

# **Comprehensive Annual Financial Report**

*State of North Dakota*

**For the Fiscal Year Ended June 30, 2017**

# STATE OF NORTH DAKOTA

## Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED

**June 30, 2017**



*Prepared by the Office of Management and Budget*

State of North Dakota  
Office of Management and Budget  
Fiscal Management Division  
600 East Boulevard Avenue Dept. 110  
Bismarck, ND 58505-0400  
701-328-2680

This CAFR is also available at our Fiscal Management website:  
<https://www.nd.gov/omb/agency/financial/comprehensive-annual-financial-report-cafr/cafr-reports>

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
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# Introductory Section



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# State of North Dakota

## OFFICE OF MANAGEMENT AND BUDGET

600 East Boulevard Avenue, Dept. 110 • Bismarck, North Dakota 58505-0400  
FAX – 701.328.3230

December 8, 2017

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, 2017. 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, 2017 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and evaluating the overall financial statement presentation. Their examination was conducted in accordance with GAAP and the standards applicable to financial audits contained in *Government Auditing Standards* as published by the Comptroller General of the United States. The SAO concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the State's financial statements for the fiscal year ended June 30, 2017, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report

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

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

**Director** – 4<sup>th</sup> Floor –701.328.4904  
**Fiscal Management** – 4<sup>th</sup> Floor–701.328.2680  
**Facility Management** – 4<sup>th</sup> Floor–701.328.2471

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

## **PROFILE OF THE GOVERNMENT**

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

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

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

## **LOCAL ECONOMY**

Although North Dakota's economy is increasingly diversified, the agricultural industry continues to play a key role in the state's economy. The USDA's National Agricultural Statistics Service reports that for 2016 crop production, North Dakota is the nation's leading producer of durum wheat, spring wheat, canola, flaxseed, dry edible beans and peas, sunflower oil, and honey.

The energy industry plays an important role in the state's economy. The development of wind and coal resources, the production of ethanol and bio-diesel, and oil and natural gas extraction all contribute to the state's economy. North Dakota continued to produce over one million barrels of oil per day in 2017. North Dakota's current crude oil production ranks second in the nation, behind first-ranked Texas. Low oil prices have resulted in lower state and local tax revenues. In September 2017, the actual average price per barrel for North Dakota crude oil was \$44.98, down slightly from the anticipated price.

The state's population is expected to drop from a high of 758.0 million in 2016 to 756.0 million in 2017, largely due to the slowdown in the energy industry. Construction accounts for over 7 percent of employment in the state, compared to around 5 percent for the U.S. Manufacturing is also a prominent player in the state's economy, accounting for nearly 6 percent of employment; mining, which includes oil extraction and production, provides jobs for another 3.5 percent of the state's workforce, compared to less than 1 percent nationally.

Oil and gas make up more than 54 percent of the state's exports. Other major exports are machinery and transportation equipment, agriculture products, chemicals, and coal. In 2016, exports totaled slightly more than \$5 billion.

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

## **LONG-TERM FINANCIAL PLANNING**

The long-term financial plan of the state was summarized by Governor Burgum in his 2017 budget address to the legislature. The Governor's financial plan for the state centered around realigning spending priorities to spur innovation, creativity and the reinvention of government while prioritizing K-12 education and support for the state's most vulnerable people.

For the 2017-19 biennium, the legislature approved a budget that decreased total general fund appropriations by 28.5 percent and reduced the fulltime equivalent position count by 627.18.

By the end of the 2017-19 biennium, reserves are anticipated to total over \$730 million. Reserves include the budget stabilization fund, strategic investment and improvements fund, foundation aid stabilization fund, and tax relief fund ending balance. In addition, the legacy fund is projected to have a balance of \$5.1 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. Approximately \$200 million in interest is expected to be deposited in the general fund at the end of the 2017-19 biennium. 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 majority of both the house and senate. The 2017 legislative assembly did not approve any spending from the legacy fund for the 2017-19 biennium.

The legislature continued property tax relief through the homestead tax credit program, the disabled veteran's property tax credit, funding for certain county costs of child welfare and service payments for elderly and disabled services and through a state-paid economic assistance and social services pilot program for the 2017-19 biennium.

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 3.0 percent or more, the state is able to access funds from the budget stabilization fund. The statutory limit for the budget stabilization fund for the 2017-19 biennium is \$646.5 million, which is 15.0 percent of the state general fund budget.

North Dakota did experience a significant revenue shortfall during the 2015-17 biennium due to decreases in oil and agriculture prices, resulting in a transfer of the entire amount of the budget stabilization fund to the general fund prior to June 30, 2017. The legislature approved an allocation

of \$75 million from oil and gas tax revenues to the fund for the 2017-19 biennium.

In addition to accessing the budget stabilization fund, in the event of an economic downturn the Governor is able to reduce general fund expenditure authority uniformly across state agencies through a process known as allotment. In the event of such a general fund expenditure reduction, the foundation aid stabilization fund was established to protect the state education aid program. Dollars from this fund would replace the amount of general fund dollars cut, thus K-12 education would not experience a reduction in funding. The passage of Measure 2 in the 2016 general election allows money in the fund to be appropriated for education related purposes. Funding for the foundation aid stabilization fund comes from a portion of oil extraction tax collections. The foundation aid stabilization fund is expected to have a June 30, 2019 balance in excess of \$105 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 \$400 million per biennium.

### **MAJOR INITIATIVES**

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

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

### **INFRASTRUCTURE INVESTMENTS**

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

- \$612.9 million to rebuild and repair state highways;
- \$97.1 million for city road projects;
- \$51.1 million dedicated to the repair and rebuilding of county and township roads;
- \$40 million in grant funds to two communities in oil country for airports; and \$722.2 million for water-related projects, including \$120.1 million for water supply, \$27.0 million for rural water supply, \$136.0 million for flood control and \$15.8 million for general water projects.

### **TAX RELIEF**

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

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

## **EDUCATION**

K-12 education initiatives include:

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

Higher Education initiatives include:

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

\$22.5 million in bonding authority to construct an Integrated Carbon Plant at Valley City State University

## **RESERVES**

It is anticipated that by June 30, 2019, there will be a total ending balance of approximately \$732,000 in the budget stabilization fund, foundation aid stabilization fund, strategic investment and improvements fund, and tax relief fund. The general fund budget for the 2017-19 biennium totals \$4.31 billion.

## **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of North Dakota for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the 25th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

policy documentation, financial planning, and organization.

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

Sincerely,

A handwritten signature in black ink that reads "Pam Sharp". The signature is written in a cursive, flowing style.

Pam Sharp  
Director



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Government Finance Officers Association

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

Presented to

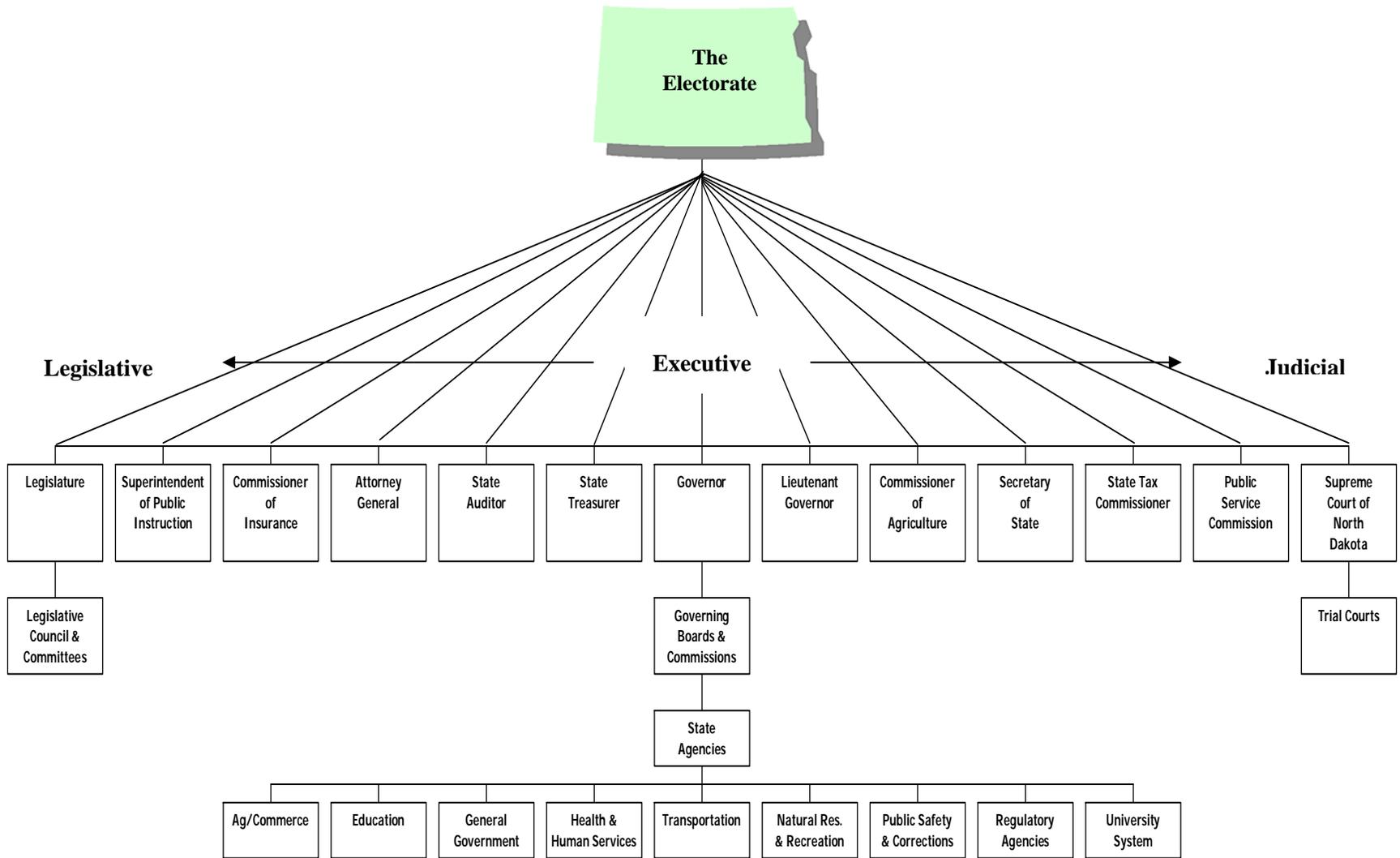
**State of North Dakota**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO

# STATE OF NORTH DAKOTA ORGANIZATIONAL CHART



**NORTH DAKOTA**  
**PRINCIPAL STATE OFFICIALS**  
**June 30, 2017**

**ELECTED OFFICIALS**

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

**LEGISLATIVE**

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

**JUDICIAL**

Gerald W. VandeWalle, Chief Justice, North Dakota Supreme Court  
Carol Ronning Kapsner, Justice  
Daniel J. Crothers, Justice  
Lisa K Fair McEvers, Justice  
Jerod Tufte, 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 Doug Burgum, Governor  
of the State of North Dakota

Members of the Legislative Assembly  
of the State of North Dakota

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of North Dakota as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

	<u>Percent of Assets</u>	<u>Percent of Net Position or Fund Balance</u>	<u>Percent of Revenues</u>
<u>Government-Wide Financial Statements</u>			
Governmental Activities	27%	28%	13%
Business-Type Activities	83%	58%	54%
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%	1%	1%
State Special Revenue Fund	66%	69%	40%
<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	94%	97%	82%

The financial statements for these entities were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these 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, 2017, 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**

As described in Note 21 to the financial statements, the State of North Dakota adopted the provisions of GASB 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, GASB 77 *Tax Abatement Disclosures*, GASB 78 *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB 79 *Certain External Investment Pools and Pool Participants*, GASB 80 *Blending Requirements for Certain Component Units and amendment of GASB Statement No. 14*, and GASB 82 *Pension Issues – An Amendment of GASB Statements No. 67 and No. 73*. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, the 2017 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

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

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

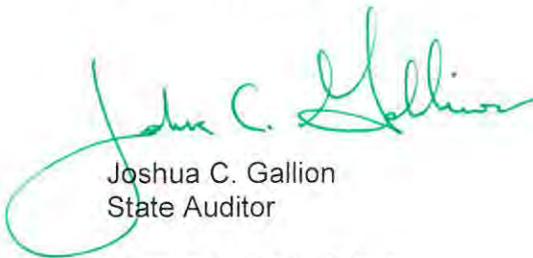
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of North Dakota's basic financial statements. The combining and individual fund financial statements listed in the table of contents are presented for purposes of additional analysis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

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2017 on our consideration of the State of North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of North Dakota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of North Dakota's internal control over financial reporting and compliance.



Joshua C. Gallion  
State Auditor

Bismarck, North Dakota

December 8, 2017



Edwin J. Nagel, Jr., CPA  
Director

## 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, 2017. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

#### Government-wide:

Total assets and deferred outflows of resources of the State exceeded its liabilities and deferred inflows of resources at fiscal year-end by \$20.7 billion (reported as net position), an increase of \$1.2 billion from the previous year. The net position of governmental activities increased by 3.9% while the net position of the business-type activities showed an increase of 16.4%.

As a result of implementing GASB Statement 68, *Accounting and Financial Reporting for Pensions*, the State recorded \$35.3 million net pension asset, \$198 million deferred outflows of resources, \$552 million net pension liability, and \$55 million deferred inflows of resources for the primary government. The state had an increase in net pension liability during the year of \$164 million as a result of the ND Public Employee Retirement System Board reducing the interest rate assumption from 8% to 7.75%. With that change the plan does not have a cross over date in the future where the plan will become fully funded. As a result GASB requires the use of a blended rate to discount the contributions forcing the plan to use a discount rate of 6.44%. The significantly lower rate results in a much higher pension liability.

#### Fund Level:

As of the close of fiscal year 2017 the State's governmental funds reported combined ending fund balances of \$12.4 billion, an increase of \$172 million. Of this amount, \$5 billion is non-spendable, primarily for legal requirements. Spendable fund balance consists of \$6 billion restricted for specific purposes such as common schools, state education aid, and transportation, \$845 million committed and \$229 million assigned for specific functional expenditures such as education and general government, with the unassigned fund balance making up the remaining amount of \$351 million. At the end of the fiscal year, unassigned fund balance for the General Fund was \$353.8 million.

The enterprise funds reported net position at year-end of \$3.7 billion, an increase of \$528 million during the year.

#### Long-term Debt:

The State's total debt (bonds and notes payable) increased approximately 28% during the fiscal year to \$2.37 billion, an increase of \$520 million, which represents the net difference between new issuances and payments. During the year the State issued \$271 million in bonds and \$2.98 billion in notes.

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

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government-wide Statements

The government-wide financial statements provide a broad view of the State's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the State's financial position, which assists in assessing the State's economic condition at the end of the fiscal year. These statements include all non-fiduciary assets, deferred outflows of resources, liabilities,

and deferred inflows of resources using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

Both statements report three activities:

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

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

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

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

### **Fund Financial Statements**

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers

may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

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

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

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

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

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

### **Notes to the Financial Statements**

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

### **Required Supplementary Information**

The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule, which includes reconciliation between the statutory fund balances for budgetary purposes and the fund balances for the General Fund, the State Special Revenue Fund and the Federal Fund as presented in the governmental fund financial statements. In addition, the required supplementary information includes up to ten years of information on the State's pension plans,

including schedules on the employer proportionate share of the net pension liability, changes in the net pension liability, and employer contributions.

### Other Supplementary Information

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

### FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

As noted previously, net position may serve over time as a useful indicator of a government's financial position. The State's combined net position (governmental and business-type activities) totaled \$20.7 billion at the end of fiscal year 2017. Net position increased \$1.2 billion from the prior fiscal year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$13,521,594	\$13,410,558	\$10,768,994	\$10,686,657	\$21,185,663	\$20,593,797
Capital Assets	4,816,012	4,366,294	1,514,586	1,451,945	6,330,598	5,818,239
Total Assets	<u>18,337,606</u>	<u>17,776,852</u>	<u>12,283,580</u>	<u>12,138,602</u>	<u>27,516,261</u>	<u>26,412,036</u>
Deferred Outflows of Resources	<u>150,303</u>	<u>47,243</u>	<u>60,007</u>	<u>34,228</u>	<u>210,310</u>	<u>81,473</u>
Long-Term Liabilities						
Outstanding	116,816	128,810	3,555,904	3,097,323	3,672,720	3,226,133
Other Liabilities	1,356,845	1,326,204	5,019,916	5,842,789	3,271,836	3,665,577
Total Liabilities	<u>1,473,661</u>	<u>1,455,014</u>	<u>8,575,820</u>	<u>8,940,112</u>	<u>6,944,556</u>	<u>6,891,710</u>
Deferred Inflows of Resources	<u>40,552</u>	<u>40,684</u>	<u>22,827</u>	<u>14,448</u>	<u>63,379</u>	<u>55,132</u>
Net Position						
Invested in Capital Assets, Net of Related Debt	4,759,286	4,299,697	1,223,439	1,155,758	5,982,725	5,455,455
Restricted	6,224,908	6,246,873	888,080	533,665	7,112,988	6,780,538
Unrestricted	5,989,502	5,781,827	1,633,421	1,528,847	7,622,923	7,310,674
Total Net Position	<u>\$16,973,696</u>	<u>\$16,328,397</u>	<u>\$3,744,940</u>	<u>\$3,218,270</u>	<u>\$20,718,636</u>	<u>\$19,546,667</u>

The largest component (37%) of the State's net position is unrestricted net position. Unrestricted net position may be used at the State's discretion, but often have limitations on use based on State statutes. Restricted net position make up thirty-four percent (34%) of the state's net position. Restricted net position represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used.

Twenty-nine percent (29%) of the State's net position reflects its investment in capital assets such as land, buildings, equipment, intangibles (software), and infrastructure (roads, bridges and other immovable assets) less any related debt outstanding that was needed to acquire or construct the assets. The State uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

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

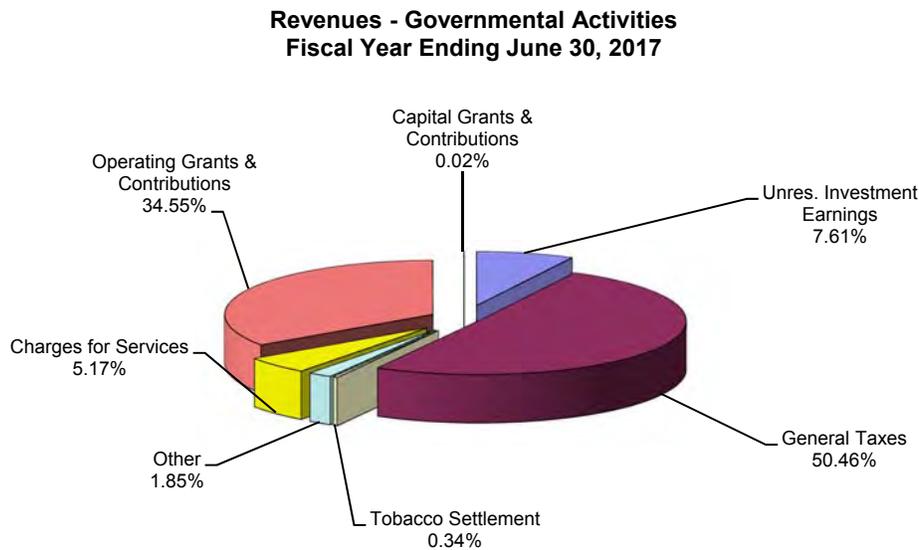
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$332,535	\$359,427	\$1,862,600	\$1,860,031	\$2,195,135	\$2,219,458
Operating Grants & Contributions	2,221,212	1,755,540	380,843	298,603	2,602,055	2,054,143
Capital Grants & Contributions	1,206	3,416	32,026	29,609	33,232	33,025
General Revenues:						
Income Taxes	418,040	414,965	-	-	418,040	414,965
Sales Taxes	1,236,701	1,348,343	-	-	1,236,701	1,348,343
Oil, Gas and Coal Taxes	1,490,399	1,457,361	-	-	1,490,399	1,457,361
Other Taxes	98,374	99,296	-	-	98,374	99,296
Investment Earnings	489,070	64,347	-	-	489,070	64,347
Tobacco Settlement	21,600	22,777	-	-	21,600	22,777
Other	119,135	119,546	4,847	93	123,982	119,639
<b>Total Revenues</b>	<b>6,428,272</b>	<b>5,645,018</b>	<b>2,280,316</b>	<b>2,188,336</b>	<b>8,708,588</b>	<b>7,833,354</b>
<b>Expenses</b>						
General Government	955,119	1,055,378	-	-	955,119	1,055,378
Education	1,214,358	1,175,550	-	-	1,214,358	1,175,550
Health and Human Services	1,851,802	1,776,822	-	-	1,851,802	1,776,822
Regulatory	76,262	69,084	-	-	76,262	69,084
Public Safety and Corrections	238,515	227,618	-	-	238,515	227,618
Agriculture and Commerce	100,775	106,846	-	-	100,775	106,846
Natural Resources	286,546	321,992	-	-	286,546	321,992
Transportation	529,532	679,070	-	-	529,532	679,070
Interest on Long Term Debt	2,678	1,334	-	-	2,678	1,334
Bank of North Dakota	-	-	88,792	85,822	88,792	85,822
Housing Finance	-	-	40,997	40,246	40,997	40,246
Loan Programs	-	-	13,173	17,323	13,173	17,323
State Lottery	-	-	20,638	26,038	20,638	26,038
Unemployment Compensation	-	-	156,931	225,358	156,931	225,358
University System	-	-	1,204,936	1,211,439	1,204,936	1,211,439
Workforce Safety and Insurance	-	-	254,467	366,663	254,467	366,663
Other	-	-	571,077	569,432	571,077	569,432
<b>Total Expenses</b>	<b>5,255,587</b>	<b>5,413,694</b>	<b>2,351,011</b>	<b>2,542,321</b>	<b>7,606,598</b>	<b>7,956,015</b>
Increase (decrease) in Net Position Before Contributions, Loss & Transfers						
Loss & Transfers	1,172,685	231,324	(70,695)	(353,985)	1,101,990	(122,661)
Loss on Computer Project	-	(4,950)	-	-	-	(4,950)
Extraordinary Item	(38,379)	-	-	-	(38,379)	-
Contributions to Permanent Fund						
Principal	11,895	15,638	-	-	11,895	15,638
Transfers	(503,279)	(603,557)	598,094	611,332	94,815	7,775
Increase (decrease) in Net Position						
	642,922	(361,545)	527,399	257,347	1,170,321	(104,198)
Net Position - Beginning -As Restated						
	16,330,774	16,689,942	3,217,541	2,960,923	19,548,315	19,650,865
Net Position- Ending	<u>\$16,973,696</u>	<u>\$16,328,397</u>	<u>\$3,744,940</u>	<u>\$3,218,270</u>	<u>\$20,718,636</u>	<u>\$19,546,667</u>

## Governmental Activities

Governmental Activities increased the State's net position by \$643 million. Revenues increased 14%, with the largest dollar increase in the State's revenues for fiscal year 2017 coming from operating grants and contributions, an increase of \$466 million. This increase is due primarily to the change in fair value of investments from the previous year as capital markets produced stronger gains. A slight decrease in sales and use tax is due to slowing taxable sales and purchases as a result of declining energy and agricultural prices worldwide. The decline in rig counts has resulted in a loss of higher paid energy jobs as well as a decrease in out-of-state commuters. Oil and Gas production tax remained stable from fiscal year 2016 due to strong production and additional gas being captured not flared.

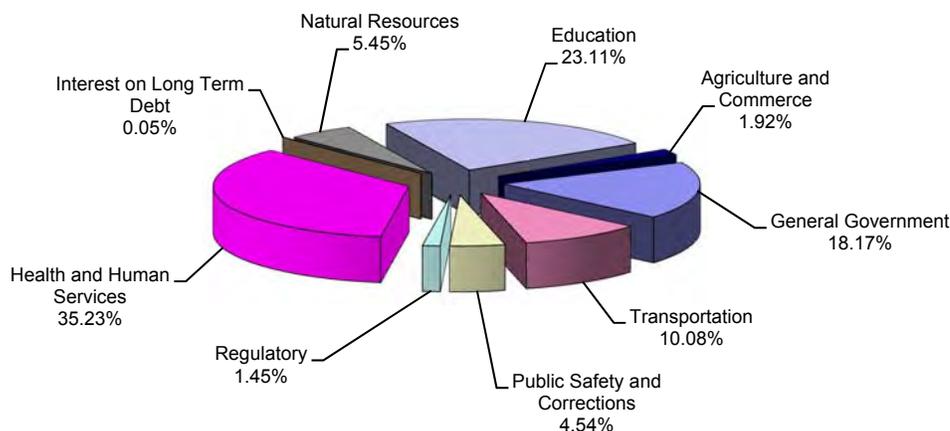
Expenses for governmental activities remained relatively consistent with only a decrease of 3%.

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



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

**Expenditures - Governmental Activities  
Fiscal Year Ending June 30, 2017**



**Business-type Activities**

Net position of the business-type activities increased by \$527 million during the fiscal year.

Workforce Safety and Insurance’s (WSI) net position increased \$142.7 million. Policyholder count decreased by 336 policies in fiscal year 2017. The decline in policies is due to the slowdown of the economy in the State. WSI’s financial position remains stable. Earned premium net of discounts and reinsurance totaled \$233 million, \$291 million, and \$330 million for fiscal years 2017, 2016, and 2015, respectively. WSI re-entered the Securities Lending arena in fiscal year 2016. Total income for fiscal year 2017 was \$185 thousand, compared to fiscal year 2016 which had earnings of \$214 thousand. The number of total claims filed in fiscal year 2017 decreased for the third subsequent year. Total claims filed for fiscal year 2017 totaled 20,025.

The Bank of North Dakota net position increased \$117.3 million. The loan portfolio increased by \$438 million at year-end 2016. Total assets decreased by 1.6% to \$7.3 billion. The decrease was largely attributable to a reduction in the securities portfolio, coupled with an offsetting increase in loan demand. Interest-bearing deposits totaled \$4.2 billion at December 31, 2016 compared to \$5.2 billion at December 31, 2015. This decrease is from state deposit decline related to the current economic status of the state.

The University System’s net position increased \$66.5 million. Net position increased due to a 4% increase in tuition and fee revenues and a 17% increase in gift revenue. In addition, total assets increased \$67.9 million due to an increase in current assets and net capital assets, offset by a decrease in other noncurrent assets.

Housing Finance net position increase of \$9.8 million was similar to the prior year’s net position change as revenues and expenses remained fairly consistent.

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

### **Governmental Funds**

As the State completed the year, its governmental funds reported combined fund balances of \$12.4 billion, an increase of \$172 million from the prior fiscal year. Of the \$12.4 billion in net position, \$5 billion is non-spendable, \$6 billion is restricted, \$845 million is committed, \$229 million is assigned, and \$351 million is unassigned. These fund balance categories are a result of GASB Statement 54. Note 1U provides definitions for these categories. The following analysis of funds provides the explanation for the overall change in net position for governmental funds.

The General Fund is the chief operating fund of the State. At the end of current fiscal year, unassigned fund balance of the General Fund was \$353.8 million, non-spendable was \$4.8 billion and \$364.5 million was committed for expenditure by various governmental functions.

Total General Fund balance increased during the fiscal year by \$152 million. Revenues increased approximately 7.4%, due to an increase in interest and investment income of \$424 million. Tax revenue continued to decrease during the year, with the biggest decreases in Sales and Use taxes of \$111 million and Oil, Gas, and Coal taxes of \$109 million. Explanation for these increases and decreases were explained with the increase in net position for governmental activities.

General fund expenditures remained relatively consistent with an increase of 4%.

The State Special Revenue ending fund balance increased by \$21.4 million resulting in \$6.8 billion fund balance. Revenues increased 30% and expenditures decreased 22%. Revenues increased in the state special revenue fund primarily due to an increase in interest and investment income due to the change in fair value of investments from the previous year as previously discussed. Expenses decreased primarily due to a decrease in transportation expenses of \$190 million due to a decrease in spending for oil impacted projects.

The June 30 Federal Fund balance of \$8.3 million consists of non-spendable items such as prepaids and inventory and unavailable revenue for those revenues to be received later than the time period used for revenue recognition.

### **Proprietary Funds**

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

### **General Fund Budgetary Highlights:**

The State has a biennial appropriated budget. The fiscal year ending June 30, 2017, was the second year of the 2015-17 budget cycle. The original budget decreased \$219.6 million.

At the beginning of the 2015-17 budget cycle, there was an increase in the original budget of \$128.5 million due to the authorized carryover of general fund appropriation authority from the 2013-15 biennium, and a \$18.7 million increase for capital construction carryover. There was also a decrease to the original budget of \$9.9 million in the 15-17 budget cycle due to emergency clause expenditures given in the 15-17 biennium that was used in the 13-15 biennium.

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

Several state agencies were authorized by appropriation laws to carryover a portion or all of their general fund appropriation for various purposes, including the University System, \$64.9 million, the Department of

Transportation, \$20.4 million, the Department of Human Services, \$18.6 million, Legislative Council, \$4.9 million, the Department of Commerce, \$4.3 million, the Adjutant General, \$3.8 million, the Office of Management & Budget, \$3.8 million and Department of Public Instruction, \$2.5 million.

Of the \$18.7 million in capital construction carryover dollars, \$5.9 million was for the Department of Human Services; \$6 million was for the Department of Trust Lands; \$4.2 million was for the Office of Management and Budget and various smaller amounts for several other state agencies.

Of the \$9.9 million in decreases, \$7.8 million was for the University of North Dakota and \$2 million was for the Parks and Recreation. These amounts were appropriated as emergency appropriations in the 15-17 biennium and was used in the 13-15 biennium and therefore was decreased out of the agencies 15-17 biennium general fund budget.

In fiscal year 2016, Governor Dalrymple implemented a 4.05 percent general fund reduction allotment because of a projected shortfall in general fund revenues for the 2015-17 biennium. The reduction totaled \$239.1 million. In fiscal year 2017, an additional 2.5 percent general fund reduction allotment was required because of the projected shortfall in general fund revenues for the 2015-17 biennium. The reduction totaled \$120.4 million.

There were no expenditures in excess of general fund authority.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: At the end of the fiscal year 2017, the State had invested \$6 billion, net of accumulated depreciation, in a broad range of capital assets. Depreciation charges for this fiscal year totaled \$226 million.

(Net of Depreciation, Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016*	2017	2016*	2017	2016*
Land and Land Improvements	\$151,450	\$143,691	\$23,805	\$23,377	\$175,255	\$167,068
Building & Building Improvements	404,300	393,824	1,110,869	995,882	1,515,169	1,389,706
Equipment	164,965	161,284	180,497	173,735	345,462	335,019
Intangibles						
Software	164,416	172,406	4,253	5,612	168,669	178,018
Other	12,695	15,281	7,006	5,214	19,701	20,495
Infrastructure	1,976,706	1,855,004	116,067	116,120	2,092,773	1,971,124
Construction in Progress	1,941,480	1,621,684	72,090	132,004	2,013,570	1,753,688
<b>Total</b>	<b>\$4,816,012</b>	<b>\$4,363,174</b>	<b>\$1,514,587</b>	<b>\$1,451,944</b>	<b>\$6,330,599</b>	<b>\$5,815,118</b>

\* Beginning capital asset balances were adjusted for certain reclassifications.

The total increase in the State's investments in capital assets for the current fiscal year was 9% in terms of net book value. However, actual expenditures to purchase or construct capital assets were approximately \$1.1 billion for the year. A major portion of this amount was used to construct or reconstruct assets for highway construction. More detailed information on the State's capital assets can be found in Note 3H to the financial statements.

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

to the payment of the principal and interest of the bond. The State has no general obligation bonds outstanding at June 30, 2017.

The State does have a number of revenue bonds outstanding at June 30, 2017. Current state statutes empower certain state agencies and the Building Authority, a component unit of the State, to issue bonds as part of their activities. This debt is not backed by the full faith and credit of the State of North Dakota. The principal and interest on revenue bonds issued by state agencies is payable from designated revenue sources. The Building Authority's bonds generate revenue to finance the construction and improvements of State buildings. Revenues derived from leases on the buildings fund the debt service requirements.

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

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

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenue Bonds	\$54,105	\$64,049	\$1,019,125	\$1,040,019	\$1,073,230	\$1,104,068
Notes Payable	2,181	3,891	1,299,549	747,186	1,301,730	751,077
Total	<u>\$56,286</u>	<u>\$67,940</u>	<u>\$2,318,674</u>	<u>\$1,787,205</u>	<u>\$2,374,960</u>	<u>\$1,855,145</u>

The State's total debt increased approximately 28% 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 2017 publication. The report depicts an economy that is in recovery and rebounding in earnest from the energy bust albeit at a much slower pace than the sky-high growth rates of the oil boom.

North Dakota's outlook is linked tightly to two major industries, energy and agriculture. Both industries have struggled over the last few years but the trend is reversing. Natural resources and mining employment is up more than 30 percent from a year ago, the fastest pace of growth in the industry in five years. This rapid growth is attributable to increases in oil production and smaller transportation discounts on North Dakota crude oil as a result of new pipeline capacity via the Dakota Access Pipeline. The North Dakota Pipeline Authority has estimated the discount has been reduced by as much as \$2 per barrel. This translates to higher North Dakota oil prices which are expected to recover slowly over the next year and a half.

Farm incomes, which have been depressed over the last several years because of falling crop prices, are slowly turning around. The impact of drought conditions throughout the summer may not be as severe as previously thought but state income numbers released over the next few months will tell the real story. The outlook anticipates a slow but steady recovery among North Dakota farmers over the next several years.

Job growth has matched the national level over the last few months, an indicator that has not been met in over two years. Growth in private service jobs, reflective of consumer gains from higher incomes in goods-producing industries, is one sign that state has turned a corner. The state's low unemployment rate, one of the lowest in the nation at 2.5 in October 2017, is not only indicative of an abundance of jobs available but also of an undersized labor force. If North Dakota is to continue job growth it must also attract workers to the state.

Median household income and per capita income for North Dakota are both ahead of the national average. For 2016, median household income in North Dakota was \$60,184 compared to \$59,039 for the U.S. Per capita income for 2016 was \$54,627 for North Dakota, while \$49,246 for the U.S.

