Out	-	-	(550,361)	-	(550,361)
Changes in Net Position	165,922	6,473,931	913,593	776,450	8,329,896
Total Net Position - Beginning of Year	1,732,971	71,107,016	18,863,498	5,160,097	96,863,582
Total Net Position - End of Year	\$ 1,898,893	\$ 77,580,947	\$ 19,777,091	\$ 5,936,547	\$ 105,193,478

STATE OF NORTH DAKOTA

Combining Statement of Cash Flows Internal Service Funds For the Fiscal Year Ended June 30, 2013

	Central Services	Fleet Services	Information Technology	Risk Management	Total
Cash Flows from Operating Activities:					
Receipts from Customers and Users	\$ 2,791,978	\$ 35,517,141	\$ 57,672,782	\$ 5,943,608	\$ 101,925,509
Receipts from Other Funds	-	138,218	-	-	138,218
Payments to Suppliers	(1,557,287)	(17,718,337)	(28,078,305)	(580,678)	(47,934,607)
Payments to Employees	(868,773)	(3,015,772)	(23,594,054)	(408,165)	(27,886,764)
Claim Payments	-	-	-	(364,381)	(364,381)
Payments to Others	-	-	-	(4,431,296)	(4,431,296)
Net Cash Provided by Operating Activities	365,918	14,921,250	6,000,423	159,088	21,446,679
Cash Flows from Noncapital Financing Activities:					
Transfers In	-	99,772	-	-	99,772
Transfers Out	-	-	(550,361)	-	(550,361)
Advances Made to Other Funds	-	(7,000,000)	-	-	(7,000,000)
Other	7,775	-	-	-	7,775
Net Cash Provided (Used) by Noncapital Financing Activities	7,775	(6,900,228)	(550,361)	-	(7,442,814)
Cash Flows from Capital and Related Financing Activities:					
Acquisition and Construction of Capital Assets	(36,149)	(9,676,169)	(4,324,186)	-	(14,036,504)
Proceeds from Sale of Capital Assets	-	2,778,855	-	-	2,778,855
Principal Payments - Notes and Other Borrowings	-	-	(736,600)	-	(736,600)
Interest Payments - Notes and Other Borrowings	-	-	(39,805)	-	(39,805)
Payment on Capital Leases	(103,021)	-	-	-	(103,021)
Interest Payments - Capital Leases	(10,137)	-	-	-	(10,137)
Net Cash Used for Capital and Related Financing Activities	(149,307)	(6,897,314)	(5,100,591)	-	(12,147,212)
Cash Flows from Investing Activities:					
Purchase of Investment Securities	-	-	-	(931,106)	(931,106)
Interest and Dividends on Investments	-	-	-	729,270	729,270
Net Cash Used for Investing Activities	-	-	-	(201,836)	(201,836)
Net Change in Cash:					
Net Increase (Decrease) in Cash and Cash Equivalents	224,386	1,123,708	349,471	(42,748)	1,654,817
Cash and Cash Equivalents at June 30, 2012	1,549,844	2,682,953	7,680,592	2,705,420	14,618,809
Cash and Cash Equivalents at June 30, 2013	\$ 1,774,230	\$ 3,806,661	\$ 8,030,063	\$ 2,662,672	\$ 16,273,626
Reconciliation:					
Cash Deposits at the Bank of North Dakota	\$ 1,761,441	\$ 3,298,033	\$ 8,030,063	\$ 2,661,601	\$ 15,751,138
Cash and Cash Equivalents	12,789	508,628	-	1,071	522,488
Cash and Cash Equivalents	\$ 1,774,230	\$ 3,806,661	\$ 8,030,063	\$ 2,662,672	\$ 16,273,626
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) for Operating Activities:					
Operating Income (Loss)	\$ 175,569	\$ 5,086,082	\$ 1,433,705	\$ (200,403)	\$ 6,494,953
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	105,468	8,747,601	4,487,817	4,045	13,344,931
Amortization/Accretion	-	-	26,629	-	26,629
Loss On Sale of Fixed Assets	-	-	-	28,739	28,739
Other	(7,285)	-	-	-	(7,285)
Change in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(24,715)	(38,255)	93,595	-	30,625
(Increase) Decrease in Due From	(13,505)	-	(834,273)	11,213	(836,565)
(Increase) Decrease in Intergovernmental Receivable	40,316	38,620	(13,609)	-	65,327
(Increase) Decrease in Prepaid Items	(750)	26,144	40,977	-	66,371
Increase in Inventories	(215)	-	-	-	(215)
Increase in Accounts Payable	81,555	959,155	452,254	5,249	1,498,213
Increase in Claims/Judgments Payable	-	-	-	81,383	81,383
Increase (Decrease) in Intergovernmental Payable	-	99,598	(696)	-	98,902
Increase in Accrued Payroll	1,136	8,338	138,131	6,511	154,116
Increase (Decrease) in Compensated Absences Payable	6,522	(6,033)	169,822	3,326	173,637
Increase in Due To	1,822	-	6,071	219,025	226,918
Total Adjustments	190,349	9,835,168	4,566,718	359,491	14,951,726
Net Cash Provided by Operating Activities	\$ 365,918	\$ 14,921,250	\$ 6,000,423	\$ 159,088	\$ 21,446,679
Noncash Transactions:					
Net Increase in Fair Value of Investments	\$ -	\$ -	\$ -	\$ 259,917	\$ 259,917
Acquisition of Equipment Under Capital Lease	69,442	-	-	-	69,442
Total Noncash Transactions	\$ 69,442	\$ -	\$ -	\$ 259,917	\$ 329,359

STATE OF NORTH DAKOTA

Fiduciary Funds

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

Pension and Other Employee-Related Benefit Trust Funds

DEFERRED COMPENSATION

981 - Deferred Compensation Fund

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

PERS FLEXCOMP

932 - Flex Program

Accounts for pre-tax premium conversions, a medical spending account and a dependent care spending account according to Section 125 of the Internal Revenue Code.

HIGHWAY PATROLMEN'S RETIREMENT

982 - Highway Patrolmen's Retirement Fund

A single employer defined benefit pension plan covering officers of the State Highway Patrol.

JOB SERVICE RETIREMENT

920 - Job Service Retirement Fund

A single employer defined benefit pension plan for Job Service employees. Participation in this plan is limited to employees participating in the program as of September 30, 1980.

PREFUNDED RETIREE HEALTH PROGRAM

933 - Prefunded Retiree Health Program

Members receiving retirement benefits from NDPERS receive a credit toward their monthly health insurance premium under the state health plan.

PUBLIC EMPLOYEES' RETIREMENT

470 (983) - Public Employees Retirement System

Accounts for the financial resources associated with the Public Employees Retirement System.

DEFINED CONTRIBUTION RETIREMENT

930 - Defined Contribution Retirement Plan

Accounts for the financial resources of the Defined Contribution Retirement Plan. Participation in this plan is limited to state employees who are in positions not classified by the Central Personnel Division and who are not employees of the judicial branch or board of higher education.

TEACHERS' RETIREMENT

964 - North Dakota Teachers' Fund For Retirement

Accounts for the financial resources of the Teachers' Retirement Fund.

Investment Trust Funds

911 - ND Association of Counties RIO Investments

Account for the investment assets held by the State Investment Board in a trustee capacity as an agent for the North Dakota Association of Counties.

913 - City of Bismarck RIO Investments

Account for the investment assets held by the State Investment Board in a trustee capacity as an agent for the City of Bismarck.

936 - City of Grand Forks RIO Investments

Account for the investment assets held by the State Investment Board in a trustee capacity as an agent for the City of Grand Forks.

950 - City of Fargo RIO Investments

Account for the investment assets held by the State Investment Board in a trustee capacity as an agent for the City of Fargo.

Private Purpose Trust Funds

STUDENT AND CULTURAL DONATIONS

928 - Indian Cultural Education Trust Fund

Trust accounts for donations provided for the purpose of generating income to benefit Indian Culture.

937 - Department of Public Instruction Thordarson Scholarship Trust Fund

Fund used to provide scholarship grants to students enrolled in courses offered by the independent study division.

988 - School for the Deaf Scholarship Trust Fund

Account for funds donated to provide scholarships to deaf students.

989 - School for the Deaf Student Trust Funds

Accounts for funds donated to the School for the Deaf for the benefit of the students.

COLLEGE SAVE

940 - College SAVE

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

MANDAN REMEDIATION TRUST

943 - Mandan Remediation Trust

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

Agency Funds

BONDING

402 - Sales and Use Tax Deposit Fund

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

403 - Motor Fuel Cash Bond Deposit Fund

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

939 - Public Service Commission Trustee Account

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

942 - Agriculture Cash and Investment

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

944 - Cash Bonds

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

945 - Insurance Company Deposits

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

947 - District Court Bond Fund

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

PAYROLL

461 - OMB Unemployment/Payroll Clearing Fund

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

CHILD SUPPORT

463 - Child Support Disbursement Unit Fund

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

STUDENT AND OTHER

406 - Drivers License Trust Fund

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

946 - District Court Collection Fund

Accounts for collections for third parties.

986 - Developmental Center Residents' Funds

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

990 - Veteran's Home-Custodial

Accounts for resident's personal funds.

991 - State Hospital Patients

Accounts for patient's personal funds.

992 - Prisoner Accounts

Accounts for prisoner's personal fund.

993 - Youth Correctional Center Student Accounts

Account for the student's personal funds.

994 - School for the Deaf Students

Account for the students personal funds.

TAX COLLECTION

434 - City Lodging Tax Suspense

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

435 - City Sales Tax Suspense

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

437 - City Motor Vehicle Rental Tax

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

438 - City Restaurant and Lodge Tax Suspense

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

STATE OF NORTH DAKOTA

Combining Statement of Fiduciary Net Position Pension, Investment and Private-Purpose Trust Funds June 30, 2013

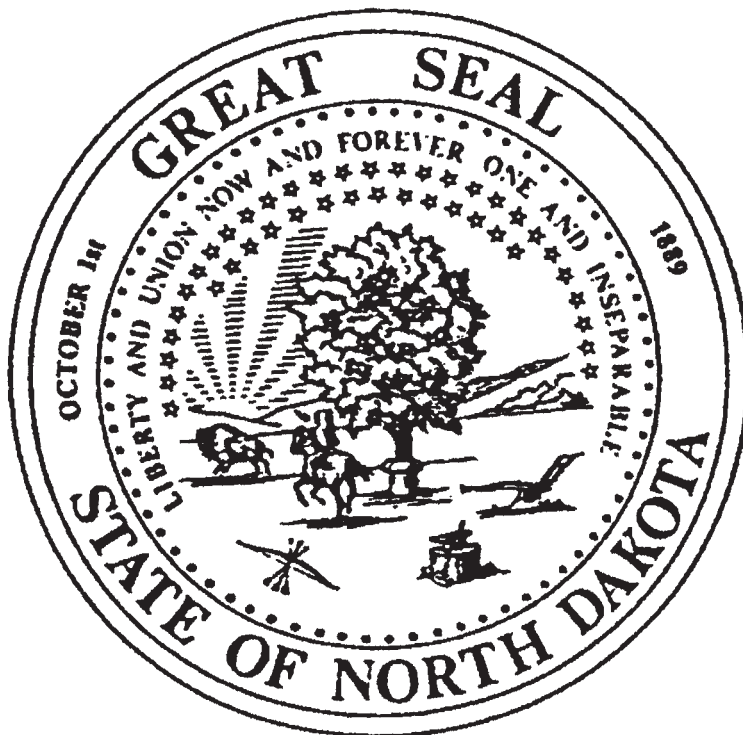
	Pension and Other Employee Benefit Trust Funds					
	Deferred Compensation	Defined Contribution Retirement	Highway Patrolmen's Retirement	Job Service Retirement	PERS Flexcomp	Prefunded Retiree Health Program
ASSETS						
Cash Deposits at the Bank of ND Cash and Cash Equivalents	\$ 130,851	\$ 91,669	\$ -	\$ 2,090	\$ 370,095	\$ 41,067
Receivables:						
Contributions Receivable	-	172,005	-	5,499	499,419	758,365
Accounts Receivable - Net	-	-	-	-	-	-
Interest Receivable - Net	-	-	102,248	45,896	-	72,982
Due from Other Funds	-	-	-	-	-	420,416
Due from Fiduciary Funds	24,492	-	4,672	123	15,555	68,920
Total Receivables	24,492	172,005	106,920	51,518	514,974	1,320,683
Investments, at Fair Value:						
Investments at the Bank of ND	-	-	-	-	-	-
Equity Pool	-	-	29,980,175	36,368,800	-	43,854,432
Fixed Income Pool	1,096,488	1,024,745	12,589,000	53,427,026	-	29,749,849
Cash and Cash Pool	-	-	754,184	601,042	-	-
Real Estate Pool	-	-	10,694,399	-	-	-
Alternative Investments	-	-	2,935,038	-	-	-
Annuities	95,018	-	-	-	-	-
Mutual Funds	48,980,243	25,583,919	-	-	-	-
Total Investments	50,171,749	26,608,664	56,952,796	90,396,868	-	73,604,281
Invested Securities Lending Collateral	-	-	-	-	-	-
Prepaid Items	335	-	-	-	163	549,260
Capital Assets (Net of Depreciation)	1,414,961	19,377	24,554	16,544	707,481	270,173
Total Assets	51,742,388	26,891,715	57,084,270	90,467,020	1,592,713	75,785,464
LIABILITIES						
Accounts Payable	13,610	-	-	88,063	14,636	57,110
Accrued Payroll	30,141	-	-	-	17,822	-
Securities Lending Collateral	-	-	-	-	-	-
Due to Other Funds	4,871	226	-	-	5,226	53,821
Due to Fiduciary Funds	-	6,814	40,186	-	-	102,106
Amounts Held in Custody for Others	37,210	-	-	-	-	-
Unavailable Revenue	15,532	-	-	-	-	-
Compensated Absences Payable	42,540	-	-	-	25,587	-
Total Liabilities	143,904	7,040	40,186	88,063	63,271	213,037
NET POSITION						
Net Position Held in Trust for:						
Pension Benefits	51,598,484	26,884,675	57,044,084	90,378,957	-	75,572,427
Other Employee Benefits	-	-	-	-	1,529,442	-
External Investment Pool Participants	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-
Total Net Position	\$ 51,598,484	\$ 26,884,675	\$ 57,044,084	\$ 90,378,957	\$ 1,529,442	\$ 75,572,427

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
\$ 5,552,040	\$ 16,044,045	\$ 22,231,857	\$ 51,836	\$ 360,305	\$ -	\$ 364,501	\$ 776,642
-	-	-	-	-	-	-	-
8,338,059	15,653,192	25,426,539	-	-	-	-	-
-	-	-	-	-	-	-	-
3,488,652	7,657,195	11,366,973	88,707	-	15,081	894	104,682
1,180	-	421,596	-	-	-	-	-
104,387	616	218,765	-	-	-	-	-
11,932,278	23,311,003	37,433,873	88,707	-	15,081	894	104,682
-	-	-	-	-	-	-	-
1,021,413,514	951,272,867	2,082,889,788	43,832,543	815,897	30,789,649	37,120,765	112,558,854
428,902,591	392,807,091	919,596,790	32,752,318	1,541,597	13,340,724	25,991,313	73,625,952
25,694,768	24,369,601	51,419,595	513,660	-	266,454	425,132	1,205,246
364,354,225	340,442,941	715,491,565	18,757,271	-	8,010,126	4,979,280	31,746,677
99,995,649	94,185,760	197,116,447	3,916,165	-	2,836,108	1,681,860	8,434,133
-	-	95,018	-	-	-	-	-
-	-	74,564,162	-	-	-	-	-
1,940,360,747	1,803,078,260	4,041,173,365	99,771,957	2,357,494	55,243,061	70,198,350	227,570,862
-	-	-	-	-	-	-	-
1,582	-	551,340	-	-	-	-	-
2,810,501	-	5,263,591	-	-	-	-	-
1,960,657,148	1,842,433,308	4,106,654,026	99,912,500	2,717,799	55,258,142	70,563,745	228,452,186
2,726,521	2,841,628	5,741,568	123,772	2,367	64,762	95,632	286,533
79,609	-	127,572	-	-	-	-	-
-	-	-	-	-	-	-	-
22,671	7,720	94,535	-	-	-	-	-
69,043	-	218,149	-	-	-	-	-
-	-	37,210	-	-	-	-	-
-	-	15,532	-	-	-	-	-
89,278	-	157,405	-	-	-	-	-
2,987,122	2,849,348	6,391,971	123,772	2,367	64,762	95,632	286,533
1,957,670,026	1,839,583,960	4,098,732,613	-	-	-	-	-
-	-	1,529,442	-	-	-	-	-
-	-	-	99,788,728	2,715,432	55,193,380	70,468,113	228,165,653
-	-	-	-	-	-	-	-
\$ 1,957,670,026	\$ 1,839,583,960	\$ 4,100,262,055	\$ 99,788,728	\$ 2,715,432	\$ 55,193,380	\$ 70,468,113	\$ 228,165,653

STATE OF NORTH DAKOTA

Combining Statement of Fiduciary Net Position Pension, Investment and Private-Purpose Trust Funds (Continued) June 30, 2013

	Private-Purpose Trust Funds			
	Student and Cultural Donations	Mandan Remediation Trust	College SAVE	Total
ASSETS				
Cash Deposits at the Bank of ND	\$ 120,380	\$ 7,604,462	\$ -	\$ 7,724,842
Cash and Cash Equivalents	12,535	1,575,439	639,567	2,227,541
Receivables:				
Contributions Receivable	-	-	-	-
Accounts Receivable - Net	-	-	44,844	44,844
Interest Receivable - Net	1,559	-	-	1,559
Due from Other Funds	-	-	-	-
Due from Fiduciary Funds	-	-	-	-
Total Receivables	1,559	-	44,844	46,403
Investments, at Fair Value:				
Investments at the Bank of ND	21,549	-	-	21,549
Equity Pool	-	-	-	-
Fixed Income Pool	789,695	-	-	789,695
Cash and Cash Pool	-	-	-	-
Real Estate Pool	-	-	-	-
Alternative Investments	-	-	-	-
Annuities	-	-	-	-
Mutual Funds	-	-	329,558,179	329,558,179
Total Investments	811,244	-	329,558,179	330,369,423
Invested Securities Lending Collateral	73,152	-	-	73,152
Prepaid Items	-	-	-	-
Capital Assets (Net of Depreciation)	-	-	-	-
Total Assets	1,018,870	9,179,901	330,242,590	340,441,361
LIABILITIES				
Accounts Payable	292	44,342	680,742	725,376
Accrued Payroll	-	-	-	-
Securities Lending Collateral	73,152	-	-	73,152
Due to Other Funds	-	-	-	-
Due to Fiduciary Funds	-	-	-	-
Amounts Held in Custody for Others	-	-	-	-
Unavailable Revenue	-	-	-	-
Compensated Absences Payable	-	-	-	-
Total Liabilities	73,444	44,342	680,742	798,528
NET POSITION				
Net Position Held in Trust for:				
Pension Benefits	-	-	-	-
Other Employee Benefits	-	-	-	-
External Investment Pool Participants	-	-	-	-
Other Purposes	945,426	9,135,559	329,561,848	339,642,833
Total Net Position	\$ 945,426	\$ 9,135,559	\$ 329,561,848	\$ 339,642,833



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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, 2013

	Pension and Other Employee Benefit Trust Funds					
	Deferred Compensation	Defined Contribution Retirement	Highway Patrolmen's Retirement	Job Service Retirement	PERS Flexcomp	Prefunded Retiree Health Program
ADDITIONS						
Contributions:						
Employer	\$ -	\$ 906,296	\$ 1,586,186	\$ -	\$ -	\$ 9,959,603
Employee	5,198,258	886,855	1,028,615	72,174	5,866,659	6,014,003
From Participants	-	-	-	-	-	-
Transfers from Other Funds	412,500	-	-	-	-	-
Transfers from Other Plans	1,086,587	104	-	-	-	-
Donations	-	-	-	-	-	-
Total Contributions	6,697,345	1,793,255	2,614,801	72,174	5,866,659	15,973,606
Investment Income:						
Net Change in Fair Value of Investments	3,718,955	2,166,442	5,766,740	7,978,316	-	6,384,010
Interest and Dividends	1,645,810	913,834	1,286,296	2,248,708	439	1,777,178
Less Investment Expense	(20,007)	13,902	198,484	242,783	-	197,797
Net Investment Income	5,384,772	3,066,374	6,854,552	9,984,241	439	7,963,391
Repurchase Service Credit	-	-	133,169	-	-	371,587
Miscellaneous Income	212,614	18,290	-	-	660,774	-
Total Additions	12,294,731	4,877,919	9,602,522	10,056,415	6,527,872	24,308,584
DEDUCTIONS						
Benefits Paid to Participants	1,605,608	809,546	3,749,888	4,353,984	5,826,126	6,002,401
Refunds	-	-	22,428	-	-	8,765
Prefunded Credit Applied	-	-	-	-	-	6,458,449
Transfer to Other Plans	-	-	-	-	200,000	-
Payments in Accordance with Trust Agreements	-	-	-	-	-	-
Administrative Expenses	795,631	11,918	29,237	30,014	478,968	185,619
Total Deductions	2,401,239	821,464	3,801,553	4,383,998	6,505,094	12,655,234
Purchase of Units at Net Asset Value of \$1.00 Per Unit	-	-	-	-	-	-
Change in Net Position Held in Trust for:						
Pension Benefits	9,893,492	4,056,455	5,800,969	5,672,417	-	11,653,350
Other Employee Benefits	-	-	-	-	22,778	-
External Investment Pool Participants	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-
Net Position - Beginning of Year	41,704,992	22,828,220	51,243,115	84,706,540	1,506,664	63,919,077
Net Position - End of Year	\$ 51,598,484	\$ 26,884,675	\$ 57,044,084	\$ 90,378,957	\$ 1,529,442	\$ 75,572,427

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
\$ 48,846,796	\$ 59,352,860	\$ 120,651,741	\$ -	\$ -	\$ -	\$ -	\$ -
46,815,060	53,824,557	119,706,181	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	412,500	-	-	-	-	-
-	-	1,086,691	-	-	-	-	-
-	-	-	-	-	-	-	-
95,661,856	113,177,417	241,857,113	-	-	-	-	-
195,052,808	185,196,374	406,263,645	9,196,951	107,664	5,550,253	6,900,375	21,755,243
43,509,791	41,018,935	92,400,991	2,327,191	63,052	1,201,760	1,761,569	5,353,572
6,713,127	6,010,000	13,356,086	334,699	6,171	176,648	222,261	739,779
231,849,472	220,205,309	485,308,550	11,189,443	164,545	6,575,365	8,439,683	26,369,036
7,470,218	2,641,019	10,615,993	-	-	-	-	-
-	30,912	922,590	-	-	-	-	-
334,981,546	336,054,657	738,704,246	11,189,443	164,545	6,575,365	8,439,683	26,369,036
103,295,777	145,943,323	271,586,653	-	-	-	-	-
5,783,824	3,053,395	8,868,412	-	-	-	-	-
-	-	6,458,449	-	-	-	-	-
212,500	-	412,500	-	-	-	-	-
-	-	-	-	-	-	-	-
2,059,315	1,623,638	5,214,340	-	-	-	-	-
111,351,416	150,620,356	292,540,354	-	-	-	-	-
-	-	-	-	900,000	237,035	454,000	1,591,035
223,630,130	185,434,301	446,141,114	-	-	-	-	-
-	-	22,778	-	-	-	-	-
-	-	-	11,189,443	1,064,545	6,812,400	8,893,683	27,960,071
-	-	-	-	-	-	-	-
1,734,039,896	1,654,149,659	3,654,098,163	88,599,285	1,650,887	48,380,980	61,574,430	200,205,582
\$ 1,957,670,026	\$ 1,839,583,960	\$ 4,100,262,055	\$ 99,788,728	\$ 2,715,432	\$ 55,193,380	\$ 70,468,113	\$ 228,165,653