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

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

# Basic Financial Statements

# STATE OF NORTH DAKOTA

## Statement of Net Position

June 30, 2017

	Primary Government			Component Units (GASB Based)
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 41,487,991	\$ 531,900,857	\$ 573,388,848	\$ 19,259,919
Investments	9,311,747,669	4,029,564,238	13,341,311,907	1,008,217
Accounts Receivable - Net	87,451,036	159,452,801	246,903,837	354,329
Taxes Receivable - Net	453,661,861	-	453,661,861	-
Interest Receivable - Net	33,957,506	61,719,690	95,677,196	71,133
Intergovernmental Receivable - Net	221,007,661	30,393,024	251,400,685	-
Internal Receivable	3,104,924,782	-	-	-
Due from Component Units	-	32,139,443	32,139,443	-
Due from Primary Government	-	-	-	235,000
Prepaid Items	12,520,481	4,281,639	16,802,120	-
Inventory	24,001,642	31,276,845	55,278,487	-
Loans and Notes Receivable - Net	189,610,036	4,892,203,033	5,081,813,069	9,215,260
Pension Assets	35,329,182	-	35,329,182	-
Other Assets	-	30,226,750	30,226,750	164,207
Restricted Assets:				
Cash and Cash Equivalents	5,893,788	110,067,371	115,961,159	26,049,460
Investments	-	5,508,269	5,508,269	898,140,000
Interest Receivable - Net	-	3,060,000	3,060,000	5,394,000
Loans and Notes Receivable - Net	-	847,200,000	847,200,000	-
Capital Assets:				
Nondepreciable	2,092,930,360	95,895,030	2,188,825,390	1,000,000
Depreciable, Net	2,723,081,995	1,418,691,028	4,141,773,023	14,080
Total Assets	<u>18,337,605,990</u>	<u>12,283,580,018</u>	<u>27,516,261,226</u>	<u>960,905,605</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Loss on Bond Refunding	1,140,000	3,177,630	4,317,630	5,201,000
Financial Derivative Instrument	-	3,777,000	3,777,000	-
Unrealized Loss on Interest Rate Swap	-	4,656,000	4,656,000	-
Derived from Pensions	149,162,675	48,397,014	197,559,689	50,000
Total Deferred Outflows of Resources	<u>150,302,675</u>	<u>60,007,644</u>	<u>210,310,319</u>	<u>5,251,000</u>

\* An internal payable 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, 2017

	Primary Government			Component Units (GASB Based)
	Governmental Activities	Business-Type Activities	Total	
<b>LIABILITIES</b>				
Accounts Payable	297,959,953	60,272,772	358,232,725	871,177
Accrued Payroll	60,934,967	45,415,242	106,350,209	3,249
Securities Lending Collateral	240,995,489	14,431,944	255,427,433	-
Interest Payable	904,899	11,115,617	12,020,516	3,576,000
Intergovernmental Payable	169,399,183	6,154,101	175,553,284	-
Tax Refunds Payable	143,514,944	-	143,514,944	-
Internal Payable	-	3,286,624,816	181,700,034	-
Due to Component Units	-	46,166,308	46,166,308	-
Contracts Payable	25,909,401	2,851,944	28,761,345	-
Federal Funds Purchased	-	242,480,000	242,480,000	-
Other Deposits	-	967,406,065	967,406,065	-
Amounts Held In Custody for Others	-	18,384,355	18,384,355	-
Unearned Revenue	3,869,803	145,807,463	149,677,266	93,077
Financial Derivative Instrument	-	3,777,000	3,777,000	-
Net Pension Liability	413,356,174	138,854,220	552,210,394	159,000
Other Liabilities	-	30,173,969	30,173,969	140,001
Long-Term Liabilities				
Due within one year	16,957,546	1,103,841,225	1,120,798,771	23,926,195
Due in more than one year	99,858,663	2,452,063,329	2,551,921,992	426,419,000
Total Liabilities	<u>1,473,661,022</u>	<u>8,575,820,370</u>	<u>6,944,556,610</u>	<u>455,187,699</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Grant Received Prior to Time Requirements	-	59,053	59,053	-
Increase in Fair Value of Hedging Derivatives	-	1,470,050	1,470,050	-
Unrealized Gain on Interest Rate Swap	-	6,464,000	6,464,000	-
Derived from Pensions	40,551,802	14,833,721	55,385,523	19,000
Total Deferred Inflows of Resources	<u>40,551,802</u>	<u>22,826,824</u>	<u>63,378,626</u>	<u>19,000</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	4,759,286,304	1,223,438,996	5,982,725,300	14,080
Restricted for:				
General Government	33,651,388	-	33,651,388	-
Education	4,801,942,422	-	4,801,942,422	-
Health and Human Services	23,225,298	-	23,225,298	-
Regulatory Purposes	64,793,863	-	64,793,863	-
Public Safety & Corrections	3,198,125	-	3,198,125	-
Agriculture and Commerce	55,282,902	-	55,282,902	-
Cultural and Natural Resources	419,736,783	-	419,736,783	-
Transportation	704,491,584	-	704,491,584	-
Capital Projects	-	550,406	550,406	948,794
Debt Service	6,155,977	171,848,099	178,004,076	141,000,000
Loan Purposes	-	47,064,087	47,064,087	337,819,000
Pledged Assets	-	475,825,000	475,825,000	-
Unemployment Compensation	-	139,706,608	139,706,608	-
Pension Benefits	35,329,182	-	35,329,182	-
Permanent Fund and University System - Nonexpendable	68,887,821	18,408,756	87,296,577	2,131,493
University System - Expendable	-	27,033,418	27,033,418	-
Other	8,212,754	7,643,879	15,856,633	-
Unrestricted	5,989,501,438	1,633,421,219	7,622,922,657	29,036,539
Total Net Position	<u>\$ 16,973,695,841</u>	<u>\$ 3,744,940,468</u>	<u>\$ 20,718,636,309</u>	<u>\$ 510,949,906</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, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 955,118,609	\$ 33,728,302	\$ 3,316,070	\$ -
Education	1,214,358,440	7,530,807	656,147,976	-
Health and Human Services	1,851,801,955	43,283,756	1,142,768,304	-
Regulatory	76,261,665	29,390,590	4,081,984	-
Public Safety and Corrections	238,515,283	23,272,409	61,585,218	-
Agriculture and Commerce	100,774,792	35,559,194	21,718,091	-
Natural Resources	286,546,075	35,392,128	24,427,624	1,000,000
Transportation	529,532,248	124,378,227	307,166,259	205,837
Interest on Long Term Debt	2,677,665	-	-	-
Total Governmental Activities	<u>5,255,586,732</u>	<u>332,535,413</u>	<u>2,221,211,526</u>	<u>1,205,837</u>
Business-Type Activities:				
Bank of North Dakota	88,791,813	223,476,000	-	-
Housing Finance	40,997,193	37,984,271	12,867,000	-
Loan Programs	13,172,549	11,530,798	135,297	-
State Lottery	20,637,595	27,744,572	2,910	-
Unemployment Compensation	156,930,938	193,118,386	1,636,458	-
University System	1,204,936,394	546,737,253	210,992,476	32,025,992
Workforce Safety & Insurance	254,467,332	244,720,318	152,093,334	-
Other	571,077,157	577,288,875	3,115,166	-
Total Business-Type Activities	<u>2,351,010,971</u>	<u>1,862,600,473</u>	<u>380,842,641</u>	<u>32,025,992</u>
Total Primary Government	<u>\$ 7,606,597,703</u>	<u>\$ 2,195,135,886</u>	<u>\$ 2,602,054,167</u>	<u>\$ 33,231,829</u>
<b>Component Units (GASB Based):</b>	<u>\$ 31,166,360</u>	<u>\$ 7,197,363</u>	<u>\$ 39,551,846</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  
 Contributions to Perm Fund Principal  
 Extraordinary Item  
 Transfers  
 Total General Revenues and Transfers  
 Change in Net Assets  
 Net Position, Beginning of Year, as Restated  
 Net Position, Ending

<b>Net (Expense) Revenue and Change in Net Position</b>			
<b>Primary Government</b>			<b>Component</b>
<b>Governmental</b>	<b>Business-Type</b>	<b>Total</b>	<b>Units</b>
<b>Activities</b>	<b>Activities</b>		<b>(GASB Based)</b>
\$ (918,074,237)		\$ (918,074,237)	
(550,679,657)		(550,679,657)	
(665,749,895)		(665,749,895)	
(42,789,091)		(42,789,091)	
(153,657,656)		(153,657,656)	
(43,497,507)		(43,497,507)	
(225,726,323)		(225,726,323)	
(97,781,925)		(97,781,925)	
(2,677,665)		(2,677,665)	
<u>(2,700,633,956)</u>		<u>(2,700,633,956)</u>	
	134,684,187	134,684,187	
	9,854,078	9,854,078	
	(1,506,454)	(1,506,454)	
	7,109,887	7,109,887	
	37,823,906	37,823,906	
	(415,180,673)	(415,180,673)	
	142,346,320	142,346,320	
	9,326,884	9,326,884	
-	<u>(75,541,865)</u>	<u>(75,541,865)</u>	
<u>(2,700,633,956)</u>	<u>(75,541,865)</u>	<u>(2,776,175,821)</u>	
			<u>\$ 15,582,849</u>
418,040,178	-	418,040,178	-
1,236,701,340	-	1,236,701,340	-
1,490,398,754	-	1,490,398,754	-
98,374,118	-	98,374,118	-
489,070,430	-	489,070,430	-
21,599,800	-	21,599,800	-
119,134,899	4,846,618	123,981,517	-
11,895,026	-	11,895,026	-
(38,379,966)	-	(38,379,966)	-
(503,278,766)	598,094,515	94,815,749	-
<u>3,343,555,813</u>	<u>602,941,133</u>	<u>3,946,496,946</u>	-
642,921,857	527,399,268	1,170,321,125	15,582,849
16,330,773,984	3,217,541,200	19,548,315,184	495,367,057
<u>\$ 16,973,695,841</u>	<u>\$ 3,744,940,468</u>	<u>\$ 20,718,636,309</u>	<u>\$ 510,949,906</u>

# STATE OF NORTH DAKOTA

## Statement of Net Assets Component Units - University System Foundation FASB Basis June 30, 2017

	Major University System Foundation	Nonmajor University System Foundation
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 35,879,780	\$ 10,149,462
Receivable from Primary Institution	5,415,733	107,144
Investments	16,784,349	14,614,653
Accounts Receivable - Net	6,249,982	390,403
Unconditional Promises to Give - Net	14,046,600	1,429,395
Inventory	1,095,397	-
Other Assets	1,256,179	189,222
Total Current Assets	80,728,020	26,880,279
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	3,620,285	-
Contributions Receivable	746,639	-
Investments:		
Investments, Net of Current Portion	428,174,282	32,316,544
Investments, Restricted	5,047,319	-
Investments Held In Trust	33,400,604	3,184,035
Beneficial Interest In Trust	16,586,754	115,067
Charitable Gift Annuity Investments	6,350,911	-
Charitable Remainder Trust Account Investments	18,516,368	-
Real Estate and Equipment Held for Investment - Net	20,763,375	-
Other Long-Term Investments	7,499,657	1,359,120
Contracts for Deed & Notes Receivable, Net of Current Portion	900,289	-
Long-Term Pledges Receivable	43,614,114	2,743,947
Other Receivables	51,870	-
Receivable from Primary Institution	35,546,594	344,009
Notes Receivable - Net	6,490,000	-
Other Assets	1,269,767	339,264
Capital Assets - Net	160,113,370	17,178,282
Total Noncurrent Assets	788,692,198	57,580,268
Total Assets	869,420,218	84,460,547
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	3,665,393	111,211
Payable to University	3,636,573	491,052
Accrued Payroll	936,887	2,854
Gift Annuities & Life Income Agreements	3,006,561	42,853
Unearned Revenue	8,643,130	312,253
Other Liabilities	598,381	35,860
Long-Term Liabilities	11,246,581	345,140
Total Current Liabilities	31,733,506	1,341,223
Noncurrent Liabilities:		
Deposits	3,222,062	-
Gift Annuities & Life Income Agreements	20,201,795	508,647
Obligations Under Split-Interest Agreement	6,455,668	-
Investments Held on Behalf of Institutions	23,633,161	3,184,035
Other Liabilities	294,409	-
Long-Term Liabilities	71,662,877	9,923,906
Total Noncurrent Liabilities	125,469,972	13,616,588
Total Liabilities	157,203,478	14,957,811
<b>Net Assets</b>		
Temporarily Restricted	78,308,294	19,379,519
Permanently Restricted	413,244,267	42,618,723
Net Investment in Property & Equipment	62,994,811	-
Unrestricted	157,669,368	7,504,494
Total Net Asset	712,216,740	69,502,736
Total Liabilities and Net Assets	\$ 869,420,218	\$ 84,460,547

# STATE OF NORTH DAKOTA

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## Statement of Revenues, Expenses and Changes in Fund Net Assets Component Units - University System Foundation FASB Basis

For the Fiscal Year Ended June 30, 2017

	<u>Major University System Foundation</u>	<u>Nonmajor University System Foundation</u>
<b>Support and Revenue</b>		
Gifts and Contributions	\$ 64,310,182	\$ 5,188,232
Investment Income	32,790,257	2,022,085
Net Realized and Unrealized Gains on Investment Securities	9,248,447	1,947,714
Program and Event Income	52,697,313	4,138,732
Other Income	5,625,223	5,370,582
Total Support and Revenue	<u>164,671,422</u>	<u>18,667,345</u>
<b>EXPENSES</b>		
Program Services	44,151,298	4,077,124
Supporting Services	59,017,819	8,459,730
Fund Raising Expense	2,856,069	-
Total Expenses	<u>106,025,186</u>	<u>12,536,854</u>
Changes in Net Assets	58,646,236	6,130,491
Total Net Assets - Beginning of Year, as Restated	<u>653,570,504</u>	<u>63,372,245</u>
Total Net Assets - End of Year	<u>\$ 712,216,740</u>	<u>\$ 69,502,736</u>

The Accompanying Notes are an Integral Part of the Financial Statements

# STATE OF NORTH DAKOTA

## Balance Sheet Governmental Funds June 30, 2017

	Special Revenue			Nonmajor	Total
	General	Federal	State	Governmental Funds	
<b>ASSETS</b>					
Cash Deposits at the Bank of ND	\$ 681,156,778	\$ -	\$ 2,148,899,569	\$ 582,853	\$ 2,830,639,200
Cash and Cash Equivalents	22,338,463	-	25,038,167	-	47,376,630
Investments at the Bank of ND	-	-	337,656,705	5,975,000	343,631,705
Investments	4,699,313,265	-	4,592,254,264	9,260,739	9,300,828,268
Accounts Receivable - Net	12,155,480	17,133,152	57,906,679	-	87,195,311
Taxes Receivable - Net	346,848,053	-	106,561,331	252,477	453,661,861
Interest Receivable - Net	18,211,744	-	15,620,929	74,880	33,907,553
Intergovernmental Receivable - Net	465,067	208,048,452	11,971,836	-	220,485,355
Due from Other Funds	126,520,794	17,033,579	14,664,494	5,000	158,223,867
Prepaid Items	4,119,485	1,019,766	3,857,511	-	8,996,762
Inventory	2,859,247	10,386,050	10,668,366	-	23,913,663
Loans and Notes Receivable - Net	5,100	11,000	128,686,562	60,907,374	189,610,036
<b>Total Assets</b>	<b>5,913,993,476</b>	<b>253,631,999</b>	<b>7,453,786,413</b>	<b>77,058,323</b>	<b>13,698,470,211</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Total Deferred Outflows of Resources	-	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 5,913,993,476</b>	<b>\$ 253,631,999</b>	<b>\$ 7,453,786,413</b>	<b>\$ 77,058,323</b>	<b>\$ 13,698,470,211</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	79,866,205	129,008,001	88,049,368	7,279	296,930,853
Accrued Payroll	36,234,345	6,693,545	13,705,184	-	56,633,074
Securities Lending Collateral	33,330,753	-	206,102,694	1,457,495	240,890,942
Interest Payable	-	-	670,109	-	670,109
Intergovernmental Payable	5,730,168	19,486,162	144,182,415	-	169,398,745
Tax Refunds Payable	137,204,841	-	6,310,103	-	143,514,944
Due to Other Funds	34,568,827	78,683,972	124,051,372	356,809	237,660,980
Contracts Payable	443,913	4,934,864	20,530,624	-	25,909,401
Unearned Revenues	-	3,710,572	96,880	-	3,807,452
<b>Total Liabilities</b>	<b>327,379,052</b>	<b>242,517,116</b>	<b>603,698,749</b>	<b>1,821,583</b>	<b>1,175,416,500</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue	106,709,330	2,844,956	22,578,992	-	132,133,278
<b>Total Deferred Inflows of Resources</b>	<b>106,709,330</b>	<b>2,844,956</b>	<b>22,578,992</b>	<b>-</b>	<b>132,133,278</b>
Fund Balances:					
Nonspendable					
Inventory	2,859,247	10,386,050	10,668,366	-	23,913,663
Long - Term Receivables	5,100	11,000	113,208,148	-	113,224,248
Prepaid Expenditures	4,119,485	1,019,766	3,857,511	-	8,996,762
Legal Requirements	4,754,604,302	-	-	-	4,754,604,302
Permanent Trust Fund	-	-	-	68,887,821	68,887,821
Restricted	-	-	5,990,092,792	6,155,793	5,996,248,585
Committed	364,544,853	-	480,717,799	193,126	845,455,778
Assigned	-	-	228,964,056	-	228,964,056
Unassigned	353,772,107	(3,146,889)	-	-	350,625,218
<b>Total Fund Balances</b>	<b>5,479,905,094</b>	<b>8,269,927</b>	<b>6,827,508,672</b>	<b>75,236,740</b>	<b>12,390,920,433</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 5,913,993,476</b>	<b>\$ 253,631,999</b>	<b>\$ 7,453,786,413</b>	<b>\$ 77,058,323</b>	<b>\$ 13,698,470,211</b>

# STATE OF NORTH DAKOTA

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## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2017

**Total Fund Balances-Governmental Funds** \$ 12,390,920,433

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$8,070,192,365 and the accumulated depreciation is \$3,351,375,400 4,718,816,965

Other assets not available in the current period and therefore are not reported in the governmental funds:  
Net Pension Asset 35,329,182

Deferred outflows of resources are not reported in the governmental funds:  
Loss on bond refunding 1,140,000  
Related to pensions 142,387,995  
Total Deferred Outflows 143,527,995

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. 132,070,935

Internal service funds are used to charge the costs of certain activities to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the statement of net position. 88,749,100

Voluntary termination benefits for employees are accrued in the statement of net position. (1,463,621)

Deferred inflows of resources are not reported in the governmental funds:  
Related to pensions (38,597,315)

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

Bonds Payable	(54,104,498)	
Notes Payable	(2,180,802)	
Accrued Interest on Long-Term Liabilities	(228,213)	
Compensated Absences	(43,759,357)	
Capital Leases	(1,655,103)	
Other Postemployment Benefit Obligation, net	(1,234,844)	
Net Pension Liability	(390,510,822)	
Claims and Judgments	(1,984,194)	
Total Long-Term Liabilities		<u>(495,657,833)</u>

**Net Position of Governmental Activities** \$ 16,973,695,841

# STATE OF NORTH DAKOTA

## Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2017

	Special Revenue			Nonmajor Governmental Funds	Total
	General	Federal	State		
<b>REVENUES</b>					
Individual and Corporate Income Taxes	\$ 396,066,493	\$ -	\$ 1,496,884	\$ -	\$ 397,563,377
Sales and Use Taxes	947,838,626	-	279,939,019	-	1,227,777,645
Oil, Gas, and Coal Taxes	650,920,022	-	835,115,343	3,142,267	1,489,177,632
Business and Other Taxes	61,740,652	-	37,617,821	-	99,358,473
Licenses, Permits and Fees	19,343,164	280	182,004,468	-	201,347,912
Intergovernmental	1,648,690	1,694,545,184	17,794,090	4,303,251	1,718,291,215
Sales and Services	3,900,175	1,873,754	50,939,113	-	56,713,042
Royalties and Rents	16,110,623	3,237	240,237,202	-	256,351,062
Fines and Forfeits	5,604,255	-	20,188,698	-	25,792,953
Interest and Investment Income	485,560,740	637	377,150,425	895,353	863,607,155
Tobacco Settlement	-	-	25,677,716	-	25,677,716
Commodity Assessments	-	-	27,771,103	-	27,771,103
Miscellaneous	1,696,099	2,627,126	14,736,277	-	19,059,502
<b>Total Revenues</b>	<b>2,590,429,539</b>	<b>1,699,050,218</b>	<b>2,110,668,159</b>	<b>8,340,871</b>	<b>6,408,488,787</b>
<b>EXPENDITURES</b>					
Current:					
General Government	262,762,058	1,448,391	111,231,829	19,943	375,462,221
Education	888,968,943	149,342,860	174,101,912	-	1,212,413,715
Health and Human Services	649,000,141	1,078,184,632	102,962,046	-	1,830,146,819
Regulatory	23,024,829	3,632,425	39,661,889	-	66,319,143
Public Safety and Corrections	154,485,850	53,676,232	13,265,785	-	221,427,867
Agriculture and Commerce	27,579,768	21,228,262	51,245,793	-	100,053,823
Natural Resources	18,893,657	20,953,815	230,527,603	-	270,375,075
Transportation	57,744,845	154,417,483	233,953,496	-	446,115,824
Intergovernmental - Revenue Sharing	3,653,862	-	570,646,929	-	574,300,791
Capital Outlay	26,234,338	189,998,022	369,200,336	-	585,432,696
Debt Service:					
Principal	543,829	44,403	1,298,149	9,690,000	11,576,381
Interest and Other Charges	122,652	6,090	75,379	2,605,034	2,809,155
<b>Total Expenditures</b>	<b>2,113,014,772</b>	<b>1,672,932,615</b>	<b>1,898,171,146</b>	<b>12,314,977</b>	<b>5,696,433,510</b>
Revenues over (under) Expenditures	477,414,767	26,117,603	212,497,013	(3,974,106)	712,055,277
<b>OTHER FINANCING SOURCES (USES)</b>					
Capital Lease Acquisitions	293,996	1,368,876	65,287	-	1,728,159
Sale of Capital Assets	-	-	27,150	-	27,150
Transfers In	286,471,664	340,874	53,318,745	6,243,342	346,374,625
Transfers Out	(612,270,012)	(28,151,196)	(206,125,532)	(3,081,651)	(849,628,391)
<b>Total Other Financing Sources (Uses)</b>	<b>(325,504,352)</b>	<b>(26,441,446)</b>	<b>(152,714,350)</b>	<b>3,161,691</b>	<b>(501,498,457)</b>
Extraordinary Item	-	-	(38,379,966)	-	(38,379,966)
<b>Net Change in Fund Balances</b>	<b>151,910,415</b>	<b>(323,843)</b>	<b>21,402,697</b>	<b>(812,415)</b>	<b>172,176,854</b>
Fund Balances - Beginning of Year	5,327,994,679	8,593,770	6,806,105,975	76,049,155	12,218,743,579
<b>Fund Balances - End of Year</b>	<b>\$ 5,479,905,094</b>	<b>\$ 8,269,927</b>	<b>\$ 6,827,508,672</b>	<b>\$ 75,236,740</b>	<b>\$ 12,390,920,433</b>

The Accompanying Notes are an Integral Part of the Financial Statements

# STATE OF NORTH DAKOTA

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2017

<b>Net Change in Fund Balances-Total Governmental Funds</b>		<b>\$ 172,176,854</b>
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	585,433,002	
Depreciation expense	<u>(134,330,958)</u>	
Excess of capital outlay over depreciation expense		451,102,044
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.		
		(891,975)
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.		
		120,561
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.		
		(1,734,063)
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.		
		29,812,656
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		
		(3,018,546)
Voluntary termination benefits do not require current financial resources and therefore are not reported as expenditures in the governmental funds.		
		(1,463,613)
The pension assets resulting from contributions in excess of annual required contribution are not financial resources and, therefore, are not reported in the funds.		
		2,436,304
Deferred outflows of resources do not provide current financial resources		
Amortization of deferred loss on bond refunding	(230,000)	
Related to pension	<u>98,514,096</u>	
Total deferred outflows		98,284,096
Deferred pension inflows are not considered current cash expenses and are not reported as an expenditure in the funds		
		(210,489)
The net pension liability relating to retirement plans		
		(116,295,497)
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	9,944,421	
Note payments	1,710,566	
Capital lease payments	<u>482,973</u>	
Total long-term debt repayment		12,137,960
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This adjustment combines the net changes of the following:		
Accrued Interest	37,303	
Compensated Absences	1,384,092	
Other Postemployment Benefit Obligation Costs, net	(77,297)	
Claims and Judgments	<u>(878,533)</u>	
Total additional expenditures		<u>465,565</u>
<b>Change in Net Position of Governmental Activities</b>		<b>\$ <u>642,921,857</u></b>

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Net Position  
Proprietary Funds  
June 30, 2017

	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
<b>ASSETS</b>							
Current Assets:							
Cash Deposits at the Bank of ND	\$ 4,998,000	\$ 172,461,013	\$ 3,190,656	\$ 142,503,207	\$ 323,152,876	\$ 13,510,564	
Cash and Cash Equivalents	-	12,537,598	-	94,486,259	107,023,857	5,149	
Investments at the Bank of ND	-	139,273,025	-	5,846,000	145,119,025	-	
Investments	-	115,977	1,898,553,923	57,667,926	1,956,337,826	10,919,401	
Accounts Receivable - Net	465,000	20,550,574	32,511,867	105,897,749	159,425,190	255,726	
Interest Receivable - Net	58,000	-	9,477,938	1,422,752	10,958,690	49,702	
Intergovernmental Receivable - Net	132,000	28,285,220	-	1,975,804	30,393,024	522,306	
Due from Other Funds	1,000	28,051,801	3	1,523,366	29,576,170	7,968,577	
Due from Fiduciary Funds	-	-	-	27,612	27,612	-	
Due from Component Units	-	4,452,612	-	-	4,452,612	-	
Prepaid Items	59,000	-	571,475	3,651,164	4,281,639	3,523,719	
Inventory	-	8,072,352	-	23,204,493	31,276,845	87,979	
Loans and Notes Receivable - Net	-	7,355,920	-	17,219,618	24,575,538	-	
Other Assets	548,000	2,852,235	-	1,470,101	4,870,336	-	
Restricted Cash at the Bank of ND	13,165,000	-	-	2,895,844	16,060,844	-	
Restricted Cash and Cash Equivalents	110,057,000	-	-	-	110,057,000	-	
Restricted Investments at the Bank of ND	-	-	-	500,000	500,000	-	
Restricted Interest Receivable - Net	3,060,000	-	-	-	3,060,000	-	
Restricted Loans Receivable - Net	20,452,000	-	-	-	20,452,000	-	
Total Current Assets	152,995,000	424,008,327	1,944,305,862	460,291,895	2,981,601,084	36,843,123	
Noncurrent Assets:							
Restricted Cash at the Bank of ND	-	2,738,138	-	-	2,738,138	-	
Restricted Cash and Cash Equivalents	-	10,371	-	-	10,371	-	
Restricted Investments at the Bank of ND	-	5,243,502	-	-	5,243,502	-	
Restricted Investments	4,590,000	918,269	-	-	5,508,269	-	
Investments at the Bank of ND	-	66,600,000	-	-	66,600,000	-	
Investments	-	10,042,412	-	-	10,042,412	-	
Due from Component Units	-	27,684,831	-	-	27,684,831	-	
Loans and Notes Receivable - Net	-	26,428,306	-	244,209,189	270,637,495	-	
Restricted Loans Receivable - Net	825,748,000	-	-	1,000,000	826,748,000	-	
Other Noncurrent Assets	3,713,000	485,343	-	5,473,071	9,671,414	-	
Capital Assets:							
Nondepreciable	-	80,190,908	1,739,787	11,515,335	93,446,030	183,194	
Depreciable, Net	15,000	1,288,102,464	12,204,657	108,875,907	1,409,198,028	97,012,198	
Total Noncurrent Assets	834,066,000	1,508,444,544	13,944,444	371,073,502	2,727,528,490	97,195,392	
Bank Related Assets:							
Cash and Cash Equivalents	\$ 424,877,000				\$ 424,877,000		
Investments	2,063,184,000				2,063,184,000		
Interest Receivable - Net	50,761,000				50,761,000		
Due from Other Funds	114,748,000				114,748,000		
Due from Component Units	2,000				2,000		
Loans and Notes Receivable - Net	4,596,990,000				4,596,990,000		
Other Assets	15,685,000				15,685,000		
Capital Assets:							
Nondepreciable	2,449,000				2,449,000		
Depreciable, Net	9,493,000				9,493,000		
Total Bank Related Assets	7,278,189,000				7,278,189,000		
Total Assets	7,278,189,000	987,061,000	1,932,452,871	1,958,250,306	831,365,397	12,987,318,574	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred Loss on Bond Refunding	-	-	3,177,630	-	-	3,177,630	
Financial Derivative Instrument	-	3,777,000	-	-	-	3,777,000	
Unrealized Loss on Interest Rate Swap	4,656,000	-	-	-	-	4,656,000	
Derived from Pensions	2,856,000	736,000	32,922,980	7,981,691	3,900,343	48,397,014	
Total Deferred Outflows of Resources	7,512,000	4,513,000	36,100,610	7,981,691	3,900,343	60,007,644	

**STATE OF NORTH DAKOTA**

**Statement of Net Position  
Proprietary Funds  
June 30, 2017**

	Business-Type Activities - Enterprise Funds					Total	Governmental
	Bank of North Dakota	Housing Finance	University System	Workforce Safety and Insurance	Other Enterprise Funds		Internal Service Funds
<b>LIABILITIES</b>							
Current Liabilities:							
Accounts Payable		642,000	27,886,025	4,848,926	26,846,331	60,223,282	1,029,100
Accrued Payroll		-	44,596,063	-	819,179	45,415,242	2,837,389
Securities Lending Collateral		-	-	14,229,333	202,611	14,431,944	104,547
Interest Payable		10,165,000	640,706	-	14,718	10,820,424	6,577
Intergovernmental Payable		14,000	434,463	-	6,140,101	6,588,564	440
Due to Other Funds		9,000	2,088,055	330,888	71,925,965	74,353,908	989,856
Due to Fiduciary Funds		-	-	-	49,490	49,490	-
Due to Component Units		-	8,825,912	-	-	8,825,912	-
Contracts Payable		-	2,851,944	-	-	2,851,944	-
Other Deposits		-	5,928,657	-	-	5,928,657	-
Amounts Held in Custody for Others		12,852,000	-	-	5,532,355	18,384,355	-
Claims/Judgments Payable		-	-	130,292,160	1,204,234	131,496,394	1,572,003
Dividends Payable		-	-	109,936,602	-	109,936,602	-
Compensated Absences Payable		202,000	2,276,175	1,383,207	165,704	4,027,086	201,533
Notes Payable		-	952,540	-	-	952,540	-
Capital Leases Payable		-	2,311,117	-	-	2,311,117	9,967
Bonds Payable		27,691,000	9,033,023	-	110,000	36,834,023	-
Unearned Revenue		95,000	20,615,335	124,773,938	323,190	145,807,463	-
Other Current Liabilities		-	-	-	39,589	39,589	-
<b>Total Current Liabilities</b>		<b>51,670,000</b>	<b>128,440,015</b>	<b>385,795,054</b>	<b>113,373,467</b>	<b>679,278,536</b>	<b>6,751,412</b>
Noncurrent Liabilities:							
Intergovernmental Payable		102,000	4,774,371	-	167,900	5,044,271	-
Due to Component Units		-	37,105,396	-	-	37,105,396	-
Claims/Judgments Payable		-	-	955,475,840	-	955,475,840	7,863,766
Compensated Absences Payable		138,000	29,079,710	225,173	1,211,348	30,654,231	2,220,528
Notes Payable		-	18,026,598	-	-	18,026,598	-
Capital Leases Payable		-	18,887,896	-	-	18,887,896	29,614
Bonds Payable		758,517,000	198,998,179	-	2,846,314	960,361,493	-
Financial Derivative Instrument		3,777,000	-	-	-	3,777,000	-
Net Pension Liability		2,269,000	100,749,199	14,957,537	11,156,484	129,132,220	22,845,352
Other Noncurrent Liabilities		4,317,000	732,299	-	18,421,081	23,470,380	-
<b>Total Noncurrent Liabilities</b>		<b>769,120,000</b>	<b>408,353,648</b>	<b>970,658,550</b>	<b>33,803,127</b>	<b>2,181,935,325</b>	<b>32,959,260</b>
Bank Related Liabilities:							
Interest Payable	290,096					290,096	
Due to Other Funds	698,904					698,904	
Due to Component Units	235,000					235,000	
Federal Funds Purchased	242,480,000					242,480,000	
Deposits Held for Other Funds	4,010,622,365					4,010,622,365	
Net Pension Liability	9,722,000					9,722,000	
Other Deposits	876,569,635					876,569,635	
Other Liabilities	6,664,000					6,664,000	
Long Term Liabilities:							
Due within one year	817,849,000					817,849,000	
Due in more than one year	463,613,000					463,613,000	
<b>Total Bank Related Liabilities</b>	<b>6,428,744,000</b>					<b>6,428,744,000</b>	
<b>Total Liabilities</b>	<b>6,428,744,000</b>	<b>820,790,000</b>	<b>536,793,663</b>	<b>1,356,453,604</b>	<b>147,176,594</b>	<b>9,289,957,861</b>	<b>39,710,672</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Grants Received Prior to Time Requirements	-		59,053	-	-	59,053	-
Increase in Fair Value of Hedging Derivatives	-		-	-	1,470,050	1,470,050	-
Unrealized Gain on Interest Rate Swap	6,464,000		-	-	-	6,464,000	-
Derived from Pensions	578,000	250,000	11,885,835	963,172	1,156,714	14,833,721	1,954,487
<b>Total Deferred Inflows of Resources</b>	<b>7,042,000</b>	<b>250,000</b>	<b>11,944,888</b>	<b>963,172</b>	<b>2,626,764</b>	<b>22,826,824</b>	<b>1,954,487</b>
<b>NET POSITION</b>							
Net Investment in Capital Assets	11,942,000	15,000	1,079,237,896	13,944,444	118,299,656	1,223,438,996	97,155,813
Restricted for:							
Capital Projects	-	-	550,406	-	-	550,406	-
Debt Service	-	163,049,000	8,347,099	-	452,000	171,848,099	-
Loan Purposes	-	-	47,064,087	-	-	47,064,087	-
Pledged Assets	475,825,000	-	-	-	-	475,825,000	-
Unemployment Compensation	-	-	-	-	139,706,608	139,706,608	-
University System-Nonexpendable	-	-	18,408,756	-	-	18,408,756	-
University System-Expendable	-	-	27,033,418	-	-	27,033,418	-
Other	-	-	527,707	-	7,116,172	7,643,879	-
Unrestricted	362,148,000	7,470,000	238,645,561	594,870,777	419,887,946	1,623,022,284	1,992,223
<b>Total Net Position</b>	<b>\$ 849,915,000</b>	<b>\$ 170,534,000</b>	<b>\$ 1,419,814,930</b>	<b>\$ 608,815,221</b>	<b>\$ 685,462,382</b>	<b>\$ 3,734,541,533</b>	<b>\$ 99,148,036</b>

**Reconciliation of the Proprietary Funds Statement of Net Position to the Statement of Net Position  
June 30, 2017**

<b>Total Net Position - Enterprise Funds</b>	<u>3,734,541,533</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	10,398,935
<b>Net Position of Business-Type Activities</b>	<u>3,744,940,468</u>

# STATE OF NORTH DAKOTA

## Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds For the Fiscal Year Ended June 30, 2017

	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
<b>OPERATING REVENUES</b>							
Sales and Services	\$ 6,323,000	\$ 4,589,271	\$ 103,010,048	\$ 240,697,828	\$ 806,042,764	\$ 1,160,662,911	\$ 94,564,458
Auxiliary Sales Pledges for Bonds	-	-	109,079,031	-	-	109,079,031	-
Tuition and Fees	-	-	327,657,586	-	-	327,657,586	-
Grants and Contributions	-	-	121,019,526	-	-	121,019,526	-
Royalties and Rents	-	-	-	1,126,446	168,893	1,295,339	-
Fines and Forfeits	-	-	-	2,896,044	-	2,896,044	-
Interest and Investment Income	217,153,000	33,395,000	-	-	3,029,888	253,577,888	76,695
Miscellaneous	-	-	1,859,721	-	5,214,393	7,074,114	64,730
Total Operating Revenues	223,476,000	37,984,271	662,625,912	244,720,318	814,455,938	1,983,262,439	94,705,883
<b>OPERATING EXPENSES</b>							
Cost of Sales and Services	-	-	27,122,816	-	189,076,365	216,199,181	993,298
Salaries and Benefits	16,917,000	3,755,000	785,955,346	26,343,414	22,944,669	855,915,429	33,965,335
Operating	34,536,000	6,215,000	256,840,049	4,693,298	381,085,910	683,370,257	46,216,279
Claims	-	-	-	146,856,183	161,619,276	308,475,459	4,070,606
Scholarships and Fellowships	-	-	46,755,771	-	-	46,755,771	-
Interest	36,409,000	18,213,000	-	-	14,000	54,636,000	-
Depreciation	730,000	2,000	69,778,358	639,129	6,153,763	77,303,250	14,691,055
Miscellaneous	-	-	-	-	5,000	5,000	1,741
Total Operating Expenses	88,592,000	28,185,000	1,186,452,340	178,532,024	760,898,983	2,242,660,347	99,938,314
Operating Income (Loss)	134,884,000	9,799,271	(523,826,428)	66,188,294	53,556,955	(259,397,908)	(5,232,431)
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Grants and Contracts	-	12,801,000	43,102,516	-	839,496	56,743,012	-
Gifts	-	-	38,010,292	-	-	38,010,292	-
Interest and Investment Income	-	66,000	8,860,142	152,093,334	4,049,397	165,068,873	1,038,654
Interest Expense	-	-	(11,368,718)	(4,385,117)	(705,961)	(16,459,796)	(24,525)
Dividends Expense	-	-	-	(71,230,308)	-	(71,230,308)	-
Gain (Loss) on Sale of Capital Assets	-	-	(3,246,741)	-	2,139	(3,244,602)	255,786
Tax Revenue	-	-	5,130,867	-	-	5,130,867	-
Grant Expense	-	(12,801,000)	(7,970,742)	-	-	(20,771,742)	-
Other	-	-	4,352,518	-	(118,716)	4,233,802	-
Total Nonoperating Revenues (Expenses)	-	66,000	76,870,134	76,477,909	4,066,355	157,480,398	1,269,915
Income (Loss) Before Contributions and Transfers	134,884,000	9,865,271	(446,956,294)	142,666,203	57,623,310	(101,917,510)	(3,962,516)
Capital Grants and Contributions	-	-	32,025,992	-	-	32,025,992	165,242
Transfers In	-	18,729	483,790,634	-	156,401,126	640,210,489	-
Transfer Out	(17,555,000)	(82,000)	(2,390,982)	-	(22,087,992)	(42,115,974)	(25,000)
Changes in Net Position	117,329,000	9,802,000	66,469,350	142,666,203	191,936,444	528,202,997	(3,822,274)
Total Net Position - Beginning of Year, as Adjusted	732,586,000	160,732,000	1,353,345,580	466,149,018	493,525,938	3,206,338,536	102,970,310
Total Net Position - End of Year	\$ 849,915,000	\$ 170,534,000	\$ 1,419,814,930	\$ 608,815,221	\$ 685,462,382	\$ 3,734,541,533	\$ 99,148,036

### 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, 2017

Net Change in Net Position-Total Enterprise Funds \$ 528,202,997

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 (803,729)