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, 2013

	Private-Purpose Trust Funds			
	Student and Cultural Donations	Mandan Remediation Trust	College SAVE	Total
ADDITIONS				
Contributions:				
Employer	\$ -	\$ -	\$ -	\$ -
Employee	-	-	-	-
From Participants	-	-	30,098,860	30,098,860
Transfers from Other Funds	-	-	-	-
Transfers from Other Plans	-	-	-	-
Donations	3,811	-	-	3,811
Total Contributions	3,811	-	30,098,860	30,102,671
Investment Income:				
Net Change in Fair Value of Investments	59,558	-	20,540,183	20,599,741
Interest and Dividends	15,887	13,116	8,121,519	8,150,522
Less Investment Expense	-	-	-	-
Net Investment Income	75,445	13,116	28,661,702	28,750,263
Repurchase Service Credit	-	-	-	-
Miscellaneous Income	2,000	-	-	2,000
Total Additions	81,256	13,116	58,760,562	58,854,934
DEDUCTIONS				
Benefits Paid to Participants	-	-	-	-
Refunds	-	-	-	-
Prefunded Credit Applied	-	-	-	-
Transfer to Other Plans	-	-	-	-
Payments in Accordance with Trust Agreements	4,085	359,808	34,135,508	34,499,401
Administrative Expenses	1,918	20,572	2,428,166	2,450,656
Total Deductions	6,003	380,380	36,563,674	36,950,057
Purchase of Units at Net Asset 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	75,253	(367,264)	22,196,888	21,904,877
Net Position - Beginning of Year	870,173	9,502,823	307,364,960	317,737,956
Net Position - End of Year	\$ 945,426	\$ 9,135,559	\$ 329,561,848	\$ 339,642,833

STATE OF NORTH DAKOTA

Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
 June 30, 2013

	Bonding	Payroll	Child Support	Student and Other	Tax Collection	Total
ASSETS						
Cash Deposits at the Bank of ND	\$ 7,585,178	\$ 235,878	\$ 2,940,506	\$ 867,864	\$ 12,154,407	\$ 23,783,832
Cash and Cash Equivalents	5,511,980	-	252,274	309,999	2,566,834	8,641,087
Investments at the Bank of ND	27,662,279	-	-	150,682	-	27,812,961
Investments	140,000	-	-	4,881	-	144,881
Accounts Receivable - Net	-	9,798,371	-	-	-	9,798,371
Taxes Receivable - Net	-	-	-	-	29,642,009	29,642,009
Interest Receivable - Net	-	-	-	37	-	37
Total Assets	\$ 40,899,437	\$ 10,034,249	\$ 3,192,780	\$ 1,333,463	\$ 44,363,250	\$ 99,823,178
LIABILITIES						
Intergovernmental Payable	\$ -	\$ 9,902,075	\$ -	\$ -	\$ 43,824,852	\$ 53,726,927
Tax Refunds Payable	150,359	-	-	-	2,812	153,171
Unavailable Revenue	-	-	-	-	535,586	535,586
Amounts Held in Custody for Others	40,749,078	132,174	3,192,779	1,333,463	-	45,407,494
Total Liabilities	\$ 40,899,437	\$ 10,034,249	\$ 3,192,780	\$ 1,333,463	\$ 44,363,250	\$ 99,823,178

STATE OF NORTH DAKOTA

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Fiscal Year Ended June 30, 2013

	June 30 2012	Additions	Deductions	June 30 2013
Bonding				
ASSETS				
Cash Deposits at the Bank of ND	\$ 6,292,123	\$ 1,956,143	\$ 663,088	\$ 7,585,178
Cash and Cash Equivalents	3,699,935	7,240,078	5,428,033	5,511,980
Investments at the Bank of ND	25,760,619	2,950,759	1,049,099	27,662,279
Investments	250,000	10,000	120,000	140,000
Accounts Receivable - Net	32,495	-	32,495	-
Total Assets	\$ 36,035,172	\$ 12,156,980	\$ 7,292,715	\$ 40,899,437
LIABILITIES				
Tax Refunds Payable	\$ 18,000	\$ 150,359	\$ 18,000	\$ 150,359
Amounts Held in Custody for Others	36,017,172	12,124,485	7,392,579	40,749,078
Total Liabilities	\$ 36,035,172	\$ 12,274,844	\$ 7,410,579	\$ 40,899,437
Payroll				
ASSETS				
Cash Deposits at the Bank of ND	\$ 278,949	\$ 109,290,469	\$ 109,333,540	\$ 235,878
Accounts Receivable - Net	8,348,945	9,798,371	8,348,945	9,798,371
Total Assets	\$ 8,627,894	\$ 119,088,840	\$ 117,682,485	\$ 10,034,249
LIABILITIES				
Intergovernmental Payable	\$ 8,499,452	\$ 9,902,075	\$ 8,499,452	\$ 9,902,075
Amounts Held in Custody for Others	128,442	110,739,895	110,736,163	132,174
Total Liabilities	\$ 8,627,894	\$ 120,641,970	\$ 119,235,615	\$ 10,034,249
Child Support				
ASSETS				
Cash Deposits at the Bank of ND	\$ 3,218,761	\$ 122,794,877	\$ 123,073,131	\$ 2,940,507
Cash and Cash Equivalents	248,328	3,945	-	252,273
Total Assets	\$ 3,467,089	\$ 122,798,822	\$ 123,073,131	\$ 3,192,780
LIABILITIES				
Amounts Held in Custody for Others	\$ 3,467,089	\$ 125,319,941	\$ 125,594,250	\$ 3,192,780
Total Liabilities	\$ 3,467,089	\$ 125,319,941	\$ 125,594,250	\$ 3,192,780

	June 30 2012	Additions	Deductions	June 30 2013
Student and Other				
ASSETS				
Cash Deposits at the Bank of ND	\$ 729,350	\$ 3,107,192	\$ 2,968,678	\$ 867,864
Cash and Cash Equivalents	354,696	1,844,832	1,889,529	309,999
Investments at the Bank of ND	115,682	624,412	589,412	150,682
Investments	4,881	-	-	4,881
Interest Receivable - Net	50	37	50	37
Total Assets	\$ 1,204,659	\$ 5,576,473	\$ 5,447,669	\$ 1,333,463
LIABILITIES				
Amounts Held in Custody for Others	\$ 1,204,659	\$ 6,659,993	\$ 6,531,189	\$ 1,333,463
Total Liabilities	\$ 1,204,659	\$ 6,659,993	\$ 6,531,189	\$ 1,333,463
Tax Collection				
ASSETS				
Cash Deposits at the Bank of ND	\$ 11,439,902	\$ 244,653,367	\$ 243,938,863	\$ 12,154,406
Cash and Cash Equivalents	3,213,800	48,921	695,886	2,566,835
Taxes Receivable - Net	31,310,273	29,642,009	31,310,273	29,642,009
Total Assets	\$ 45,963,975	\$ 274,344,297	\$ 275,945,022	\$ 44,363,250
LIABILITIES				
Intergovernmental Payable	\$ 45,962,912	\$ 268,187,033	\$ 270,325,093	\$ 43,824,852
Tax Refunds Payable	1,063	2,812	1,063	2,812
Unavailable Revenue	-	535,586	-	535,586
Amounts Held in Custody of Others	-	-	-	-
Total Liabilities	\$ 45,963,975	\$ 268,725,431	\$ 270,326,156	\$ 44,363,250
Total -All Agency Funds				
ASSETS				
Cash Deposits at the Bank of ND	\$ 21,959,085	\$ 481,802,048	\$ 479,977,300	\$ 23,783,833
Cash and Cash Equivalents	7,516,759	9,137,776	8,013,448	8,641,087
Investments at the Bank of ND	25,876,301	3,575,171	1,638,511	27,812,961
Investments	254,881	10,000	120,000	144,881
Accounts Receivable - Net	8,381,440	9,798,371	8,381,440	9,798,371
Taxes Receivable - Net	31,310,273	29,642,009	31,310,273	29,642,009
Interest Receivable - Net	50	37	50	37
Total Assets	\$ 95,298,789	\$ 533,965,412	\$ 529,441,022	\$ 99,823,179
LIABILITIES				
Intergovernmental Payable	\$ 54,462,364	\$ 278,089,108	\$ 278,824,545	\$ 53,726,927
Tax Refunds Payable	19,063	153,171	19,063	153,171
Unavailable Revenue	-	535,586	-	535,586
Amounts Held in Custody for Others	40,817,362	254,844,314	250,254,181	45,407,495
Total Liabilities	\$ 95,298,789	\$ 533,622,179	\$ 529,097,789	\$ 99,823,179

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STATE OF NORTH DAKOTA

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

	2004	2005	2006	2007
Governmental Activities				
Net Investment in Capital Assets	\$ 1,027,252,008	\$ 1,094,550,779	\$ 1,077,843,107	\$ 1,151,716,486
Restricted	927,324,320	1,046,115,113	1,281,416,598	1,384,212,299
Unrestricted	353,193,506	437,010,686	538,891,416	894,967,295
Total Governmental Activities Net Position	\$ 2,307,769,834	\$ 2,577,676,578	\$ 2,898,151,121	\$ 3,430,896,080
Business-Type Activities				
Net Investment in Capital Assets	\$ 499,222,000	\$ 505,915,735	\$ 516,243,464	\$ 527,402,572
Restricted	366,936,437	393,237,729	391,312,218	478,219,512
Unrestricted	711,777,176	737,348,941	820,268,283	745,972,838
Total Business-Type Activities Net Position	\$ 1,577,935,613	\$ 1,636,502,405	\$ 1,727,823,965	\$ 1,751,594,922
Primary Government				
Net Investment in Capital Assets	\$ 1,526,474,008	\$ 1,600,466,514	\$ 1,594,086,571	\$ 1,679,119,058
Restricted	1,294,260,757	1,439,352,842	1,672,728,816	1,862,431,811
Unrestricted	1,064,970,682	1,174,359,627	1,359,159,699	1,640,940,133
Total Primary Government Net Position	\$ 3,885,705,447	\$ 4,214,178,983	\$ 4,625,975,086	\$ 5,182,491,002

	2008	2009	2010	2011	2012	2013
\$	1,400,535,033	\$ 1,323,476,716	\$ 1,450,350,320	\$ 1,640,080,874	\$ 1,943,226,802	\$ 2,331,214,264
	1,458,565,511	1,502,237,251	1,984,324,201	2,470,400,337	3,094,031,766	3,786,154,729
	1,119,875,688	1,562,969,653	1,772,441,595	2,537,062,796	3,635,538,536	5,597,014,917
\$	3,978,976,232	\$ 4,388,683,620	\$ 5,207,116,116	\$ 6,647,544,007	\$ 8,672,797,104	\$ 11,714,383,910
\$	546,699,435	\$ 578,827,822	\$ 644,108,459	\$ 706,459,639	\$ 752,357,235	\$ 792,067,993
	532,954,637	500,433,232	445,609,412	452,312,013	569,991,053	632,431,958
	653,004,847	563,679,410	749,258,206	916,758,798	957,796,166	1,019,582,872
\$	1,732,658,919	\$ 1,642,940,464	\$ 1,838,976,077	\$ 2,075,530,450	\$ 2,280,144,454	\$ 2,444,082,823
\$	1,947,234,468	\$ 1,902,304,538	\$ 2,094,458,779	\$ 2,346,540,513	\$ 2,695,584,037	\$ 3,123,282,257
	1,991,520,148	2,011,110,394	2,429,933,613	2,922,712,350	3,664,022,819	4,418,586,687
	1,772,880,535	2,118,209,152	2,521,699,801	3,453,821,594	4,593,334,702	6,616,597,789
\$	5,711,635,151	\$ 6,031,624,084	\$ 7,046,092,193	\$ 8,723,074,457	\$ 10,952,941,558	\$ 14,158,466,733