Change in Net Position of Business-Type Activities \$ 527,399,268

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, 2017

	Business-Type Activities - Enterprise Funds		
	Bank of North Dakota	Housing Finance	University System
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers and Users	\$ 11,409,000	\$ 250,456,271	\$ 210,541,718
Receipts from Tuition and Fees	-	-	327,153,782
Interest Income on Loans	-	-	-
Receipts from Loan Principal Repayments	-	-	6,525,646
Receipts from Federal and Local Agencies	-	-	-
Receipts from Other Funds	-	-	-
Receipts from Grants and Contracts	-	-	122,369,908
Receipts from Others	-	-	2,375,474
Payments to Other Funds	-	(535,000)	-
Payments for Loan Funds	-	-	(5,766,704)
Payments for Scholarships and Fellowships	-	-	(46,771,006)
Payments to Suppliers	(18,719,000)	(310,685,000)	(285,170,921)
Payments to Employees	(16,112,000)	(3,479,000)	(775,600,630)
Claim Payments	-	-	-
Payments to Others	-	(1,336,000)	-
Other	-	-	-
Net Cash Provided by (Used for) Operating Activities	(23,422,000)	(65,578,729)	(444,342,733)
<b>Cash Flows from Noncapital Financing Activities:</b>			
Proceeds from Bonds	-	241,161,000	-
Proceeds from Sale of Notes and Other Borrowings	2,975,001,000	-	-
Principal Payments - Bonds	-	(249,400,000)	-
Principal Payments - Notes and Other Borrowings	(2,421,785,000)	-	-
Interest Payments - Bonds	-	(17,985,000)	-
Interest Payments - Notes and Other Borrowings	(22,959,000)	-	-
Tax Collections	-	-	5,130,867
Transfers In	-	18,729	40,357,482
Transfers Out	(17,555,000)	(82,000)	(2,390,982)
Net Decrease in Non-Interest Bearing Deposits	21,892,000	-	-
Net Increase in Interest Bearing Deposits	(936,842,000)	-	-
Payments of Interest on Deposits	(11,600,000)	-	-
Interest Paid on Federal Funds and Reverse Repurchase Agreements	(849,000)	-	-
Net Increase in Federal Funds and Reverse Repurchase Agreements	122,980,000	-	-
Advances Made	-	-	-
Collection of Advances Made	3,895,000	-	-
Loan Proceeds from Due To Other Funds	-	113,910,000	192,622,038
Principal Payments on Due To Other Funds	-	(127,351,000)	(192,805,036)
Grants and Gifts Received for Other than Capital Purposes	-	12,801,000	72,652,739
State Appropriations	-	-	399,251,471
Agency Fund Cash Decrease	-	-	61,709
Grants Given for Other than Capital Purposes	-	(12,801,000)	(7,970,742)
Net Cash Provided by (Used for) Noncapital Financing Activities	(287,822,000)	(39,728,271)	506,909,546
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and Construction of Capital Assets	(1,106,000)	(17,000)	(109,764,068)
Proceeds from Sale of Capital Assets	-	-	2,375,900
Proceeds from Sale of Notes and Other Borrowings	-	-	29,607,251
Principal Payments - Bonds	-	-	-
Principal Payments - Notes and Other Borrowings	-	-	(46,330,594)
Interest Payments - Bonds	-	-	-
Interest Payments - Notes and Other Borrowings	-	-	(12,539,581)
Capital Appropriations	-	-	58,642,836
Payment of Bond Issue Costs	-	-	-
Payment on Capital Leases	-	-	-
Interest Payments - Capital Leases	-	-	-
Capital Grants and Gifts Received	-	-	35,159,143
Insurance Proceeds	-	-	2,956,503
Net Cash Provided by (Used for) Capital and Related Financing Activities	(1,106,000)	(17,000)	(39,892,610)
<b>Cash Flows from Investing Activities:</b>			
Proceeds from Sale and Maturities of Investment Securities	704,883,000	14,044,000	92,748,905
Purchase of Investment Securities	(120,236,000)	(488,000)	(119,168,512)
Net Increase in Investments	-	-	-
Interest and Dividends on Investments	45,301,000	554,000	7,075,958
Proceeds from Sale of Other Real Estate	116,000	-	-
Net Decrease in Loans	(469,756,000)	-	-
Disbursements for Loans and Loan Purchases	-	-	-
Receipt of Loan Principal Repayments	-	-	-
Proceeds from Collection of Loans and Notes Receivable	12,862,000	-	-
Loan Income Received	167,798,000	-	-
Net Cash Provided by (Used for) Investing Activities	340,968,000	14,110,000	(19,343,649)

The Accompanying Notes are an Integral Part of the Financial Statements

Business-Type Activities - Enterprise Funds			Governmental Activities	
Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds	
\$ 143,248,802	\$ 852,725,584	\$ 1,468,381,375	\$ 5,143,511	
-	-	327,153,782	-	
-	79,734	79,734	-	
-	15,722,537	22,248,183	-	
-	28,237	28,237	-	
-	7,247	7,247	89,059,427	
-	-	122,369,908	-	
11,854,812	316,702	14,546,988	-	
(3,823,149)	(222,537)	(4,580,686)	(4,882,550)	
-	(13,388,754)	(19,155,458)	-	
-	-	(46,771,006)	-	
-	(635,459,308)	(1,250,034,229)	(45,376,756)	
(23,849,051)	(24,617,310)	(843,657,991)	(31,625,281)	
(194,641,415)	(145,531,855)	(340,173,270)	(1,250,552)	
(13,918,625)	(8,331,332)	(23,585,957)	-	
-	(1,309,827)	(1,309,827)	(1,740)	
<u>(81,128,626)</u>	<u>40,019,118</u>	<u>(574,452,970)</u>	<u>11,066,059</u>	
-	-	241,161,000	-	
-	21,000,000	2,996,001,000	-	
-	-	(249,400,000)	-	
-	(12,000,000)	(2,433,785,000)	-	
-	(14,000)	(17,999,000)	-	
-	(634,829)	(23,593,829)	-	
-	-	5,130,867	-	
-	11,807,665	52,183,876	-	
-	(27,900,656)	(47,928,638)	-	
-	-	21,892,000	-	
-	-	(936,842,000)	-	
-	-	(11,600,000)	-	
-	-	(849,000)	-	
-	-	122,980,000	-	
-	-	-	(1,525,000)	
-	-	3,895,000	-	
-	-	306,532,038	-	
-	(3,691,286)	(323,847,322)	-	
-	839,496	86,293,235	-	
-	-	399,251,471	-	
-	-	61,709	-	
-	-	(20,771,742)	-	
-	(10,593,610)	168,765,665	(1,525,000)	
(2,695,287)	(21,683,147)	(135,265,502)	(15,182,454)	
-	(152,768)	2,223,132	3,902,666	
-	-	29,607,251	-	
-	(110,000)	(110,000)	-	
-	-	(46,330,594)	-	
-	(64,050)	(64,050)	-	
-	-	(12,539,581)	-	
-	433,461	59,076,297	-	
-	(16,705)	(16,705)	-	
-	-	-	(23,117)	
-	-	-	(4,406)	
-	-	35,159,143	-	
-	-	2,956,503	-	
<u>(2,695,287)</u>	<u>(21,593,209)</u>	<u>(65,304,106)</u>	<u>(11,307,311)</u>	
92,500,000	45,573,676	949,749,581	1,262,983	
(7,495,233)	(6,811,883)	(254,199,628)	-	
-	99,229	99,229	-	
-	3,120,198	56,051,156	446,961	
-	-	116,000	-	
-	-	(469,756,000)	-	
-	(42,666,500)	(42,666,500)	-	
-	7,841,000	7,841,000	-	
-	4,785,218	17,647,218	-	
-	3,193,138	170,991,138	-	
<u>85,004,767</u>	<u>15,134,076</u>	<u>435,873,194</u>	<u>1,709,944</u>	

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, 2017

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Bank of North Dakota</b>	<b>Housing Finance</b>	<b>University System</b>
<b>Net Change In Cash:</b>			
Net Increase (Decrease) in Cash and Cash Equivalents	28,618,000	(91,214,000)	3,330,554
Cash and Cash Equivalents at June 30, 2016	396,259,000	219,434,000	184,416,566
Cash and Cash Equivalents at June 30, 2017	<u>\$ 424,877,000</u>	<u>\$ 128,220,000</u>	<u>\$ 187,747,120</u>
<b>Reconciliation:</b>			
Current:			
Cash Deposits at the Bank of North Dakota	-	4,998,000	172,461,013
Cash and Cash Equivalents	424,877,000	-	12,537,598
Restricted Cash Deposits at the Bank of North Dakota	-	13,165,000	-
Restricted Cash and Cash Equivalents	-	110,057,000	-
Noncurrent:			
Restricted Cash Deposits At The Bank of North Dakota	-	-	2,738,138
Restricted Cash and Cash Equivalents	-	-	10,371
Cash and Cash Equivalents	<u>\$ 424,877,000</u>	<u>\$ 128,220,000</u>	<u>\$ 187,747,120</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>			
Operating Income (Loss)	134,884,000	9,799,271	(523,826,428)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	730,000	2,000	69,778,358
Amortization/Accretion	-	(2,414,000)	-
Reclassification of Interest Revenue/Expense	(183,178,000)	18,068,000	-
(Gain) Loss on Sale of Student Loans	(193,000)	-	-
(Gain) Loss on Sale of Real Estate	103,000	-	-
Net Increase in Fair Value of Investments	4,552,000	-	-
Interest Received on Program Loans	-	-	-
Dividend Credit Applied to Receivable	-	-	-
Receipt of Loan Principal Repayments	-	-	-
Provision for Losses	16,000,000	-	-
Other	-	-	747,672
Deferred Outflows	-	(523,000)	(18,291,144)
Deferred Inflows	-	8,000	2,019,212
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	-	(90,346,000)	3,824,589
(Increase) Decrease in Interest Receivable	-	(95,000)	-
(Increase) Decrease in Due From	3,841,000	1,000	-
(Increase) Decrease in Intergovernmental Receivable	-	14,000	-
(Increase) Decrease in Notes Receivable	-	-	1,205,497
(Increase) Decrease in Prepaid Items	-	(4,000)	-
(Increase) Decrease in Inventories	-	-	758,049
(Increase) Decrease in Other Assets	(1,906,000)	(1,482,000)	(1,004,495)
Increase (Decrease) in Accounts Payable	-	-	(3,941,804)
Increase (Decrease) in Claims/Judgments Payable	-	-	-
Increase (Decrease) in Intergovernmental Payable	-	(4,000)	-
Increase (Decrease) in Accrued Payroll	-	-	1,866,872
Increase (Decrease) in Compensated Absences Payable	-	22,000	(638,813)
Increase (Decrease) in Amounts Held for Others	-	914,000	-
Increase (Decrease) in Other Deposits	-	-	368,435
Increase (Decrease) in Due To	(66,000)	(22,000)	-
Increase (Decrease) in Unavailable Revenue	-	-	(2,606,818)
Increase (Decrease) in Net Pension Liability	-	614,000	25,398,085
Increase (Decrease) in Other Liabilities	1,811,000	(131,000)	-
Increase (Decrease) in Dividends Payable	-	-	-
Total Adjustments	<u>(158,306,000)</u>	<u>(75,378,000)</u>	<u>79,483,695</u>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>\$ (23,422,000)</u>	<u>\$ (65,578,729)</u>	<u>\$ (444,342,733)</u>
<b>Noncash Transactions:</b>			
Net Change in Fair Value of Investments	(4,552,000)	(461,000)	1,775,063
Transfers from Net Position to Transfers Payable	17,555,000	-	-
Transfer of loans and interest receivable from another fund	-	-	-
Change in Securities Lending Collateral	-	-	-
Investment Income	-	-	-
Dividends Credited to Premium Billing	-	-	-
Accounts Receivable Premium Reduction	-	-	-
Assets Acquired Through Capital Lease	-	-	9,287,341
Expenses Paid by Capital Lease	-	-	1,222,821
Value Received on Trade of Capital Asset	-	-	-
Gifts of Capital Assets	-	-	669,865
Interest Revenue on Prize Reserves	-	-	-
Total Noncash Transactions	<u>\$ 13,003,000</u>	<u>\$ (461,000)</u>	<u>\$ 12,955,090</u>

The Accompanying Notes are an Integral Part of the Financial Statements

Business-Type Activities - Enterprise Funds			Governmental Activities	
Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds	
1,180,854	22,966,375	(35,118,217)	(56,308)	
2,009,802	216,918,935	1,019,038,303	13,572,021	
<u>\$ 3,190,656</u>	<u>\$ 239,885,310</u>	<u>\$ 983,920,086</u>	<u>\$ 13,515,713</u>	
3,190,656	142,503,207	323,152,876	13,510,564	
-	94,486,259	531,900,857	5,149	
-	2,895,844	16,060,844	-	
-	-	110,057,000	-	
-	-	2,738,138	-	
-	-	10,371	-	
<u>\$ 3,190,656</u>	<u>\$ 239,885,310</u>	<u>\$ 983,920,086</u>	<u>\$ 13,515,713</u>	
66,188,294	53,556,955	(259,397,908)	(5,232,431)	
639,129	5,859,186	77,008,673	14,691,055	
-	294,577	(2,119,423)	-	
-	(2,430,873)	(167,540,873)	-	
-	-	(193,000)	-	
-	-	103,000	-	
-	-	4,552,000	-	
-	(185,000)	(185,000)	-	
(71,230,308)	-	(71,230,308)	-	
-	3,791,000	3,791,000	-	
-	1,525,421	17,525,421	-	
-	(216,334)	531,338	-	
(7,061,017)	(1,277,192)	(27,152,353)	(969,256)	
170,609	67,317	2,265,138	(4,148,333)	
13,768,887	(20,567,578)	(93,320,102)	(79,484)	
-	(2,334)	(97,334)	-	
-	(818,976)	3,023,024	(310,288)	
-	5,333,068	5,347,068	(1,228,417)	
-	1,535,933	2,741,430	-	
(254,962)	(697,546)	(956,508)	2,096,781	
-	1,523,561	2,281,610	31,850	
-	(51,775)	(4,444,270)	-	
447,007	(533,689)	(4,028,486)	(924,718)	
(25,970,115)	(1,080,962)	(27,051,077)	(1,149,940)	
-	(6,993,629)	(6,997,629)	179,605	
-	312,957	2,179,829	238,331	
68,244	76,965	(471,604)	11,797	
-	16,663	930,663	-	
-	-	368,435	-	
134,630	(425,682)	(379,052)	652,180	
(19,802,999)	(24,618)	(22,434,435)	-	
8,675,134	1,690,629	36,377,848	7,207,327	
-	(258,926)	1,421,074	-	
(46,901,159)	-	(46,901,159)	-	
<u>(147,316,920)</u>	<u>(13,537,837)</u>	<u>(315,055,062)</u>	<u>16,298,490</u>	
<u>\$ (81,128,626)</u>	<u>\$ 40,019,118</u>	<u>\$ (574,452,970)</u>	<u>\$ 11,066,059</u>	
65,439,489	911,120	63,112,672	568,741	
-	-	17,555,000	-	
-	144,160,000	144,160,000	-	
(3,866,491)	-	(3,866,491)	(61,361)	
82,248,873	-	82,248,873	-	
118,131,467	-	118,131,467	-	
(118,131,467)	-	(118,131,467)	-	
-	-	9,287,341	-	
-	-	1,222,821	-	
-	14,125	14,125	-	
-	-	669,865	-	
-	765	765	-	
<u>\$ 143,821,871</u>	<u>\$ 145,086,010</u>	<u>\$ 314,404,971</u>	<u>\$ 507,380</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, 2017

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Agency Funds
<b>ASSETS</b>				
Cash Deposits at the Bank of ND	\$ 29,832,603	\$ -	\$ 6,433,547	\$ 31,370,604
Cash and Cash Equivalents	-	-	2,429,765	11,240,831
Receivables:				
Contributions Receivable	40,690,127	-	-	-
Accounts Receivable - Net	-	-	46,491	12,308,027
Taxes Receivable - Net	-	-	-	32,932,498
Interest Receivable - Net	14,250,915	268,030	2,864	37
Intergovernmental Receivable - Net	36	-	-	-
Due from Other Funds	52,128	-	13	-
Due from Fiduciary Funds	319,941	-	-	-
Total Receivables	<u>55,313,147</u>	<u>268,030</u>	<u>49,368</u>	<u>45,240,562</u>
Investments, at Fair Value:				
Investments at the Bank of ND	-	-	21,651	30,101,887
Equity Pool	2,920,119,461	118,817,319	-	-
Fixed Income Pool	1,269,336,602	78,316,624	1,252,956	141,400
Cash and Cash Pool	38,984,854	2,193,022	-	-
Real Estate Pool	911,982,183	40,442,968	-	-
Alternative Investments	160,839,006	6,322,910	-	-
Mutual Funds	107,722,565	-	415,472,352	-
Total Investments	<u>5,408,984,671</u>	<u>246,092,843</u>	<u>416,746,959</u>	<u>30,243,287</u>
Invested Securities Lending Collateral	<u>28,775,735</u>	<u>1,653,049</u>	<u>50,248</u>	<u>-</u>
Capital Assets (Net of Depreciation)	<u>2,445,987</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>5,525,352,143</u>	<u>248,013,922</u>	<u>425,709,887</u>	<u>\$ 118,095,284</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Derived from Pensions	<u>384,391</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>384,391</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>				
Accounts Payable	6,502,488	172,968	841,527	-
Accrued Payroll	171,523	-	-	-
Securities Lending Collateral	28,775,735	1,653,049	50,248	-
Intergovernmental Payable	-	-	-	65,332,372
Tax Refunds Payable	-	-	-	16,534
Due to Other Funds	49,186	-	-	-
Due to Fiduciary Funds	320,029	-	-	-
Amounts Held in Custody for Others	45,933	-	-	52,746,378
Compensated Absences Payable	191,150	-	-	-
Total Liabilities	<u>36,056,044</u>	<u>1,826,017</u>	<u>891,775</u>	<u>\$ 118,095,284</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Derived from Pensions	<u>55,342</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>55,342</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET Position</b>				
Net Position Restricted for:				
Pension Benefits	5,488,474,020	-	-	-
Other Employee Benefits	1,151,128	-	-	-
External Investment Pool Participants	-	246,187,905	-	-
Other Purposes	-	-	424,818,112	-
Total Net Position Restricted for Pension Benefits and Other Purposes	<u>\$ 5,489,625,148</u>	<u>\$ 246,187,905</u>	<u>\$ 424,818,112</u>	<u>-</u>

# STATE OF NORTH DAKOTA

## Statement of Changes in Fiduciary Net Position Fiduciary Funds For the Fiscal Year Ended June 30, 2017

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 180,170,781	\$ -	\$ -
Employee	173,153,092	-	-
From Participants	-	-	42,379,208
Transfers from Other Funds	764,609	-	-
Transfers from Other Plans	1,733,288	-	-
Donations	-	-	7,665
Total Contributions	<u>355,821,770</u>	<u>-</u>	<u>42,386,873</u>
Investment Income:			
Net Change in Fair Value of Investments	512,071,177	21,531,090	14,925,839
Interest and Dividends	118,986,628	5,352,101	8,909,718
Less Investment Expense	<u>14,335,191</u>	<u>627,550</u>	<u>3,170</u>
Net Investment Income	<u>616,722,614</u>	<u>26,255,641</u>	<u>23,832,387</u>
Securities Lending Activity:			
Securities Lending Income	454,093	27,290	188
Less Securities Lending Expense	45,973	5,447	-
Net Securities Lending Income	<u>408,120</u>	<u>21,843</u>	<u>188</u>
Repurchase Service Credit	15,072,029	-	-
Miscellaneous Income	<u>1,164,529</u>	<u>-</u>	<u>2,900</u>
Total Additions	<u>989,189,062</u>	<u>26,277,484</u>	<u>66,222,348</u>
<b>DEDUCTIONS</b>			
Benefits Paid to Participants	364,164,141	-	-
Refunds	14,392,592	-	-
Prefunded Credit Applied	10,012,681	-	-
Transfer to Other Plans	764,609	-	-
Payments in Accordance with Trust Agreements	-	-	36,258,293
Administrative Expenses	<u>6,930,932</u>	<u>-</u>	<u>3,215,076</u>
Total Deductions	<u>396,264,955</u>	<u>-</u>	<u>39,473,369</u>
Redemption of Units at Net Asset Value of \$1.00 Per Unit	<u>-</u>	<u>(3,486,184)</u>	<u>-</u>
Change in Net Position Held in Trust for:			
Pension Benefits	593,344,254	-	-
Other Employee Benefits	(420,147)	-	-
External Investment Pool Participants	-	22,791,300	-
Other Purposes	<u>-</u>	<u>-</u>	<u>26,748,979</u>
Total Change in Net Position	<u>592,924,107</u>	<u>22,791,300</u>	<u>26,748,979</u>
Net Position - Beginning of Year	<u>4,896,701,041</u>	<u>223,396,605</u>	<u>398,069,133</u>
Net Position - End of Year	<u>\$ 5,489,625,148</u>	<u>\$ 246,187,905</u>	<u>\$ 424,818,112</u>

The Accompanying Notes are an Integral Part of the Financial Statements

# STATE OF NORTH DAKOTA

## Combining Statement of Net Position Component Units - Proprietary Funds (Excludes FASB Based Component Units) June 30, 2017

	CHAND	Historical Foundation	Public Finance Authority	ND Development Fund	State Fair Foundation	Total
<b>ASSETS</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 2,393,191	\$ 872,372	\$ -	\$ 15,872,965	\$ 121,391	\$ 19,259,919
Investments	-	108,150	-	554,244	-	662,394
Accounts Receivable - Net	-	354,329	-	-	-	354,329
Interest Receivable - Net	-	-	-	71,133	-	71,133
Due from Primary Government	-	-	56,000	-	-	56,000
Loans and Notes Receivable - Net	-	-	-	5,205,668	-	5,205,668
Restricted Cash and Cash Equivalents	-	-	26,015,000	-	34,460	26,049,460
Restricted Investments	-	-	119,192,000	-	-	119,192,000
Restricted Interest Receivable - Net	-	-	5,394,000	-	-	5,394,000
Total Current Assets	2,393,191	1,334,851	150,657,000	21,704,010	155,851	176,244,903
Noncurrent Assets:						
Restricted Investments	-	-	778,948,000	-	-	778,948,000
Investments	-	345,823	-	-	-	345,823
Due from Primary Government	-	-	179,000	-	-	179,000
Loans and Notes Receivable - Net	-	-	-	3,084,592	925,000	4,009,592
Other Noncurrent Assets	-	164,207	-	-	-	164,207
Capital Assets:						
Nondepreciable	-	-	-	-	1,000,000	1,000,000
Depreciable, Net	-	5,586	-	8,494	-	14,080
Total Noncurrent Assets	-	515,616	779,127,000	3,093,086	1,925,000	784,660,702
Total Assets	2,393,191	1,850,467	929,784,000	24,797,096	2,080,851	960,905,605
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred loss on bond refunding	-	-	5,201,000	-	-	5,201,000
Derived from Pensions	-	-	50,000	-	-	50,000
Total Deferred Outflows of Resources	-	-	5,251,000	-	-	5,251,000
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable	785,562	28,316	28,000	29,299	-	871,177
Accrued Payroll	-	3,249	-	-	-	3,249
Interest Payable	-	-	3,576,000	-	-	3,576,000
Intergovernmental Payable	-	-	1,000	-	-	1,000
Compensated Absences Payable	-	20,195	-	-	-	20,195
Bonds Payable	-	-	23,905,000	-	-	23,905,000
Unearned Revenue	52,604	40,473	-	-	-	93,077
Total Current Liabilities	838,166	92,233	27,510,000	29,299	-	28,469,698
Noncurrent Liabilities:						
Intergovernmental Payable	-	-	12,000	-	-	12,000
Bonds Payable	-	-	426,407,000	-	-	426,407,000
Net Pension Liability	-	-	159,000	-	-	159,000
Other Noncurrent Liabilities	-	140,001	-	-	-	140,001
Total Noncurrent Liabilities	-	140,001	426,578,000	-	-	426,718,001
Total Liabilities	838,166	232,234	454,088,000	29,299	-	455,187,699
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Derived from Pensions	-	-	19,000	-	-	19,000
Total Deferred Inflows of Resources	-	-	19,000	-	-	19,000
<b>Net Position</b>						
Net Investment in Capital Assets	-	5,586	-	8,494	-	14,080
Restricted for:						
Capital Projects	-	948,794	-	-	-	948,794
Debt Service	-	-	141,000,000	-	-	141,000,000
Loan Purposes	-	-	337,819,000	-	-	337,819,000
Endowment Funds-Nonexpendable	-	172,001	-	-	1,959,492	2,131,493
Unrestricted	1,555,025	491,852	2,109,000	24,759,303	121,359	29,036,539
Total Net Position	\$ 1,555,025	\$ 1,618,233	\$ 480,928,000	\$ 24,767,797	\$ 2,080,851	\$ 510,949,906

The Accompanying Notes are an Integral Part of the Financial Statements

# STATE OF NORTH DAKOTA

## Combining Statement of Activities Component Units - Proprietary Funds (Excludes FASB Based Component Units) For the Fiscal Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue	Change in Net Position	Net Position Beginning of Year, As Adjusted	Net Position End of Year
		Charges for Services	Operating Grants and Contributions				
CHAND	\$ 5,046,363	\$ 3,560,062	\$ 14,432	\$ (1,471,869)	\$ (1,471,869)	\$ 3,026,894	\$ 1,555,025
Historical Foundation	705,474	148,298	288,906	(268,270)	(268,270)	1,886,503	1,618,233
Public Finance Authority	24,717,000	2,735,000	38,921,000	16,939,000	16,939,000	463,989,000	480,928,000
ND Development Fund	654,131	717,849	27,539	91,257	91,257	24,676,540	24,767,797
State Fair Foundation	43,392	36,154	299,969	292,731	292,731	1,788,120	2,080,851
Total Component Units	<u>\$ 31,166,360</u>	<u>\$ 7,197,363</u>	<u>\$ 39,551,846</u>	<u>\$ 15,582,849</u>	<u>\$ 15,582,849</u>	<u>\$ 495,367,057</u>	<u>\$ 510,949,906</u>

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# STATE OF NORTH DAKOTA

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## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2017

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **A. REPORTING ENTITY**

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

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

#### **BLENDED COMPONENT UNITS**

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

**Building Authority (Debt Service Fund and Capital Projects Fund)** - The Building Authority was created by the Legislature as a separate instrumentality of the State. Its purpose is to promote the general welfare of the citizens of the State by providing financing for use by the State in altering, repairing, maintaining or constructing buildings and making any improvements connected to State buildings. The Industrial Commission, which consists of the governor, the attorney general, and the commissioner of agriculture, is the governing board of the Building Authority. The funds of the Building Authority were audited by other independent auditors for the fiscal year ended June 30, 2017, 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, 2016, 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, 2016, and their report has been previously issued under a separate cover.

# STATE OF NORTH DAKOTA

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**North Dakota Development Fund, Inc. (Proprietary Fund Type)** - The Development Fund was established as a statewide nonprofit development corporation with the authority to take equity positions in; to provide loans to; or to use other innovative financing mechanisms to provide capital for new or expanding businesses in North Dakota or relocating businesses to North Dakota. A board of directors consisting of eight members, all of whom are appointed by the governor, manages the corporation. The deputy director of the Department of Commerce (a State agency) is the corporation's chief executive officer. The director of the Department of Commerce (governor-appointed cabinet position) is responsible for developing rules, subject to the approval of the board of directors, necessary to implement the administration of the corporation. The Fund was audited by other independent auditors for the fiscal year ended June 30, 2017, 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, 2017, and their report has been previously issued under a separate cover.

**North Dakota State Fair Foundation** – The mission of the North Dakota State Fair Foundation is to develop lifelong relationships with donors to secure philanthropic gifts that will enhance and support the work of the North Dakota State Fair. The Fund of the North Dakota State Fair Foundation were audited by other independent auditors for the fiscal year ended September 30, 2016, and their report has been previously issued under a separate cover.

**Major and Non-major University System Foundations (Proprietary Fund Type)** – The foundations are legally separate, tax-exempt organizations providing support and recognition to the respective colleges and universities through a variety of programs and activities. The foundations are normally managed by a board of directors made up primarily of alumni, friends or leading members of the communities. The component unit financial statements are presented under Financial Accounting Standards Board (FASB) standards. As such, certain disclosures are not reflected for the Major University System Foundation in the major component unit disclosures and no disclosures are included for the Non-major University System Foundation. A complete set of financial statements can be obtained at the North Dakota University System office at 600 E. Boulevard Avenue, #10, Bismarck, ND 58505.

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

Building Authority  
600 E. Boulevard Ave., 14<sup>th</sup> Floor  
Bismarck, ND 58505-0840

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

Comprehensive Health Association  
4510 13<sup>th</sup> Avenue South  
Fargo, ND 58121

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

Public Finance Authority  
1200 Memorial Highway  
Bismarck, ND 58504

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

## **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

# STATE OF NORTH DAKOTA

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

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

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

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

## FUND FINANCIAL STATEMENTS

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

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

### MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

# STATE OF NORTH DAKOTA

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## FINANCIAL STATEMENT PRESENTATION

The State reports the following major governmental funds:

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

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

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

The State reports the following major enterprise funds:

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

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

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

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

Additionally, the State reports the following fund types:

## GOVERNMENTAL FUND TYPES

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

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

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

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

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

## 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

## **STATE OF NORTH DAKOTA**

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

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

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

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

### ***D. GENERAL BUDGETARY POLICIES AND PROCEDURES***

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

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

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

North Dakota's Appropriation Act does not present budgets by GAAP fund. Instead, it authorizes General Fund appropriation authority by agency and Other Budgeted Income appropriation authority by agency. Other budgeted income includes all budgeted resources, other than the General Fund, and includes some governmental, proprietary, and fiduciary fund activities.

During the 2015-2017 biennium, there were general, federal and other funds supplemental appropriations totaling \$296,487,328.

### ***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.

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**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, 2017.

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

### **F. INVESTMENTS**

Investments are reported at fair value. Quoted market prices, when available, have been used to value investments. The fair value for securities that have no quoted market price represent estimated fair value. International securities are valued based upon quoted foreign market prices and translated into U.S. dollars at the exchange rate in effect at June 30. In general, corporate debt securities have been valued at quoted market prices or, if not available, values are based on yields currently available on comparable securities of issuers with similar credit ratings. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments. The fair value of real estate investment securities, including timberland, is based on appraisals plus fiscal year-to-date capital transactions. Publicly traded alternative investments are valued based on quoted market prices. When not readily available, alternative investment securities are valued using current estimates of fair value from the investment manager. Such valuations consider variables such as financial performance of the issuer, comparison of comparable companies' earnings multiples, cash flow analysis, recent sales prices of investments, withdrawal restrictions, and other pertinent information. Because of the inherent uncertainty of the valuation for these other alternative investments, the estimated fair value may differ from the values that would have been used had a ready market existed.

The net change in fair value of investments consists of the realized gains or losses and the unrealized increase or decrease in fair value of investments during the year. Realized gains and losses on sales of investments are computed based on the difference between the sales price and the original cost of the investment sold.

Unrealized gains and losses are computed based on changes in the fair value of investments between years. Security transactions are currently accounted for on a trade date basis. Interest income is recorded when earned. Dividend income is recorded on the ex-dividend date.

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

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

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

**Investments.** State agency investments invested at financial institutions other than the Bank of North Dakota are included on the Government-wide Statement of Net Position as "Investments." Differences on the Fund Balance Sheets between the assets, "Cash at the Bank of North Dakota" and "Investments at the Bank of North Dakota," and the liability, "Deposits Held for Other Funds," is attributable to timing differences resulting from the Bank of North Dakota having a different fiscal year end than many of the other state agencies.

### **G. SECURITIES LENDING**

GASB Statement No. 28 "Accounting and Financial Reporting for Securities Lending Transactions," establishes accounting and financial reporting standards for securities lending transactions. The standard requires governmental entities to report securities lent as assets in their statements of net position. Cash received as collateral and investments

## **STATE OF NORTH DAKOTA**

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made with that cash must also be reported as both an asset and a liability. The statement also requires the costs of the securities lending transactions to be reported as expenses separately from income received. In addition, the statement requires disclosures about the transactions and collateral related to them.

The Agent lends securities of the type on loan at June 30, 2017, for collateral in the form of cash, U.S. government securities and irrevocable letters of credit. U.S. securities are loaned versus collateral valued at 102% of the market value of the securities plus accrued interest. Non-U.S. securities are loaned versus collateral valued at 105% of the market value of the securities plus accrued interest.

Non-cash collateral cannot be pledged or sold unless the borrower defaults. All securities can be terminated on demand by either the lender or the borrower, although the average term of the loans State's loans was approximately 59 days as of June 30, 2017. Cash open collateral is invested in a short term investment pool, which had an interest sensitivity of 3 day as of this statement date. This pool is valued based on amortized cost. There were no violations of legal or contractual provisions, no borrower or lending agent default losses known to the securities lending agent. There are no dividends or coupon payments owing on the securities lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month.

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

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

### **H. INTERFUND ACTIVITY AND BALANCES**

#### INTERFUND ACTIVITY

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

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

#### INTERFUND BALANCES

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

### **I. INVENTORIES AND PREPAID ITEMS**

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

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

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

Prepaid items reflect payments for costs applicable to future accounting periods. The cost of governmental prepaid items are recorded as expenditures when purchased.

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

## **J. BOND PREMIUMS / DISCOUNTS**

Bond premiums and discounts for proprietary fund types are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. The unamortized discount is shown on the statement of net position as a reduction of the bonds payable, and the amortization is included in the statement of revenues, expenses and changes in fund balance as interest expense.

## **K. CAPITAL ASSETS**

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

All other capital assets with an original cost of \$5,000 or more per unit and an estimated useful life in excess of one year are capitalized and reported in the applicable government or business-type activities columns in the government-wide financial statements. Exceptions include: infrastructure reported by the Department of Transportation, the threshold is \$100,000; 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.

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

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

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## **L. DEFERRED OUTFLOWS OF RESOURCES**

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

## **M. LEASE COMMITMENTS**

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

## **N. FEDERAL FUNDS PURCHASED**

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

## **O. CLAIMS/JUDGMENTS PAYABLE**

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

## **P. COMPENSATED ABSENCES**

### ANNUAL LEAVE

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

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

### SICK LEAVE

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

## **Q. DEPOSITS**

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

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

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

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

### **R. REVENUES AND EXPENDITURES/EXPENSES**

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

In the government-wide financial statements, revenues are reported by source and are further classified as either "general purpose" or "restricted". General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by State law or by outside restriction (e.g., federal grants), available only for specified purposes. When both general purpose and restricted funds are available for use, it is the State's policy to use restricted resources first. In the governmental fund financial statements, expenditures are reported by character: "Current," "Intergovernmental-revenue Sharing," "Capital Outlay," or "Debt Service." Current expenditures are sub-classified by function and are for items such as salaries, grants, supplies, and services.

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

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

### **S. PENSIONS**

For purposes of measuring the net pension liability and deferred outflows/inflows related to pension, and pension expense, information about the fiduciary net position of the North Dakota Public Employee Retirement System (PERS) and additions to / deductions from PERS's fiduciary net position have been determined on the same basis as they are reported for PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The primary government's proportionate share of pension amounts were further reallocated to the propriety funds (business-type activities) based on the amount of employer contributions paid by each proprietary fund. Pension investments are reported at fair value.

### **T. DEFERRED INFLOWS OF RESOURCES**

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

### **U. NET POSITION/FUND BALANCE**

The difference between fund assets and liabilities is "Net Position" on the government-wide, proprietary, and fiduciary fund statements, and "Fund Balance" on governmental fund statements.

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## CLASSIFICATIONS

Fund balance classifications for governmental funds are reported in two general classifications, nonspendable and spendable. Nonspendable represents the portion of fund balance that is not in spendable form such as inventories and prepaids. Spendable fund balance is further categorized as restricted, committed, assigned, and unassigned.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by the State constitution and external parties, such as the federal government, or through enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, the state's legislature, through legislation, that is not considered as enabling legislation, passed into law.

Assigned fund balance classifications are used when the amounts are to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. The assignment of fund balance is generally initiated by the executive branch and later appropriated by the Legislature for a specific purpose. In governmental funds other than the general fund, assigned fund balance also represents the remaining amount that is not restricted or committed.

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification would only be used to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The State generally segregates restricted, committed, and assigned resources by individual funds within the governmental funds. When resources meeting more than one of these classifications are comingled within an individual fund, the assumed order of spending is restricted first, committed second, assigned third, and finally, unassigned.

## BUDGET STABILIZATION FUND

North Dakota Century Code (NDCC) section 54-27.2-02 requires any amount in the state general fund in excess of sixty-five million dollars at the end of any biennium to be deposited in the Budget Stabilization Fund. Any interest or earnings of the fund must be deposited in the fund per NDCC section 54-27.2-01. However, any amounts provided by law for deposit in the fund and any interest or earning of the fund which would bring the balance in the fund to an amount greater than nine and half percent of the current biennial state general fund budget, as finally approved by the most recently adjourned special or regular session of the legislative assembly, may not be deposited or retained in the fund but must be deposited instead in the state general fund.

NDCC section 54-27.2-03 states that if general fund revenue projections for the biennium will be at least two and one-half percent less than estimated by the most recently adjourned special or regular session of the legislative assembly, and if the governor orders a transfer, which must be reported to the budget section of the legislative management, the state treasurer shall transfer the appropriate funds from the budget stabilization fund to the state general fund to offset the decrease in general fund revenues. The amount transferred upon order of the governor may not exceed the difference between an amount two and on-half percent below the general fund revenue projections for the biennium. The Budget Stabilization Fund, fund balance at June 30, 2017 was \$6,105,913.

## **NOTE 2 - RESTATEMENTS**

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

	<u>Government-wide Gov't activities</u>	<u>Business-type activities</u>	<u>Component Units (GASB Based)</u>
June 30, 2016, net position, as previously reported	\$ 16,328,397	\$ 3,218,270	\$ 493,579
Prior period adjustment:			
Correction of errors	<u>2,377</u>	<u>(729)</u>	<u>1,788</u>
June 30, 2016, net position, as restated	<u>\$ 16,330,774</u>	<u>\$ 3,217,541</u>	<u>\$ 495,367</u>

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## **A. CORRECTION OF ERRORS**

The beginning net position of the Government-wide governmental activities were restated due to an understatement of capital assets in the previous year financial statements. The beginning net position of the Business-type activities were restated due to an overstatement of cash and investments and an understatement of deferred inflows of resources on the previous year financial statements. The component units' net position was restated to include the opening balance of the component unit of the North Dakota State Fair Foundation.

## **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, 2017, the bank balance of the primary government's deposits was \$281,875,783. Of the bank amount, \$181,531,853 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, 2017. Their uninsured and uncollateralized deposits totaled \$180.4 million and \$1.1 million, and their bank deposits totaled \$181.3 million and \$15.0 million, respectively.

At June 30, 2017, the bank balance of the major component units' deposits was \$45,309,379. Of the bank amount, \$41,887,965 was uncollateralized and uninsured.

The internal receivable amount in the governmental activities column in the Statement of Net Position includes Cash and Investments at the Bank of North Dakota for governmental activities. The internal payable amount in the business-type activities column includes deposits the Bank has for governmental activities. Because the Bank has a different fiscal year end, these internal balances do not equal.

### **B. INVESTMENTS**

The investment policies of the State of North Dakota are governed by NDCC 6-09-07, 15-10-12, and 21-04-02, indicating that all public funds must be deposited in the Bank of North Dakota unless there are other constitutional or statutory provisions. If there are no statutory provisions and the funds are invested outside the Bank of North Dakota, the state agency must have the permission of the North Dakota Industrial Commission.

Investments are generally managed by the State Investment Board, the North Dakota Department of Trust Lands, the Bank of North Dakota, and the North Dakota State Treasurer's Office. Management responsibilities and investment instruments as authorized by statute are as follows:

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

The State Investment Board's investment policy allows investment managers to use derivative securities to hedge or replicate underlying exposures but not for speculation. All derivatives are considered investment derivative investments. The SIB had four types of derivative securities at June 30, 2017: futures, options, swaps and currency forwards.

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2. North Dakota Department of Trust Lands – The Century Code states that the Department of Trust Lands shall apply the prudent investor rule in investing its funds. The investment policies of the Board allow the use of derivative securities to hedge or replicate underlying exposures but not for speculation. All derivatives are considered investment derivative investments.
3. The Bank of North Dakota – NDCC 6-09 authorizes the Bank of North Dakota. The Bank is owned and operated by the State of North Dakota under the supervision of the North Dakota Industrial Commission. The Bank may have investments in anything that any bank lawfully may do, except what is restricted by NDCC 6-09.
4. The North Dakota State Treasurer's Office – The North Dakota Constitution and various sections of the Century Code authorize the State Treasurer to invest all State funds deposited with the State Treasury. However, the State Treasurer must invest the public funds with the Bank of North Dakota unless there is statutory authority to do otherwise. Generally, the State Treasurer pools deposits and invests in money market accounts and Bank of North Dakota certificates of deposit.
5. University System – NDCC 15-55-05 and 15-55-06 govern the investment of proceeds of revenue bonds and revenues pledged to bondholders. Such proceeds must be invested in the Bank of North Dakota, in a separate fund in the State Treasury or in a duly authorized depository for the state funds that is a member of the federal deposit insurance corporation. The University System may invest such funds in direct obligation of, or in obligations where the United States of America guarantees the principal and interest, or obligations of the State of North Dakota or any municipality as defined in NDCC Section 21-03-01.

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

### INTEREST RATE RISK

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

At June 30, 2017, the following table shows the debt securities of the primary government by investment type and maturity (expressed in thousands).

### Primary Government (includes Pension and Investment Trust Funds)

Investment Type	Total Market Value	Less Than 1 Year	1 - 6 Years	6 - 10 Years	More Than 10 Years
Asset Backed Securities	\$ 116,322	\$ -	\$ 16,105	\$ 39,436	\$ 60,781
Commercial Mortgage-Backed	851,389	-	716,752	13,708	120,929
Commercial Paper	2,000	2,000	-	-	-
Corporate Bonds	2,271,587	70,224	735,793	1,015,177	450,393
Corporate Convertible Bonds	15,417	-	5,986	4,582	4,849
Government Agencies	1,932,132	201,116	1,529,466	73,515	128,035
Government Bonds	870,570	2,402	197,333	469,268	201,567
Government Issued CMB	57,767	343	4,089	7,011	46,324
Government Mortgage-Backed	741,012	1,055	18,024	27,933	694,000
Repurchase Agreements	(3,208)	(3,208)	-	-	-
Index-Linked Government Bonds	154,169	1,268	13,599	133,378	5,924
Municipal/Provincial Bonds	112,476	4,172	15,594	21,100	71,610
Non-Government-Backed CMOs	90,820	2,567	10,902	571	76,780
Short Term Bills and Notes	115,272	115,272	-	-	-
Short Term Investment Funds	78,777	78,777	-	-	-
Pooled Investments	2,177,413	21,894	483,205	1,114,752	557,562
<b>Total Debt Securities</b>	<b>\$ 9,583,915</b>	<b>\$ 497,882</b>	<b>\$ 3,746,848</b>	<b>\$ 2,920,431</b>	<b>\$ 2,418,754</b>

# STATE OF NORTH DAKOTA

## Major Component Units

Investment Type	Total Market Value	Less Than 1 Year	1 - 6 Years	6 - 10 Years	More Than 10 Years
Commercial Paper	\$ 1,195	\$ 1,195	\$ -	\$ -	\$ -
Government Agencies	10,543	-	10,543	-	-
Government Bonds	99,855	74,591	25,264	-	-
Total Debt Securities	<u>\$ 111,593</u>	<u>\$ 75,786</u>	<u>\$ 35,807</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

Interest-only (IO) and principal-only (PO) strips are transactions which involve the separation of the interest and principal components of a security. They are highly sensitive to prepayments by mortgagors, which may result from a decline in interest rates. The State held IOs valued at \$8.7 million and POs valued at \$4.8 million. The State has no policy regarding IO or PO strips.

### CONCENTRATION OF CREDIT RISK

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

The Bank of North Dakota had the following concentrations at June 30, 2017 (expressed in thousands):

	Amount	Percent
Federal Agency		
Federal Home Loan Bank	\$ 358,517	17.9%
Fannie Mae	280,790	14.0%
Freddie Mac	274,837	13.7%
Farm Credit	119,274	6.0%
Small Business Administration	172,729	8.6%
Mortgage-backed		
Fannie Mae	439,772	22.0%
Freddie Mac	258,388	12.9%
Others less than 5%	<u>98,753</u>	<u>4.9%</u>
	<u>\$ 2,003,060</u>	<u>100.0%</u>

### CREDIT RISK

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

## STATE OF NORTH DAKOTA

As of June 30, 2017, the following tables present the debt securities of the primary government and their respective ratings (expressed in thousands).

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

	Total Market Value	AAA	AA	A	BBB	BB	B	CCC	CC	C	D	Not Rated
Asset Backed Securities	\$116,322	\$61,039	\$4,716	\$9,003	\$10,555	\$4,143	\$2,805	\$11,811	\$1,766	\$67	\$1,985	\$8,432
Commercial Mortgage- Backed	804,471	757,238	8,826	6,350	6,958	7,045	4,366	5,349	455	-	1,532	6,352
Commercial Paper	2,000	-	-	-	-	-	-	-	-	-	-	2,000
Corporate Bonds	2,271,587	76,726	197,755	537,988	1,131,891	221,642	89,859	8,201	-	105	455	6,965
Corporate Convertible Bonds	15,417	-	-	-	1,627	3,499	3,911	5,420	-	-	-	960
Government Agencies	1,819,938	1,637,815	157,450	3,228	19,666	1,779	-	-	-	-	-	-
Government Bonds	257,845	49,256	16,919	64,628	62,881	20,906	4,782	-	-	-	-	38,473
Government Mortgage Backed Index Linked	511,591	-	509,180	-	227	-	-	-	-	-	-	2,184
Government Bonds	121,021	-	-	-	121,021	-	-	-	-	-	-	-
Municipal/ Provincial Bonds	108,336	6,518	59,198	13,132	26,095	-	2,286	-	-	-	-	1,107
Non- Government Backed CMOs	89,786	20,720	11,929	20,438	3,981	3,000	3,246	7,752	3,588	-	2,868	12,264
Repurchase Agreements	(3,208)	-	(3,208)	-	-	-	-	-	-	-	-	-
Short-Term Investment Funds	4,832	-	3,597	295	-	-	-	-	-	-	-	940
Pooled Investments	2,256,190	164,874	1,005,531	198,871	419,592	247,377	20,734	-	-	-	-	199,211
Total Credit Risk Debt Securities	<u>8,376,128</u>	<u>\$2,774,186</u>	<u>\$1,971,893</u>	<u>\$853,933</u>	<u>\$1,804,494</u>	<u>\$509,391</u>	<u>\$131,989</u>	<u>\$38,533</u>	<u>\$5,809</u>	<u>\$172</u>	<u>\$6,840</u>	<u>\$278,888</u>
US Gov't & Agencies	<u>1,207,787</u>											
Total Debt Securities	<u>\$9,583,915</u>											

## STATE OF NORTH DAKOTA

### Major Component Units

	Total Market Value	AAA	AA	A	BBB
Commercial Paper	\$ 1,195	\$ -	\$ -	\$ 1,195	\$ -
Government Agencies	10,543	-	5,827	4,716	-
<b>Total Credit Risk Debt Securities</b>	<b>\$ 11,738</b>	<b>\$ -</b>	<b>\$ 5,827</b>	<b>\$ 5,911</b>	<b>\$ -</b>
US Gov't & Agencies	99,855				
<b>Total Debt Securities</b>	<b>\$ 111,593</b>				

\*Ratings are determined in the following order: 1) S&P rating, 2) Moody's rating, 3) Fitch rating, 4) Manager-determined rating (internal rating) and 5) if no ratings are available using steps 1-4, then shown as not rated.

\*\*US government agency securities explicitly guaranteed by the US government are categorized here. Credit ratings of US government agency securities that are only implicitly guaranteed by the US government are categorized accordingly in the main body of this table. Implicitly guaranteed agency securities included in the *Gov't Issued Commercial & Gov't Mortgage Backed*, *Gov't Agencies*, and *Short Term Bills and Notes* categories are issued by FNMA, FDIC, FHLB, FHLMC, FICO, FAMC, NCUA and TVA.

### FOREIGN CURRENCY RISK

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

## STATE OF NORTH DAKOTA

At June 30, 2017, foreign currency risk exposure on investments managed by the Department of Trust Lands and State Investment Board were as follows (expressed in thousands).

### Primary Government (includes Pension and Investment Trust Funds)

Currency	Short-Term	Debt	Equity	Real Estate	Total
Argentine peso	\$ -	\$ 509	\$ -	\$ -	\$ 509
Australian dollar	3,344	15,696	100,410	-	119,450
Brazilian real	641	11,851	20,408	-	32,900
British pound sterling	14,956	29,796	293,992	-	338,744
Canadian dollar	6,084	5,593	55,194	-	66,871
Chilean peso	54	-	812	-	866
Chinese yuan renminbi	-	-	566	-	566
Columbian peso	204	(187)	256	-	273
Czech koruna	-	-	1,575	-	1,575
Danish krone	-	(87)	23,666	-	23,579
Egyptian pound	-	-	44	-	44
Euro	(13,111)	14,792	548,906	9,954	560,541
Hong Kong dollar	1,601	-	113,972	-	115,573
Hungarian forint	89	35	5,596	-	5,720
Indian rupee	7,193	5,845	12,280	-	25,318
Indonesian rupiah	59	11,348	4,780	-	16,187
Israeli shekel	-	-	3,721	-	3,721
Japanese yen	712	381	337,351	-	338,444
Kenyan shiling	-	-	572	-	572
Malaysian ringgit	74	13,130	3,629	-	16,833
Mexican peso	(45)	39,743	3,568	-	43,266
New Israeli shekel	543	-	4,103	-	4,646
New Romanian leu	-	15	-	-	15
New Taiwan dollar	(378)	-	20,308	-	19,930
New Zealand dollar	88	(151)	3,020	-	2,957
Norwegian krone	8,121	6,432	15,576	-	30,129
Peruvian nuevo sol	2	-	6	-	8
Philippine peso	-	-	1,111	-	1,111
Polish zloty	(5)	14,886	3,511	-	18,392
Russian ruble	325	-	743	-	1,068
Singapore dollar	300	44	12,826	-	13,170
South African rand	47	11,726	15,132	-	26,905
South Korean won	134	-	26,596	-	26,730
Swedish krona	6,408	6,212	52,907	-	65,527
Swiss franc	128	-	126,031	-	126,159
Thai baht	197	81	7,882	-	8,160
Turkish lira	25	2,738	2,776	-	5,539
International commingled funds (various currencies)	-	105,946	916,411	61,315	1,083,672
Total international investment securities	<u>\$ 37,790</u>	<u>\$ 296,374</u>	<u>\$ 2,740,237</u>	<u>\$ 71,269</u>	<u>\$ 3,145,670</u>

## STATE OF NORTH DAKOTA

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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, 2017, 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 \$133.8 million. At June 30, 2017, the State investment portfolio had the notional futures shown below (expressed in thousands).

<u>Futures</u>	<u>Notional Value</u>
Cash and cash equivalent derivative futures	
Long	\$ 68,249
Short	(725,425)
Equity derivative futures	
Long	623,945
Short	-
Fixed income derivative futures	
Long	287,137
Short	(194,390)
Total futures	<u>\$ 59,516</u>

**Options** – Options represent or give buyers the right, but not the obligation, to buy (call) or sell (put) an asset at a preset price over a specified period. Options are traded on organized exchanges (exchange traded) thereby minimizing the States’ counterparty credit risk. The option’s price is usually a small percentage of the underlying asset’s value. As a seller of a financial option, the State, through its investment manager, receives a premium at the beginning of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. As a buyer of a financial option, the State, through its investment manager, pays a premium at the beginning of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option. Gains and losses on options are determined based on fair values and recorded with the net change in fair value of investments in the Statement of Changes in Net Position and totaled \$(0.2) million. At June 30, 2017, the State had the following option balances (expressed in thousands):

<u>Options</u>	<u>Fair Value</u>
Cash & Other Options	
Call	\$ (2)
Put	23
Fixed Income Options	
Call	88
Put	203
Total options	<u>\$ 312</u>

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

Gains and losses on swaps are determined based on fair values and are recorded with the net change in fair value of investments in the Statement of Changes in Net Position and totaled \$9.2 million. The maximum loss that would be recognized at June 30, 2017, if all counterparties failed to perform as contracted is \$2.0 million. Swap fair values are determined by a third party pricing source. At June 30, 2017, the States’ investment portfolio had the swap fair value balances as shown below (expressed in thousands).

## STATE OF NORTH DAKOTA

### Credit Default Swaps

<u>Counterparty/Moody's Rating</u>	<u>Notional Amount</u>	<u>Expiration Date</u>	<u>Fair Value</u>
Bank of America/A1 (2 contracts)	\$ (2,700)	12/2018 - 12/2021	\$ 35
BNP Paribas/A1 (2 contracts)	(600)	6/2019 - 6/2022	(5)
Citibank/A1 (4 contracts)	(7,750)	12/2018 - 12/2019	119
Credit Suisse First Boston/A1 (8 contracts)	11,550	12/2017 - 6/2022	(759)
Goldman Sachs/A3 (2 contracts)	(1,800)	6/2019 - 3/2020	22
HSBC Bank/A1 (1 contract)	(100)	6/2022	(1)
JP Morgan Chase/Aa3 (3 contracts)	(930)	12/2019 - 9/2020	2
Total credit default swaps	<u>\$ (2,330)</u>		<u>\$ (587)</u>

### Currency Swaps

<u>Counterparty/Moody's Rating</u>	<u>Notional Amount</u>	<u>Expiration Date</u>	<u>Fair Value</u>
JP Morgan Chase/Aa3 (1 contract)	\$ 106	2/2020	\$ (6)
Total currency swaps	<u>\$ 106</u>		<u>\$ (6)</u>

### Interest Rate Swaps

<u>Counterparty/Moody's Rating</u>	<u>Notional Amount</u>	<u>Expiration Date Range</u>	<u>Fair Value</u>
Credit Suisse First Boston/A1 (34 contracts)	\$ (231,315)	12/2017 - 3/2048	\$ 1,168
Goldman Sachs/A3 (1 contract)	5	12/2017	-
JP Morgan Chase/Aa3 (130 contracts)	42,989	8/2017 - 9/2046	1,322
Morgan Stanley/A3 (1 contract)	3,900	5/2022	(3)
Total Interest Rate Swaps	<u>\$ (184,421)</u>		<u>\$ 2,487</u>

### Inflation Swaps

<u>Counterparty/Moody's Rating</u>	<u>Notional Amount</u>	<u>Expiration Date</u>	<u>Fair Value</u>
Credit Suisse First Boston/A1 (3 contracts)	\$ 426	1/2020 - 11/2030	\$ (3)
Goldman Sachs/A3 (5 contracts)	1,530	3/2020 - 1/2030	(14)
Total Inflation Rate Swaps	<u>\$ 1,956</u>		<u>\$ (17)</u>

### Total Return Swaps

<u>Counterparty/Moody's Rating</u>	<u>Notional Amount</u>	<u>Expiration Date</u>	<u>Fair Value</u>
Credit Suisse International/A1 (2 contracts)	\$ 4,800	1/2041	\$ 21
Total Return Swaps	<u>\$ 4,800</u>		<u>\$ 21</u>

## STATE OF NORTH DAKOTA

**Currency Forwards** – Currency forwards represent forward exchange contracts that are entered into in order to manage the exposure to changes in currency exchange rates on the currency denominated portfolio holdings. A forward exchange contract is a commitment to purchase (positive) or sell (negative) a currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in the net change in fair value of investments in the Statement of Changes in Net Position and totaled \$(1.0) million. At June 30, 2017, the States' investment portfolio included the currency forwards balances shown below (expressed in thousands).

Currency	Cost	Purchases	Sales	Fair Value
Australian dollar	\$ (17,716)	\$ 3,234	\$ (21,151)	\$ (17,795)
Brazilian real	(3,074)	1,028	(4,105)	(3,098)
British pound sterling	12,934	14,836	(1,902)	13,007
Canadian dollar	(69)	6,280	(6,598)	(211)
Chilean peso	87	3,766	(3,679)	-
Chinese yuan renminbi	6	228	(222)	-
Columbian peso	(3,885)	214	(3,929)	(3,725)
Danish krone	(9,298)	3,573	(13,013)	(9,440)
Euro	(27,416)	264	(27,868)	(28,169)
Hungarian forint	(3,485)	-	(3,568)	(3,569)
Indian rupee	7,186	7,186	-	7,193
Israeli shekel	(26)	-	(26)	(27)
Japanese yen	(320)	7,553	(7,873)	(329)
Malaysian ringgit	(6,694)	-	(6,679)	(6,679)
Mexican peso	(7,828)	561	(8,769)	(8,204)
New Romanian leu	(1,365)	-	(1,428)	(1,428)
New Taiwan dollar	(503)	-	(503)	(498)
New Zealand dollar	(7,219)	-	(7,258)	(7,258)
Norwegian krone	329	7,146	(6,888)	445
Peruvian nuevo sol	-	332	(332)	2
Polish zloty	(6,414)	43	(6,902)	(6,856)
Russian ruble	338	424	(86)	325
Singapore dollar	(7,155)	-	(7,269)	(7,270)
South African rand	(4,765)	-	(4,783)	(4,784)
South Korean won	(169)	-	(169)	(166)
Swedish krona	6,245	6,245	-	6,415
Thai baht	(3,852)	-	(3,945)	(3,945)
Turkish lira	446	446	-	446
United Kingdom pound	(2,531)	3,775	(6,249)	(2,474)
United States dollar	86,213	153,439	(67,018)	86,421
Total forwards subject to currency risk				\$ (1,671)

## STATE OF NORTH DAKOTA

**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, 2017, 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	\$ (564,429)	\$ (615,292)	\$ 128,182	\$ (63,483)	\$ (13,836)	\$ -
Total	<u>\$ (564,429)</u>	<u>\$ (615,292)</u>	<u>\$ 128,182</u>	<u>\$ (63,483)</u>	<u>\$ (13,836)</u>	<u>\$ -</u>

	Total Fair Value	3 Months or Less	3 to 6 Months	6 to 12 Months	1-5 Years	Greater Than 5 Years
Options - caps and floors	\$ 46	\$ -	\$ -	\$ -	\$ 46	\$ -
Options - interest rate contracts	(1)	(1)	-	-	-	-
Options on futures	253	253	-	-	-	-
Swaps - interest rate contracts	2,470	136	131	97	532	1,574
Swaps - credit contracts	(587)	-	1	-	(588)	-
Total	<u>\$ 2,181</u>	<u>\$ 388</u>	<u>\$ 132</u>	<u>\$ 97</u>	<u>\$ (10)</u>	<u>\$ 1,574</u>

**Mill and Elevator Derivative Financial Instruments** – The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2017, and the changes in fair value of such derivative instruments for the year then ended as reported in the State's financial statements are \$1,470,050, classified as derivative instrument (one contract equals 5,000 bushels) and \$1,470,050, classified as deferred inflow of resources – accumulated increase in fair value of hedging derivatives. The fair value of the grain futures contracts was determined on the Minneapolis Grain Exchange. The margin requirement is \$0.60 per bushel, unless the market price changes the limit for two consecutive days, then the margin requirement is \$0.90 per bushel. The Mill has entered into futures contracts for spring wheat to lock in a price for a future delivery or settlement period. These contracts are entered into to protect the Mill against price fluctuation of the commodity. The price protection is needed to cover any long or short positions compared to flour sales. The table below shows the cost and market values of these spring wheat futures.

Month	Number of Contracts	Average Cost	Fair Value	Average Cost	Market Value
Sept 2017	(447)	\$6.1204	\$7.7175	\$ (13,679,100)	\$ (17,248,613)
Dec 2017	378	5.8777	7.5975	11,108,813	14,359,275
Mar 2018	148	6.0076	7.4575	4,445,600	5,518,550
May 2018	92	5.8188	7.3350	2,676,638	3,374,100
July 2018	2	5.9150	7.2075	59,150	72,075
Sept 2018	1	6.0700	6.6350	30,350	33,175
Dec 2018	1	6.0975	6.6850	30,487	33,425
				<u>\$ 4,671,938</u>	<u>\$ 6,141,987</u>

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.

## STATE OF NORTH DAKOTA

The Mill is exposed to rollover risk on grain futures trades whenever the hedge ratio (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, 2017, the table below shows the hedge ratio by futures month going forward:

<u>Period</u>	<u>Hedge Ratio</u>
Sept 2017	1.0
Dec 2017	1.1
Mar 2018	0.9
May 2018	0.7
July 2018	0.9
Sept 2018	1.3
Dec 2018	1.3
Net Position	0.9

### C. SECURITIES LENDING

The following represents the balances relating to the securities lending transactions at June 30, 2017 (expressed in thousands).

#### Primary Government (Includes Pension and Investment Trust Funds)

Securities Lent	<u>Underlying Securities</u>	<u>Non-Cash Collateral Value</u>	<u>Cash Collateral Investment Value</u>
Lent for cash collateral:			
US agency securities	\$ 22,159	\$ -	\$ 22,671
US government securities	77,809	24,516	79,574
US corporate fixed income securities	75,442	-	77,263
US equities	92,635	4,936	94,836
Global government fixed income securities	3,285	-	3,443
Global agency securities	4,484	-	4,716
Global equities	2,531	955	2,714
Lent for non-cash collateral:			
US agency securities	4,978	5,071	-
US government securities	26,063	2,128	-
US corporate fixed income securities	112,041	114,160	-
US equities	192,569	191,606	-
Global equities	41,137	42,734	-
Total	<u>\$ 655,133</u>	<u>\$ 386,106</u>	<u>\$ 285,217</u>

### D. ENDOWMENT FUNDS

#### UNIVERSITY SYSTEMS

The endowment funds reported herein are institutional funds under the terms of the gift instrument and are not wholly expendable by the institution. NDCC Section 59-21, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) applies to the investment of endowments governed by a gift instrument. NDUS SBHE policy 810 stipulates endowment funds shall be invested according to the intent of the donor provided such intent is consistent with applicable laws. Absent terms expressing donor intent in a gift instrument, NDUS institution officers initially shall deposit the funds in institution accounts at the Bank of North Dakota. Thereafter, the funds may be invested according to NDCC 59-21. Subject to the intent of the donor, NDUS institution officers are delegated authority to manage and invest these institutional funds as provided by UPMIFA. NDCC Section 59-21-02.5a(7) applies to standard of conduct in the administration of powers to make and retain investments. It states that in managing and investing an institutional fund, the needs of the institution and the fund to make distributions and to preserve capital must be considered. Given the flexibility in NDCC 59-21-02, campuses have differing policies with respect to spending investment income and net

## STATE OF NORTH DAKOTA

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appreciation on endowment funds. For UND, distributions for spending endowments each year will be calculated once annually with the quarter ended December 31 unitized market value and is based on the set spending rate, currently four percent, applied to the average market value for the preceding twelve quarter average. All endowment in existence at December 31 for one year will receive a distribution spending allocation. The available amount will be forecast to UND for planning purposes by February 1, and these distributions will be available for spending in the upcoming fiscal year. 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, 2017:

		<u>Reflected in net position as:</u>
Mayville State University	\$ 1,650	Expendable scholarships & fellowships
North Dakota State University	173,829	Expendable scholarships & fellowships
University of North Dakota	955,608	Non-expendable scholarships & fellowships
Williston State College	2,913	Non-expendable scholarships & fellowships
Total NDUS	<u>\$ 1,134,000</u>	

Endowment funds reported herein do not include the Federal Land Grant Fund held by the State Department of Trust Lands. The annual proceeds from assets held by the Commissioner of the State Department of Trust Lands and are deposited into each college/university's operating fund at the State Treasury and are used for current operating purposes. Bismarck State College and Lake Region State College do not participate in the proceeds allocated by the State Land Department. Total assets held by the State Land Department and proceeds for the fiscal year ended June 30, 2017 are approximately \$161.7 million and \$4.2 million respectively.

### NORTH DAKOTA STATE FAIR FOUNDATION

The North Dakota State Fair Association Foundation had the following activity in their endowment as of September 30, 2016.

Beginning endowment	\$ 1,699,500
Endowment contributions	260,000
Net appreciation	<u>(8)</u>
Ending endowment	<u>\$ 1,959,492</u>

### **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, 2017, the State had no reverse repurchase agreements outstanding and did not participate in reverse repurchase agreements during the fiscal year.

# STATE OF NORTH DAKOTA

## F. RECEIVABLES

Receivables at June 30, 2017, consist of the following (expressed in thousands):

	General	Federal	State	Other Governmental Funds	Bank of North Dakota	Housing Finance	University System
<b>Receivables:</b>							
Accounts	\$ 20,940	\$ 43,770	\$ 102,790	\$ -	\$ -	\$ 465	\$ 27,352
Less Allowance	(8,785)	(26,637)	(44,883)	-	-	-	(6,801)
Taxes	455,620	-	114,284	252	-	-	-
Less Allowance	(108,772)	-	(7,723)	-	-	-	-
Interest	18,213	-	20,257	75	50,761	3,118	-
Less Allowance	-	-	(4,636)	-	-	-	-
Intergovernmental	469	208,048	11,975	-	-	132	28,285
Less Allowance	(4)	-	(3)	-	-	-	-
Current Loans and Notes	-	-	15,478	60,907	898,689	20,452	8,428
Less Allowance	-	-	(1,474)	-	-	-	(1,072)
Noncurrent Loans and Notes	5	11	114,683	-	3,777,048	825,748	30,367
Less Allowance	-	-	-	-	(78,747)	-	(3,939)
<b>Net Receivables</b>	<b>\$ 377,686</b>	<b>\$ 225,192</b>	<b>\$ 320,748</b>	<b>\$ 61,234</b>	<b>\$ 4,647,751</b>	<b>\$ 849,915</b>	<b>\$ 82,620</b>

	Workforce Safety & Insurance	Other Enterprise Funds	Internal Service Funds	Major Component Units	Total
<b>Receivables:</b>					
Accounts	\$ 40,012	\$ 127,695	\$ 256	\$ 359	\$ 363,639
Less Allowance	(7,500)	(21,797)	-	(5)	(116,408)
Taxes	-	-	-	-	570,156
Less Allowance	-	-	-	-	(116,495)
Interest	9,478	1,422	50	5,465	108,839
Less Allowance	-	-	-	-	(4,636)
Intergovernmental	-	1,976	522	-	251,407
Less Allowance	-	-	-	-	(7)
Current Loans and Notes	-	17,220	-	5,206	1,026,380
Less Allowance	-	-	-	-	(2,546)
Noncurrent Loans and Notes	-	251,900	-	11,100	5,010,862
Less Allowance	-	(6,691)	-	(7,090)	(96,467)
<b>Net Receivables</b>	<b>\$ 41,990</b>	<b>\$ 371,725</b>	<b>\$ 828</b>	<b>\$ 15,035</b>	<b>\$ 6,994,724</b>

## G. INTERFUND ACCOUNTS AND TRANSFERS

### DUE FROM OTHER FUNDS/DUE TO OTHER FUNDS

Interfund balances at June 30, 2017, consist of the following (expressed in thousands):

Due To General Fund From:	
Federal Fund	\$ 65,493
State Fund	34,655
Bank of North Dakota	524
Nonmajor Enterprise Funds	25,656
All Others	193
<b>Total Due To General Fund</b>	<b>\$ 126,521</b>

Included in the Nonmajor Enterprise Funds amount is a loan to the Rebuilder's Loan Program for \$14,815,785. This is not expected to be repaid within one year.

# STATE OF NORTH DAKOTA

Due To Federal Fund From:		Due To State Fund From:	
General Fund	\$ 3,323	General Fund	\$ 3,970
State Fund	13,702	Federal Fund	9,642
All Others	9	Internal Service Funds	274
Total Due To Federal Fund	<u>\$ 17,034</u>	Nonmajor Enterprise Funds	491
		All Others	287
		Total Due To State Fund	<u>\$ 14,664</u>
Due To Internal Service Funds From:		Due To Bank of North Dakota From:	
General Fund	\$ 4,456	General Fund	\$ 5,012
State Fund	1,925	State Fund	42,831
University System	674	Nonmajor Enterprise Funds	46,854
All Others	914	University System	2,295
	<u>\$ 7,969</u>	Housing Finance Agency	17,645
		All Others	111
		Total Due To Bank of North Dakota	<u>\$ 114,748</u>

Included in the Nonmajor Enterprise Funds amount is a loan to the Rebuilder's Loan Program for \$15,811,431, of which \$13,919,233 is not expected to be repaid within one year.

Due To University System From:	
General Fund	\$ 22,344
Federal Fund	3,070
State Fund	2,341
All Others	297
Total Due To University System	<u>\$ 28,052</u>
Due To All Other Funds From:	
All Other	<u>\$ 1,929</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, 2017.

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

<b>Due From's</b>	\$ 310,916
General Fund/Bank of ND	(5,297)
Bank of ND/Housing Finance	(17,645)
Bank of ND/Rebuilder's Loan	(1,663)
Bank of ND/University System	(1,109)
Bank of ND/Student Loan Trust	(22)
Bank of ND/Guaranteed Student Loan	292
Governmental Agencies/Bank of ND	28,413
Bank of ND/Enterprise Funds	237
Total Differences	<u>3,206</u>
<b>Due To's</b>	<u>\$ 314,122</u>

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

# STATE OF NORTH DAKOTA

## INTERFUND TRANSFERS

A summary of interfund transfers for the fiscal year ended June 30, 2017, follows (expressed in thousands):

	General	Special Revenue Federal	Special Revenue State	Non-major Governmental	Housing Finance	University System	Non-major Enterprise	Total
<b>Transfers Out</b>								
General	\$ -	\$ 197	\$ 2,249	\$ 2,451	\$ -	\$ 453,589	\$ 153,785	\$ 612,271
Special Revenue - Federal	41	-	27,805	305	-	-	-	28,151
Special Revenue - State	174,664	144	-	1,096	19	30,202	-	206,125
Non-major Governmental	882	-	2,200	-	-	-	-	3,082
Bank of North Dakota	-	-	15,055	-	-	-	2,500	17,555
Housing Finance	43	-	39	-	-	-	-	82
University System	-	-	-	2,391	-	-	-	2,391
Non-major Enterprise	10,816	-	1,271	-	-	-	10,000	22,087
Internal Service Fund	25	-	-	-	-	-	-	25
<b>Total</b>	<b>\$ 186,471</b>	<b>\$ 341</b>	<b>\$ 48,619</b>	<b>\$ 6,243</b>	<b>\$ 19</b>	<b>\$ 483,791</b>	<b>\$ 166,285</b>	<b>\$ 891,769</b>

(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, 2017, legislatively-mandated transfers were made to the general fund of \$6,200,000 from the State Lottery, \$4,616,603 from Mill and Elevator, \$4,025,635 from the Insurance Regulatory Trust Fund, \$572,485,454 from Budget Stabilization Fund, \$155,000,000 from Strategic Investment and Improvement Fund and \$100,000,000 from the Bank of North Dakota.

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

<b>Transfers In</b>		\$ (986,585)
Differences:		
Bank of ND/Ag PACE	1,500	
Bank of ND/PACE	8,200	
Bank of ND/General Fund	100,000	
Special Rev – State/State Fair	116	
Special Rev – Housing Incentive Fund	(5,000)	
ND Guaranteed Student Loan Trust	<u>(10,000)</u>	
Total Differences		94,816
<b>Transfers Out</b>		<u>\$ (891,769)</u>

The above timing differences of \$94,816,000 result from transactions between agencies that have different fiscal year ends. Those agencies with a different fiscal year end include: Bank of North Dakota, December, and Nonmajor Enterprise Fund State Fair, September, Guaranteed Student Loan Program. This difference is also the total net transfers on the Government-wide Statement of Activities.

# STATE OF NORTH DAKOTA

## H. CAPITAL ASSETS

### PRIMARY GOVERNMENT:

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

<u>Description</u>	<u>Balance July 1, 2016*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 143,691	\$ 7,880	\$ (121)	\$ 151,450
Construction in Progress	1,621,684	530,301	(210,505)	1,941,480
Total Capital Assets Not Being Depreciated	<u>1,765,375</u>	<u>538,181</u>	<u>(210,626)</u>	<u>2,092,930</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	661,872	27,304	(309)	688,867
Equipment	313,368	29,537	(19,844)	323,061
Intangibles				
Software	240,560	10,465	-	251,025
Other	37,177	1,052	(402)	37,827
Infrastructure	4,659,086	210,442	(6,077)	4,863,451
Total Capital Assets Being Depreciated	<u>5,912,063</u>	<u>278,800</u>	<u>(26,632)</u>	<u>6,164,231</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(268,048)	(16,729)	210	(284,567)
Equipment	(152,084)	(21,769)	15,757	(158,096)
Intangibles				
Software	(68,154)	(18,455)	-	(86,609)
Other	(21,896)	(3,379)	143	(25,132)
Infrastructure	(2,804,082)	(88,689)	6,026	(2,886,745)
Total Accumulated Depreciation	<u>(3,314,264)</u>	<u>(149,021)</u>	<u>22,136</u>	<u>(3,441,149)</u>
Total Capital Assets Being Depreciated, Net	<u>2,597,799</u>	<u>129,779</u>	<u>(4,496)</u>	<u>2,723,082</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,363,174</u>	<u>\$ 667,960</u>	<u>\$ (215,122)</u>	<u>\$ 4,816,012</u>

\*Certain items have been reclassified.

Infrastructure assets of the State Water Commission, with a carrying value of \$30,516,290 are considered temporarily impaired at June 30, 2017.