STATE OF NORTH DAKOTA

Schedule 2 – Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2004	2005	2006	2007
Expenses				
Governmental Activities:				
General Governmental	\$ 233,633,735	\$ 243,437,116	\$ 264,911,163	\$ 275,242,149
Education	469,333,631	486,221,447	496,821,495	507,384,841
Health and Human Services	803,600,511	826,832,059	854,450,025	874,003,750
Regulatory	17,756,651	17,966,367	19,676,826	21,180,817
Public Safety and Corrections	107,036,068	132,996,669	145,479,620	135,581,887
Agriculture and Commerce	57,532,612	55,795,473	54,457,817	58,591,473
Natural Resources	63,117,591	53,440,349	62,430,892	57,850,544
Transportation	360,231,121	300,321,693	372,245,432	321,278,940
Interest on Long Term Debt	7,372,042	8,103,849	12,880,933	14,438,858
Total Governmental Activities Expenses	2,119,613,862	2,125,115,022	2,263,354,203	2,265,553,259
Business-Type Activities:				
Bank of North Dakota	58,865,964	57,501,500	\$ 71,263,587	\$ 91,261,449
Housing Finance	49,646,082	45,922,148	46,579,809	51,178,023
Loan Programs	13,846,154	13,889,079	17,235,546	9,453,454
State Lottery	5,943,739	18,917,023	15,622,027	16,068,060
Unemployment Compensation	49,327,620	43,393,675	43,314,505	47,524,928
University System	656,811,533	696,918,168	743,271,216	775,600,118
Workers Compensation	125,727,859	183,465,747	116,020,938	231,787,346
Other	101,772,999	101,659,057	116,120,539	143,590,245
Total Business-Type Activities Expenses	1,061,941,950	1,161,686,397	1,169,428,167	1,366,463,623
Total Primary Government Expenses	\$ 3,181,555,812	\$ 3,286,781,419	\$ 3,452,782,370	\$ 3,632,016,882
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Governmental	\$ 21,798,406	\$ 24,128,539	\$ 23,186,427	\$ 22,288,219
Education	3,443,449	4,082,785	3,675,283	3,616,003
Health and Human Services	19,339,252	18,744,551	29,134,050	24,970,751
Regulatory	19,476,543	16,700,094	17,072,857	20,267,416
Public Safety and Corrections	5,460,128	6,931,898	7,189,302	7,307,975
Agriculture and Commerce	20,260,986	16,234,145	22,935,699	19,593,774
Natural Resources	20,873,885	23,899,425	20,685,820	22,678,382
Transportation	64,565,890	61,057,805	77,967,969	74,146,958
Operating Grants and Contributions	1,050,657,720	1,084,731,432	1,144,749,200	1,148,061,678
Capital Grants and Contributions	73,412,734	81,850,194	56,556,872	71,115,382
Total Governmental Activities Program Revenues	1,299,288,993	1,338,360,868	1,403,153,479	1,414,046,538
Business-Type Activities:				
Charges for Services:				
Bank of North Dakota	88,549,000	90,838,000	107,518,000	135,843,000
Housing Finance	39,327,000	36,643,000	39,209,000	45,137,000
Loan Programs	16,980,295	17,051,963	17,406,328	12,535,071
State Lottery	6,039,180	19,283,424	22,413,359	22,772,976
Unemployment Compensation	64,644,433	60,969,669	60,709,015	56,855,823
University System	270,650,811	296,896,978	331,584,391	351,789,074
Workers Compensation	99,083,053	106,195,254	94,383,040	130,586,004
Other	110,347,110	113,293,272	120,847,785	145,427,064
Operating Grants and Contributions	309,148,951	304,001,326	283,315,181	368,697,788
Capital Grants and Contributions	9,405,153	5,997,781	577,251	7,314,326
Total Business-Type Activities Program Revenues	1,014,174,986	1,051,170,667	1,077,963,350	1,276,958,126
Total Primary Government Program Revenues	\$ 2,313,463,979	\$ 2,389,531,535	\$ 2,481,116,829	\$ 2,691,004,664
Net (Expense)/Revenue				
Governmental Activities	\$ (820,324,869)	\$ (786,754,154)	\$ (880,200,724)	\$ (851,506,721)
Business-Type Activities	(47,766,964)	(110,495,730)	(91,464,817)	(89,505,497)
Total Primary Government Net Expense	\$ (868,091,833)	\$ (897,249,884)	\$ (971,665,541)	\$ (941,012,218)
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes:				
Individual and Corporate Income Taxes	\$ 266,252,580	\$ 320,048,741	\$ 432,071,872	\$ 449,064,105
Sales and Use Taxes	599,064,637	630,178,563	678,820,618	726,913,003
Oil, Gas and Coal Taxes	112,454,541	162,919,498	210,169,616	230,118,178
Business and Other Taxes	61,395,792	57,831,733	66,601,785	54,780,147
Unrestricted Investment Earnings	1,103,625	4,105,864	12,408,573	25,822,610
Tobacco Settlement	12,640,791	12,829,714	11,712,175	16,097,938
Miscellaneous	10,528,733	22,337,630	23,696,003	27,836,295
Contributions to Permanent Fund Principal	11,262,038	13,635,693	11,156,063	15,995,440
Special Item - Loss on Discontinuance of Computer Project	-	-	-	-
Transfers	(152,421,836)	(170,925,314)	(215,088,572)	(167,116,902)
Total Governmental Activities	922,280,901	1,052,962,122	1,231,548,133	1,379,510,814
Business-Type Activities:				
Miscellaneous	-	-	-	-
Special Item - Loss on Discontinuance of Computer Project	-	-	-	-
Transfers	155,342,786	167,349,759	188,108,694	185,840,985
Total Business-Type Activities	155,342,786	167,349,759	188,108,694	185,840,985
Total Primary Government	\$ 1,077,623,687	\$ 1,220,311,881	\$ 1,419,656,827	\$ 1,565,351,799
Change in Net Assets				
Governmental Activities	\$ 101,956,032	\$ 266,207,968	\$ 351,347,409	\$ 528,004,093
Business-Type Activities	107,575,822	56,854,029	96,643,877	96,335,488
Total Primary Government	\$ 209,531,854	\$ 323,061,997	\$ 447,991,286	\$ 624,339,581

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

	2008	2009	2010	2011	2012	2013
\$	313,329,720	\$ 418,220,944	\$ 393,432,224	\$ 507,512,750	\$ 617,152,026	\$ 889,332,121
	537,756,698	564,818,600	849,337,255	830,849,191	843,780,168	875,991,527
	960,439,610	1,005,299,226	1,149,201,916	1,244,163,316	1,271,569,970	1,318,899,711
	28,265,610	26,581,606	26,187,266	28,419,774	33,988,310	44,813,739
	135,067,907	194,263,845	284,846,465	242,521,440	303,602,543	209,732,547
	67,941,955	68,057,495	85,327,633	98,038,471	91,653,406	93,212,834
	64,090,113	64,816,773	81,304,271	117,862,905	132,679,303	114,752,488
	318,241,207	382,619,328	463,845,880	468,695,689	796,123,086	595,646,719
	13,293,248	12,683,901	11,773,684	10,461,658	9,063,514	8,454,110
	2,438,426,068	2,737,361,718	3,345,256,594	3,548,325,193	4,099,612,325	4,150,835,796
\$	108,077,704	\$ 99,089,692	\$ 80,132,606	\$ 77,556,546	\$ 71,996,932	\$ 68,887,617
	58,815,920	59,769,233	62,931,910	69,824,036	56,046,981	48,368,304
	9,657,603	6,776,733	6,315,852	6,898,226	8,092,864	8,756,357
	16,205,287	16,122,996	18,177,724	17,068,826	18,877,249	19,713,987
	46,911,958	106,475,262	137,473,630	108,482,422	89,236,878	118,377,072
	835,873,088	894,733,624	963,820,452	1,008,539,618	1,047,949,521	1,080,816,602
	246,581,569	188,527,183	218,185,899	300,297,491	359,216,200	448,535,174
	266,193,540	249,602,025	188,406,517	237,373,095	523,164,269	279,389,712
	1,588,316,669	1,601,096,748	1,675,444,590	1,826,040,260	2,174,580,894	2,072,844,825
\$	4,026,742,737	\$ 4,338,458,466	\$ 5,020,701,184	\$ 5,374,365,453	\$ 6,274,193,219	\$ 6,223,680,621
\$	18,874,082	\$ 24,085,311	\$ 20,683,111	\$ 26,863,061	\$ 30,255,507	\$ 32,815,967
	3,994,400	4,325,036	5,440,633	6,985,958	7,515,580	6,086,567
	31,576,197	34,200,110	31,858,461	36,563,927	36,100,539	38,381,590
	21,266,588	19,418,470	23,963,949	22,122,244	30,312,566	32,359,807
	9,451,217	10,572,514	12,310,270	14,456,950	26,263,919	26,614,392
	28,180,590	22,749,832	29,530,575	29,861,552	31,026,427	35,652,945
	26,030,413	26,553,195	30,854,355	24,772,981	31,017,855	26,356,862
	71,469,872	87,100,993	90,768,728	96,023,474	111,125,056	120,821,133
	1,041,410,981	1,131,838,131	2,025,395,367	2,015,949,905	2,012,322,201	1,867,800,810
	68,471,590	57,064,724	63,034,991	12,768,330	18,099,423	5,353,007
	1,320,725,930	1,417,908,316	2,333,840,440	2,286,368,382	2,334,039,074	2,192,243,080
	158,993,000	155,951,000	138,081,000	140,043,000	145,038,000	161,080,000
	53,106,863	53,438,021	48,814,007	54,190,469	49,583,855	42,649,030
	10,522,025	6,941,602	6,013,058	5,989,229	6,185,948	7,538,124
	22,219,058	21,815,381	24,498,988	23,085,242	26,587,851	27,999,486
	51,993,327	75,137,232	115,951,800	119,074,810	126,040,929	127,174,321
	369,469,634	400,638,083	418,085,075	438,741,616	468,992,991	486,262,379
	145,487,917	163,857,781	157,710,330	193,150,136	253,677,520	320,237,794
	261,985,312	238,431,304	201,085,424	240,210,771	278,124,295	289,981,947
	258,218,249	114,158,181	412,398,322	449,392,800	601,695,091	370,855,633
	9,244,575	10,820,227	19,762,204	14,258,261	20,975,446	19,865,857
	1,341,239,960	1,241,188,812	1,542,400,208	1,684,136,334	1,976,901,926	1,853,644,571
\$	2,661,965,890	\$ 2,659,097,128	\$ 3,876,240,648	\$ 3,970,504,716	\$ 4,310,941,000	\$ 4,045,887,651
\$	(1,117,700,138)	\$ (1,319,453,402)	\$ (1,011,416,154)	\$ (1,261,956,811)	\$ (1,765,573,251)	\$ (1,958,592,716)
	(247,076,709)	(359,907,936)	(133,044,382)	(141,903,926)	(197,678,968)	(219,200,254)
\$	(1,364,776,847)	\$ (1,679,361,338)	\$ (1,144,460,536)	\$ (1,403,860,737)	\$ (1,963,252,219)	\$ (2,177,792,970)
\$	473,235,378	\$ 503,975,529	\$ 379,938,009	\$ 605,526,736	\$ 658,905,496	\$ 863,018,492
	797,614,476	857,770,891	885,445,674	1,121,730,307	1,543,140,897	1,654,186,763
	469,244,783	428,669,882	633,445,059	1,059,467,528	1,670,059,257	2,518,921,322
	65,487,361	60,813,632	62,075,915	69,733,806	71,974,295	83,470,020
	25,149,527	12,830,321	33,925,667	21,330,843	15,500,793	17,967,764
	20,062,331	30,990,193	23,559,384	30,453,643	22,265,336	22,332,577
	42,051,636	54,636,981	150,818,789	158,447,124	170,544,538	206,709,383
	19,181,247	11,573,541	12,203,425	999,110	12,469,733	13,722,930
	-	(3,314,057)	-	-	-	-
	(254,648,266)	(229,267,859)	(350,496,669)	(365,304,396)	(368,204,484)	(409,585,575)
	1,657,378,473	1,728,679,054	1,829,915,253	2,702,384,702	3,796,655,862	4,970,743,676
	-	-	-	-	1,940,000	39,166,106
	-	-	-	-	-	(14,728,630)
	228,140,706	270,189,481	324,785,928	376,538,823	390,214,559	358,701,147
	228,140,706	270,189,481	324,785,928	376,538,823	392,154,559	383,138,623
\$	1,885,519,179	\$ 1,998,868,535	\$ 2,154,701,181	\$ 3,078,923,525	\$ 4,188,810,421	\$ 5,353,882,299
\$	539,678,335	\$ 409,225,652	\$ 818,499,099	\$ 1,440,427,891	\$ 2,031,082,611	\$ 3,012,150,960
	(18,936,003)	(89,718,455)	191,741,546	234,634,897	194,475,591	163,938,369
\$	520,742,332	\$ 319,507,197	\$ 1,010,240,645	\$ 1,675,062,788	\$ 2,225,558,202	\$ 3,176,089,329