## STATE OF NORTH DAKOTA

<u>Description</u>	<u>Balance July 1, 2016*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 23,377	\$ 428	\$ -	\$ 23,805
Construction in Progress	132,004	71,290	(131,204)	72,090
Total Capital Assets Not Being Depreciated	<u>155,381</u>	<u>71,718</u>	<u>(131,204)</u>	<u>95,895</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	1,558,758	158,412	(7,618)	1,709,552
Equipment	505,800	38,470	(23,937)	520,333
Intangibles				
Software	28,541	222	(101)	28,662
Other	16,021	2,901	-	18,922
Infrastructure	<u>216,977</u>	<u>5,911</u>	<u>-</u>	<u>222,888</u>
Total Capital Assets Being Depreciated	<u>2,326,097</u>	<u>205,916</u>	<u>(31,656)</u>	<u>2,500,357</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(562,876)	(39,081)	3,274	(598,683)
Equipment	(332,065)	(29,516)	21,745	(339,836)
Intangibles				
Software	(22,929)	(1,581)	101	(24,409)
Other	(10,807)	(1,109)	-	(11,916)
Infrastructure	<u>(100,857)</u>	<u>(5,964)</u>	<u>-</u>	<u>(106,821)</u>
Total Accumulated Depreciation	<u>(1,029,534)</u>	<u>(77,251)</u>	<u>25,120</u>	<u>(1,081,665)</u>
Total Capital Assets Being Depreciated, Net	<u>1,296,563</u>	<u>128,665</u>	<u>(6,536)</u>	<u>1,418,692</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,451,944</u>	<u>\$ 200,383</u>	<u>\$ (137,740)</u>	<u>\$ 1,514,587</u>

<u>Description</u>	<u>Balance July 1, 2016*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
Major Component Units:				
Capital Assets Not Being Depreciated				
Land	\$ 4,300	\$ 2,887	\$ -	\$ 7,187
Construction in Progress	18,126	1,838	(19,964)	-
Total Capital Assets Not Being Depreciated	<u>22,426</u>	<u>4,725</u>	<u>(19,964)</u>	<u>7,187</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	196,496	21,055	(23,677)	193,874
Equipment	49,628	6,101	(9,974)	45,755
Intangibles	78	-	-	78
Infrastructure	<u>1,609</u>	<u>233</u>	<u>(585)</u>	<u>1,257</u>
Total Capital Assets Being Depreciated	<u>247,811</u>	<u>27,389</u>	<u>(34,236)</u>	<u>240,964</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(66,984)	(5,203)	5,743	(66,444)
Equipment	(23,520)	(3,632)	7,185	(19,967)
Intangibles	(78)	-	-	(78)
Infrastructure	<u>(709)</u>	<u>(57)</u>	<u>231</u>	<u>(535)</u>
Total Accumulated Depreciation	<u>(91,291)</u>	<u>(8,892)</u>	<u>13,159</u>	<u>(87,024)</u>
Total Capital Assets Being Depreciated, Net	<u>156,520</u>	<u>18,497</u>	<u>(21,077)</u>	<u>153,940</u>
Major Component Unit Capital Assets, Net	<u>\$ 178,946</u>	<u>\$ 23,222</u>	<u>\$ (41,041)</u>	<u>\$ 161,127</u>

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

# STATE OF NORTH DAKOTA

For the University System, the gain (loss) on sale capital assets on the Statement of Revenues, Expenses and Changes in Net Position includes an impairment loss of \$2.4 million due to the Beaver Lodge building at MiSU being determined to be unusable as a result of mold issues, structural damages, accessibility and fire safety concerns.

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

Governmental Activities:	
General Government	\$ 12,193
Education	667
Health and Human Services	15,919
Regulatory	314
Public Safety & Corrections	13,089
Agriculture and Commerce	212
Natural Resources	15,402
Transportation	91,225
Total Governmental Activities Depreciation Expense	<u>\$ 149,021</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, 2017</u>	<u>Balance Authorized</u>
Governor's Office	\$ 20	\$ 16	\$ 4
Office of Management and Budget	5,800	3,146	2,654
Office of Attorney General	733	204	529
Secretary of State	3,050	684	2,366
Legislative Assembly	225	194	31
Department of Health	608	495	113
Department of Human Services	140,548	41,892	98,656
Industrial Commission	13,625	13,625	-
Adjutant General	19,676	17,584	2,092
Department of Transportation	2,091,220	1,870,579	220,641
Highway Patrol	698	697	1
Parks & Recreation	5,314	3,918	1,396
Game & Fish	1,212	454	758
ND School for the Deaf	706	683	23
Corrections & Rehab	1,698	1,698	-
State Historical Society	3,500	742	2,758
Veterans Home	1,177	862	315
Total Governmental Activities	<u>\$ 2,289,810</u>	<u>\$ 1,957,473</u>	<u>\$ 332,337</u>

<u>Business-Type Activities</u>	<u>Amount Authorized</u>	<u>Amount Expended Through June 30, 2017</u>	<u>Balance Authorized</u>
Mill and Elevator	\$ 16,735	\$ 10,737	\$ 5,998
University System	131,854	62,006	69,848
Workforce Safety and Insurance	29,545	4,564	24,981
Total Business-Type Activities	<u>\$ 178,134</u>	<u>\$ 77,307</u>	<u>\$ 100,827</u>

# STATE OF NORTH DAKOTA

## I. OPERATING LEASES

### PAYMENTS ON OPERATING LEASES

The State is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the resulting expenditures are recognized as incurred. Lease expenditures for the year ended June 30, 2017, amounted to \$21,711,556 for governmental activities and \$15,430,776 for business-type activities.

Future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2017, for all fund types are as follows (expressed in thousands):

Year Ending June 30	Governmental Activities	Business-type Activities
2018	\$ 12,814	\$ 11,829
2019	9,957	9,315
2020	5,639	6,287
2021	4,174	3,808
2022	3,213	1,863
2023-2027	7,140	1,481
2028-2032	1,123	620
2033-2038	-	1,268
Total Minimum Lease Payments	<u>\$ 44,060</u>	<u>\$ 36,471</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, 2017 (expressed in thousands):

Year Ending June 30	Governmental Activities	Business- type Activities	Major Component Units
2018	\$ 514	\$ 7,589	\$ 126
2019	470	5,003	126
2020	443	4,866	126
2021	373	4,197	126
2022	53	3,960	126
2023-2027	-	14,697	632
2028-2032	-	6,095	632
2033-2037	-	4,372	190
2038-2042	-	1,505	-
2043-2047	-	1,745	-
2048-2052	-	1,594	-
Total Minimum Lease Payments	1,853	55,623	2,084
Less: Amount Representing Interest	(158)	(14,198)	(646)
Present Value of Future Minimum Lease Payments	<u>\$ 1,695</u>	<u>\$ 41,425</u>	<u>\$ 1,438</u>

## STATE OF NORTH DAKOTA

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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, 2017, is as follows (expressed in thousands):

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Major Component Units</u>
Infrastructure	\$ -	\$ 60	\$ -
Buildings	-	60,155	1,979
Intangibles	-	89	-
Equipment	840	16,021	-
Less: Accumulated Depreciation	<u>(333)</u>	<u>(20,368)</u>	<u>(895)</u>
Total	<u>\$ 507</u>	<u>\$ 55,957</u>	<u>\$ 1,084</u>

### ***K. DEFERRED OUTFLOWS OF RESOURCES***

#### FINANCIAL DERIVATIVE INSTRUMENT

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

#### DEFERRED LOSS ON BOND REFUNDING

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

### ***L. LONG-TERM DEBT***

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

#### BONDS AND NOTES PAYABLE

Bonds payable at June 30, 2017, 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, 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 2017 were \$5.3 million. For fiscal year 2017, principal and interest paid by the Authority on the bonds was \$7.0 million. The total principal and interest remaining to be paid as of June 30, 2017, is \$45.2 million payable through December 2030.

## STATE OF NORTH DAKOTA

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The 2005, 2006 and 2010 bond agreements require the establishment and maintenance of reserve funds to be used for debt service payments if amounts in the bond funds are insufficient to make payments. Reserve funds are also required for any positive arbitrage due to the federal government. Fund are also required for any positive arbitration due to the Federal government.

### Department of Transportation

The North Dakota Department of Transportation (NDDOT) is authorized pursuant to NDCC 24-02-40.1, to issue grant and revenue anticipation bonds for the purpose of financing certain qualified federal aid transportation projects. The Series 2005 Bonds are limited obligations of NDDOT, payable solely from the Trust Estate, consisting primarily of federal transportation funds and pledged state highway funds. The Series 2005 Bonds will not be deemed or construed as creating an indebtedness of the State within the meaning of the State Constitution or laws of the State concerning or limiting the creation of indebtedness of the State. The total principal and interest remaining to be paid on the bonds is \$15.9 million payable through June 2020. For the current year principal and interest paid and total net pledged revenues before interest expense were \$5.3 million and \$5.3 million respectively. The funds pledged for the NDDOT 2005 bond issue consist of state funds in the State Highway Fund from the following sources: Highway Tax Distribution Fund, fee and permit revenues, interest revenue and miscellaneous sales of scrap materials and obsolete equipment. The pledged funds do not include any funding deposited into the State Highway Fund from the State General Fund. The proportion of the specific revenue stream pledged was 98.5% in 2017.

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

### Student Loan Trust

Interest is payable semiannually on June 1 and December 1 of each year. The 2004 Series A Bonds are variable rate bonds. The rate of interest is determined based on the lesser of either the one-month LIBOR plus 0.7% or Federal Home Loan Bank plus 0.7%. The maximum rate of interest is 12% per annum. Details of the terms and provisions of the variable rate bonds are outlined in Section 2.1 of the Fourth Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds First General Bond Resolution. Section 2.2 of the Fourth Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds First General Bond Resolution has deemed these to be Federally Taxable Bonds. The Series 2004 Bonds are subject to redemption prior to maturity at the option of the Commission from any source of funds, in whole or in part, on any date at a redemption price equal to 100% of the principal amount plus accrued interest to date of redemption.

The total principal and interest remaining to be paid on the outstanding bond is \$1.1 million payable through June 2029. For fiscal year 2017, revenue pledged and total principal and interest paid by Student Loan Trust were \$182,000 and \$14,000, respectively

### Housing Finance

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

Revenues Pledged – The agency has homeownership bonds outstanding in the amount of \$786.2 million maturing at various times from July 1, 2017 through January 1, 2047. 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 \$240.4 million and \$17.7 million, respectively. Bond principal was reduced through customer revenues and the refunding of older bonds with proceeds from new bond issues.

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

# STATE OF NORTH DAKOTA

## 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 2017 were \$16.9 million. Principal and interest paid for the current fiscal year were \$16.9 million, with total remaining principal and interest of \$301.19 million payable through August 2044.

## State Fair Association

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

## Major Component Units

### Public Finance Authority

The bonds of the Public Finance Authority were issued to provide financing to purchase municipal securities in order to provide local political subdivisions with funds to finance local projects. The bonds are direct obligations of the Public Finance Authority and are secured by municipal securities purchased under the applicable resolutions, interest earnings and certain accounts established pursuant to the applicable bond resolutions. Net pledged revenues for fiscal year 2017 were \$21.3 million. Principal and interest paid for the current fiscal year were \$69.2 million, with total remaining principal and interest of \$612.0 million payable through June 2045.

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

Revenue Bonds outstanding (expressed in thousands):

Fund Type/Fund	Maturities	Interest Rates	Balance 6/30/17
<b>Primary Government</b>			
<u>Governmental:</u>			
Building Authority	2018-2031	1.50-6.25	\$ 39,444
Department of Transportation	2018-2020	3.00-5.00	14,660
<u>Proprietary:</u>			
Student Loan Trust	6/1/2029	1.93	1,000 <sup>1)</sup>
Housing Finance:			
Homeownership	2018-2047	0.20-5.75	786,208 <sup>1)</sup>
University System:			
BSC—Bismarck	2018-2033	2.00-4.00	8,728
Lake Region State College	2018	3.00-5.125	100
MaSU—Mayville	2018-2030	1.55-6.63	4,013
MiSU—Minot	2018-2041	2.00-6.60	12,343
NDSCS—Wahpeton	2018-2037	3.76	7,910
NDSU—Fargo	2018-2039	1.50-5.00	91,229
UND—Grand Forks	2018-2044	0.75-4.25	92,023
VCSU—Valley City	2018-2040	2.80-7.05	5,500
Williston State College	2018-2041	6.90	8,115
State Fair Association	2018-2029	3.00	1,956
Total Revenue Bonds Payable—			
Primary Government			\$ 1,073,229

# STATE OF NORTH DAKOTA

Fund Type/Fund	Maturities	Interest Rates	Balance 6/30/17
<b>Major Component Units</b>			
<u>Proprietary:</u>			
Public Finance Authority	2018-2045	0.24-8.25	\$ 450,312
University System Foundation	2018-2040	0.75-5.25	53,475
Total Revenue Bonds Payable— Major Component Units			\$ 503,787

1) Entire amount of bonds payable are not associated with capital assets of the State.

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

## Primary Government:

### Governmental Activities

Fiscal Year	Principal	Interest
2018	\$ 10,105	\$ 2,207
2019	10,560	1,768
2020	10,345	1,314
2021	5,115	855
2022	5,055	653
2023-2027	11,285	1,007
2028-2032	740	95
2033-2037	-	-
2038-2042	-	-
2043-2047	-	-
2048-2052	-	-
Bond Premium	899	(899)
Total	\$ 54,104	\$ 7,000

### Business-type Activities

Fiscal Year	Principal	Interest
2018	\$ 37,318	\$ 29,912
2019	42,001	30,186
2020	39,672	29,319
2021	38,234	28,404
2022	39,089	27,427
2023-2027	177,736	120,865
2028-2032	179,659	92,345
2033-2037	183,960	60,918
2038-2042	162,490	27,919
2043-2047	100,332	6,352
2048-2052	910	18
Bond Premium	17,724	(17,724)
Total	\$ 1,019,125	\$ 435,941

### Major Component Units

Fiscal Year	Principal	Interest
2018	\$ 24,892	\$ 19,562
2019	28,735	19,513
2020	30,325	18,358
2021	24,494	17,269
2022	25,114	16,262
2023-2027	113,960	61,661
2028-2032	126,811	38,313
2033-2037	72,973	12,795
2038-2042	13,229	3,624
2043-2047	8,787	862
Bond Premium	34,467	(34,467)
Total	\$ 503,787	\$ 173,752

# STATE OF NORTH DAKOTA

## 2. NOTES PAYABLE

The following is a schedule of notes payable outstanding at June 30, 2017 (expressed in thousands):

Fund Type/Fund	Maturities	Interest Rates	Balance 6/30/17
<b>Primary Government</b>			
<u>Governmental:</u>			
Office of Management and Budget	2018-2022	4.18	\$ 2,178
School for the Deaf	2018	4.8408	2
<u>Proprietary:</u>			
Bank of North Dakota	2018-2029	1.12-5.56	1,280,303
University System	2018-2030	1.75-5.38	<u>19,246</u>
Total Revenue Bonds Payable— Primary Government			<u>\$ 1,301,729</u>
<b>Major Component Units</b>			
University System Foundation	2018-2036	0.00-4.35	<u>\$ 27,446</u>

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

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

Primary Government:

<u>Governmental Activities</u>				<u>Business-type Activities</u>			
Fiscal Year	Principal	Interest		Fiscal Year	Principal	Interest	
2018	\$ 371	\$ 88		2018	\$ 817,914	\$ 15,614	
2019	400	72		2019	38,040	15,175	
2020	434	54		2020	48,493	13,253	
2021	469	36		2021	28,856	12,038	
2022	506	16		2022	102,193	9,057	
2023-2027	-	-		2023-2027	237,857	14,619	
2028-2032	-	-		2028-2032	25,570	1,204	
Total	<u>\$ 2,180</u>	<u>\$ 266</u>		2033-2037	626	33	
				Total	<u>\$ 1,299,549</u>	<u>\$ 80,993</u>	

Major Component Units

Fiscal Year	Principal	Interest
2018	\$ 2,139	\$ -
2019	3,875	340
2020	3,790	250
2021	6,665	81
2022	1,088	18
2023-2027	1,019	17
2028-2032	8,607	69
2033-2037	133	43
2038-2042	130	12
Total	<u>\$ 27,446</u>	<u>\$ 830</u>

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## Changes in General Long-Term Liabilities

Changes in Long-Term Liabilities for the year ended June 30, 2017, are summarized as follows (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Notes Payable	\$ 3,891	\$ -	\$ (1,710)	\$ 2,181	\$ 371
Bonds Payable	64,049	-	(9,944)	54,105	10,105
Capital Leases Payable	467	1,734	(506)	1,695	448
Compensated Absences	47,554	32,675	(34,047)	46,182	3,896
Claims/Judgments Payable	11,691	5,888	(6,159)	11,420	2,138
OPEB Obligation	1,158	405	(328)	1,235	-
Net Pension Liability (Note 6)	289,853	123,503	-	413,356	-
<b>Total Long-Term Liabilities</b>	<b>\$ 418,663</b>	<b>\$ 164,205</b>	<b>\$ (52,694)</b>	<b>\$ 530,174</b>	<b>\$ 16,958</b>
<b>Business-Type Activities*:</b>					
Notes Payable	\$ 747,186	\$ 2,975,001	\$ (2,422,638)	\$ 1,299,549	\$ 817,858
Bonds Payable	1,040,019	270,666	(291,560)	1,019,125	38,539
Capital Leases Payable	38,533	9,389	(6,497)	41,425	5,871
Intergovernmental Payable	9,267	10,075	(13,863)	5,479	434
Compensated Absences	36,278	3,778	(4,216)	35,840	5,023
Dividends Payable	156,838	109,937	(156,838)	109,937	109,937
Claims/Judgments Payable	1,114,023	112,863	(139,914)	1,086,972	131,496
Net Pension Liability (Note 6)	98,401	40,453	-	138,854	-
<b>Total Long-Term Liabilities</b>	<b>\$ 3,240,545</b>	<b>\$ 3,532,162</b>	<b>\$ (3,035,526)</b>	<b>\$ 3,737,181</b>	<b>\$ 1,109,158</b>
<b>Major Component Units*:</b>					
Notes Payable	\$ 17,395	\$ 13,794	\$ (3,743)	\$ 27,446	\$ 5,014
Bonds Payable	536,282	36,432	(68,927)	503,787	30,052
Capital Leases Payable	1,495	-	(57)	1,438	59
Intergovernmental Payable	372	256	(64)	564	28
Compensated Absences	24	-	(4)	20	20
Net Pension Liability (Note 6)	158	1	-	159	-
<b>Total Long-Term Liabilities</b>	<b>\$ 555,726</b>	<b>\$ 50,483</b>	<b>\$ (72,795)</b>	<b>\$ 533,414</b>	<b>\$ 35,173</b>

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

	Business-Type Activities		Major Component Units	
	Total	Current	Total	Current
Notes Payable	\$ 267	\$ 52	\$ 27,446	\$ 5,014
Bonds Payable	21,930	1,705	53,475	6,147
Capital Leases Payable	20,226	3,560	1,438	59
Intergovernmental Payable	-	-	550	27
<b>Total</b>	<b>\$ 40,423</b>	<b>\$ 5,317</b>	<b>\$ 82,909</b>	<b>\$ 11,247</b>

Bonds payable reductions include amortization of premium and discount.

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$2,422,061 of internal service fund compensated absences and \$9,435,769 of claims and judgments are included in the above amounts. Other governmental activities compensated absences generally have been liquidated by the General Fund (66%), the Highway Fund (13%), the Federal Fund (11%), and other various funds. Other governmental activities claims and judgments have all been liquidated by the Petroleum Release Compensation Fund.

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## 3. REFUNDED DEBT

### **Water Commission**

On November 18, 2014, the ND State Water Commission defeased the outstanding \$13,670,000 Water Development Revenue Refunding Bonds, Southwest Pipeline Project, 2007 Series B, without issuing refunding bonds. A deposit was made into an irrevocable trust account with an escrow agent to provide for all the future debt service payments. As of June 30, 2017, \$10,195,000 of the 2007 Series B Bonds outstanding are considered defeased and the liability for those 2007 Series B Bonds is not reflected on the State's financial statements. On July 1, 2017 all defeased bonds were retired leaving no outstanding debt.

### **University System**

#### North Dakota State University

North Dakota State University issued \$10.4 million of Housing and Auxiliary Facilities bonds with an interest rate of 2.00 – 4.0 percent. The bonds were used to recall \$10.2 million of outstanding Series 2007 Housing and Auxiliary bonds. The bonds were refunded to reduce total debt service payments over the next twenty years by \$2.4 million. The economic gain realized as a result of the refunding was \$1.9 million.

## **M. ARBITRAGE REBATE PAYABLE**

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

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

The State has an arbitrage rebate payable to the federal government of approximately \$115,000 at June 30, 2017. These amounts are reported in the Government-wide and Proprietary Fund Type financial statements as an intergovernmental payable.

## **N. DEFERRED INFLOWS OF RESOURCES**

### GRANTS RECEIVED PRIOR TO TIME REQUIREMENTS

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

### INCREASE IN FAIR VALUE OF HEDGING DERIVATIVES

This amount represents the changes in fair value of futures.

## **O. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

### FAIR VALUE HIERARCHY

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

- Level 1: Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2: Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

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

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

### DETERMINATION OF FAIR VALUE

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

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

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

Investments valued at the net asset value (NAV) per share (or its equivalent) have been classified separately and include investments considered to be *alternative investments* as defined by the AICPA. The definition includes investments for which a readily determinable fair value does not exist (that is, investments not listed on national exchanges or over-the-counter markets, or for which quoted market prices are not available from sources such as financial publications, the exchanges, or NASDAQ). These types of investments can be held within any of the asset classes used by the State based on underlying portfolio holdings and analysis of risk and return relationships. These investments can be structured in different ways, including limited partnerships, limited liability companies, common trusts and mutual funds. Some are closed-ended with a specific life and capital commitment while others are open-ended with opportunity for ad hoc contributions or withdrawals and termination upon proper notice.

**Commingled/Mutual Funds** - These types of funds are generally open-ended funds and may be utilized in equities or fixed income asset classes. They are funds made up of underlying securities that have readily available fair values (publicly traded stocks or bonds). The State owns units of these funds rather than the individual securities. Contributions or withdrawals from these funds can be made as needed, generally with daily or monthly liquidity, with a notice period of one to fifteen days. Because they are liquid funds, there are no unfunded commitments for these types of investments.

**Private 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. The State does not have the option to request redemptions from its private equity funds. The General Partner distributes earnings and proceeds from the sale of the underlying investments as transactions occur. The State has \$95.7 million in unfunded private equity commitments as of June 30, 2017.

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

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

**Distressed Debt** - These include investments in the debt instruments of companies which may be publicly traded or privately held that are financially distressed and are either in bankruptcy or likely candidates for bankruptcy. Typical

## STATE OF NORTH DAKOTA

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holdings are senior and subordinated debt instruments, mortgages and bank loans. The State includes these types of investments in its private equity asset class. As of June 30, 2017, unfunded commitments in one of its two distressed debt funds totaled \$12.5 million. The fund is not eligible for redemptions. The other fund is eligible for redemptions with quarterly liquidity and 60 days notice, and has no unfunded commitment.

**Mezzanine Debt** - This strategy is a hybrid of debt and equity financing. It is basically debt capital that gives the lender the rights to convert to an ownership or equity interest in the company if the loan is not paid back in time and in full. It is generally subordinated to senior debt. The State utilizes this strategy, through a limited partnership structure, in its below investment grade fixed income allocation. The two funds in this category are not eligible for redemptions, have remaining lives of 2-5 years, and unfunded commitments of \$8.5 million as of June 30, 2017.

**Equity Long/Short** - This strategy is a combination of long and short positions, primarily in publicly traded equities. The State utilizes this strategy in its US equity allocations. This is an open-ended fund with monthly liquidity with a notice period of 15 days. There was no unfunded commitment as of June 30, 2017.

**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. There are currently 11 different real estate funds in the portfolio. Three of those funds are open-ended vehicles that accept redemption requests quarterly with a 30-90 day notification period. One fund is wind-down and will be distributing the final proceeds within the next 6-12 months. The remaining seven funds are closed-ended limited partnerships that are not eligible for redemptions. Those eight funds have a combined unfunded commitment of \$78.4 million as of June 30, 2017.

**Timberland** – includes investments in limited liability companies that have an ownership interest in properties where the value of the property is derived mainly from income-producing timber but also from the “higher and better use” value of the underlying land. The State has a dedicated asset class for these types of investments. There are three funds in the portfolio and they have no unfunded commitments. The funds are not eligible for redemption other than distributions of income and/or proceeds as determined by the investment manager. The funds have remaining lives of 2-8 years.

**Infrastructure** – includes investments in limited partnerships that have an ownership interest in transportation assets such as toll roads, tunnels and bridges; and regulated assets such as electricity transmission, gas and oil distribution and wastewater collection. Other possible investments would include communication assets and social infrastructure. The State has a dedicated asset class for these types of investments. The infrastructure investments in the portfolio as of June 30, 2017, include both open and closed-ended funds. The open-ended funds have no unfunded commitments and are eligible for redemptions quarterly with 90 days notice. There may be a 3-12 month queue for receiving redemptions. The closed-ended funds have unfunded commitments of \$85.0 million at June 30, 2017 and are not eligible for redemptions.

### **Interest Rate Swap Agreements**

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

### **Derivative Instruments**

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

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## Fair Value

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

### Primary Government

INVESTMENTS MEASURED AT FAIR VALUE	Fair Value 6/30/17	Level 1	Level 2	Level 3
Short term securities:				
Short term bills and notes	\$ 114,331	\$ -	\$ 114,037	\$ 294
<b>Total short term bills and notes</b>	<b>114,331</b>	<b>-</b>	<b>114,037</b>	<b>294</b>
Fixed income investments:				
Asset backed securities	115,785	-	115,623	162
Bank loans	3,687	-	3,687	-
Collateralized mortgage	21,862	-	21,862	-
Commercial mortgage-backed	138,709	-	138,709	-
Commercial paper	2,000	-	2,000	-
Corporate bonds	1,611,806	-	1,680,811	995
Corporate convertible bonds	14,456	-	14,456	-
Funds - Fixed Income ETF	149,641	149,641	-	-
Government Agencies	1,427,544	1,288,321	132,545	6,678
Government Bonds	762,787	-	762,787	-
Government MBS	1,536,254	-	1,535,701	553
Government - issued Commercial Mortgage-Backed	57,767	-	57,767	-
Index Linked Government Bonds	33,148	-	33,148	-
Municipal / Provincial Bonds	50,156	-	50,156	-
Non- Government Backed C.M.O.s	65,402	-	62,487	2,915
Other Fixed Income	3,578	-	3,575	3
<b>Total fixed income investments</b>	<b>5,994,582</b>	<b>1,437,962</b>	<b>4,545,314</b>	<b>11,306</b>
Equity Investments:				
Common stock	4,012,640	4,012,606	-	34
Convertible equity	4,126	2,380	1,746	-
Funds - Common stock	4,149	4,149	-	-
Funds - Equities ETF	346,449	346,449	-	-
Preferred stock	35,233	35,233	-	-
Rights / Warrants	12	-	-	12
Stapled securities	4,547	4,547	-	-
<b>Total equity investments</b>	<b>4,407,156</b>	<b>4,405,364</b>	<b>1,746</b>	<b>46</b>
Other Investments:				
Currency	24,960	-	24,960	-
FX Contracts	(1,638)	-	(1,638)	-
Global Tactical Asset Allocation MF	550,238	550,238	-	-
Master Limited Partnership	132,641	132,641	-	-
REITs	17,543	17,543	-	-
Swaps	6,464	-	6,464	-
<b>Total other investments</b>	<b>730,208</b>	<b>700,422</b>	<b>29,786</b>	<b>-</b>
Derivative Investments:				
Exchange cleared swaps	1,842	-	1,851	(9)
Options	312	253	59	-
Swaps	8,491	-	8,491	-
Grain future contracts	1,470	1,470	-	-
<b>Total derivative investments</b>	<b>12,115</b>	<b>1,723</b>	<b>10,401</b>	<b>(9)</b>
<b>Total investments by fair value level</b>	<b>\$ 11,258,392</b>	<b>\$ 6,545,471</b>	<b>\$ 4,701,284</b>	<b>\$ 11,637</b>

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INVESTMENTS MEASURED AT THE NET ASSET VALUE (NAV)	Fair Value 6/30/17	Unfunded Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
Commingled Funds – Debt	\$ 1,729,361	\$	Daily, monthly	1 - 15 days
Commingled Funds - Equities	2,168,471	-	Daily, monthly	1 - 15 days
Commingled Funds - Fixed Income	174,980	-	Daily	< 5 days
Distressed Debt	318,519	12,500	Quarterly, not eligible	60 days
Long / short	193,356	-	Monthly	15 days
Mezzanine Debt	1,781	8,526	Not eligible	Not eligible
Private Equity	167,162	286,819	Not eligible	Not eligible
Real Assets	2,236,798	163,475	Quarterly, not eligible	30 - 90 days
<b>Total investments measured at the NAV</b>	<b>6,990,428</b>	<b>\$ 471,320</b>		
Total	<u>\$ 18,248,820</u>			

### Component Units

INVESTMENTS MEASURED AT FAIR VALUE	Fair Value 6/30/17	Level 1	Level 2	Level 3
Short term securities				
Short term bills and notes	\$ 1,427	\$ 232	\$ 1,195	\$ -
<b>Total short term securities</b>	<b>1,427</b>	<b>232</b>	<b>1,195</b>	<b>-</b>
Fixed income investments:				
Gov't Agencies	110,398	110,398	-	-
Other Fixed Income	64	64	-	-
<b>Total fixed income investments</b>	<b>110,462</b>	<b>110,462</b>	<b>-</b>	<b>-</b>
Equity Investments:				
Stock	20	20	-	-
Other equities	1,075	1,075	-	-
<b>Total equity investments</b>	<b>1,095</b>	<b>1,095</b>	<b>-</b>	<b>-</b>
Other Investments:				
Real estates	9,422	-	-	9,422
Mineral acres	23	-	-	23
<b>Total other Investments</b>	<b>9,445</b>	<b>-</b>	<b>-</b>	<b>9,445</b>
Total investments	<u>\$ 122,429</u>	<u>\$ 111,789</u>	<u>\$ 1,195</u>	<u>\$ 9,445</u>

### P. EXTRAORDINARY ITEM

The extraordinary item represents costs the State incurred related to the protest of the Dakota Access Pipeline.

### NOTE 4 – NET POSITION

The government-wide Governmental Activities Statement of Net Position reports \$6,224,908,099 of restricted net position, of which \$1,192,901,404 is restricted by enabling legislation.

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## NOTE 5 – FUND BALANCE

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

	<u>Governmental Fund Balance By Purpose</u>			Nonmajor Governmental Funds	Total
	General	Federal	State		
Fund Balances:					
Nonspendable					
Inventory	\$ 2,859,247	\$ 10,386,050	\$ 10,668,366	\$ -	\$ 23,913,663
Long – Term Receivables	5,100	11,000	113,208,148	-	113,224,248
Prepaid Expenditures	4,119,485	1,019,766	3,857,511	-	8,996,762
Legally restricted for					
Legacy Fund	4,754,604,302	-	-	-	4,754,604,302
Permanent Trust fund for					
Coal Development	-	-	-	68,887,821	68,887,821
Total Nonspendable	<u>4,761,588,134</u>	<u>11,416,816</u>	<u>127,734,025</u>	<u>68,887,821</u>	<u>4,969,626,796</u>
Restricted for:					
State Education Aid	-	-	621,854,625	-	621,854,625
Distribution to					
Common Schools	-	-	4,172,739,960	-	4,172,739,960
Health & Human Services	-	-	3,262,824	-	3,262,824
Oil & Tax Resources	-	-	306,531,398	-	306,531,398
Public Safety & Corrections	-	-	2,544,952	-	2,544,952
Agriculture & Commerce	-	-	50,198,784	-	50,198,784
Natural Resources	-	-	34,275,311	-	34,275,311
Highway Projects	-	-	653,533,380	-	653,533,380
Transportation	-	-	26,905,931	-	26,905,931
Debt Services	-	-	-	6,155,793	6,155,793
Strategic Investments &					
Improvements	-	-	5,893,788	-	5,893,788
Other	-	-	112,351,839	-	112,351,839
Total Restricted	<u>-</u>	<u>-</u>	<u>5,990,092,792</u>	<u>6,155,793</u>	<u>5,996,248,585</u>
Committed to:					
Tobacco Prevention	-	-	58,222,394	-	58,222,394
Judicial & Legal	-	-	10,296,707	-	10,296,707
Public Safety & Corrections	35,932,177	-	2,036,199	-	37,968,376
Agriculture & Commerce	17,179,006	-	7,318,528	-	24,497,534
Strategic Investments &					
Improvements	-	-	193,803,354	-	193,803,354
Tax Relief	300,000,000	-	-	-	300,000,000
Stabilization	6,127,858	-	-	-	6,127,858
Other	5,305,812	-	209,040,617	193,126	214,539,555
Total Committed	<u>364,544,853</u>	<u>-</u>	<u>480,717,799</u>	<u>193,126</u>	<u>845,455,778</u>
Assigned to:					
Human Services					
Operations	-	-	55,999,635	-	55,999,635
Strategic Investments &					
Improvements	-	-	172,964,421	-	172,964,421
Total Assigned	<u>-</u>	<u>-</u>	<u>228,964,056</u>	<u>-</u>	<u>228,964,056</u>
Unassigned	353,772,107	(3,146,889)	-	-	350,625,218
Total Fund Balances	<u>\$ 5,479,905,094</u>	<u>\$ 8,269,927</u>	<u>\$ 6,827,508,672</u>	<u>\$ 75,236,740</u>	<u>\$ 12,390,920,433</u>

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## NOTE 6 – RETIREMENT SYSTEMS

### A. DESCRIPTION OF PLANS

The State of North Dakota administers four major retirement systems: North Dakota Public Employees' Retirement System, North Dakota Highway Patrolmen's Retirement System, Retirement Plan for the Employees of Job Service North Dakota and the Teachers' Fund for Retirement. The State also administers the North Dakota Defined Contribution Retirement Plan, which was established January 1, 2000. Certain state employees may also participate in a privately administered retirement system: Teachers' Insurance Annuity Association. The following is a brief description of each plan. More detailed information can be found in the plan agreements and the related legislation.

#### NORTH DAKOTA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

The North Dakota Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan covering substantially all employees of the State of North Dakota, its agencies, and various participating political subdivisions (Main System). It also covers Supreme and district court judges, the National Guard Security Officers and Firefighters, peace officers and correctional officers employed by political subdivisions. Effective August 1, 2015, current and newly eligible members of the National Guard System will transfer to the Law Enforcement System. It is not subject to the provisions of the Employee Retirement Security Act of 1974. PERS issues a publicly available financial report that may be obtained by writing to North Dakota Public Employees Retirement System, 400 East Broadway, Suite 505, Bismarck, North Dakota 58501.

At June 30, 2017, the number of participating political subdivisions in PERS was:

Cities	89
Counties	49
School Districts	124
Other	<u>81</u>
Total Participating Local Political Subdivisions	<u>343</u>

#### **Administration**

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

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

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

#### **Benefits**

Pension benefits are set by statute. The System has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equals or exceeds 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64, with three or more years of service. Supreme and district court judges are entitled to unreduced monthly pension benefits beginning at the normal retirement age (65) or Rule of 85. The monthly pension benefit for Supreme and district court judges is equal to a percentage of average monthly salary using the highest 36 consecutive months out of the last 180 months of service. The percentage is equal to 3.5% of final average monthly salary multiplied by the first 10 years of service, plus 2.80% of the average monthly salary times the second 10 years of service, plus 1.25% of average monthly salary times years of service in excess of 20 years. The judicial retirement formula is only applied to eligible judicial service. Non-judicial service benefits are calculated using the 2.00% multiplier. The plan permits early retirement at ages 55-64, with five or

## **STATE OF NORTH DAKOTA**

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more years of service. The monthly pension benefit for National Guard at normal retirement age (55). Effective August 1, 2015, the National Guard System will become part of the Law Enforcement System. Members of the Law Enforcement are entitled to unreduced monthly pension benefits at normal retirement age (55) or the rule of 85. The monthly pension benefit for the National Guard/Law Enforcement is equal to 2.00 percent of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 50-55 with three or more years of service for members.

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

### **Death and Disability Benefits**

Death and disability benefits are set by statute. If an active employee dies with less than three years of service for the Main System and National Guard/Law Enforcement, or less than five years of service for Supreme and district court judges, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than three years of service for the Main System and National Guard/Law Enforcement, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the employee's accrued normal retirement benefit, or monthly payments in an amount equal to the employees' accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

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

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

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

### **Refunds of Member Contributions**

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

### **Contributions**

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

In 2011, the Legislative Assembly passed an increase in the employee and employer contribution rates for the PERS, Judges and Law Enforcement plans. Both the employee and employer contribution rates increased for each of the plans by an additional 1% (.5% for the Law Enforcement Plans for political subdivisions) effective January 2012 and January 2013. The 2013 Legislative Assembly also passed an increase in the employee and employer contribution rates for the PERS, Judges, National Guard and Law Enforcement plans. Effective January 2014, both the employee and employer contribution rates were increased for each of the plans by an additional 1% (.5% for the National Guard and Law Enforcement Plans for political subdivisions). Members that made a qualifying election under Senate Bill 2015 to move from the Defined Contribution Plan back to the Defined Benefit Plan have a 2% increase on employee contributions.

Member contributions are set by state statute and are a percentage of salaries and wages. During the 1983-1985 biennium, the State implemented the employer pickup provision of the IRS code, whereby a portion or all of the required member contributions are made by the employer. The State is paying 4% of the full member contribution. Some of the

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political subdivisions are paying all or part of the member contributions. Employer contributions are set by statute except the contribution rates for the National Guard/Law Enforcement Plans which are set by the Board. Contribution rates are established as a percent of covered compensation as follows:

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

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

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

Except for Supreme and district court judges, the member's account balance includes the vested employer contributions equal to the members contributions to an eligible deferred compensation plan.