STATE OF NORTH DAKOTA

Schedule 3 -- Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2004	2005	2006
General Fund			
Reserved	\$ 1,108,857	\$ 1,532,133	\$ 2,050,599
Unreserved	195,646,056	280,287,601	412,886,296
Total General Fund	196,754,913	281,819,734	414,936,895
All Other Governmental Funds			
Reserved	772,703,412	846,154,741	999,818,758
Unreserved, Reported in:			
Special Revenue Funds	344,890,456	440,941,175	475,496,357
Total All Other Governmental Funds	1,117,593,868	1,287,095,916	1,475,315,115
Total Fund Balances, Governmental Funds	\$ 1,314,348,781	\$ 1,568,915,650	\$ 1,890,252,010

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

	2011	2012	2013
General Fund			
Nonspendable	\$ 4,628,040	\$ 498,042,684	\$ 1,355,179,441
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	1,399,371,422	2,906,871,519	4,337,518,136
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	3,629,433,677	3,831,166,411	5,024,465,090
Total Fund Balances, Governmental Funds	\$ 5,028,805,099	\$ 6,738,037,930	\$ 9,361,983,226

Statistical Section

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

STATE OF NORTH DAKOTA

Schedule 4 -- Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2004	2005	2006	2007
Revenues				
Individual and Corporate Income Taxes	\$ 265,907,357	\$ 319,862,263	\$ 409,691,305	\$ 443,215,760
Sales and Use Taxes	599,407,365	630,178,563	674,235,802	725,523,596
Oil, Gas, and Coal Taxes	112,454,541	162,919,498	210,157,778	230,124,520
Business and Other Taxes	61,395,792	57,286,643	57,386,606	54,742,121
Licenses, Permits and Fees	100,502,495	99,655,471	122,528,304	116,236,397
Intergovernmental	1,011,333,930	1,060,896,574	1,079,689,531	1,061,075,404
Sales and Services	44,429,465	39,036,704	45,603,895	41,134,852
Royalties and Rents	25,480,076	54,937,603	64,279,399	64,580,931
Fines and Forfeits	15,355,746	14,460,365	12,396,632	14,834,336
Interest and Investment Income	84,295,367	69,224,302	82,674,439	147,584,215
Tobacco Settlement	22,983,256	23,326,753	21,348,506	29,215,336
Commodity Assessments	11,897,001	10,820,676	12,673,677	13,801,240
Miscellaneous	5,411,013	5,728,587	6,115,395	10,327,474
Total Revenues	2,360,853,404	2,548,334,002	2,798,781,269	2,952,396,182
Expenditures				
Current:				
General Government	74,212,740	84,287,121	92,726,091	94,139,748
Education	461,791,383	478,725,082	489,130,108	506,528,869
Health and Human Services	795,012,587	822,941,681	843,779,436	873,992,858
Regulatory	14,948,304	15,364,493	16,039,593	16,987,513
Public Safety and Corrections	102,275,243	128,185,075	139,043,860	129,458,229
Agriculture and Commerce	57,476,139	55,747,507	54,658,099	58,249,503
Natural Resources	57,536,974	49,843,758	55,557,993	52,990,134
Transportation	240,043,640	234,262,747	342,590,896	290,317,792
Intergovernmental - Revenue Sharing	157,200,675	157,867,895	171,942,576	181,498,302
Capital Outlay	125,531,217	156,323,725	121,433,926	143,672,671
Debt Service:				
Principal	8,381,770	9,586,080	11,235,110	10,215,343
Interest and Other Charges	6,962,225	7,836,683	11,799,333	13,341,252
Total Expenditures	2,101,372,897	2,200,971,847	2,349,937,021	2,371,392,214
Revenue over (under) Expenditures	259,480,507	347,362,155	448,844,248	581,003,968
Other Financing Sources (Uses)				
Bonds and Notes Issued	5,871,011	69,013,223	115,130,668	1,828,225
Refunding Bonds Issued	187,283	21,630,000	10,516,000	23,775,068
Payment to Refund Bond Escrow Agent	-	(22,281,509)	(10,388,000)	(24,588,018)
Payment of Refunded Bonds	-	-	-	-
Capital Lease Acquisitions	-	5,211,960	1,946,086	202,754
Sale of Capital Assets	581,050	1,313,753	1,248,797	230,528
Other	(7,862)	-	-	-
Transfers In	207,479,994	303,157,108	195,454,840	241,687,946
Transfers Out	(360,337,994)	(474,082,423)	(410,543,412)	(408,804,848)
Total Other Financing Sources (Uses)	(146,226,518)	(96,037,888)	(96,635,021)	(165,668,345)
Net Changes in Fund Balances	\$ 113,253,989	\$ 251,324,267	\$ 352,209,227	\$ 415,335,623
Debt Service as a Percentage of Noncapital Expenditures	<1%	<1%	<1%	<1%

	2008	2009	2010	2011	2012	2013
\$	469,177,140	\$ 505,011,491	\$ 380,068,970	\$ 602,185,856	\$ 643,107,392	\$ 845,590,604
	795,575,768	857,400,779	883,265,443	1,120,803,578	1,542,807,423	1,652,264,305
	469,231,373	428,629,782	633,497,812	1,058,519,977	1,670,529,100	2,518,629,175
	63,575,524	61,017,632	62,344,622	70,417,133	72,084,077	80,514,313
	123,469,151	133,219,868	143,516,524	154,090,944	183,303,744	191,268,529
	1,088,706,508	1,252,165,449	1,692,074,692	1,610,019,463	1,753,469,275	1,428,170,719
	49,459,036	48,871,700	47,993,528	53,599,656	51,864,186	51,333,672
	96,037,810	125,251,686	407,051,277	328,289,031	392,165,022	389,989,643
	10,903,234	15,774,414	13,282,502	16,213,841	18,151,711	23,770,098
	(1,522,383)	(110,353,157)	181,825,499	270,760,984	74,621,630	250,383,144
	36,478,816	39,327,032	32,839,602	30,453,643	31,277,903	31,344,429
	18,152,847	16,502,864	19,558,592	23,111,279	19,710,327	28,572,996
	10,178,935	5,863,644	11,870,275	7,622,389	25,651,998	56,131,404
	3,229,423,759	3,378,683,184	4,509,189,138	5,346,087,774	6,478,743,788	7,547,963,031
	93,444,373	165,062,399	118,135,852	174,560,163	193,919,196	316,117,619
	536,359,840	564,579,714	849,104,680	830,379,818	842,666,213	874,348,965
	956,031,462	1,002,699,816	1,147,503,138	1,240,584,657	1,267,415,392	1,316,596,317
	19,696,747	22,284,389	22,114,812	25,371,933	30,249,484	35,368,070
	127,347,181	187,059,227	276,719,107	233,108,649	292,979,177	199,319,379
	67,675,838	67,987,832	85,141,016	97,880,158	91,516,274	92,435,869
	58,128,187	58,433,165	73,359,931	110,413,413	123,117,235	105,696,650
	283,717,240	353,240,413	425,930,371	430,542,156	753,087,144	550,383,353
	224,406,911	253,363,580	273,118,311	326,572,267	415,775,866	570,905,886
	139,215,060	113,879,585	155,148,376	233,071,350	358,083,597	428,030,196
	16,215,727	20,207,193	30,513,501	16,869,266	18,282,996	17,421,039
	13,264,977	12,280,656	12,318,072	10,659,235	9,736,260	8,744,962
	2,535,503,543	2,821,077,969	3,469,107,167	3,730,012,865	4,396,828,834	4,515,368,305
	693,920,216	557,605,215	1,040,081,971	1,616,074,909	2,081,914,954	3,032,594,726
	1,426,000	3,005,000	-	2,575,000	-	-
	-	-	-	5,337,000	20,004,000	-
	-	-	-	(4,940,000)	(25,041,000)	-
	370,888	88,245	166,951	1,402,326	147,344	282,145
	1,052,750	86,625	471,890	539,837	284,974	641,170
	-	-	-	-	-	-
	302,221,706	278,233,887	474,985,111	566,165,036	1,162,122,470	398,824,628
	(556,869,970)	(507,501,746)	(825,481,779)	(931,469,432)	(1,530,199,911)	(808,397,373)
	(251,798,626)	(226,087,989)	(349,857,827)	(360,390,233)	(372,682,123)	(408,649,430)
\$	442,121,590	\$ 331,517,226	\$ 690,224,144	\$ 1,255,684,676	\$ 1,709,232,831	\$ 2,623,945,296
	<1%	<1%	<1%	<1%	<1%	<1%

STATE OF NORTH DAKOTA

Schedule 5 Taxable Sales by Industry Last Ten Calendar Years

	Calendar Year			
	2003	2004	2005	2006
Mining and Oil Extraction	\$ 58,538,788	\$ 97,973,056	\$ 131,849,866	\$ 191,615,942
Construction	193,399,184	240,018,916	294,678,543	352,454,828
Manufacturing	307,802,595	341,688,027	494,987,751	543,692,333
Transportation, Communications, And Public Utilities	721,601,734	790,441,560	915,437,434	954,523,004
Wholesale	1,293,684,071	1,455,025,213	1,446,044,209	1,612,369,604
Retail	3,963,823,988	4,221,825,146	3,677,485,817	3,892,914,208
Services	744,082,659	787,170,817	1,558,601,437	1,688,764,982
Accommodation and Food Service (1)	-	-	-	-
Miscellaneous (1)	64,525,223	66,126,921	47,865,825	47,955,072
Total	\$ 7,347,458,242	\$ 8,000,269,656	\$ 8,566,950,882	\$ 9,284,289,973
Effective Tax Rate	4.95%	4.84%	4.92%	4.95%

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

Source: ND State Tax Department

Schedule 6 Sales Tax Revenue Payers by Industry Calendar Years 2003 and 2012 (Dollars are in Millions)

	Calendar Year 2003			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Retail Trade	11,852	43.8%	246.82	67.9%
Wholesale Trade	4,595	17.0%	14.65	4.0%
Services	7,060	26.1%	38.17	10.5%
Transportation, Communications, And Public Utilities	532	2.0%	30.01	8.3%
Manufacturing	1,013	3.7%	16.04	4.4%
Construction	1,416	5.2%	10.13	2.8%
Miscellaneous	475	1.8%	3.70	1.0%
Mining and Oil Extraction	137	0.5%	4.16	1.1%
Total	27,080	100.0%	363.68	100.0%

Source: ND State Tax Department

Calendar Year					
2007	2008	2009	2010	2011	2012
\$ 374,201,247	\$ 951,773,654	\$ 704,397,852	\$ 1,491,748,626	\$ 3,609,963,576	\$ 5,117,138,306
401,485,208	452,093,539	429,559,387	494,291,922	702,237,062	1,073,180,098
589,463,741	697,482,110	649,627,740	711,340,542	995,535,882	1,270,236,581
442,079,107	654,070,303	489,144,528	390,215,115	577,280,642	652,478,635
1,844,174,252	2,645,755,217	2,413,689,772	3,367,800,790	4,394,667,162	5,987,059,129
4,128,221,158	4,366,831,911	4,334,670,425	4,686,288,902	5,448,304,958	6,348,806,735
1,413,161,243	1,479,230,174	1,542,498,356	1,724,349,874	2,490,644,719	3,135,679,592
1,058,245,321	1,149,837,849	1,179,623,344	1,271,280,053	1,471,737,060	1,706,097,731
-	-	-	-	-	-
<u>\$ 10,251,031,277</u>	<u>\$ 12,397,074,757</u>	<u>\$ 11,743,211,404</u>	<u>\$ 14,137,315,824</u>	<u>\$ 19,690,371,061</u>	<u>\$ 25,290,676,807</u>
4.95%	4.97%	4.97%	4.98%	4.86%	5.08%

Calendar Year 2012

Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
11,135	36.5%	425.70	33.1%
5,052	16.6%	275.40	21.4%
7,882	25.8%	155.69	12.1%
425	1.4%	32.17	2.5%
2,591	8.5%	63.54	4.9%
2,496	8.2%	52.75	4.1%
356	1.2%	25.39	2.0%
578	1.9%	254.07	19.8%
30,515	100.0%	1,284.70	100.0%

STATE OF NORTH DAKOTA

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

	2004	2005	2006	2007
Governmental Activities				
Revenue bonds	\$ 146,384	\$ 204,240	\$ 287,016	\$ 277,932
Capital leases	1,132	5,941	6,361	5,418
Notes Payable	5,455	5,613	32,314	32,384
Total Governmental Activities	<u>152,971</u>	<u>215,794</u>	<u>325,691</u>	<u>315,734</u>
Business-type Activities				
Revenue bonds	835,535	887,350	1,038,233	1,073,545
Capital leases	34,130	38,746	45,088	46,131
Notes payable	535,253	445,080	283,509	263,820
Total Business-Type Activities	<u>1,404,918</u>	<u>1,371,176</u>	<u>1,366,830</u>	<u>1,383,496</u>
Total Primary Government	<u>\$ 1,557,889</u>	<u>\$ 1,586,970</u>	<u>\$ 1,692,521</u>	<u>\$ 1,699,230</u>
Debt as a Percentage of Personal Income ¹	8.6%	8.5%	8.4%	8.1%
Amount of Debt per Capita ¹	\$ 2,461	\$ 2,492	\$ 2,661	\$ 2,666

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						
2008	2009	2010	2011	2012	2013	
\$ 265,665	\$ 251,526	\$ 232,102	\$ 219,221	\$ 197,021	\$ 180,757	
5,236	4,056	2,842	2,964	1,928	1,068	
35,726	26,523	19,493	8,563	7,428	6,211	
<u>306,627</u>	<u>282,105</u>	<u>254,437</u>	<u>230,748</u>	<u>206,377</u>	<u>188,036</u>	
1,197,845	1,051,542	1,301,368	1,193,816	1,069,257	919,506	
50,046	68,097	72,461	75,649	73,211	61,796	
250,645	318,847	412,095	403,509	481,735	415,856	
<u>1,498,536</u>	<u>1,438,486</u>	<u>1,785,924</u>	<u>1,672,974</u>	<u>1,624,203</u>	<u>1,397,158</u>	
<u>\$ 1,805,163</u>	<u>\$ 1,720,591</u>	<u>\$ 2,040,361</u>	<u>\$ 1,903,722</u>	<u>\$ 1,830,580</u>	<u>\$ 1,585,194</u>	
8.1%	6.8%	8.1%	6.6%	6.3%	5.5%	
\$ 2,822	\$ 2,682	\$ 3,181	\$ 2,822	\$ 2,714	\$ 2,350	

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		
				Principal	Interest	Coverage
BUILDING AUTHORITY BONDS						
2004	\$ 9,247,000	\$ -	\$ 9,247,000	\$ 5,540,000	\$ 4,381,000	0.93
2005	9,468,000	-	9,468,000	5,618,000	3,985,000	0.99
2006	10,650,000	-	10,650,000	6,711,000	5,270,000	0.89
2007	10,479,000	-	10,479,000	6,649,000	5,541,000	0.86
2008	11,303,000	-	11,303,000	8,161,000	4,770,000	0.87
2009	12,827,000	-	12,827,000	8,103,000	4,309,000	1.03
2010	11,026,000	-	11,026,000	10,360,000	4,005,000	0.77
2011	9,570,000	-	9,570,000	6,243,000	3,656,000	0.97
2012	11,298,000	-	11,298,000	7,106,000	3,211,000	1.10
2013	8,394,000	-	8,394,000	5,806,000	2,655,000	0.99
<i>Pledged revenues include interest and lease payments.</i>						
WATER COMMISSION BONDS						
2004	\$ 3,919,690	\$ -	\$ 3,919,690	\$ 1,311,210	\$ 2,418,640	1.05
2005	4,894,238	-	4,894,238	2,472,910	3,482,849	0.82
2006	5,608,843	-	5,608,843	1,420,600	3,881,643	1.06
2007	7,192,923	-	7,192,923	1,813,098	4,999,564	1.06
2008	7,623,880	-	7,623,880	1,485,000	4,717,867	1.23
2009	9,526,211	-	9,526,211	4,859,000	4,863,040	0.98
2010	9,658,200	-	9,658,200	5,055,000	4,685,748	0.99
2011	9,425,473	-	9,425,473	5,227,642	4,645,491	0.95
2012	9,761,020	-	9,761,020	5,541,961	4,372,017	0.98
2013	9,863,578	-	9,863,578	5,760,272	4,142,814	1.00
<i>Pledged revenues include user fees, interest, and Tobacco Settlement funds.</i>						
LIGNITE RESEARCH BONDS (3)						
2004	\$ 1,057,418	\$ -	\$ 1,057,418	\$ 895,000	\$ 162,585	1.00
2005	1,089,157	-	1,089,157	950,000	138,998	1.00
2006	1,079,038	-	1,079,038	1,910,000	53,503	0.55
2007	-	-	-	-	-	-
<i>Pledged revenues include interest and royalties.</i>						
INFORMATION TECHNOLOGY BONDS (1)						
2004	\$ 30,579,344	\$ 29,457,699	\$ 1,121,645	\$ -	\$ 163,723	6.85
2005	31,228,224	28,388,559	2,839,665	-	248,790	11.41
2006	34,555,908	34,557,209	(1,301)	549,000	307,789	0.00
2007	38,270,735	32,009,593	6,261,142	568,400	213,506	8.01
2008	40,706,890	38,728,841	1,978,049	590,150	192,203	2.53
2009	45,225,141	39,036,294	6,188,847	6,613,350	935,650	0.82
2010	48,633,238	38,453,612	10,179,626	1,716,372	790,686	4.06
2011	49,841,497	41,956,029	7,885,468	10,537,178	324,831	0.73
2012	53,268,445	47,300,345	5,968,100	694,550	89,028	7.62
2013	58,427,069	52,478,918	5,948,151	736,600	39,805	7.66
<i>Pledged revenues include user fees.</i>						
DEPARTMENT OF TRANSPORTATION BONDS (1)						
2006	\$ 1,717,002	\$ -	\$ 1,717,002	\$ -	\$ 2,144,269	0.80
2007	1,501,502	-	1,501,502	161,125	2,001,689	0.69
2008	5,723,177	-	5,723,177	3,160,000	2,162,804	1.08
2009	5,379,338	-	5,379,338	3,255,000	2,067,750	1.01
2010	5,750,480	-	5,750,480	3,355,000	2,397,783	1.00
2011	5,271,363	-	5,271,363	3,465,000	1,854,138	0.99
2012	5,345,315	-	5,345,315	3,595,000	1,726,615	1.00
2013	5,344,822	-	5,344,822	3,725,000	1,597,010	1.00
<i>Pledged revenues include interest and federal (intergovernmental revenues and transfers from fund 002), highway fund appropriations, and transfers from Highway fund (200).</i>						

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Requirements		Coverage
				Principal	Interest	
STUDENT LOAN TRUST						
2004	\$ 12,460,000	\$ 6,406,000	\$ 6,054,000	\$ 1,000,000	\$ 1,750,000	2.20
2005	13,455,000	5,309,000	8,146,000	-	2,998,000	2.72
2006	13,641,000	4,759,000	8,882,000	-	5,010,000	1.77
2007	9,194,000	2,296,000	6,898,000	-	3,917,000	1.76
2008	7,192,000	1,367,000	5,825,000	8,900,000	3,790,000	0.46
2009	2,714,000	1,492,000	1,222,000	59,400,000	929,000	0.02
2010	1,630,000	925,000	705,000	1,000,000	535,000	0.46
2011	1,406,000	923,000	483,000	9,000,000	288,000	0.05
2012	1,168,000	770,000	398,000	2,000,000	39,000	0.20
2013	976,000	658,000	318,000	2,200,000	24,000	0.14

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

HOUSING FINANCE AGENCY						
2004	\$ 52,016,000	\$ 16,512,000	\$ 35,504,000	\$ 177,594,000	\$ 33,115,000	0.17
2005	51,152,000	18,048,000	33,104,000	120,539,000	27,859,000	0.22
2006	51,472,000	20,736,000	30,736,000	98,501,000	25,839,000	0.25
2007	58,632,000	26,868,000	31,764,000	133,527,000	31,809,000	0.19
2008	67,393,000	34,498,000	32,895,000	8,969,000	37,373,000	0.71
2009	67,073,021	35,458,000	31,615,021	254,020,000	40,733,000	0.11
2010	72,564,000	26,958,000	45,606,000	354,181,000	37,499,000	0.12
2011	74,163,000	46,020,000	28,143,000	247,099,000	36,352,000	0.10
2012	62,386,855	42,874,000	19,512,855	246,535,000	36,562,000	0.07
2013	55,452,870	36,480,000	18,972,870	209,045,000	29,902,000	0.08

Pledged revenues include income and proceeds from mortgage loan activity.

STATE FAIR ASSOCIATION (2)						
2004	\$ 3,735,261	\$ 3,585,269	\$ 149,992	\$ 205,000	\$ 77,149	0.53
2005	4,415,435	3,847,415	568,020	205,000	71,766	2.05
2006	4,712,097	4,089,305	622,792	205,000	64,231	2.31

Pledged revenues include state appropriations and State Fair net revenue.

UNIVERSITY SYSTEM						
2004	\$ 484,761,680	\$ 619,035,327	\$ (134,273,647)	\$ 12,689,507	\$ 5,508,951	(7.38)
2005	490,990,656	655,641,086	(164,650,430)	12,506,875	7,344,029	(8.29)
2006	539,484,282	650,271,318	(110,787,036)	15,717,500	9,532,867	(4.39)
2007	557,498,821	665,012,168	(107,513,347)	29,385,066	12,325,577	(2.58)
2008	577,333,810	720,525,986	(143,192,176)	10,771,860	12,946,879	(6.04)
2009	615,327,588	768,207,013	(152,879,425)	31,757,754	13,848,295	(3.35)
2010	663,347,234	823,053,516	(159,706,282)	25,067,090	12,968,810	(4.20)
2011	777,992,712	937,253,706	(159,260,994)	19,435,268	14,390,104	(4.71)
2012	708,136,180	979,701,772	(271,565,592)	27,187,867	15,553,703	(6.35)
2013	729,800,506	1,012,017,963	(282,217,457)	43,206,702	12,842,418	(5.04)

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

- (1) First year reported is first year Agency held bonds.
- (2) Information presented for the Fiscal Year Ended September 30.
- (3) The bonds were redeemed during 2007 and the fund no longer exists.

NOTE: Gross revenues include nonoperating interest income. Operating expenses do not include bond interest or depreciation expenses.