The minimum member contribution is \$25, and the maximum may not exceed certain parameters based upon years of service. Currently, the present rate of contributions for the PERS is not sufficient to meet the actuarially determined requirement for 2017-2018.

## NORTH DAKOTA HIGHWAY PATROLMEN'S RETIREMENT SYSTEM (NDHPRS)

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

### **Administration**

The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDHPRS. See PERS Administration note for composition of the Retirement Board. Benefit and contribution provisions are administered in accordance with chapter 39-03 of the North Dakota Century Code.

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

### **Benefits**

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

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

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## **Death and Disability Benefits**

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

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

## **Refunds of Member Contributions**

Upon termination, if a member is not vested (is not 65 or is not 60 or does not have ten years of service credited for NDHPRS), they will receive the accumulated member contributions plus interest. If an employee has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated employee contribution and is subsequently re-employed, they have the option of repurchasing their prior service.

## **Contributions**

Contribution rates for NDHPRS are set by state statute and are a percentage of salaries and wages. The State is paying 4.0% of the member contribution. The member contribution rate is 13.3% and the employer rate is 19.7%.

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

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

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

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

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

## **Administration**

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

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

## **Benefits**

Benefits are established through the plan document, as amended by the Board. The System provides a post-retirement cost-of living adjustment each year based on the Consumer Price Index. Employees are entitled to annual pension benefits beginning at normal retirement age (65). Employees may elect optional retirement eligibility at age 62 with 5 years of credited service, at age 60 with 20 years of credited service, or at age 55 with 30 years of credited service.

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Pension benefits are calculated based on the final average earnings (basic monthly earnings averaged over the highest three consecutive years of basic earnings) of the employee multiplied by the sum of:

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

## Death and Disability Benefits

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

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

## Refunds of Member Contributions

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

## Contributions

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

Member and employer contributions are set by statute and are established as a percent of covered compensation. Member contribution rates are 3% and employer contribution, on behalf of member, rates are 4% of covered compensation. The System is funded by employee contributions of 7% of retirement wages (of which 4% is paid by the employer in lieu of salary increases). The funding policy of the plan provides for employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. Effective July 1, 1999, the "scheduled contribution" will be zero as long as the Plan's actuarial value of assets exceeds the actuarial present value of projected benefits. The "scheduled contribution" and amortization will be determined when the plan is not in surplus and will be based on a funding policy adopted by the employer.

## TEACHERS' FUND FOR RETIREMENT (TFFR)

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

Teachers' Fund for Retirement issues a publicly available financial report that may be obtained by writing to the Retirement and Investment Office, 1930 Burnt Boat Drive, Bismarck, North Dakota 58503.

At June 30, 2017, the number of participating employer units in TFFR was:

<u>Type</u>	<u>Number</u>
Public School Districts	176
County Superintendents	6
Special Education Units	19
Vocational Education Units	5
Other	9
Total	<u>215</u>

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## Administration

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

## Benefits

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

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

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

**Tier 1 Non-grandfathered** - A Tier 1 non-grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher, and the member has reached the age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55-64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

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

**Tier 2** - A Tier 2 member is entitled to receive unreduced benefits when five or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

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

## Death and Disability Benefits

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

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An active member is eligible to receive disability benefits when: (a) a total disability lasting twelve months or more does not allow the continuation of teaching, (b) the member has accumulated one year of credited service in North Dakota, and (c) the Board of Trustees of TFFR has determined eligibility based upon medical evidence. The amount of the disability benefit is computed by the retirement formula in NDCC 15-39.1-10 without consideration of age and uses the member's actual years of credited service. There is no actuarial reduction for reason of disability retirement.

## Contributions

Member and employer contributions paid to TFFR are set by NDCC 15-39.1-09. Every eligible teacher in the state of North Dakota is required to be a member of TFFR and is assessed at a rate of 11.75% of salary as defined by NDCC 15-39.1-04. Every governmental body employing a teacher must also pay into TFFR a sum equal to 12.75% of the teacher's salary. Member and employer contributions will be reduced to 7.75% each when the fund reaches 100% funded ratio on an actuarial basis.

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% or defer payment until eligible for pension benefits. A nonvested member who terminates covered employment must claim a refund of contributions paid before 70½. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstance defined by state statute.

## EMPLOYEE MEMBERSHIP DATA

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

	PERS	NDHPRS	JSND	TFFR
Retirees and beneficiaries currently receiving benefits:	11,103	127	199	8,501
Special prior service retirees:	-	-	-	-
Terminated Employees:				
Vested	5,751	30	1	1,600
Nonvested	5,903	9	-	878
Active Employees:				
Vested	16,397	69	8	7,543
Nonvested	6,846	82	-	3,331
Total plan membership	46,000	317	208	21,853
Date of annual valuation	July 1, 2017	July 1, 2017	July 1, 2017	July 1, 2017

## B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

### BASIS OF ACCOUNTING

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

### INVESTMENT POLICY

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

The TFFR Board is responsible for establishing investment policy for the fund assets under NDCC 15-39.1-05.2. Benefit payments are projected to occur over a long period of time. This allows TFFR to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the

## STATE OF NORTH DAKOTA

basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting established impact of funded status and contribution rates.

The following was the asset allocation policy as of June 30, 2017:

	Target Allocation			
	PERS and NDHPRS	JSND	TFFR	RHIC**
Domestic equities	31.0%	18.0%	0.0%	46.0%
International equities	21.0%	12.0%	0.0%	14.0%
Private equity	5.0%	6.0%	0.0%	0.0%
Domestic fixed income	17.0%	64.0%	0.0%	40.0%
International fixed income	5.0%	0.0%	0.0%	0.0%
Global real assets	20.0%	0.0%	18.0%	0.0%
Global equity*	0.0%	0.0%	58.0%	0.0%
Global fixed income	0.0%	0.0%	23.0%	0.0%
Cash equivalents	1.0%	0.0%	1.0%	0.0%
Total	100.00%	100.00%	100.00%	100.00%

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

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

### INVESTMENT RATE OF RETURN

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was as follows for June 30, 2017:

PERS	13.01%
NDHPRS	12.93%
JSND	5.85%
TFFR	12.81%
RHIC**	11.75%

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

### METHOD USED TO VALUE INVESTMENTS

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

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

# STATE OF NORTH DAKOTA

## REALIZED GAINS AND LOSSES

Realized gains and losses on sales of investments are components of net change in fair value of investments and are computed as described in note 1. For the year ended June 30, 2017, the following are the net realized gains (losses):

PERS	\$83,608,473
NDHPRS	2,279,433
JSND	3,087,896
TFFR	72,282,438
Retiree Health Insurance Credit (RHIC)	2,107,471
Defined Contribution Plan	56,506
Deferred Compensation Plan	3,884,612

## **C. FUNDING STATUS AND PROGRESS**

### NET PENSION LIABILITY OF THE PLANS

The components of the net pension liability of the Plans at June 30, 2017 were as follows (expressed in thousands):

	<u>PERS</u>	<u>NDHPRS</u>	<u>JSND</u>	<u>TFFR</u>
Total pension liability	\$ 4,354,372	\$ 94,047	\$ 63,629	\$ 3,734,017
Plan fiduciary net position	(2,727,836)	(73,336)	(97,265)	(2,360,491)
Net pension liability (asset)	<u>\$ 1,626,536</u>	<u>\$ 20,711</u>	<u>\$ (33,636)</u>	<u>\$ 1,373,526</u>

Plan fiduciary net position as a percentage of the total pension liability	62.65%	77.98%	152.86%	63.20%
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### ACTUARIAL ASSUMPTIONS

#### **PERS and HPRS**

The total pension liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions:

**Inflation:** 2.50%

#### **Salary Increase (Payroll Growth):**

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

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

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

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

# STATE OF NORTH DAKOTA

## JSND

The total pension liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions:

**Inflation:** 2.50%

**Salary Increase (Payroll Growth):** 3.50% per annum

**Investment Rate of Return:** 5.7%, net of investment expense, including inflation.

**Cost of Living Adjustment:** 3.50 per annum

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

## TFFR

The total pension liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions:

**Inflation:** 2.75%

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

**Investment Rate of Return:** 7.75%, net of investments expense.

**Cost of Living Adjustment:** None

**Mortality Rates:** For active members, mortality rates were based on the RP-2014 Employee Mortality Table, projected generationally using Scale MP-2014. For healthy retirees, mortality rates were based on the RP-2015 Health Annuitant Mortality Table set back one year, multiplied by 50% for ages under 75 and grading up to , 100% by age 80, projected generationally using Scale MP-2014. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table set forward four years.

## INVESTMENT RATE OF RETURN

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

<u>PERS and NDHPRS</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>JSND</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>TFFR</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	6.05%	Domestic equities	7.16%	Global equity	6.70%
International equity	6.70%	Core fixed income	4.26%	Global fixed income	0.80%
Private equity	10.20%	Limited duration fixed income	3.18%	Global real assets	5.20%
Domestic fixed income	1.43%	Global equity	7.21%	Cash equivalents	0.00%
International fixed income	-0.45%	Diversified short-term fixed income	3.55%		
Global real assets	5.16%	Short-term corporate fixed income	2.48%		
Cash equivalents	0.00%	US high yield	6.13%		
		Emerging market debt	7.45%		

# STATE OF NORTH DAKOTA

## DISCOUNT RATE

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44%.

For HPRS, the discount rate used to measure the total pension liability was 7.75% as of June 30, 2017.

For JSND, the discount rate was 5.70% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed plan member and employer contributions will be made at rates equal to those based on the July 1, 2017 Actuarial Valuation Reports. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions (for JSND it is assumed no future contribution will be made), the pension plans' fiduciary net position were projected to be available to make all projected future benefit payments for current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

For TFFR, the discount rate was 7.75% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed plan member and employer contributions will be made at rates equal to those based on the July 1, 2017 Actuarial Valuation Reports. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions TFFR's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of July 1, 2017. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

## SENSITIVITY OF NET PENSION LIABILITY

The following presents the net pension liability of the Plans as of June 30, 2017, calculated using the discount rate of 6.44% for PERS, 7.75% for NDHPRS, 5.70% for JSND and 7.75% for TFFR, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate

Net Pension Liability (Asset) As of June 30, 2017	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
PERS	\$ 2,218,162,831	\$ 1,626,536,101	\$ 1,134,481,805
Net Pension Liability (Asset) As of June 30, 2017	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
NDHPRS	\$ 32,746,885	\$ 20,710,762	\$ 10,712,591
Net Pension Liability (Asset) As of June 30, 2017	1% Decrease (4.70%)	Current Discount Rate (5.70%)	1% Increase (6.70%)
JSND	\$ (27,182,597)	\$ (33,635,942)	\$ (39,191,324)
Net Pension Liability (Asset) As of June 30, 2017	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
TFFR	\$ 1,826,126,843	\$ 1,373,525,753	\$ 996,748,988

# STATE OF NORTH DAKOTA

## D. SINGLE EMPLOYER PENSION PLANS

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

<b>Single-employer Plans Changes in Net Pension Liability Increases (Decreases) For the Year June 30, 2017*</b>		
	JSND	NDHPRS
<b>Total pension liability (asset)</b>		
Service cost	\$ 71,420	\$ 2,226,286
Interest	4,281,440	6,311,403
Change of benefit terms	-	-
Difference between expected and actual experience	(2,006,791)	39,748
Changes of assumptions	69,885	3,945,801
Benefit payments, including refund of employee contributions	(4,601,196)	(4,713,495)
<b>Net change in total pension liability (asset)</b>	(2,185,242)	7,809,743
<b>Total pension liability (asset) - beginning</b>	63,390,014	80,112,217
<b>Total pension liability (asset) - ending (a)</b>	<u>\$ 61,204,772</u>	<u>\$ 87,921,960</u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ -	\$ 2,127,355
Contributions - employee	44,178	1,436,236
Contributions - service credit repurchase	-	-
Contributions - other	-	-
Net investment income	4,840,333	316,963
Benefit payments, including refund of employee contributions	(4,601,196)	(4,713,495)
Administrative expense	(32,253)	(31,450)
<b>Net change in plan fiduciary net position</b>	251,062	(864,391)
Plan fiduciary net position - beginning	96,282,892	66,675,728
Plan fiduciary net position - ending (b)	<u>\$ 96,533,954</u>	<u>\$ 65,811,337</u>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<u>\$ (35,329,182)</u>	<u>\$ 22,110,623</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	157.72%	74.85%
Covered employee payroll	\$ 564,684	\$ 10,526,791
Plan net pension liability (asset) as a percentage of covered employee payroll	-6256.45%	210.04%

\*The 2017 information presented has a measurement date of June 30, 2016.

# STATE OF NORTH DAKOTA

## JOB SERVICE NORTH DAKOTA (JSND)

### Net Pension Asset

At June 30, 2017, the State recorded a net pension asset of \$35,329,182 for all of the Job Service North Dakota pension plan. The net pension asset was measured as of June 30, 2016 and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date.

### Deferred Inflows and Outflows of Resources

For the year ended June 30, 2017 the State recognized pension expense of \$(3,923,969). At June 30, 2017 the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

#### State of North Dakota Deferred Outflows and Inflows of Resources June 30, 2017

(Dollars Expressed in Thousands)

	Primary Government		Discrete Component Units	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ -
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	2,078	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-	-	-
Employer contributions subsequent to the measurement date	-	-	-	-
<b>Total</b>	<b>\$ 2,078</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

Year ended June 30:

	Primary Government	Component Units
2018	\$ 254	\$ -
2019	254	-
2020	1,222	-
2021	348	-
<b>Total</b>	<b>\$ 2,078</b>	<b>\$ -</b>

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

The following presents the State's proportionate share of the net pension liability calculated using the discount rate of 7 percent, as well as what the State's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6 percent) or 1-percentage-point higher (8 percent) than the current rate:

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
State's proportionate share of the net pension asset	\$ (29,386,845)	\$ (35,329,182)	\$ (40,412,093)

# STATE OF NORTH DAKOTA

## NORTH DAKOTA HIGHWAY PATROLMEN'S RETIREMENT SYSTEM (NDHPRS)

### Net Pension Liability

At June 30, 2017, the State recorded a net pension liability of \$22,110,623 for all of the North Dakota Highway Patrolmen's Retirement System pension plan. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date.

### Deferred Inflows and Outflows of Resources

For the year ended June 30, 2017 the State recognized pension expense of \$3,203,032. At June 30, 2017 the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

#### State of North Dakota Deferred Outflows and Inflows of Resources June 30, 2017

	Primary Government		Discrete Component Units	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 748,766	\$ (160,230)	\$ -	\$ -
Changes of assumptions	3,642,925	-	-	-
Net difference between projected and actual earnings on pension plan investments	3,822,023	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	168	(144)	-	-
Employer contributions subsequent to the measurement date	2,154,045	-	-	-
<b>Total</b>	<b>\$ 10,367,927</b>	<b>\$ (160,374)</b>	<b>\$ -</b>	<b>\$ -</b>

\$2,154,045 reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

Year ended June 30:

	Primary Government	Component Units
2018	\$ 1,366,015	\$ -
2019	1,366,017	-
2020	2,306,231	-
2021	1,759,206	-
2022	783,919	-
Thereafter	472,120	-
<b>Total</b>	<b>\$ 8,053,508</b>	<b>\$ -</b>

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

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

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
State's proportionate share of the net pension asset	\$ 33,272,054	\$ 22,110,623	\$ 12,830,376

# STATE OF NORTH DAKOTA

## E. COST SHARING EMPLOYER PENSION PLANS

### NORTH DAKOTA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

#### Proportionate Share of Net Pension Asset and Liability

The North Dakota Public Employees' Retirement System (PERS) provides retirement benefits to employees of the primary government and its discrete component units as well as to other political subdivision subdivisions (Main System). It also covers Supreme and district court judges, the National Guard Security Officers and Firefighters, and as of August 1, 2003, peace officers and correctional officers employed by political subdivisions. Effective August 1, 2016, current and newly eligible members of the National Guard System will transfer to the Law Enforcement System.

At June 30, 2017, the State recorded a net pension liability of \$520,337,514 for all of the PERS system. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's proportion of the net pension liability was based on the State's share of covered payroll in the PERS pension plan relative to the covered payroll of all participating employers. At June 30, 2016 the State's proportion was 53.4213 percent, which is an decrease of 1.4028 percent from the prior year.

The State's discrete component unit, North Dakota Public Finance Authority, also participates in. At June 30, 2017, the discrete component units recorded a net pension liability of \$159,000 for all of the PERS system. The net pension liability was measured as of June 30, 2016 and the total pension liability and asset used to calculate the net pension liability was determined by an actuarial valuation as of that date. The discrete component units' proportion of the net pension liability was based on the their share of covered payroll in the PERS pension plan relative to the covered payroll of all participating employers. At June 30, 2016 the discrete component unit's proportion was 0.01635 percent, which is an decrease of 0.0015 percent from the prior year.

#### Deferred Inflows and Outflows of Resources

For the year ended June 30, 2017 the State recognized pension expense of \$67,133,529 and the component unit recognized pension expense of \$19,000. At June 30, 2017 the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

#### State of North Dakota Deferred Outflows and Inflows of Resources June 30, 2017

	Primary Government		Discrete Component Units	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,484,854	\$ (205,551)	\$ 2,000	\$ (1,000)
Changes of assumptions	48,074,226	(27,638,302)	15,000	(8,000)
Net difference between projected and actual earnings on pension plan investments	75,555,901	(5,668,498)	22,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,626,623	(21,274,858)	1,000	(10,000)
Employer contributions subsequent to the measurement date	40,368,299	-	10,000	-
Total	\$ 182,109,903	\$ (54,787,209)	\$ 50,000	\$ (19,000)

\$40,368,299 and \$10,000 reported as deferred outflows of resources related to pensions resulting from State and component unit contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

Year ended June 30:

	Primary Government	Component Units
2018	\$ 14,618,424	\$ 4,000
2019	14,627,125	4,000
2020	31,814,624	8,000
2021	19,679,110	5,000
2022	6,215,112	-
Total	\$ 86,954,395	\$ 21,000

# STATE OF NORTH DAKOTA

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

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

	<u>1% Decrease (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase (9%)</u>
State's proportionate share of the net pension asset	\$ 744,190,845	\$ 520,337,514	\$ 331,671,613
Component's proportionate share of the net pension liability	226,000	159,000	103,000

## NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT

### Proportionate Share of Net Pension Asset and Liability

The North Dakota Teachers' Fund for Retirement (TFFR) provides retirement benefits to North Dakota public teachers and certain other teachers who meet various requirements. At June 30, 2017, the State recorded a net pension liability of \$9,762,257 for all of the TFFR. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's proportion of the net pension liability was based on the State's share of covered payroll in the TFFR pension plan relative to the covered payroll of all participating employers. At June 30, 2017 the State's proportion was 0.66634 percent, which is an increase of 0.01207 percent from the prior year.

### Deferred Inflows and Outflows of Resources

For the year ended June 30, 2017 the State recognized pension expense of \$992,355. At June 30, 2017 the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

#### State of North Dakota Deferred Outflows and Inflows of Resources June 30, 2017

	<u>Primary Government</u>		<u>Discrete Component Units</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 46,106	\$ (46,221)	\$ -	\$ -
Changes of assumptions	815,431	-	-	-
Net difference between projected and actual earnings on pension plan investments	811,508	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	783,203	(391,719)	-	-
Employer contributions subsequent to the measurement date	547,539	-	-	-
Total	<u>\$ 3,003,787</u>	<u>\$ (437,940)</u>	<u>\$ -</u>	<u>\$ -</u>

\$547,539 reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

Year ended June 30:

	<u>Primary Government</u>	<u>Component Units</u>
2018	\$ 383,474	\$ -
2019	383,474	-
2020	581,769	-
2021	457,616	-
2022	239,814	-
Thereafter	(27,839)	-
Total	<u>\$ 2,018,308</u>	<u>\$ -</u>

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

The following presents the State's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the State's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
State's proportionate share of the net pension liability	\$ 12,662,379	\$ 9,762,257	\$ 7,346,726

## F. PENSION SUMMARY

The following is a summary of the pension related items for all plans of the State as of and for the year ended June 30, 2017.

<u>Pension Plan</u>	<u>Net Pension Asset</u>	<u>Deferred Outflows of Resources - Pension</u>	<u>Net Pension Liability</u>	<u>Deferred Inflows of Resources - Pension</u>	<u>Pension Expense</u>
Job Service North Dakota ND Highway Patrolmen's Retirement System	\$ 35,329,182	\$ 2,078,070	\$ -	\$ -	\$ (3,923,969)
ND Public Employees' Retirement System	-	10,367,927	22,110,623	160,374	3,203,032
ND Teachers' Fund for Retirement	-	182,109,903	520,337,514	54,787,209	67,133,529
	-	<u>3,003,787</u>	<u>9,762,257</u>	<u>437,940</u>	<u>992,355</u>
Total	<u>\$ 35,329,182</u>	<u>\$ 197,559,688</u>	<u>\$ 552,210,394</u>	<u>\$ 55,385,523</u>	<u>\$ 67,404,947</u>

## G. DEFINED CONTRIBUTION PLAN

The North Dakota Defined Contribution Retirement Plan was established on January 1, 2000, and is administered in accordance with chapter 54-52.6 of the North Dakota Century Code. The Defined Contribution Plan was available to state employees who are in positions not classified by the Human Resource Management Services division of the State of North Dakota. Employees under the judicial branch or the Board of Higher Education and State Institutional under jurisdiction of the Board of Higher Education are not eligible to participate in the plan. The 2013 Legislative Assembly passed legislation to expand eligibility to the plan to include all new state employees hired on or after October 1, 2013 through July 31, 2017. The Defined Contribution Plan had 104 participants as of June 30, 2017.

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

### Benefits

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

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

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

### Death and Disability Benefits

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

# STATE OF NORTH DAKOTA

## Contributions

Contributions are set by state statute and are a percentage of covered compensation. The State is paying 4% of the member contribution. The member contribution rate is 7.00% and the employer rate is 7.12%. Pension expense totaled \$446,771 for the year ended June 30, 2017.

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

## H. TEACHERS' INSURANCE ANNUITY ASSOCIATION

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

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 and III	0 thru 10	4.50%	12.50%	17.00%
	over 10	5.00%	13.00%	18.00%
II	0 thru 2	3.50%	7.50%	11.00%
	3 thru 10	4.50%	12.50%	17.00%
	over 10	5.00%	13.00%	18.00%
IV	Closed to new participants	4.00%	12.00%	16.00%
President/Chancellor (additional employer contribution)	less than 3	0.00%	0.00%	0.00%
	3 to less than 6	0.00%	4.00%	4.00%
	6 yrs and over	0.00%	8.00%	8.00%

Plan contributions are made on a tax-deferred basis in accordance with section 414(h)(2) of the Internal Revenue Code. All contributions are applied as premiums to retirement annuity contracts owned by the participant. The State has no further liability once annual contributions are made. The State contributed \$44.2 million to TIAA-CREF during the fiscal year ending June 30, 2017.

## NOTE 7 - POST-RETIREMENT & TERMINATION BENEFITS

### RETIREE HEALTH INSURANCE CREDIT FUND

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

Employee membership is as follows:

Retirees receiving benefit	11,232
Active participants	<u>23,497</u>
Total Membership	<u><u>34,729</u></u>

# STATE OF NORTH DAKOTA

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The employer contribution for the Public Employees Retirement System, the Highway Patrolmen's Retirement System, and the Defined Contribution Retirement Plan is set by state statute on an actuarially determined basis at 1.14 percent of covered compensation. The employer contribution for employees of the State Board of Career and Technical Education is 2.99 percent of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14 percent of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the pension trust funds.

Retiree health benefits and death and disability benefits are set by state statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the Public Employees Retirement System, the Highway Patrolmen's Retirement System, or the Defined Contribution Retirement Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving the surviving spouse benefit of if the member selected a joint and survivor option are eligible to receive credit toward their monthly health insurance premium under the state health plan. Effective July 1, 2015, the credit will also be available to apply towards monthly premiums under the state dental, vision and long term care plan and any other health insurance plan. The benefits are equal to \$5.00 for each of the employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health benefit is also available for early retirement with reduced benefits.

## Net OPEB Liability of the Plan

The components of the net OPEB liability of the plan at June 30, 2017 is as follows (expressed in thousands):

	<u>RHIC</u>
Total OPEB liability	\$ 196,695
Plan fiduciary net position	<u>(117,594)</u>
Net pension liability (asset)	<u>\$ 79,101</u>
RHIC fiduciary net position as a percentage of the total OPEB liability	59.78%

## Actuarial Assumptions

**RHIC Inflation:** 2.50%

**Salary Increase (Payroll Growth):** Not applicable.

**Investment Rate of Return:** 7.05%, net of investments expense, including inflation.

**Mortality Rates:** Mortality rates for active members, inactive members and healthy retirees were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table set back one year for males (not setback for females), multiplied by 125%.

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

## Investment Rate of Return

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of RHIC investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the pension plan's target asset allocation is summarized in the following table:

# STATE OF NORTH DAKOTA

RHIC	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	5.80%
Small Cap Domestic Equities	7.05%
International equities	6.20%
Core-Plus Fixed Income	1.56%

## Discount Rate

The discount rate used to measure the total OPEB liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2017 HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

## Sensitivity of Net OPEB Liability (Asset)

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

Net OPEB Liability (Asset) As of June 30, 2017	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
RHIC	\$ 99,024,934	\$ 79,101,080	\$ 62,022,814

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

## IMPLICITY SUBSIDY UNFUNDED PLAN

The Implicit Subsidy Unfunded Plan provides health insurance coverage to eligible retirees who are not eligible for Medicare. The premiums for this coverage are set under North Dakota Century Code 54-52.1-02 as a percent of the active member single and family plan rates and are paid by the retiree. The premiums for this coverage are not age-rated. Currently, the premiums for this group do not cover the costs of the coverage; therefore, the costs of this group are being subsidized through the active group rates. This subsidy is not funded in advance and there is no guarantee that the subsidy for the 2015-17 biennium will continue in the future.

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

## Funded Status and Funding Progress

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

Schedule Of Funding Progress (Dollars In Millions)						
Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Value Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Annual Covered Payroll
June 30, 2015	\$ -	\$ 7.0	\$ 7.0	0.00%	\$ -	0.0%

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

# STATE OF NORTH DAKOTA

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

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

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

**Interest Rate:** 8% per annum, net of investment expense

**Inflation:** 3.5% per annum

**Expenses:** Prior year expense, adjusted for inflation

## 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 July 1, 2016. The actuary determined the obligation the agency has to record as of June 30, 2017 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, 2017, the date of the latest actuarial valuation:

	<u>Retiree Health Benefits Fund</u>	<u>Met Life Insurance Benefit</u>
Retirees and beneficiaries currently receiving benefits	200	180
Terminated employees entitled to benefits but not yet receiving them	1	-
Current vested employees	9	18
Total	<u>210</u>	<u>198</u>

The funding policy of the plans thru June 30, 2017 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	July 1, 2016
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

## STATE OF NORTH DAKOTA

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

	Retiree Health Benefits Fund	Insurance Benefit	Total
Annual required contributions	\$ 371,578	\$ 84,698	\$ 456,276
Interest on OPEB obligation	30,031	20,122	50,153
Adjustment to annual required contributions	(60,787)	(40,731)	(101,518)
Annual OPEB costs	340,822	64,089	404,911
Contributions made	278,576	49,038	327,614
Increase in net OPEB obligation	62,246	15,051	77,297
Net OPEB obligations, beginning of year	703,301	454,246	1,157,547
Net OPEB obligations, end of year	\$ 765,547	\$ 469,297	\$ 1,234,844

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
2015	\$ 360,521	\$ 110,585	\$ 260,155	\$ 52,019	\$ 158,932	66.3%
2016	355,372	66,019	279,187	51,061	91,143	78.4%
2017	340,822	64,089	278,576	49,038	77,297	80.9%

Funded Status and Funding Progress – As of June 30, 2017, the most recent actuarial valuation date, the plans were unfunded. The actuarial liability for benefits was \$4,997,422, and the actuarial value of assets was \$0.00 resulting in an unfunded actuarial accrued liability (UAAL) of \$4,997,422. The covered payroll (annual payroll of active employees covered by the plans) was \$1,144,260 and the ratio of the UAAL to the covered payroll was 436.74 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 are subject to continual revision as actual results are compared with past expectations and new estimates are 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.

### TERMINATION BENEFITS

Termination benefits are benefits provided to employees who are involuntarily or voluntarily terminated, as a result of budget reductions. Termination benefits agreements may include contract buyouts, retirement incentives, severance lump-sum payouts and continuing healthcare coverage for a designated period of time or a combination of these benefits. The agreement terms vary by agency. The outstanding liability is measured at the discounted present value and projected increases in health insurance rates.

The State entered into voluntary termination agreements with 338 employees for a cost of \$9.3 million in fiscal year 2017. The time-period for payments of benefits range from one month to two years. The State recorded a liability as of June 30, 2017 of \$7.1 million for future payments.

# STATE OF NORTH DAKOTA

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## NOTE 8 - DEFERRED COMPENSATION PLAN

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees, permits them to defer a portion of their current salary until future years. Each participant may defer the lesser of \$18,000 or 100% of gross annual compensation for calendar year 2017. 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	\$	87,905	90%
Other Jurisdictions		<u>10,238</u>	<u>10%</u>
Total Value	\$	<u>98,143</u>	<u>100%</u>

The deferred compensation plan had 12,581 participants as of June 30, 2017.

## NOTE 9 - PERS UNIFORM GROUP INSURANCE PROGRAM

The PERS Uniform Group Insurance Program, an enterprise fund, contracts with Sanford Health Plan to provide health care insurance to the employees of the State of North Dakota, or any of its political subdivision, institutions, departments or agencies. The contract for the 2015-2017 biennium provides for an accounting of premiums paid and claims incurred during the biennium. The final gain or loss is determined two years after the end of the biennium, which for the 2015-2017 biennium will occur 2019. The System entered into a similar contract with Sanford Health Plan for the 2017-2019 biennium, however, in the event of a loss, the system does not have any risk. No other insurance contracts have a gain sharing provision.

## NOTE 10 - SEGMENT INFORMATION

North Dakota Housing Finance Agency maintains two separate funds which account for general agency operations and provide loans to finance construction of rental residential housing and single-family ownership. The two funds are accounted for in a single fund, but investors in home ownership bonds rely solely on the revenue generated by the mortgage loans and assets acquired for repayment. Segment information for the year ended June 30, 2017, was as follows (expressed in thousands):

	<u>Home-Ownership Bond Funds</u>
<b>Condensed Statement of Net Position</b>	
Current assets – other	\$ 155,409
Noncurrent assets – other	818,051
Total Assets	<u>973,460</u>
Deferred outflow of resources	3,777
Current liabilities – other	51,792
Noncurrent liabilities – other	762,396
Total Liabilities	<u>814,188</u>
Net position – restricted	163,049
Total Net Position	<u>\$ 163,049</u>

# STATE OF NORTH DAKOTA

## Condensed Statement of Revenues, Expenses and Change in Fund Net Position

Operating revenues	\$	33,983
Operating expenses		(24,013)
Operating income		<u>9,970</u>
Change in net position		
Total net position, beginning of year		153,199
Equity transfer out		(120)
Total net position, end of year	\$	<u><u>163,049</u></u>

## Condensed Statement of Cash Flows

Net cash used by operating activities	\$	(65,391)
Net cash used for noncapital financing activities		(31,255)
Net cash from investing activities		<u>4,802</u>
Net change in cash and cash equivalents		<u>(91,844)</u>
Cash and cash equivalents, beginning of year		<u>202,213</u>
Cash and cash equivalents, end of year	\$	<u><u>110,369</u></u>

## NOTE 11 - MAJOR COMPONENT UNIT TRANSACTIONS

### BISMARCK STATE COLLEGE AND BISMARCK STATE COLLEGE FOUNDATION

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

On October 19, 2007, BSC and BSC Foundation entered into a 25-year lease agreement to facilitate the construction of the National Energy Center of Excellence building. Under the agreement, BSC is responsible for payment of all rent, maintenance, and repair of the facility, maintenance of all insurance required under the lease, and restrictions of use of the facility as set forth in the lease. The amount of the rent is tied to the \$5.0 million debt service retirement. Upon payment of all the bonds, BSC will have the option to purchase the premises for \$100.

The audited financial statements of BSC Foundation for fiscal year 2017 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.

	BSC	BSC Foundation
NECE Building	\$ 9,548,989	\$ 10,846,116
Accumulated Depreciation	<u>(1,818,024)</u>	<u>(2,363,808)</u>
Net Value of NECE Building	<u><u>\$ 7,730,965</u></u>	<u><u>\$ 8,482,308</u></u>

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

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

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

### DICKINSON STATE UNIVERSITY AND DICKINSON STATE UNIVERSITY FOUNDATION

**Arbitration** - The Dickinson State University Foundation (DSUF) has ownership interest and/or management responsibilities in various real estate projects by way of its membership in Dickinson Investments, LLC (Dickinson Investments) and other entities. DSUF is involved in a dispute with another member of Dickinson Investments, Granville Brinkman and other Brinkman entities (Respondent). An arbitration claim was filed on December 26, 2013. On September 30, 2014, the arbitrator awarded the Respondent a buy-out of their equity interest in the amount of \$1.260 million. The Respondent was also awarded repayment of a note, prejudgment interest and attorneys' fees and costs. DSUF and Dickinson Investments are jointly and severally liable for the buyout amount.

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

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

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

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

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

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

The receiver filed interim reports on a regular basis through September 2016. In the seventh interim report, dated August 31, 2015, the receiver recommended that DSUF be dissolved. This recommendation is based on an inability to negotiate a mutually acceptable settlement of the outstanding Brinkman judgment against DSUF. The report indicates that dissolution should foremost prioritize DSUF obligations to honor restrictions placed on DSUF assets by donors, then address claims made by creditors, employees, and other interested parties. However, DSUF accounting reports indicate that the foundation has total net restricted assets in an amount less than total permanently and temporarily restricted donations.

The Office of Attorney General requested the commencement of dissolution for DSUF. On August 30, 2017, Stark County District Court Judge William Herauf issued an Order that, in part, approved a settlement reached between the Attorney General and the DSUF's major creditors. The Order also resolved all claims against the DSUF, allowing for the distribution of assets and final closure of the issues surrounding the DSUF. At this time, it is anticipated the dissolution of the DSUF will be completed sometime in late 2017.

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

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

### **Financial Audit:**

In fiscal year 2013, The DSUF's independent auditors issued a qualified opinion on the DSUF financial statements because they were unable to form an opinion regarding the proper amount and classification of unrestricted and temporarily restricted net assets. In fiscal year 2014, the DSUF's independent auditors were unable to issue an audit opinion on the DSUF financial statements as a result of the aforementioned arbitration and the overall condition of the DSUF financial records. An audit was not performed for fiscal year 2015 and fiscal year 2016. Therefore, the consolidated Statement of Financial Position, as of June 30, 2016, presented on the following page is unaudited.

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

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

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

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

On November 1, 2000, NDSU Research and Technology Park, Inc. (RTP) entered into a \$6.5 million lease agreement with the City of Fargo to finance the construction of laboratory and research facilities and all equipment and furnishings located on property owned by the city. The agreement assigned to NDSU all of RTP's obligations under the lease, including but not limited to the payment of all rent, maintenance, and repair of the facility, maintenance of all insurance required under the lease, and restrictions of use of the facility set forth in the lease. Upon payment of all the bonds, title to the facility will revert to RTP. On August 1, 2002, essentially the same legal and financial structure used to construct Research Building #1 was used to construct a second Research Building. The second lease agreement was for \$20.5 million.

On January 25, 2007, the city of Fargo, on behalf of the NDSU Research & Technology Park, issued \$4,735 million of Series 2007A (Research 1) and \$18,1 million of Series 2007B (Research 2) Lease Revenue Refunding Bonds. These bonds are used to advance refund the callable maturities of both the Series 2000 (Research 1) and Series 2002 (Research 2) bonds and to pay the costs of issuance (including the insurance premium for the insurance policy and the reserve fund surety bond) relating to bonds for both Series 2007A and 0072B bonds. During the year ended June 30, 2011, the Series 2000 bonds were repaid in full with the funds held in escrow from the Series 2007A bond refinancing. During the fiscal year ended June 30, 2012, the Series 2002 bonds were repaid in full with the funds held in escrow from the Series 2007A bond refinancing.

On July 27, 2017, the RTP issued \$18.790 million of Series 2016 Taxable Lease Revenue Refunding Bonds. These bonds are used to advance refund the callable maturities of the Series 2007A and Series 2007B bonds and pay the related costs of issuance. During the year end June 30, 2017, both the Series 2007A and 2007B bonds were repaid in full from the funds held in escrow from the Series 2016 bond refinancing. The audited financial statements of RTP for fiscal year 2017 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 2017, NDSU and the RTP entered into renewed agreements, whereby NDSU leases the Research Buildings #1 and #2 through June 30, 2022. During fiscal year 2017, total annual rent of \$312,000 was paid by NDSU for these two buildings, in addition to the \$1,806,231 of principal and interest paid by NDSU directly to the bond trustee.