**Schedule 9
Legal Debt Limit
Fiscal Year Ending June 30, 2013**

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>
2003	638,817	18,824,539	29,468	3.6%	314,273
2004	644,705	19,292,518	29,925	3.5%	321,108
2005	646,089	20,542,124	31,795	3.4%	328,121
2006	649,422	21,375,002	32,914	3.2%	335,718
2007	652,822	23,637,125	36,208	3.1%	341,705
2008	657,569	26,879,550	40,877	3.1%	350,442
2009	664,968	26,181,372	39,372	4.1%	349,561
2010	674,629	28,646,144	42,462	3.8%	358,674
2011	684,740	32,306,315	47,236	3.5%	379,433
2012	699,628	36,305,820	51,893	3.1%	711,710

Source:

- (a) Census Bureau
- (b) Bureau of Economic Analysis
- (c) Local Area Unemployment Statistics program
- (d) Quarterly Census of Employment and Wages program

Schedule 11 Principal Employers

North Dakota Century Code 52-01-02 and 52-01-03 prohibits Job Service North Dakota from disclosing information provided to them by employers, including the employer name and number of employees, unless authorized by the employer. Sufficient permission has not been received to allow for presentation of this schedule.

The following schedule is being presented as an alternative to the principal employer schedule:

Schedule 12 Employment by Industry Current Year and Nine Years Ago

Industry	2013			2004		
	Number of Employees	Rank	Percent of Total Nonagricultural Wage and Salary Employment	Number of Employees	Rank	Percent of Total Nonagricultural Wage and Salary Employment
Government	79,500	1	18.49%	74,600	1	22.08%
Educational and Health Services	58,100	2	13.51%	48,350	2	14.31%
Retail Trade	47,100	3	10.96%	41,300	3	12.23%
Leisure and Hospitality	38,300	4	8.91%	30,750	4	9.10%
Professional and Business Services	32,700	5	7.61%	24,500	6	7.25%
Construction	29,600	6	6.89%	17,200	9	5.09%
Manufacturing	25,400	7	5.91%	24,600	5	7.28%
Wholesale Trade	25,300	8	5.89%	18,400	8	5.45%
Natural Resources and Mining	24,600	9	5.72%	3,550	13	1.05%
Transportation, Warehousing and Utilities	24,500	10	5.70%	13,200	11	3.91%
Financial Activities	21,900	11	5.09%	18,600	7	5.51%
Other Services	16,000	12	3.72%	15,050	10	4.46%
Information	6,900	13	1.61%	7,700	12	2.28%
Total	429,900		100%	337,800		100%

Note: This schedule is based on the calendar year.

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

**Schedule 13
Education Enrollment
Last Ten Academic Years**

Public School Enrollment

	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Kindergarten	6,641	6,578	6,648	6,661	7,197	6,442	7,446	8,236	8,575	8,822
Grades 1-3	21,115	20,736	20,358	20,126	20,030	20,594	21,592	22,229	23,796	24,859
Grades 4-6	22,109	21,390	21,060	20,951	20,847	20,429	20,788	20,932	22,008	22,810
Grades 7-8	16,148	15,864	15,333	14,759	14,573	14,498	14,662	14,740	14,750	14,920
Grades 9-12	33,311	32,552	32,201	31,483	30,727	30,373	30,241	29,641	30,063	30,245
Total Enrollment	99,324	97,120	95,600	93,980	93,374	92,336	94,729	95,778	99,192	101,656
Special Education Students	14,681	13,883	13,825	13,606	13,278	13,261	13,170	13,123	13,268	NA

Source: Department of Public Instruction

University System Full-Time Equivalent Student Enrollment

	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Bismarck State College	2,800	2,602	2,651	2,793	2,937	3,160	3,208	3,209	2,990	2,955
Dakota College at Bottineau	447	386	399	401	440	490	540	524	474	502
Dickinson State University	2,034	2,031	2,059	2,158	2,294	2,187	2,054	1,959	1,454	1,201
Lake Region State College	738	738	750	764	784	868	921	988	973	943
Mayville State University	761	722	652	586	563	662	704	704	759	749
Minot State University	3,022	3,063	2,928	2,729	2,720	2,832	3,002	2,795	2,731	2,710
ND State College Of Science	2,271	2,223	2,171	2,097	2,041	2,076	2,217	2,366	2,354	2,295
North Dakota State University	10,692	10,752	10,890	11,221	11,794	12,577	12,708	12,606	12,707	12,797
University of North Dakota	11,815	11,531	11,381	10,967	11,137	11,306	12,018	12,319	12,728	12,606
Valley City State University	956	899	844	807	823	833	957	1,011	995	975
Williston State College	709	702	648	551	562	573	570	608	537	593
Total	36,245	35,649	35,373	35,074	36,095	37,564	38,899	39,089	38,702	38,326

Note: Full-Time Equivalent Enrollment is based upon student credit hours.

In August 2006, the SBHE changed the definition of undergraduate FTE to 15 credit hours from 16, and first professional to 1 for full-time students and 1/2 for part-time students. In order to provide a consistent basis for comparing enrollments to prior years, prior year FTE's have been recalculated based on the new definition, which is compatible with National Integrated Post-Secondary Education Data System (IPEDS) reporting requirements.

Source: North Dakota University System, Fall Enrollment Reports

Schedule 14
State Employees by State Agency
Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EXECUTIVE BRANCH										
Adjutant General	133	132	158	169	171	174	174	172	242	246
Aeronautics Commission	5	5	5	5	5	5	6	6	6	6
Bank of North Dakota	171	169	167	181	179	179	177	177	177	177
Barley Council	4	2	2	5	6	6	6	5	5	5
Beef Commission	2	2	2	2	2	2	2	2	2	2
Career and Technical Education	26	26	25	33	33	34	34	34	34	34
Corn Council	1	2	1	2	2	3	3	3	4	5
Council on the Arts	5	4	5	5	5	5	5	5	5	5
Department of Agriculture	56	54	58	64	67	68	72	75	75	76
Department of Commerce	54	54	56	67	68	68	68	68	68	68
Department of Corrections and Rehabilitation	590	602	627	664	681	703	704	705	739	812
Department of Emergency Services	22	19	53	54	56	57	60	65	64	68
Department of Financial Institutions	21	23	24	26	26	26	29	29	29	29
Department of Human Services	1,951	1,946	1,938	2,133	2,297	2,275	2,222	2,232	2,201	2,201
Department of Public Instruction	90	88	89	95	95	98	99	101	99	99
Department of Transportation	1,015	1,014	1,021	1,054	1,061	1,056	1,057	1,066	1,066	1,081
Department of Trust Lands	19	17	17	21	21	20	21	23	26	28
Game and Fish Department	138	139	139	154	154	156	156	157	157	158
Highway Patrol	192	171	176	186	193	193	194	194	198	198
Historical Society	56	56	56	58	61	63	63	63	66	73
Indian Affairs Commission	3	3	3	3	4	4	4	4	4	5
Industrial Commission	55	48	48	53	55	58	60	68	73	93
Information Technology Department	245	244	240	313	316	338	339	341	335	326
Job Service North Dakota	357	333	286	352	309	309	309	309	309	252
Milk Marketing Board	4	4	4	6	6	6	6	6	6	6
ND Department of Health	318	295	292	324	335	343	346	341	345	352
ND Horse Racing Commission	0	0	2	2	2	2	2	2	2	2
ND Housing Finance Agency	38	40	37	38	43	42	46	46	46	46
ND Mill and Elevator Association	118	117	121	127	125	126	130	131	130	131
ND Vision Services/School for the Blind	30	26	26	30	30	32	32	33	33	33
North Dakota University System	7,351	7,543	7,336	6,015	7,171	7,261	7,579	7,775	7,756	7,763
Office of Administrative Hearings	5	6	7	7	7	7	7	7	5	5
Office of Management and Budget	129	129	120	133	133	133	133	135	134	134

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EXECUTIVE BRANCH, Continued										
Office of the Attorney General	139	164	174	177	185	188	202	202	205	214
Office of the Governor	17	18	16	18	18	18	18	18	18	18
Office of the Insurance Commissioner	43	40	40	46	46	46	46	45	49	49
Office of the Labor Commissioner	10	10	10	12	11	12	12	12	12	13
Office of the State Auditor	51	50	53	56	56	56	56	56	56	55
Office of the State Tax Commissioner	129	125	123	133	133	133	133	133	133	134
Office of the State Treasurer	6	6	5	7	7	7	7	7	8	8
Oilseed Council	1	1	1	1	1	1	1	1	1	1
Parks and Recreation Department	44	44	42	50	49	49	52	53	53	53
Protection and Advocacy	26	24	24	25	27	28	28	29	29	29
Public Employees Retirement System	28	27	28	33	33	33	33	33	33	33
Public Service Commission	41	41	39	43	44	44	45	46	43	44
Retirement and Investment Office	18	17	16	17	17	17	17	18	18	18
School for the Deaf	55	50	49	49	44	44	50	50	50	50
Secretary of State	26	26	26	27	27	28	28	28	31	31
Securities Department	8	8	8	9	9	9	9	9	9	9
Seed Department	25	23	22	32	31	30	30	30	30	30
Soybean Council	3	3	3	5	5	5	5	5	6	7
State Fair Association	16	15	15	24	26	26	28	27	27	27
State Library	27	29	28	30	30	30	30	30	30	30
State Radio	28	28	0	0	0	0	0	0	0	0
Veteran's Affairs Department	6	6	6	6	7	7	7	7	8	8
Veterans Home	84	82	86	88	92	98	98	116	114	117
Water Commission	80	77	77	84	84	84	86	87	87	88
Wheat Commission	6	6	5	8	8	8	8	8	8	8
Workforce Safety and Insurance	223	219	216	239	239	240	241	251	251	254
LEGISLATIVE BRANCH										
Legislative Council	30	31	31	33	33	33	34	34	34	34
JUDICIAL BRANCH										
Judiciary Branch	323	323	339	352	367	368	372	342	344	362
Total State Employees	14,697	14,806	14,623	13,985	15,348	15,494	15,821	16,052	16,127	16,241

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
Office of the Tax Commissioner										
Number of returns filed electronically ¹	129,509	147,683	166,733	186,329	203,279	222,254	242,792	289,387	319,759	352,150
Education										
Department of Public Instruction										
Public School Enrollment ²	99,324	97,120	95,600	93,980	93,374	92,336	94,729	95,778	99,192	101,656
North Dakota University System										
Full Time Equivalent Student Enrollment ³	36,245	35,649	35,373	35,074	36,095	37,564	38,899	39,089	38,702	38,900
Health and Human Services										
North Dakota Department of Health										
Number of Autopsies Performed in ND ⁴	195	221	240	237	274	305	300	323	367	NA
Air Quality - Percent of Facilities in Compliance ⁴	100	100	100	98	99	99	99	100	99	NA
Public Water Systems - Percent of Facilities in Compliance ⁴	92	92	94	95	95	95	96	95	96	NA
Department of Human Services										
Number of TANF Caseloads	5,887	5,524	5,259	5,112	4,927	4,733	4,238	3,668	3,329	3,032
Number of Medicaid Recipients	77,378	77,018	77,799	75,470	75,732	77,637	84,529	88,618	90,453	91,382
Regulatory										
Office of the Insurance Commissioner										
Licensed Insurance Agents ⁴	31,645	33,323	39,230	47,437	47,399	48,308	49,157	50,392	52,417	55,241
Public Service Commission										
Weighing and Measuring Devices Inspected	14,605	13,944	12,414	13,183	11,476	11,395	10,465	10,673	7,437	9,559
Gas Pipeline Safety Inspections	50	54	68	65	61	67	67	61	53	83
Public Safety and Corrections										
Department of Corrections and Rehabilitation										
Average Daily Adult Prison Population ⁴	1,299	1,366	1,409	1,429	1,449	1,442	1,497	1,460	1,477	NA
Office of the Attorney General-Bureau of Investigations										
Criminal Cases Opened ⁴	286	319	351	299	369	389	410	366	422	NA
Drug Cases Opened ³	623	553	472	425	380	372	447	421	375	NA
Office of the Attorney General-Crime Laboratory										
Toxicology Alcohol Blood and Breath Analyses ⁴	6,411	6,378	6,517	6,915	6,007	6,883	7,576	7,583	7,918	NA
Methamphetamine/Amphetamine Samples Processed ⁴	2,813	2,779	1,552	1,009	636	830	979	745	1,211	NA
Office of the Adjutant General										
Assigned National Guard ⁵	4,106	4,043	4,243	4,211	4,262	4,299	4,349	4,375	4,363	4,210
Agriculture and Commerce										
Department of Agriculture										
Pounds of Pesticide Waste Collected	155,158	129,994	172,791	170,817	215,521	205,021	215,594	189,996	290,932	248,354
Department of Commerce										
Net Job Growth from Nonfarm Employment ⁴	5,250	6,850	7,500	6,200	8,600	-600	8,900	18,600	33,000	NA
New Private Sector Businesses ⁴	458	558	429	-324	395	-53	608	1,627	2,274	NA
Natural Resources										
Game and Fish Department										
Registered Boats ⁴	52,961	44,499	49,641	53,519	46,067	51,609	56,128	47,527	62,799	NA
Hunting and Fishing Licenses Issued	323,479	314,465	332,644	324,770	330,524	319,414	326,333	330,833	321,086	NA
Department of Parks and Recreation										
Park Visitations ⁴	972,151	923,181	940,113	898,235	889,231	1,055,930	1,057,922	1,099,714	1,191,483	NA
Camping Nights ⁴	47,484	48,599	51,945	52,904	51,529	58,984	50,749	55,018	67,425	NA
Snowmobile Registrations ⁴	15,961	2,223	14,198	11,322	3,845	11,421	5,278	11,872	3,354	NA
OHV Registrations ⁴	NA	NA	NA	9,200	18,237	9,118	16,335	10,841	21,862	NA
Transportation										
Department of Transportation										
Registered Vehicles ⁴	836,927	843,054	878,443	902,581	934,502	952,616	945,282	1,048,240	1,063,203	NA
Licensed Drivers	459,566	466,701	468,711	470,731	473,019	476,561	483,097	490,146	502,807	513,838
Unemployment Compensation										
Job Service North Dakota										
Number of Covered Workers ⁴	321,108	328,121	335,718	341,705	350,442	349,561	358,674	379,433	411,710	NA
Workforce Safety and Insurance										
Number of Claims Filed	19,184	19,887	21,588	21,309	21,061	20,543	19,384	21,693	24,643	25,835
Number of Covered Workers	304,287	311,200	318,240	326,100	332,170	340,915	340,117	348,743	369,996	402,771

NA-Not Available

¹ Calendar Year Received

² Academic Year End Enrollment

³ Academic Year Enrollment

⁴ Statistics on a Calendar Year Basis

⁵ 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**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
Office of Management and Budget										
Capitol Complex Buildings	7	7	7	7	7	7	7	7	7	7
Education										
Department of Land										
Common Schools Trust										
Land Acreage	635,529	635,574	632,408	632,248	632,248	597,426	632,393	631,940	631,921	631,939
ND University System										
Buildings	527	527	516	516	516	516	522	522	512	512
Buildings Square Footage	13,440,708	13,491,510	13,491,510	13,491,510	14,003,445	14,003,445	14,700,708	14,700,708	15,019,252	15,019,252
Health and Human Services										
Dept. of Human Services										
Buildings	74	74	74	74	74	74	74	74	74	64
Public Safety and Corrections										
Department of Corrections and Rehabilitation										
Buildings	70	71	71	71	71	72	72	72	72	69
Office of the Adjutant General										
Headquarters, Camp and Armory Building:	539	551	567	475	475	341	282	282	283	268
Natural Resources										
Game and Fish Department										
Wildlife Management Areas	183	185	186	186	186	189	192	199	201	201
Boats, ATVs, Snowmobiles, Tractors, Oth	344	364	393	397	417	425	429	443	446	463
Dept. of Parks and Recreation										
Park/Recreational Sites	15	15	15	15	15	15	15	15	15	15
Park Maintenance Vehicles/Equipment	196	207	222	230	235	255	255	262	291	304
Transportation										
Department of Transportation										
Lane Miles Maintained	8,414	8,450	8,469	8,479	8,511	8,515	8,517	8,518	8,504	8,509
Fleet Vehicles	3,097	3,137	3,220	3,316	3,307	3,273	3,493	3,564	3,567	3,600
Heavy Equipment	565	552	527	359	340	341	463	471	500	434
Buildings	77	77	77	79	80	81	85	94	123	126

NA-Not Available

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

Schedule 17
Claims Development Information
Last Ten Fiscal Years

The following tables illustrate how the individual funds' earned revenues and investment income compare to related costs of loss and other expenses assumed by the funds as of the end of each of the last ten years. The rows of the tables are defined as follows: (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues. (2) This line shows each fiscal year's other operation costs of the fund including overhead and claims expense not allocable to individual claims. (3) This line shows the funds' incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year). (4) This section of 10 columns shows the cumulative amounts paid as of the end of successive years for each policy year. (5) This section of 10 columns shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received regarding unknown claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. (6) This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the tables show data for successive policy years (expressed in thousands).

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

Workforce Safety & Insurance

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
1 Net Earned Required Contribution and Investment Revenues	\$ 194	\$ 193	\$ 148	\$ 221	\$ 166	\$ 48	\$ 289	\$ 357	\$ 341	\$ 443
2 Unallocated Expenses	21	25	33	40	41	31	33	30	33	59
3 Estimated Incurred Claims and Expense, End Of Policy Year	103	111	105	120	131	169	160	192	230	300
4 Paid (Cumulative) as of:										
End of Policy Year	20	22	21	21	27	32	31	39	44	53
One Year Later	36	34	36	37	47	55	52	65	87	
Two Years Later	42	39	41	43	54	63	60	76		
Three Years Later	46	42	46	47	58	70	65			
Four Years Later	49	45	49	50	60	75				
Five Years Later	52	48	53	53	63					
Six Years Later	54	50	55	55						
Seven Years Later	56	51	58							
Eight Years Later	58	53								
Nine Years Later	60									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	103	111	105	120	131	169	160	192	230	300
One Year Later	103	104	112	119	140	157	151	192	258	
Two Years Later	99	100	113	120	133	153	195	193		
Three Years Later	100	101	116	110	129	150	193			
Four Years Later	106	101	110	108	126	148				
Five Years Later	105	101	110	105	123					
Six Years Later	104	98	109	104						
Seven Years Later	103	97	108							
Eight Years Later	103	98								
Nine Years Later	101									
6 Increase in Estimated Incurred Claims and Expense From End of Policy Year	2	(13)	3	(16)	(8)	(21)	(14)	1	28	0

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

Fire and Tornado Fund

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
1 Net Earned Required Contribution and Investment Revenues	\$ 4,864	\$ 5,073	\$ 5,193	\$ 6,934	\$ 7,849	\$ (492)	\$ 8,099	\$ 4,709	\$ 3,031	\$ 4,103
2 Unallocated Expenses	621	552	986	847	979	819	1,344	1,340	849	768
3 Estimated Incurred Claims and Expense, End of Policy Year	1,135	1,775	2,852	1,536	10,548	1,744	3,075	6,178	1,461	1,929
4 Paid (Cumulative) as of:										
End of Policy Year	(227)	986	1,660	1,133	9,434	989	1,676	3,043	(350)	(267)
One Year Later	(227)	986	1,660	1,133	9,434	989	1,676	3,043	(350)	
Two Years Later	(227)	986	1,660	1,133	9,434	989	1,676	3,043		
Three Years Later	(227)	986	1,660	1,133	9,434	989	1,676			
Four Years Later	(227)	986	1,660	1,133	9,434	989				
Five Years Later	(227)	986	1,660	1,133	9,434					
Six Years Later	(227)	986	1,660	1,133						
Seven Years Later	(227)	986	1,660							
Eight Years Later	(227)	986								
Nine Years Later	(227)									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	1,135	1,775	2,852	1,536	10,548	1,744	3,075	6,178	1,461	1,929
One Year Later	1,135	1,775	2,852	1,536	10,548	1,744	3,075	6,178	1,461	
Two Years Later	1,135	1,775	2,852	1,536	10,548	1,744	3,075	6,178		
Three Years Later	1,135	1,775	2,852	1,536	10,548	1,744	3,075			
Four Years Later	1,135	1,775	2,852	1,536	10,548	1,744				
Five Years Later	1,135	1,775	2,852	1,536	10,548					
Six Years Later	1,135	1,775	2,852	1,536						
Seven Years Later	1,135	1,775	2,852							
Eight Years Later	1,135	1,775								
Nine Years Later	1,135									
6 Increase in Estimated Incurred Claims and Expense From End of Policy Year	0	0	0	0	0	0	0	0	0	0

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

Bonding Fund

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
1 Net Earned Required Contribution and Investment Revenues	\$ 448	\$ 319	\$ 179	\$ 401	\$ 22	\$ 157	\$ 214	\$ 202	\$ 195	\$ 140
2 Unallocated Expenses	42	53	51	57	37	25	34	25	28	22
3 Estimated Incurred Claims and Expense, End of Policy Year	253	64	392	173	(268)	128	49	22	4	-115
4 Paid (Cumulative) as of:										
End of Policy Year	(85)	(226)	(254)	(328)	(417)	(61)	(148)	(179)	(202)	(157)
One Year Later	(85)	(226)	(254)	(328)	(417)	(61)	(148)	(179)	-202	
Two Years Later	(85)	(226)	(254)	(328)	(417)	(61)	(148)	(179)		
Three Years Later	(85)	(226)	(254)	(328)	(417)	(61)	(148)			
Four Years Later	(85)	(226)	(254)	(328)	(417)	(61)				
Five Years Later	(85)	(226)	(254)	(328)	(417)					
Six Years Later	(85)	(226)	(254)	(328)						
Seven Years Later	(85)	(226)	(254)							
Eight Years Later	(85)	(226)								
Nine Years Later	(85)									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	253	64	392	173	(268)	128	49	22	4	(115)
One Year Later	253	64	392	173	(268)	128	49	22	4	
Two Years Later	253	64	392	173	(268)	128	49	22		
Three Years Later	253	64	392	173	(268)	128	49			
Four Years Later	253	64	392	173	(268)	128				
Five Years Later	253	64	392	173	(268)					
Six Years Later	253	64	392	173						
Seven Years Later	253	64	392							
Eight Years Later	253	64								
Nine Years Later	253									
6 Increase in Estimated Incurred Claims and Expense From End of Policy Year	0	0	0	0	0	0	0	0	0	0

**Schedule 18
Agricultural Production**

Value of Export Shares of Agricultural Commodities - 2011-2012

	2011 <u>Dollars</u> (Mil.)	2011 <u>% of U.S.</u>	2012 <u>Dollars</u> (Mil.)	2012 <u>% of U.S.</u>
Wheat	1,634.0	14.67	1,111.0	13.62
Soybeans and Products	818.1	7.86	1,261.0	8.58
Vegetables Fresh and Processed	128.0	4.40	181.2	3.37
Grain Products	206.1	3.80	245.7	4.16
Vegetable Oils	217.7	5.42	231.1	5.55
Feeds and Fodders	107.1	1.86	159.2	2.48
Corn	241.4	1.77	208.3	2.23
Beef, Veal and Pork	94.7	4.21	89.0	1.58
Dairy Products	8.1	1.70	8.9	0.17
Sugar and Products	156.6	8.67	189.0	9.31
Hides and Skins	38.1	1.43	36.5	1.32
Fruits Fresh and Processed	0.3	0.00	0.3	0.00
Other Products (1)	356.5	1.84	412.0	2.02
Total	\$ 4,006.7	2.94%	\$ 4,133.2	2.93%

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

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

2013 Crop Rank Among States

North Dakota <u>Ranks</u>	<u>Crop Description</u>	North Dakota <u>Produces</u>
1st	Flaxseed	95%
	Canola	83%
	Pinto Beans	56%
	Oil Sunflowers	55%
	All Sunflowers	52%
	Durum Wheat	52%
	Spring Wheat	47%
	Navy Beans	45%
	Dry Edible Peas	41%
	All Dry Edible Beans	37%
	Non-oil Sunflowers	36%
	Barley	28%
	Honey Production	23%