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NDSU reimbursed the RTP \$41,882 for property insurance on the two buildings and directly pays the utility costs under these agreements. The annual rent will be re-adjusted by mutual agreement every two years. These agreements are subject to funding and legislative appropriations.

### **NORTH DAKOTA STATE UNIVERSITY AND NDSU DEVELOPMENT FOUNDATION - FARGODOME LEASE AND IMPROVEMENTS**

In fiscal year 2006, the NDSU Development Foundation (NDSUDF) financed the construction and equipping of office space, locker rooms, meetings rooms, and related facilities in the Fargodome for use by NDSU through the sale of revenue bonds issued by Cass County. The NDSUDF 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 NDSUDF 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 NDSUDF incident to the lease, less any contributions received by the NDSUDF for the project. Under this agreement in fiscal year 2017, the NDSUDF paid the debt service and other fees on behalf of NDSU in the amount of \$331,996.

The facility is included in long-term investments and the debt is included in long-term liabilities on the financial reports of the NDSUDF. NDSU has also recorded a capital asset and a capital lease payable, reflected as "Due to Component Units" by NDSU, of \$1.025 million as of June 30, 2017. Since the NDSUDF 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 NDSUDF by NDSU alum in December of 2001. During fiscal year 2003 and 2004, the NDSUDF renovated the building with the intent to lease the facility to NDSU beginning fall 2004. The NDSUDF transferred nearly the entire ownership of the building to 650 NP Avenue, LLC and Kilbourne Design Group, LLC, for a five-year period in order to achieve tax credits that would ultimately reduce the cost of the building to NDSU. During the five-year tax credit period, NDSU leased the building from the two LLCs, with the lease payments composed of interest and fees. With the five-year tax credit period ending December 31, 2010 (as extended), and the ownership was transferred back to the NDSUDF, permanent financing was put in place on December 17, 2010, with the issuance of \$5.65 million of 20-year University Facilities Lease Revenue Bonds, Series 2010 (Renaissance Hall Project). The financing structure involving the five-year temporary ownership transfer resulted in achieving tax credits of \$4.9 million which directly lowered the leasing cost to NDSU.

Under this refinanced debt issuance and lease agreement, as approved by the SBHE on December 16, 2010, the property is leased to NDSU for rent equal to the semi-annual principal and interest on the bonds, plus all costs incurred by the NDSUDF incident to ownership of the property. Ownership of the property will transfer to NDSU when the bonds are repaid in full. NDSU paid the NDSUDF \$414,360 in fiscal year 2017 for debt service under this agreement. As of June 30, 2017 the outstanding balance on the bonds, reflected as "Due to Component Units" by NDSU, is \$4.330 million.

### **BARRY HALL BUSINESS BUILDING AND KLAH HALL ARCHITECTURE BUILDING**

Effective November 28, 2007, NDSU and the NDSU Development Foundation entered into a lease agreements for two buildings in downtown Fargo, formerly known as the "Pioneer Mutual Building" and "Lincoln Mutual Building". The Foundation financed the construction of the Barry Hall business building and Klai Hall architecture building projects through the sale of \$18.52 million of 20-year University Facilities Revenue Bonds issue by the City of Fargo, North Dakota. The City has loaned the bond proceeds to the Foundation for payments equal to the sum of the semi-annual interest payments and installments of varying principal amounts on the variable rate bonds and the semi-annual principal and interest payment on the fixed-rate bonds. The principal payments on the variable rate bonds will be funded from payments on donor pledges restricted for the project. Under the terms of the loan, the Foundation is responsible for the real estate taxes, insurance, repairs and maintenance, and other costs incident to ownership of the property. The property is included with property in the financial statements and the bonds have been recorded as a direct obligation of the Foundation. Ownership of the property will transfer to NDSU when the bonds are repaid in full. The bonds are guaranteed by the Foundation. This property is leased to NDSU for rental equal to the sum of the semi-annual interest only payments on the variable term bonds plus the semi-annual principal and interest payments on the fixed-rate bonds for the term of the bonds, plus all the costs incurred by the Foundation incident to ownership of the property.

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In May 2012, the NDSUFAA refinanced the original bonds issued in November 2007. As a result, new leases were executed. Under the terms of the new leases, NDSU pays and recognizes a liability for entire amount of the previously issued bonds, including the portion originally planned to be paid from the collections of pledges. During fiscal year 2017, NDSU paid \$625,185 to the bond trustee on-behalf of the NDSUFAA under the new leases for debt service on Barry Hall & Klai Hall. During fiscal year 2017, the NDSUFAA paid \$236,448 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, 2017 the outstanding balance on the bonds, reflected as "Due to Component Units" by NDSU, is \$9.600 million and the portion payable by the NDSUFAA to NDSU for the collection of pledges is recognized by NDSU as a current & non-current "Due from Component Units" for \$62,637.

### OTHER TRANSACTIONS

NDSU also has agreements in place with the NDSUFAA for maintenance of the University's alumni records, for use and insurance on certain land and building. Amounts paid by NDSU under these agreements as of June 30, 2017 totaled \$646,766.

NDSU pays the NDSUFAA rent under operating lease agreements for two buildings (Criminal Justice and Graduate Center), as well as pasture rent paid from NDSU's Agricultural Experiment Station. Those operating lease payments totaled \$139,108 during fiscal year 2017.

In addition to the debt service payments on the Fargodome, Renaissance, Barry and Klai Halls, NDSU reimburses the NDSUFAA for other operating expenses related to those buildings, such as property insurance, flood insurance, boiler inspection fees, real estate taxes and bond administrative fees. Those costs totaled \$94,957 during fiscal year 2017.

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

### UNIVERSITY OF NORTH DAKOTA AND UND AEROSPACE FOUNDATION

The UND Aerospace Foundation (Aerospace) recorded expenses reimbursed to UND for salaries, building rent, aircraft rental, and goods and services under an operating agreement aggregating \$15.3 million in fiscal year 2017. This operating agreement has no specific term and is intended to memorialize various operating agreements, rate structures, duties, and obligations each party has to the other. Expenses reimbursed to UND represent actual costs incurred and are included in training expenses in the consolidated statements of activities.

The Foundation recorded revenue for service and hangar, CRJ, 360-degree tower, and aircraft rental to UND of \$4.3 million in fiscal year 2017, which is included in training and support services revenue in the consolidated statements of activities.

As of June 30, 2017, the Foundation had recorded accounts payable to UND of \$2.3 million for reimbursable costs and services. As of June 30, 2017, the Foundation had recorded accounts receivable from UND of \$616,251, which are included in accounts receivable in the consolidated statements of financial position.

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

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

### UNIVERSITY OF NORTH DAKOTA AND RE ARENA, INC.

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

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RE Arena, Inc. may contract with UND for materials and personnel in service, utility and other areas and will reimburse UND based on separate agreements. Revenue and expense arrangements for all other UND events held at the arena will be negotiated on an event-by-event basis.

In fiscal year 2017, gross tickets sales were \$4.6 million of which RE Arena, Inc. recognized revenue of \$2.4 million with a net due to UND \$2.2 million. Gross ticket sales for the next athletic season year are recorded in deferred revenue at gross by RE Arena, Inc. for a total of \$2.7 million.

RE Arena, Inc. recognized net sponsorship (advertising) revenue of \$769,000 and the net due UND in sponsorship (advertising) income of \$432,000.

RE Arena, Inc. recognizes box office revenue on a cost reimbursement basis, for ticket facility fees, credit card fees and payment plan fees and expenses. The total cost that the UND Athletic Department reimbursed RE Arena, Inc. for managing and administering the box office on their behalf was \$247,000.

In addition, RE Arena, Inc. allocated \$750,000 of net income to the UND Athletic Department for the year ended May 31, 2017.

RE Arena, Inc. expensed \$1.1 million to UND for utilities, maintenance staff, phone service and other expenses.

At the end of the fiscal year RE Arena, Inc. owes UND \$813,000 for the annual operating agreement and monthly services. UND owes RE Arena, Inc. \$55,000 for box office income for the same period.

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

### UNIVERSITY OF NORTH DAKOTA AND UNIVERSITY OF NORTH DAKOTA FOUNDATION

The University of North Dakota is providing payment for leasehold improvements done to the lower level of the Gorecki Alumni Center for establishing space for UND Admissions. The payments are \$169,472 for a period of five years and ended fiscal year 2017. UND is also leasing space in the Gorecki Alumni Center in the amount of \$75,000. Additional rental payments consisting of UND's share of the operating and maintenance costs for space used in the Gorecki Alumni Center are calculated annually.

During the year ended June 30, 2017, UND provided approximately \$1.1 million of institutional support for event and database support, annual giving campaign and shared positions. The UND Alumni Association and Foundation (the Organization) manages UND's endowment investments and charged them \$400,000 in investment management fees during the year ended June 30, 2017. These fees and support are reported as operations, fees and miscellaneous revenue on the statement of activities.

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

The Organization is leasing 45,000 square feet of land for the Gorecki Alumni Center from UND. Starting in 2016, the rate is \$0.10 per square foot, per year. The cost in FY2017 was \$4,500.

On July 24, 2002, the Foundation issued \$8,595,000 of tax exempt bonds to finance the construction of an office building and the renovation of an existing building for the Energy and Environmental Research Center (EERC) of UND. The Organization recorded a receivable from UND of \$8.6 million due under the direct-financing lease arrangement. The EERC bonds were refinanced as taxable bonds on October 18, 2012. The balance as of June 30, 2017 was \$4.6 million. The terms for the repayment are the same as the payment terms of the related bonds. Total payment of principal and interest subsequent to June 30, 2017 are: 2018 - \$562,000; 2019 - \$562,000; 2020 - \$561,000; 2021 - \$562,000; 2022 - \$558,000, thereafter - \$2.8 million. During fiscal year ended June 30, 2017, the Organization recorded payment of principal and interest of \$385,000 and \$175,209, respectively. The interest is included in operations, fees and miscellaneous income on the statement of activities.

On October 24, 2003, the Foundation issued \$4.4 million of tax-exempt lease revenue bonds to finance the purchase of land and the construction of a facility for the Minot Center for Family Practice in Minot, North Dakota. The Organization recorded a receivable from UND of \$4.4 million due under the direct-financing lease agreement. The balance as of June 30, 2017 is \$2.3 million. The terms for the repayment are the same as the payment terms of the related bonds. Total payment of principal and interest due are: 2018 - \$2.4 million. During fiscal year ended June 30, 2017, the Organization

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received payment of principal and interest of \$170,000 and \$102,000, respectively. The interest income is included in operations, fees and miscellaneous income on the statement of activities.

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

For the year ended June 30, 2017, NDSCS paid the Foundation \$174,000 for the rental of the Skills & Technology Training Center building and \$10,953 for parking lots.

In exchange for services provided by NDSCSF to NDSCS, NDSCSF receives office space and accounting services at no charge from NDSCS. The approximate fair market value for rent is \$5,670 and for accounting services is \$7,677. In addition, The North Dakota State College of Science pays 25% of salary and benefits for the Foundation's employees annually. The approximate fair market value is \$106,802. No amounts for these services have been recognized in the statements of activity.

### WILLISTON STATE COLLEGE AND WILLISTON STATE COLLEGE FOUNDATION

Effective September 1, 2011, the Williston State College Foundation (WSCF) loaned WSC \$500,000 for the purchase of a geothermal system for the residence hall. Semiannual principal and interest payments of \$30,000 are due January 1 and July 1, with a final payment of \$20,036 due July 1, 2022. The loan bears an interest rate of 5%. As of June 30, 2017, the loan balance of \$266,707 of which \$52,389 is a current asset. The loan bears an interest rate of 3%.

On November 1, 2013, WSCF entered into a lease agreement with WSC. WSCF is leasing a passenger motor coach to WSC. The value of the bus was \$375,000. Quarterly lease payments of \$15,000 are being made by WSC for a seven-year lease term. The lease expires on October 31, 2020. Total payments on the lease as of June 2017 was \$60,000. At June 30, 2017, the lease had a balance of \$184,446 of which \$54,775 is a current asset.

Individuals working on behalf of the WSCF and the North Dakota Department of Motor Vehicles (DMV) are employees of and paid by WSC. WSCF reimburses WSC for the time WSC employees spend on Foundation and DMV matters. WSCF records these amounts as expenses. The amount reimbursed for the years ending June 30, 2017 was \$878,869.

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

### BANK OF NORTH DAKOTA

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

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

	Contract Amount (in thousands)
Commitments to extend credit	\$ 1,001,295
Financial standby letters of credit	345,919
	<u>\$ 1,347,214</u>

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

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

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customers. The Bank has segmented this category into three components: (1) letters of credit, (2) confirming letters of credit, and (3) letters of credit pledged for public deposits to North Dakota financial institutions.

Letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party which require this type of facility. The maturities for these letters range from three months to ten years, and the likelihood of funding any of these letters of credit is considered to be remote. The Bank holds collateral supporting those commitments. The Bank also has letters of credit with the North Dakota Public Finance Authority with maturities ranging from four to thirty years. If the letters issued to Public Finance Authority were ever drawn upon, Public Finance Authority is legally obligated to reimburse the Bank from funds legally available, or from any appropriation made available to the Legislative Assembly after certification by the Industrial Commission. The likelihood of funding any of these letters of credit is also considered to be remote. Outstanding issued letters of credit as of December 31, 2016 were \$88,914,000.

Confirming letters of credit are issued to North Dakota financial institutions to support letters of credit they have issued but are still in need of backing from an institution with a long-term, high quality bond rating. In the event these letters were to be drawn upon, based on the terms of the agreement, the Bank would immediately withdraw funds from the institution's correspondent bank account held at the Bank to cover the amount drawn. These agreements generally have terms of 12 months or less. The likelihood of funding any of these confirming letters of credit is also considered to be remote. Outstanding issued confirming letters of credit as of December 31, 2016 were \$6,795,000.

Letters of credit pledged for public deposit to North Dakota financial institutions are issued to support public borrowing arrangements. These letters are fully collateralized by a pool of loans pledged to the Bank. These agreement generally have terms of 12 months or less. Financial standby letters for public deposits by North Dakota banks totaled \$250,210,000 at December 31, 2016. The likelihood of funding any of these letters of credit is also considered to be remote. These letters of credit are authorized form of collateral for public deposits per North Dakota Century Code 21-04-09.

### COMMUNITY WATER FACILITY LOAN FUND

In the normal course of business, the Loan Fund makes various commitments that are not reflected in the financial statements. These commitments include commitments to extend credit of \$1,575,000 at December 31, 2016.

### INFRASTRUCTURE REVOLVNG LOAN PROGRAM

In the normal course of business, the Loan Fund makes various commitments that are not reflected in the financial statements. These commitments include commitments to extend credit of \$45,465,000 at June 30, 2017.

### 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 \$72,586,000 at June 30, 2017.

The bond resolutions require that the funds in the loan acquisition accounts be expended within 42 months of the related bond delivery date. Any remaining funds must be used for debt reduction. The loan acquisition funds totaled \$16,459,000 at June 30, 2017.

### 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 \$101,279,000 at December 31, 2016.

## **NOTE 13 - INTEREST RATE SWAP**

### BANK OF NORTH DAKOTA

The Bank has an outstanding interest rate swap agreement with a notional amount totaling \$150 million to convert variable rate federal funds into fixed-rate instruments over the term of the contract.

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

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

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

At December 31, 2016, the June Swap has a negative fair value of \$4,656,000 because interest rates have declined since the swap was executed. Also at December 31, 2016, the April Swap has a positive fair value of \$827,000 because interest rates have increased since the swap was executed. Lastly, at December 31, 2016, the August Swap had a positive fair value of \$5,637,000 because interest rates have increased since the swap was executed. Fair values for interest rate swap agreements are based upon the settlement value adjusted by estimated nonperformance risk.

At December 31, 2016, the Bank was not exposed to material credit risk because each counterparty is required to fully collateralize the fair value of the swaps within \$250,000 of daily mark-to-market valuations by depositing funds with the other counterparty. Amongst all swap counterparties for the transactions noted above, the bank holds a net \$2,890,000 in cash pledged under collateral arrangements related to the interest swaps at December 31, 2016, to satisfy collateral requirements. The Bank is exposed to interest rate risk on its swap agreements. On its pay-fixed, receive variable interest rate swap, the Bank’s net payment increases as the USD-FEDERAL FUNDS-H.15 and USD-1 MONTH-LIBOR-BBA interest rate decreases.

Either the Bank or its counterparties may terminate the interest rate swap if the other party fails to perform under the terms of the contract. Termination could result in the Bank being required to make a payment of the fair value of the swap to counterparty.

The following table summarizes the derivative financial instrument utilized at December 31, 2016:

	Notional Amount	Fair Value		Changes in Fair Value	
		Classification	Amount	Classification	Amount
Pay-fixed June interest rate swap	\$ 50,000,000	Other liabilities	\$ (4,656,000)	Deferred outflow	\$ 408,000
Pay-fixed April interest rate swap	50,000,000	Other assets	827,000	Deferred inflow	(36,000)
Pay-fixed August interest rate swap	50,000,000	Other assets	5,637,000	Deferred inflow	5,637,000

Using rates as of December 31, 2016, the interest expense of the variable rate federal funds, variable rate 1 month LIBOR and the net swap payments are as follows. As rates vary, the federal fund and 1 month LIBOR interest expense and the net swap payments will vary.

Year Ended December 31:	Pay Fixed	Receive Variable		Interest Rate Swap, net
	Contract Interest	Federal Fund Interest	1-Month LIBOR Interest	
2017	\$ 3,132,000	\$ 540,000	\$ 308,000	\$ 2,284,000
2018	3,132,000	540,000	308,000	2,284,000
2019	3,132,000	540,000	308,000	2,284,000
2020	3,132,000	540,000	308,000	2,284,000
2021	3,132,000	540,000	308,000	2,284,000
2022-2026	15,665,000	2,700,000	1,540,000	11,425,000
2027-2030	10,121,000	1,553,000	1,437,000	7,131,000
	<u>\$ 41,446,000</u>	<u>\$ 6,953,000</u>	<u>\$ 4,517,000</u>	<u>\$ 29,976,000</u>

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## 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, 2017, the Agency had one swap that had a positive fair value totaling \$0.94 million. Of the swaps with negative fair value, the Agency is not exposed to credit risk. However, the swap exposes the Agency to basis risk should the relationship between LIBOR and TBMA converge, changing the synthetic rate on bonds. The swap counterparty has guaranteed all payments and is rated AAa/AA+/AAA by Moody's Investor Services, Standard & Poor's, and Fitch, respectively. To mitigate potential credit risk, the counterparty has entered into Credit Support Agreements with Bank of New York Mellon 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, 2017, the Agency owed the swap providers a fixed rate on the notional amount of the swaps of \$2,048,000 and the swap providers owed the Agency a variable rate on the notional amounts of \$204,000 making the net payment that the Agency owed the swap providers \$1,844,000.

Due to the difference in the variable rate indices, the swaps had a net negative fair value of \$3,777,000 as of June 30, 2017. 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, 2017. 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, 2017. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized.

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

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

## STATE OF NORTH DAKOTA

1. Bond Series	2008 B	2008 D	2014 B	2015 C
2. Issuance Date	2/26/2008	8/5/2008	6/24/2014	10/1/2015
3. Maturity Date	7/1/2038	7/1/2039	7/1/2044	1/1/2046
4. Notional Amount	\$6,655,000	\$21,850,000	\$27,055,000	\$17,700,000
5. Variable-rate Bonds	\$6,655,000	\$21,850,000	\$27,055,000	\$17,700,000
6. Fixed Rate	4.725%	3.919%	2.890%	2.486%
7. LIBOR Percentage	100.00%	63.70%	65.80%	66.20%
8. Additional Percentage	0.00%	0.20%	0.17%	0.10%
9. Bonds Variable-rate	1.20000%	0.91000%	0.92000%	1.64000%
10. Fair Value	\$(550,000)	\$(686,000)	\$(1,318,000)	\$(334,000)
11. Percentage of LIBOR	0.00000%	20.00000%	0.17000%	10.00000%
12. Synthetic Rate	5.92500%	4.62900%	3.64000%	4.02600%
13. Actual Synthetic Rate	5.01728%	3.75186%	2.76455%	5.78957%
14. Change in Fair Value	\$(419,000)	\$(682,000)	\$(1,353,000)	\$(956,000)
15. Optional Termination Date	1/1/2020	1/1/2018	N/A	7/1/2020

1. Bond Series	2015 E	2015 F	2017 C
2. Issuance Date	5/1/2016	12/8/2015	4/1/2017
3. Maturity Date	7/1/1936	1/1/2047	7/1/2047
4. Notional Amount	\$25,000,000	\$24,475,000	\$20,545,000
5. Variable-rate Bonds	\$25,000,000	\$24,475,000	\$20,545,000
6. Fixed Rate	2.257%	2.320%	2.783%
7. LIBOR Percentage	66.40%	100.00%	100.00%
8. Additional Percentage	0.22%	0.00%	0.00%
9. Bonds Variable-rate	N/A	1.20000%	1.20000%
10. Fair Value	\$(488,000)	\$94,000	\$(495,000)
11. Percentage of LIBOR	0.22000%	0.00000%	1.20000%
12. Synthetic Rate	2.03700%	3.52000%	2.78250%
13. Actual Synthetic Rate	N/A	2.37827%	2.76883%
14. Change in Fair Value	\$(818,000)	\$(1,762,000)	\$(495,000)
15. Optional Termination Date	7/1/2020	1/1/2025	7/1/2027

Using rates as of June 30, 2017, 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, 2017. 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		
2018	\$ 2,030	\$ 1,340	\$ 3,640	\$ 7,010
2019	2,545	1,311	3,568	7,424
2020	2,545	1,280	3,494	7,319
2021	2,335	1,252	3,426	7,013
2022	2,130	1,225	3,364	6,719
2023-2027	15,520	5,719	15,915	37,154
2028-2032	24,520	4,896	13,513	42,929
2033-2037	38,440	3,975	10,112	52,527
2038-2042	37,330	1,811	3,890	43,031
2043-2047	15,775	291	525	16,591
2048-2052	110	-	-	110
	<u>\$ 143,280</u>	<u>\$ 23,100</u>	<u>\$ 61,447</u>	<u>\$ 227,827</u>

# **STATE OF NORTH DAKOTA**

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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, loans to medical facilities for health care construction, loans to students for post-secondary education, loans to owners of homes damaged in the 2011 floods in Barnes, Benson, Burleigh, McHenry, Morton, Ramsey, Renville, Richland and Ward counties, loans to political subdivisions in the state for infrastructure, single-family and multifamily mortgage loans, and the agricultural industry. Due to the pervasive nature of agriculture in the economy of the state, all loans, regardless of type, are impacted by agriculture.

## **NOTE 15 – RISK MANAGEMENT**

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

### **THE STATE FIRE AND TORNADO FUND**

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

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

### **STATE BONDING FUND**

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

### **FLEET SERVICES**

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

### **WORKFORCE SAFETY & INSURANCE**

Workforce Safety & Insurance (WSI), an Enterprise Fund, is a State insurance fund and a "no fault" insurance system, covering the State's employers and employees. WSI is financed by premiums assessed to employers. The rate of such premiums is periodically adjusted to assure the solvency of WSI. The premiums are available primarily for the payment of claims to employees injured in the course of employment. During fiscal year 2017, a total of \$146,856,183 in claims was recognized. The liability of \$1,085,768,000 is the present value of the unpaid claim liability discounted at 5% as determined by the actuarial.

### **RISK MANAGEMENT FUND**

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

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

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

## STATE OF NORTH DAKOTA

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claims liabilities are affected by complex factors including inflation, changes in legal doctrines, and unanticipated damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities will be re-evaluated periodically to take in consideration settled claims, the frequency of claims, and other economic and social factors.

The following table presents the changes in claims liabilities balance for the fiscal years ending June 30, 2016, and June 30, 2017:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims and Changes In Estimates</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2016	\$ 1,780,781	\$ 3,515,885	\$ 578,150	\$ 4,718,516
2017	4,718,516	635,471	1,277,002	4,076,985

The Risk Management Workers Compensation Program (WCP) was established to consolidate all state entities under one workers compensation account, allowing for transitional duty between entities. The statutory liability of the fund is limited to \$100,000 per claim with Workforce Safety & Insurance, providing excess insurance for claims that exceed the \$100,000 cap. WCP pays separately for this coverage. Since the inception of WCP on July 1, 2001, thirty-three claims exceeded coverage by \$10,297,310.

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

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

The following table presents the changes in claims liabilities balance for the fiscal years ending June 30, 2016, and June 30, 2017:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2016	\$ 5,916,099	\$ 4,094,862	\$ 4,143,768	\$ 5,867,193
2017	5,867,193	3,435,135	3,943,544	5,358,784

### **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 1,164 policies to participating entities for a total building and content coverage of \$14 billion. The Bonding Fund is used to provide fidelity bonding of public employees and officials. The Fund has issued 2,244 policies to participating entities. The total coverage for the Bonding Fund is \$709.88 million. If the assets of these funds were exhausted, fund participants would not be responsible for the funds' liabilities.

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

## STATE OF NORTH DAKOTA

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The Fire and Tornado Fund uses reinsurance agreements to reduce its on covered losses in excess of \$1.0 million. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Fund as direct insurer of the risks that are reinsured. The Fire and Tornado Fund does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. There were no pending losses at June 30, 2017 that would reduce the fund's liability.

### WORKFORCE SAFETY & INSURANCE

Workforce Safety & Insurance (WSI), an Enterprise Fund, is a state insurance fund and a "no fault" insurance system covering the State's employers and employees. At June 30, 2017, coverage extended to the following employers:

<u>Annual Premium</u>	
\$250 - \$5,000	18,396
\$5,001 - \$50,000	4,963
\$50,001 - \$100,000	458
Over \$100,000	<u>425</u>
Total Employers	<u>24,242</u>

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

The operations of WSI are accounted for on the accrual basis. Liability for incurred loss and loss adjustment expense (LAE) is estimated by WSI's actuary. The estimate is developed by WSI's actuary, taking into consideration past experience of WSI in paying claims, and general conditions of the environment in which WSI operates. The liability is based on the estimated ultimate costs to settle both reported and incurred but not report (IBNR) losses and LAE, and includes the effects of inflation and other societal and economic factors. The actuarial computations also include a 5% discount to report this liability at its present value.

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

For the year ended June 30, 2017, the actuary presented an estimate in the form of a range to emphasize the uncertainty for a "long-tailed" liability insurer such as workers' compensation. These ranges are as follows (expressed in thousands):

	<u>Low</u>	<u>Central Value</u>	<u>High</u>
Full value basis, undiscounted	\$ 1,683,139	\$ 1,779,776	\$ 1,898,826
Present value basis, discounted at 5%	1,025,786	1,085,768	1,156,974

WSI has adjusted the estimated liability for unpaid loss and loss adjustment expense to the actuary's five percent discounted expected value of \$1,085,768,000 at June 30, 2017.

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

WSI has entered into a contract with an intermediary for reinsurance coverage for catastrophic coverage. WSI has four coverage levels, with retention limits of \$3 million, \$5 million, \$10 million and \$20 million. Terms, limits and pricing are re-evaluated annually. For the year ended June 30, 2017 WSI recorded ceded losses of \$21,867,182 and ceded premiums of \$5,913,894

# STATE OF NORTH DAKOTA

## 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	
	2017	2016	2017	2016	2017	2016
Unpaid claims and claims adjustment expenses at the beginning of the year	\$ 2,181	\$ 441	\$ 104	\$ 129	\$ 1,111,738	\$ 1,096,674
Incurred claims and claims adjustment expenses:						
Provision for current fiscal year	4,750	3,037	(20)	26	198,315	228,620
Change in provision for prior fiscal year	251	223	-	-	(87,819)	(28,384)
Payments and claims and adjustment expenses attributable to:						
Current fiscal year insured events	(3,805)	(889)	86	78	(39,799)	(40,871)
Prior fiscal years' insured events	(2,239)	(631)	(104)	(129)	(133,028)	(141,533)
Total Payments	(6,044)	(1,520)	(18)	(51)	(172,827)	(182,404)
Change in provision for discount	-	-	-	-	36,361	(2,768)
Total unpaid claims and claims adjustment expenses at the end of the year	\$ 1,138	\$ 2,181	\$ 66	\$ 104	\$ 1,085,768	\$ 1,111,738

## NOTE 17 – BANK OF NORTH DAKOTA

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

## NOTE 18 - COMMITMENTS AND CONTINGENCIES

### A. LONG-TERM COMMITMENTS

#### BANK OF NORTH DAKOTA

Under chapter 61-02.1-04 of North Dakota Century Code, principal and interest on State Water Commission bonds issued are payable from transfers to be made and appropriated by the legislative assembly from the water development trust fund as provided in section 61-02.1-05, then from transfers to be made and appropriated by the legislative assembly from revenues in the resources trust fund other than revenues from state taxes, then from appropriations of other available revenues in the then current biennium, and then from any other revenues the State Water Commission makes available during the then current biennium for that purpose, including any federal moneys received by the state for the construction of flood control or reduction projects to pay bonds issued for that project. If sufficient funds from these sources are not available, then from transfers to be made and appropriated by the legislative assembly from the first available current biennial earnings of the Bank of North Dakota not to exceed \$6,500,000 per biennium prorated with any other bonds payable from transfers to be made and appropriated by the legislative assembly from the available current biennial earnings of the Bank of North Dakota, to be credited by the trustee to the fund established for paying principal and interest on the bonds under a trust indenture. If the bank has to provide a transfer to the State Water Commission to make principal and interest payments on these bonds, the State Water Commission would then have to request from the next legislative assembly funding to repay the transfer made by the bank. As of December 31, 2016, the Bank has provided no such transfers.

## STATE OF NORTH DAKOTA

Chapter 6-09.7-09 provides that the Bank of North Dakota may guarantee the loan of money by banks, credit unions, lending institutions that are part of the farm credit system, and savings and loan associations in this state to eligible persons for the purchase of agricultural real estate or the restructuring of agricultural real estate loans, provided the transactions do not exceed a loan to value ratio of 80% and further provided that no single loan exceeds \$400,000. The Bank may have no more than \$8,000,000 in outstanding loan guarantees under this program. The Bank may guarantee up to 75% of the amount of principal due the lender. The guarantee term may not exceed 5 years. The Bank had no outstanding guarantees as of December 31, 2016. As of December 31, 2016, the Bank has guarantees outstanding totaling \$806,000. The Bank has not recorded a contingent liability related to the guarantee loan program as of December 31, 2016.

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, 2016, the Bank has guarantees outstanding totaling \$4,924,000 and had guarantee commitments outstanding of \$120,000 included in commitments to extend credit.

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

	Approved Maximum Transfer by the House / Senate	Amount Transferred as of December 31, 2016
Partnership in Assisting Community Expansion Fund	\$ 28,000,000	\$ 17,600,000
Agriculture Partnership in Assisting Community Expansion Fund	3,000,000	1,200,000
Biofuels Partnership in Assisting Community Expansion Fund	2,000,000	900,000
Beginning Revolving Loan Fund	7,900,000	4,500,000
Infrastructure Revolving Loan Fund	100,000,000	-
School Districts – interest rate buy-downs on construction loans	7,875,000	2,434,000
Office of Management and Budget	100,000,000	-

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

	Loan Limit	Outstanding Loan Balance as of December 31, 2016	Line of Credit Limit	Outstanding Line of Credit Balance as of December 31, 2016
State Historical Society	\$ 1,250,000	\$ -	\$ -	\$ -
State Water Commission	56,000,000	42,784,000	200,000,000	-
Office of the Adjutant General	n/a	5,012,000	-	-
Infrastructure Revolving Loan Fund	\$15,000 per loan	11,364,000	-	-
School Construction Assistance Loan Fund	200,000,000	-	-	-
School District School Construction Loans	250,000,000	66,693,000	-	-

# STATE OF NORTH DAKOTA

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## INDUSTRIAL COMMISSION

The Industrial Commission has entered into various contracts with third parties for the following programs. As of June 30, 2017, the total outstanding balance on these contracts was:

Lignite Research Program	\$ 8,744,472
Lignite Vision 21 Program	1,367,678
Oil and Gas Research Program	8,508,708
Renewable Energy Program	1,138,478
Outdoor Heritage Fund Program	15,410,511

In addition to the contracts above, the Commission has authorized projects totaling \$3,424,120 for which there is no signed contract.

## MILL AND ELEVATOR

As of June 30, 2017, the Mill had commitments to purchase 5,137,503 bushels of spring wheat and 172,812 bushels of durum.

## SCHOOL CONSTRUCTION ASSISTANCE REVOLVING LOAN FUND

As of June 30, 2017, the Fund had two outstanding commitments totaling \$20,000,000 to extend credit.

## PUBLIC FINANCE AUTHORITY

The Finance Authority purchased letters of credit from the Bank of North Dakota in order to fund the reserves for the Capital Financing Program Bonds. As of December 31, 2016, \$27,534,000 of credit was available through these letters of credit and no funds have been advanced.

## HOUSING INCENTIVE FUND

The Fund makes various commitments relating to construction projects to meet unmet housing needs across North Dakota. The Fund had \$4,983,175 of signed commitments for construction projects as of June 30, 2017. The Fund had an \$83,392,202 of HIF funds awarded for construction projects as of June 30, 2017. The total paid on these commitments as of June 30, 2017 was \$78,409,027.

## DEPARTMENT OF HUMAN SERVICES

As of June 30, 2017, the Department of Human Services had significant commitments for the purchase of various types of services totaling \$770,029,755.

## AERONAUTICS COMMISSION

As of June 30, 2017, the Aeronautics Commission had significant commitments of approximately \$3 million. This amount consists of grants to political subdivisions for maintenance and improvements of their airports.

## ADJUNCT GENERAL

The state is in the process of reimbursing counties and cities for law enforcement support during the Dakota Access Pipeline protest. An estimated \$3 million is owed in the next fiscal year.

## NORTH DAKOTA SOYBEAN COUNCIL

As of June 30, 2017, the North Dakota Soybean Council had significant commitments of \$3,210,692. This amount mainly consists of grants for the research and development of soybeans.

## STATE WATER COMMISSION

As of June 30, 2017, the State Water Commission had long-term commitments of \$393,068,986 for various water projects.

# STATE OF NORTH DAKOTA

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## NORTH DAKOTA LOTTERY

The Lottery contracts with a third party to provide an online gaming system and related services through June 30, 2022. Total payment for these services during the year ended June 30, 2017 were \$2.9 million based on 10.473% of ticket sales. The Lottery's future obligation through June 30, 2022 is based on 10.473% of ticket sales, there is no minimum fee or retainer fee.

## NORTH DAKOTA DEPARTMENT OF TRANSPORTATION

At June 30, 2017, the North Dakota Department of Transportation (Special Revenue Fund) had non-construction contract commitments of approximately \$74 million. Construction commitments at June 30, 2017, totaled approximately \$205 million, of which \$174 million represents federal programs which are cost reimbursable. These commitments will be funded with future appropriations as work is performed.

## UNIVERSITY SYSTEMS

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

	<u>Original Issue</u>	<u>Paid To Date</u>	<u>Amount To Be Paid</u>
DCB	\$ 1,049	\$ 1,029	\$ 19
LRSC	1,368	998	370
MaSU	658	49	609
MiSU	1,129	234	895
NDSCS	14,315	13,592	723
NDSU	69,961	66,246	3,716
UND	30,845	24,098	6,747
VCSU	13,484	11,217	2,267
Total	<u>\$ 132,809</u>	<u>117,463</u>	<u>\$ 15,346</u>

## NORTH DAKOTA DEVELOPMENT FUND

The board of directors has approved equity investments, loans, grants, and guaranty of collections at June 30, 2017, for which funds have not been disbursed or written agreements entered into in the amount of \$7,249,288.

## OTHER CONSTRUCTION COMMITMENTS

That State has entered into construction commitments. As of June 30, 2017, the following commitment exists on other construction contracts, in thousands:

Office of Management and Budget	\$ 1,952
Secretary of State	1,028
ND School for the Deaf	24
Veteran's Home	268
Department of Human Services	98,656
Adjutant General	2,092
State Historical Society	1,733
Game and Fish Department	758
Parks and Recreation	1,364
Department of Transportation	223,954

## **B. LITIGATION**

The estimated loss in all of the litigation against the State in which a loss to the State was probable was estimate at a range of \$16.6 million - \$17.7 million. Litigation that is reasonably possible to result in an unfavorable outcome is estimated at a range of \$26.585 million to \$29.735 million.

# **STATE OF NORTH DAKOTA**

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## **C. QUESTIONED COSTS**

The State receives federal financial assistance which is subject to review and audit by the Office of the State Auditor and the federal government. This assistance is generally conditioned upon compliance with certain laws and regulations. Disallowed and questioned costs relating to federal assistance could become a liability to the State. The State estimates that the ultimate disallowances pertaining to federal assistance, if any, will be immaterial to its overall financial condition.

The single audit of the State of North Dakota for the two-year period ending June 30, 2016, was completed and issued in March of 2017. As a result of this audit, approximately \$652,000 of identifiable questioned costs were noted. Also, there were several findings which had potentially significant, unknown, questioned costs. The State is cooperating with the federal government to resolve the findings and is optimistic these findings will not have a material impact on the State.

## **NOTE 19 – POLLUTION REMEDIATION OBLIGATION**

### INDUSTRIAL COMMISSION

North Dakota Century Code 38-08 establishes regulation over the oil and gas industry and the reclamation and restoration of land and water impacted by oil and gas. The amount of reclamation obligation is estimated to cost \$4.2 million. Environmental assessments were used to determine the reclamation cost. There are few instances when there are minor price changes or when more work needs to be done than originally determined; but predominantly, experience and expertise in procedures provide accurate estimates. There are no anticipated sales of confiscated equipment or recovered oil with the projects that carried over, so no cost recoveries are expected at this time.

## **NOTE 20 - SUBSEQUENT EVENTS**

Subsequent to year end the State received reimbursement of \$25 million for costs incurred related to the Dakota Access Pipeline protest.

### BUILDING AUTHORITY

In November 2017, the Authority issued \$18,430,000 of Facilities Improvement Refunding Bonds, 2017 Series A. The bonds bear an interest rate of 5.00% with annual principal and interest payments beginning in December 2018 through December 2023.

### BANK OF NORTH DAKOTA

In May and July 2017 BND entered into interest rate swaps with Goldman Sachs and Wells Fargo respectively, which resulted in a total fixed rate funding commitment of \$100 million for 15 years. These transactions were completed to hedge fixed rate mortgage and DEAL loans. BND also has three other interest rate swaps for the same purpose with a notional amount of \$50 million each with Wells Fargo (2) and SunTrust Bank (1). The market value adjustments on these transactions are reported as an adjustment to Other Comprehensive Income on the balance sheet. As of October 31, 2017, the market value position of these five transactions was a net gain of \$3.0 million.

The 2017 legislature used a total of \$171 million appropriated from BND's capital as the funding source for an appropriation to the General Fund (\$140 million), to fund the BND administered special loan programs (PACE, etc.) (\$25 million), and the buydown for the School Construction Loan Program (\$6 million). In October 2017 OMB drew \$70 million of the \$140 million appropriated from BND's capital. In addition, during the special legislative session in 2016, the legislature approved a \$100 million transfer from BND's capital to the general fund. This \$100 million transfer occurred in May 2017. BND does not anticipate its Tier One Capital Ratio to fall below its self-imposed benchmark of 10% as the result of these legislative-mandated reductions.

The 2015 Legislature authorized a transfer of up to \$100 million from BND to fund an Infrastructure Loan Fund for ND Cities and Counties. They also transferred an additional \$50 million from the Strategic Investment and Improvement Fund to this same revolving loan fund. So far, BND has committed to \$111 million of infrastructure loans. The legislation mandated that the money from the Strategic Investment and Improvement Fund be used to fund the initial \$50 million of commitments and the drawdown of up to \$100 million from BND to fund activity over the initial \$50 million.

The 2017 Legislature approved \$6,000,000 from BND's capital to fund the interest buydown on school construction loans held on-balance sheet during the 2017-2019 biennium. BND currently has \$136 million of school construction loans on its balance sheet that will eventually be sold to the new fund. Legislation was also passed to create one School Construction Assistance Revolving Loan Fund which BND will administer.

## STATE OF NORTH DAKOTA

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BND increased its exposure to the Western Area Water Supply Authority from \$63 million to \$88 million. The current outstanding loan to the Western Area Water Authority is \$86.7 million.

BND agreed in principal to sell the remaining federal student loans it carries in its portfolio. This transaction is anticipated to settle in early January 2018. As of October 31, 2017, the outstanding balance of BND's federal student loan portfolio was \$255.8 million.

### MEDICAL FACILITY INFRASTRUCTURE LOAN FUND

As of October 31, 2017 the outstanding commitments to six North Dakota hospitals totaled \$50 million. As of October 31, 2017, \$44.6 million of loans have been funded.

### REBUILDERS LOAN PROGRAM

As of October 31, 2017, the outstanding loans total \$32.2 million to 1,303 borrowers.

### NORTH DAKOTA HOUSING FINANCE AGENCY

Subsequent to year end, the Agency issued \$88.2 million of bonds payable for the home mortgage program. The bonds have an interest rate ranging from 1.05% to 4.0% and mature between July 1, 2018 and January 1, 2048.

### STUDENT LOAN TRUST

The 2017 Legislature approved the withdrawal of over \$16.5 million to provide funding for:

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

As of October 31, 2017, the Student Loan Trust has \$16.48 million remaining to expend of the total amount approved by the 2017 legislature.

In addition, in October 2017, BND purchased the remaining federal student loans owned by the Student Loan Trust. This will provide liquidity to the Student Loan Trust to meet the legislative obligations as outlined above. As of October 31, 2017, the Student Loan Trust had \$16 million in cash and \$1.4 million in alternative student loans that could be sold prior to the end of the 2017-2019 biennium to meet the obligations from the 2017 legislature.

### UNIVERSITY SYSTEMS

#### **Dickinson State University Foundation**

As discussed in note 11, a payment of \$3.1 million was paid to four financial institutions to settle the debt of the DSUF on July 14, 2017.

As discussed in note 11, Stark County District Court Judge Herauf issued an order to resolve the dissolution of the Dickinson State University Foundation.

#### **North Dakota State University**

On July 26, 2017, NDSU issued two refunding bond issues, as follows:

- Housing and Auxiliary Facilities Revenue Bonds in the amount of \$48.8 million were issued to finance construction of a new residence hall for \$39.5 million and a renovation project for phase I of the University Village Renovation project for \$10.0 million.
- Housing and Auxiliary Facilities Revenue Bonds in the amount of \$22.8 million were issued to advance refund NDSU Housing and Auxiliary Facilities Revenue Bonds, Series 2009, with an outstanding principal balance of \$22.5 million.

#### **Mayville State University**

In July 2017, MaSU issued Series 2017A Bonds for \$2.8 million for the purpose of refunding Series 2010 Bonds pursuant to authorization by the SBHE.

# STATE OF NORTH DAKOTA

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## NOTE 21 – NEW PRONOUNCEMENTS

The State implemented the following new pronouncement for fiscal year 2017:

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

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

GASB Statement No. 78, *Pensions provided through Certain Multiple-Employer Defined Benefit Pension Plans*, is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 80, *Blending Requirements for Certain Component Units and amendment of GASB Statement No. 14*, amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criteria require blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organization Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67 and No. 73*, provides further guidance regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement amends GASB Statements No. 67 and No. 68 to require the presentation of covered payroll to be defined as the payroll on which contributions to a pension plan are based, rather than the payroll of employees that are provided with pensions through the pension plan. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

The State will implement the following new pronouncements for fiscal years ending after 2017:

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

## STATE OF NORTH DAKOTA

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GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

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

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

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

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

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

# Required Supplementary Information

# STATE OF NORTH DAKOTA

## Required Supplemental Information Budgetary Comparison Schedule General Fund For the Biennium Ended June 30, 2017

	Approved Budget 2015-2017 Biennium	Appropriation Adjustments 2015-2017 Biennium	Adjusted Budget 2015-2017 Biennium	Actual Biennium To Date Thru 6-30-17	Difference Uncollected/ Unspent Thru 6-30-17
<b>Budgetary Fund Balance, July 1</b>	\$ 598,664,078	\$ -	\$ 598,664,078	\$ 877,202,532	\$ 278,538,454
<b>Resources (Inflows):</b>					
Sales and Use Tax	2,868,026,560	(1,178,995,986)	1,689,030,574	1,717,867,835	28,837,261
Income Tax	1,134,698,000	(287,273,451)	847,424,549	833,466,058	(13,958,491)
Financial Institutions Tax	-	1,299,254	1,299,254	1,309,357	10,103
Oil And Gas Production Tax	155,569,998	(42,569,998)	113,000,000	127,164,783	14,164,783
Oil Extraction Tax	144,430,002	42,569,998	187,000,000	172,835,217	(14,164,783)
Insurance Premium Tax	91,830,364	16,522,291	108,352,655	110,275,700	2,373,045
Cigarette, Cigar and Tobacco Tax	61,334,000	(4,251,285)	57,082,715	56,398,692	(684,023)
Wholesale Liquor Tax	18,995,000	(799,012)	18,195,988	17,897,487	(298,501)
Coal Conversion Tax	39,578,000	3,147,976	42,725,976	43,669,236	943,260
Gaming Tax	7,106,250	(349,017)	6,757,233	6,722,714	(34,519)
Lottery	15,260,000	1,950,000	17,210,000	15,780,000	(1,430,000)
Department Fees and Collections	73,883,318	7,447,899	81,331,217	83,175,546	1,844,329
Mineral Leasing Fees	19,667,704	6,699,514	26,367,218	29,039,291	2,672,073
Motor Vehicle Excise Tax	314,324,000	(100,611,215)	213,712,785	221,784,455	8,071,670
Interest on Public Funds	20,999,500	(4,482,007)	16,517,493	15,547,723	(969,770)
Gas Tax Administration	2,030,496	-	2,030,496	2,284,367	253,871
Transfers In	670,775,000	822,974,556	1,493,749,556	1,493,536,950	(212,606)
Total Revenue Inflows	5,638,508,192	(716,720,483)	4,921,787,709	4,949,205,411	27,417,702
Amounts Available for Appropriation	6,237,172,270	(716,720,483)	5,520,451,787	5,826,407,943	305,956,156
<b>Charges to Appropriations (Outflows):</b>					
<b>General Government:</b>					
Governor's Office	4,499,475	(294,716)	4,204,759	4,105,716	99,043
Secretary of State	9,764,808	(80,905)	9,683,904	7,426,003	2,257,901
Secretary of State Public Printing	320,500	(30,455)	290,045	256,337	33,708
Office of Management and Budget	43,988,258	(662,877)	43,325,382	36,673,219	6,652,163
Information Technology	27,905,987	(1,119,593)	26,786,394	25,842,305	944,089
State Auditor	10,461,832	(605,250)	9,856,582	9,762,852	93,730
State Treasurer	260,057,355	(17,016,677)	243,040,678	242,526,402	514,276
Attorney General	55,376,870	(3,615,503)	51,761,367	50,033,228	1,728,139
Tax Department	58,769,918	(3,806,664)	54,963,255	50,161,239	4,802,016
Legislative Assembly	15,885,367	506,269	16,391,636	15,039,680	1,351,956
Legislative Council	13,439,133	3,978,595	17,417,728	10,881,293	6,536,435
Supreme Court	112,630,995	(7,377,330)	105,253,665	103,436,230	1,817,435
Legal Counsel for Indigents	18,304,103	(1,182,508)	17,121,595	17,049,061	72,533
<b>Education:</b>					
Public Instruction	1,820,982,952	(116,820,563)	1,704,162,389	1,665,626,905	38,535,484
Land Department	-	5,985,909	5,985,909	3,301,991	2,683,918
State Library	6,773,655	(443,674)	6,329,981	6,213,482	116,499
School for the Deaf	9,140,590	(448,983)	8,691,607	8,409,491	282,116
School for the Blind	5,081,484	(327,797)	4,753,687	4,753,623	64
Vocational Education	33,920,062	(2,221,765)	31,698,297	31,698,297	-
<b>Health &amp; Human Services:</b>					
Dept. of Health	51,521,680	(2,650,112)	48,871,568	48,185,735	685,833
Veteran's Home	8,697,725	(335,022)	8,362,703	7,608,206	754,497
Indian Affairs Commission	1,217,245	(79,729)	1,137,516	1,035,938	101,578
Veteran's Affairs	1,612,495	(89,262)	1,523,233	1,518,062	5,171
Dept. of Human Services-Management	66,173,438	25,186,835	91,360,273	73,845,612	17,514,661
Dept. of Human Services-Program and Policy	1,054,408,091	(51,996,963)	1,002,411,128	987,618,185	14,792,943
Dept. of Human Services-Centers	211,621,304	1,754,622	213,375,926	207,576,550	5,799,376
Protection and Advocacy	3,034,111	(13,185)	3,020,926	3,020,921	5
Job Service	2,116,191	(128,027)	1,988,164	1,975,175	12,989
<b>Regulatory:</b>					
Industrial Commission	34,966,173	(1,407,688)	33,558,485	28,136,059	5,422,426
Labor Commission	2,511,761	(174,520)	2,337,241	2,167,874	169,367
Public Service Commission	7,935,207	(514,636)	7,420,571	6,723,082	697,489
Securities Commissioner	2,237,326	(146,545)	2,090,781	1,919,547	171,234
<b>Public Safety and Corrections:</b>					
Highway Patrol	46,656,563	(2,188,505)	44,468,058	43,359,999	1,108,059
Corrections & Rehab	215,387,242	(10,104,713)	205,282,529	201,422,961	3,859,568
Adjutant General	33,033,118	1,742,528	34,775,646	31,778,776	2,996,870
<b>Agriculture &amp; Commerce:</b>					
Department of Commerce	56,203,701	606,753	56,810,454	51,580,314	5,230,140
Department of Agriculture	11,581,056	(758,559)	10,822,497	10,806,320	16,177
State Fair	1,070,000	(70,085)	999,915	999,915	-
Racing Commission	415,004	(27,183)	387,821	387,251	570
<b>Natural Resources:</b>					
Historical Society	21,592,039	(979,346)	20,612,693	19,764,557	848,136
Council on the Arts	1,744,723	(109,479)	1,635,244	1,631,955	3,289
Parks and Recreation	33,294,213	(1,661,615)	31,632,598	26,250,316	5,382,282
<b>Transportation:</b>					
Aeronautics Commission	1,000,000	(65,500)	934,500	934,500	-
Department of Transportation	636,375,558	(21,297,496)	615,078,062	589,919,522	25,158,540
Transfers Out	1,012,453,371	(8,499,507)	1,003,953,864	965,425,457	38,528,407
Total Charges to Appropriations	6,026,162,679	(219,591,425)	5,806,571,254	5,608,790,143	197,781,111
Ending Budgetary Fund Balance	\$ 211,009,591	\$ (497,129,058)	\$ (286,119,467)	\$ 217,617,800	\$ 503,737,267

# STATE OF NORTH DAKOTA

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## Required Supplemental Information Budgetary Comparison Schedule Budget to GAAP Reconciliation General Fund For the Biennium Ended June 30, 2017

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	4,949,205,411
Backing out 2016 activity	(2,542,778,673)
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	(490,472,973)
Funds considered General funds for GAAP but not for Budget	986,165,865
Certain due from other funds are recorded under GAAP, but not Budget	158,447
Reimbursement activity between state agencies is eliminated only for GAAP	(415,712)
Proceeds are recorded for new capital leases on GAAP, but not for Budget	293,996
Repayment received on loan receivable are revenue for Budget to GAAP	(24,961,162)
Total revenues, capital lease acquisitions, and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 2,877,195,199</u>

### Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	5,608,790,143
Backing out Expenditures from FY2016	(3,085,544,098)
Differences-Budget to GAAP:	
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	89,942,559
Funds considered General funds for GAAP but not for Budget	171,745,863
New capital leases are recorded as expenditures for GAAP, but not for Budget	293,996
Certain due to other funds are recorded under GAAP, but not for Budget	(59,943,679)
Total expenditures, sale of capital assets, and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 2,725,284,784</u>

# STATE OF NORTH DAKOTA

## Required Supplemental Information Budgetary Comparison Schedule Federal Fund For the Biennium Ended June 30, 2017

	Approved Budget 2015-2017 Biennium	Appropriation Adjustments 2015-2017 Biennium	Adjusted Budget 2015-2017 Biennium	Actual Biennium To Date Thru 6-30-17	Difference Uncollected/ Unspent Thru 6-30-17
<b>Budgetary Fund Balance, July 1</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>					
Other Budgeted Income	3,603,313,311	79,438,311	3,682,751,622	3,275,354,169	(407,397,453)
<b>Total Revenue Inflows</b>	<b>3,603,313,311</b>	<b>79,438,311</b>	<b>3,682,751,622</b>	<b>3,275,354,169</b>	<b>(407,397,453)</b>
Amounts Available for Appropriation	3,603,313,311	79,438,311	3,682,751,622	3,275,354,169	407,397,453
<b>Charges to Appropriations (Outflows):</b>					
General Government:					
Secretary of State	1,508,535	-	1,508,535	1,123,819	384,716
Information Technology	3,088,121	-	3,088,121	721,026	2,367,095
State Auditor	1,497,451	-	1,497,451	1,150,734	346,717
Attorney General	9,224,049	-	9,224,049	4,967,105	4,256,944
Tax Department	125,000	-	125,000	28,212	96,788
Supreme Court	1,922,150	-	1,922,150	1,619,575	302,575
Education:					
Public Instruction	288,125,283	-	288,125,283	275,389,147	12,736,136
State Library	2,346,899	-	2,346,899	1,875,419	471,480
School for the Deaf	336,544	-	336,544	286,832	49,712
Vocational Education	9,542,913	-	9,542,913	9,077,640	465,273
Health & Human Services:					
Dept. of Health	123,502,877	(445,437)	123,057,440	104,071,997	18,985,443
Veteran's Affairs	288,018	1,328,865	1,616,883	694,308	922,575
Dept. of Human Services-Management	117,547,014	77,732,658	195,279,672	143,173,114	52,106,558
Dept. of Human Services-Program and Policy	1,914,059,547	(14,897,369)	1,899,162,178	1,826,914,147	72,248,031
Dept. of Human Services-Centers	100,644,277	(1,844,590)	98,799,687	84,145,513	14,654,174
Protection and Advocacy	3,432,853	-	3,432,853	3,029,392	403,461
Job Service	69,777,470	-	69,777,470	42,019,208	27,758,262
Regulatory:					
Insurance Department	622,788	-	622,788	534,632	88,156
Industrial Commission	237,934	8,991	246,925	246,925	-
Labor Commission	437,832	-	437,832	425,450	12,382
Public Service Commission	12,877,230	(125,000)	12,752,230	7,700,272	5,051,958
Public Safety and Corrections:					
Highway Patrol	6,375,211	-	6,375,211	5,317,310	1,057,901
Corrections & Rehab	5,733,326	2,300,000	8,033,326	7,707,399	325,927
Adjutant General	185,048,805	15,370,963	200,419,768	108,200,863	92,218,905
Agriculture & Commerce:					
Department of Commerce	55,438,817	-	55,438,817	40,318,580	15,120,237
Department of Agriculture	11,815,585	229,500	12,045,085	8,451,690	3,593,395
Natural Resources:					
Historical Society	3,299,901	-	3,299,901	1,681,521	1,618,380
Council on the Arts	1,681,952	-	1,681,952	1,431,050	250,902
Game and Fish	32,924,164	93,730	33,017,894	30,589,108	2,428,786
Parks and Recreation	5,597,809	(314,000)	5,283,809	3,471,954	1,811,855
Water Commission	15,631,225	-	15,631,225	5,342,984	10,288,241
Transportation:					
Aeronautics Commission	2,160,000	-	2,160,000	773,025	1,386,975
Department of Transportation	616,461,731	-	616,461,731	552,874,218	63,587,513
<b>Total Charges to Appropriations</b>	<b>3,603,313,311</b>	<b>79,438,311</b>	<b>3,682,751,622</b>	<b>3,275,354,169</b>	<b>407,397,453</b>
<b>Ending Budgetary Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

# STATE OF NORTH DAKOTA

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## Required Supplemental Information Budgetary Comparison Schedule Budget to GAAP Reconciliation Federal Fund For the Biennium ended June 30, 2017

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	3,275,354,169
Backing out 2016 activity	(1,599,264,681)
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	24,670,480
Total revenues, capital lease acquisitions, and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 1,700,759,968</u>

### Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	3,275,354,169
Backing out Expenditures from FY2016	(1,599,264,681)
Differences-Budget to GAAP:	
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	9,659,894
New Loans issued are expenditures for Budget but not for GAAP	1,637,227
GAAP, but not Budget expenditures are reduced by year end inventory balances	15,815,450
Intrafund activity eliminated for GAAP	(10,047,932)
Certain due to other funds are recorded under GAAP, but not for Budget	7,929,684
Total expenditures, sale of capital assets, and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 1,701,083,811</u>

# STATE OF NORTH DAKOTA

## Required Supplemental Information Budgetary Comparison Schedule State Fund For the Biennium Ended June 30, 2017

	Approved Budget 2015-2017 Biennium	Appropriation Adjustments 2015-2017 Biennium	Adjusted Budget 2015-2017 Biennium	Actual Biennium To Date Thru 6-30-17	Difference Uncollected/ Unspent Thru 6-30-17
<b>Budgetary Fund Balance, July 1</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>					
Other Budgeted Income	4,098,651,377	436,640,442	4,535,291,819	3,137,639,082	(1,397,652,737)
<b>Total Revenue Inflows</b>	<u>4,098,651,377</u>	<u>436,640,442</u>	<u>4,535,291,819</u>	<u>3,137,639,082</u>	<u>(1,397,652,737)</u>
<b>Amounts Available for Appropriation</b>	<u>4,098,651,377</u>	<u>436,640,442</u>	<u>4,535,291,819</u>	<u>3,137,639,082</u>	<u>(1,397,652,737)</u>
<b>Charges to Appropriations (Outflows):</b>					
<b>General Government:</b>					
Secretary of State	2,075,001	514,006	2,589,007	1,617,433	971,574
Office of Management & Budget	22,725,390	(2,153,530)	20,571,860	11,082,709	9,489,151
Information Technology	148,624,918	5,760	148,630,678	127,035,191	21,595,487
State Auditor	2,008,419	-	2,008,419	1,823,854	184,565
State Treasurer	-	8,100,000	8,100,000	8,100,000	-
Attorney General	26,676,736	3,176,990	29,853,726	17,509,754	12,343,972
Administrative Hearings	2,965,651	-	2,965,651	2,548,141	417,510
Legislative Council	70,000	-	70,000	62,828	7,172
Supreme Court	444,656	5,000	449,656	400,941	48,715
Legal Counsel for Indigents	2,106,914	1,216,000	3,322,914	1,606,583	1,716,331
<b>Education:</b>					
Public Instruction	220,507,190	116,553,293	337,060,483	336,355,037	705,446
Land Department	148,243,153	3,150	148,246,303	51,089,661	97,156,642
State Library	91,852	-	91,852	68,605	23,247
School for the Deaf	1,352,666	74,511	1,427,177	695,161	732,016
School for the Blind	625,325	-	625,325	397,864	227,461
Vocational Education	154,974	131,804	286,778	51,482	235,296
<b>Health &amp; Human Services:</b>					
Dept. of Health	20,668,087	4,306,113	24,974,200	22,451,085	2,523,115
Tobacco Prevention & Control	16,548,039	-	16,548,039	15,774,479	773,560
Veteran's Home	15,014,298	1,741,602	16,755,900	16,379,846	376,054
Dept. of Human Services-Management	417,126	13,907,326	14,324,452	7,409,368	6,915,084
Dept. of Human Services-Program and Policy	80,968,429	9,019,825	89,988,254	86,672,787	3,315,467
Dept. of Human Services-Centers	32,132,524	2,000,000	34,132,524	29,638,202	4,494,322
Job Service	690,396	-	690,396	293,643	396,753
<b>Regulatory:</b>					
Insurance Department	27,623,558	-	27,623,558	24,806,299	2,817,259
Industrial Commission	30,381,835	800,000	31,181,835	26,987,702	4,194,133
Public Service Commission	1,423,345	125,000	1,548,345	450,070	1,098,275
Financial Institutions	8,455,767	-	8,455,767	7,755,781	699,986
Securities Commission	170,000	-	170,000	52,767	117,233
<b>Public Safety and Corrections:</b>					
Highway Patrol	6,687,330	5,501,000	12,188,330	10,557,609	1,630,721
Corrections & Rehab	32,629,380	(1,502,700)	31,126,680	24,302,870	6,823,810
Adjutant General	23,103,722	35,351,555	58,455,277	53,665,256	4,790,021
<b>Agriculture &amp; Commerce:</b>					
Department of Commerce	19,730,656	2,281,060	22,011,716	14,489,278	7,522,438
Department of Agriculture	9,902,468	-	9,902,468	6,531,734	3,370,734
Racing Commission	158,730	-	158,730	122,078	36,652
<b>Natural Resources:</b>					
Historical Society	3,475,000	50,000	3,525,000	519,952	3,005,048
Council of Arts	63,515	100,000	163,515	74,132	89,383
Game and Fish	44,307,575	1,701,012	46,008,587	37,841,175	8,167,412
Parks and Recreation	9,265,026	1,263,404	10,528,430	8,717,923	1,810,507
Water Commission	1,143,304,611	-	1,143,304,611	549,215,145	594,089,466
<b>Transportation:</b>					
Aeronautics Commission	8,162,827	1,888,909	10,051,736	6,831,315	3,220,421
Department of Transportation	1,984,694,288	230,479,352	2,215,173,640	1,625,653,342	589,520,298
<b>Total Charges to Appropriations</b>	<u>4,098,651,377</u>	<u>436,640,442</u>	<u>4,535,291,819</u>	<u>3,137,639,082</u>	<u>1,397,652,737</u>
<b>Ending Budgetary Fund Balance</b>	\$ -	\$ -	\$ -	\$ -	\$ -

# STATE OF NORTH DAKOTA

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## Required Supplemental Information Budgetary Comparison Schedule Budget to GAAP Reconciliation State Fund For the Beinnium ended June 30, 2017

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	3,137,639,082
Backing out 2016 activity	(1,773,609,858)
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	800,050,117
Total revenues, capital lease acquisitions, and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u><u>\$ 2,164,079,341</u></u>

### Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	3,137,639,082
Backing out Expenditures from FY2016	(1,773,609,858)
Differences-Budget to GAAP:	
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	1,237,578,753
New Loans issued are expenditures for Budget but not for GAAP	(14,215,750)
GAAP, but not Budget expenditures are reduced by year end inventory balances	(1,255,462)
Intrafund activity eliminated for GAAP	(443,628,083)
Certain due to other funds are recorded under GAAP, but not for Budget	167,962
Total expenditures, sale of capital assets, and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u><u>\$ 2,142,676,644</u></u>

## **STATE OF NORTH DAKOTA**

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### **Note To Required Supplemental Information - Budgetary Reporting For the Biennium Ended June 30, 2017**

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 2015-2017 Biennium Budget and Actual Detail (Budgetary Basis) For the Biennium Ended June 30, 2017." This budget information is available through the Office of Management and Budget, 600 East Boulevard Ave Dept. 110, Bismarck, ND 58505. For the 2015-2017 biennium there were general, federal, and special fund supplemental appropriations of \$296,487,328.

The Budgetary Comparison Schedule reports expenditures on a budgetary basis. The accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present the financial statements in accordance with GAAP. Reconciliations of the three for the Fiscal Year ended June 30, 2017, for the General Fund, Federal Fund, and State Fund is on the previous pages.

# STATE OF NORTH DAKOTA

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

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered-employee payroll	Plan fiduciary net position	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	53.421343%	\$520,338	\$554,265	\$1,290,070	93.88%	71.10%
2016	54.824190%	365,845	494,732	1,300,271	73.97%	77.70%
2015	55.154588%	348,760	477,406	1,258,398	73.05%	78.17%

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

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

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

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

# STATE OF NORTH DAKOTA

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

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered-employee payroll	Plan fiduciary net position	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	100.00%	\$22,111	\$10,527	\$65,811	210.04%	74.85%
2016	100.00%	13,436	10,146	66,676	132.44%	83.23%
2015	100.00%	9,766	9,348	65,667	104.47%	87.05%

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

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

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

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

# STATE OF NORTH DAKOTA

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

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered-employee payroll	Plan fiduciary net position	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	100.00%	\$(35,329)	\$565	\$96,534	(6,256.45)%	157.72%
2016	100.00%	(32,893)	674	96,283	(4,881.44)%	151.89%
2015	100.00%	(32,650)	753	97,697	(4,336.02)%	150.20%

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

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

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

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

# STATE OF NORTH DAKOTA

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

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered-employee payroll	Plan fiduciary net position	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.666339%	\$9,762	\$4,329	\$14,155	225.50%	59.20%
2016	0.678409%	8,873	4,173	14,531	212.63%	62.10%
2015	0.616525%	6,460	3,576	12,891	180.64%	66.60%

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

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

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

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

# STATE OF NORTH DAKOTA

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability (asset)</b>				
Service cost	\$ 113,148	\$ 126,444	\$ 104,158	\$ 94,611
Interest	269,771	243,285	236,420	218,719
Change of benefit terms	-	-	2	-
Difference between expected and actual experience	(3,612)	15,915	4,396	25,783
Changes of assumptions	741,492	108,139	(76,152)	-
Benefit payments, including refund of employee contributions	<u>(162,992)</u>	<u>(149,664)</u>	<u>(134,930)</u>	<u>(119,886)</u>
<b>Net change in total pension liability (asset)</b>	957,807	344,119	133,894	219,227
<b>Total pension liability (asset) - beginning</b>	3,396,565	3,052,446	2,918,552	2,699,325
<b>Total pension liability (asset) - ending (a)</b>	<u>\$ 4,354,372</u>	<u>\$ 3,396,565</u>	<u>\$ 3,052,446</u>	<u>\$ 2,918,552</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 78,934	\$ 77,080	\$ 70,842	\$ 61,661
Contributions - employee	76,007	74,219	68,392	59,394
Contributions - service credit repurchase	11,805	9,179	6,652	8,325
Contributions - other	-	-	-	-
Net investment income	311,761	11,334	81,537	316,630
Transfers from other plans	32	23,575		
Benefit payments, including refund of employee contributions	(162,992)	(149,664)	(134,930)	(119,886)
Administrative expense	<u>(2,607)</u>	<u>(2,538)</u>	<u>(2,365)</u>	<u>(2,211)</u>
<b>Net change in plan fiduciary net position</b>	312,940	43,185	90,128	323,913
Plan fiduciary net position - beginning	2,414,896	2,371,711	2,281,583	1,957,670
Plan fiduciary net position - ending (b)	<u>\$ 2,727,836</u>	<u>\$ 2,414,896</u>	<u>\$ 2,371,711</u>	<u>\$ 2,281,583</u>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<u>\$ 1,626,536</u>	<u>\$ 981,669</u>	<u>\$ 680,735</u>	<u>\$ 636,969</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	62.65%	71.10%	77.70%	78.18%
Covered employee payroll	\$ 1,063,372	\$ 1,048,548	\$ 973,536	\$ 888,452
Plan net pension liability (asset) as a percentage of covered employee payroll	152.96%	93.62%	69.92%	71.69%

Notes to Schedule:

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

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

Changes of Assumptions: The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2017 actuarial valuation:

- The investment return assumption was lowered from 8.00 to 7.75 percent
- The price inflation assumption was lowered from 3.5 percent to 2.5 percent.
- The payroll growth assumption used in calculating the amortization of the unfunded liability contribution for the actuarial contribution rate was lowered from 4.5 percent to 3.75 percent
- The asset valuation method was updated to smooth total investment gains or losses compared to the investment return assumption over a five-year period. Net deferred asset gains attributable to fiscal years 2016 and prior were fully recognized as of July 1, 2017

All other actuarial assumptions used in the July 1, 2017 valuation were based on the results of an experience study for the period July 1, 2009 to June 30, 2014.

# STATE OF NORTH DAKOTA

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability (asset)</b>				
Service cost	\$ 2,701	\$ 2,226	\$ 2,038	\$ 1,894
Interest	6,951	6,311	6,008	5,750
Change of benefit terms	-	-	-	-
Difference between expected and actual experience	22	40	984	(300)
Changes of assumptions	1,257	3,946	395	-
Benefit payments, including refund of employee contributions	(4,806)	(4,713)	(4,746)	(3,784)
<b>Net change in total pension liability (asset)</b>	<u>6,125</u>	<u>7,810</u>	<u>4,679</u>	<u>3,560</u>
<b>Total pension liability (asset) - beginning</b>	<u>87,922</u>	<u>80,112</u>	<u>75,433</u>	<u>71,873</u>
<b>Total pension liability (asset) - ending (a)</b>	<u>\$ 94,047</u>	<u>\$ 87,922</u>	<u>\$ 80,112</u>	<u>\$ 75,433</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 2,156	\$ 2,127	\$ 2,002	\$ 1,865
Contributions - employee	1,456	1,436	1,352	1,243
Contributions - service credit repurchase	249	-	97	87
Contributions - other	-	-	-	-
Net investment income	8,500	317	2,335	9,240
Benefit payments, including refund of employee contributions	(4,806)	(4,713)	(4,746)	(3,784)
Administrative expense	(30)	(32)	(31)	(28)
<b>Net change in plan fiduciary net position</b>	<u>7,525</u>	<u>(865)</u>	<u>1,009</u>	<u>8,623</u>
Plan fiduciary net position - beginning	<u>65,811</u>	<u>66,676</u>	<u>65,667</u>	<u>57,044</u>
Plan fiduciary net position - ending (b)	<u>\$ 73,336</u>	<u>\$ 65,811</u>	<u>\$ 66,676</u>	<u>\$ 65,667</u>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<u>\$ 20,711</u>	<u>\$ 22,111</u>	<u>\$ 13,436</u>	<u>\$ 9,766</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	77.98%	74.85%	83.23%	87.05%
Covered employee payroll	\$ 10,629	\$ 10,527	\$ 10,146	\$ 9,348
Plan net pension liability (asset) as a percentage of covered employee payroll	194.84%	210.04%	132.44%	104.47%

Notes to Schedule:

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

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

Changes of Assumptions: The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2017 actuarial valuation:

- The investment return assumption was lowered from 8.00 to 7.75 percent
- The price inflation assumption was lowered from 3.5 percent to 2.5 percent.
- The payroll growth assumption used in calculating the amortization of the unfunded liability contribution for the actuarial contribution rate was lowered from 4.5 percent to 3.75 percent.
- The benefit indexing assumption for inactive vested members was lowered from 4.0 percent to 3.0 percent.
- The assumed rate of increase in the projected IRC 415 limit was lowered from 3.5 percent to 2.5 percent.
- The asset valuation method was updated to smooth total investment gains or losses compared to the investment return assumption over a five-year period. Net deferred asset gains attributable to fiscal years 2016 and prior were fully recognized as of July 1, 2017.

All other actuarial assumptions used in the July 1, 2017 valuation were based on the results of an experience study for the period July 1, 2009 to June 30, 2014.

# STATE OF NORTH DAKOTA

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability (asset)</b>				
Service cost	\$ 56	\$ 71	\$ 128	\$ 88
Interest	4,130	4,281	5,026	5,107
Change of benefit terms	-	-	-	-
Difference between expected and actual experience	(1,648)	(2,007)	(1,806)	(1,607)
Changes of assumptions	4,421	70	(310)	-
Benefit payments, including refund of employee contributions	(4,534)	(4,601)	(4,694)	(4,595)
<b>Net change in total pension liability (asset)</b>	<u>2,425</u>	<u>(2,186)</u>	<u>(1,656)</u>	<u>(1,007)</u>
<b>Total pension liability (asset) - beginning</b>	<u>61,204</u>	<u>63,390</u>	<u>65,046</u>	<u>66,053</u>
<b>Total pension liability (asset) - ending (a)</b>	<u>\$ 63,629</u>	<u>\$ 61,204</u>	<u>\$ 63,390</u>	<u>\$ 65,046</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ -	\$ -	\$ -	\$ -
Contributions - employee	39	44	50	56
Contributions - service credit repurchase	-	-	-	-
Contributions - other	-	-	-	-
Net investment income	5,239	4,840	3,260	11,888
Benefit payments, including refund of employee contributions	(4,534)	(4,601)	(4,694)	(4,595)
Administrative expense	(13)	(32)	(30)	(31)
<b>Net change in plan fiduciary net position</b>	<u>731</u>	<u>251</u>	<u>(1,414)</u>	<u>7,318</u>
Plan fiduciary net position - beginning	<u>96,534</u>	<u>96,283</u>	<u>97,697</u>	<u>90,379</u>
Plan fiduciary net position - ending (b)	<u>\$ 97,265</u>	<u>\$ 96,534</u>	<u>\$ 96,283</u>	<u>\$ 97,697</u>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<u>\$ (33,636)</u>	<u>\$ (35,330)</u>	<u>\$ (32,893)</u>	<u>\$ (32,651)</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	152.86%	157.72%	151.89%	150.20%
Covered employee payroll	\$ 499	\$ 567	\$ 791	\$ 843
Plan net pension liability (asset) as a percentage of covered employee payroll	-6746.56%	-6256.45%	-4160.24%	-3874.93%

Notes to Schedule:

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

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

Changes of Assumptions: The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2017 actuarial valuation:

- The investment return assumption was lowered from 7.00 to 5.7 percent.
- The price inflation assumption was lowered from 3.5 percent to 2.5 percent.
- The Cost of Living Adjustment assumption was lowered from 3.0 percent to 2.5 percent.
- The asset valuation method was updated to smooth total investment gains or losses compared to the investment return assumption over a five-year period. Net deferred asset gains attributable to fiscal years 2016 and prior were fully recognized as of July 1, 2017.

All other actuarial assumptions used in the July 1, 2017 are the same as the last actuarial valuation as of July 1, 2016.

# STATE OF NORTH DAKOTA

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

	<u>2016</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability (asset)</b>				
Service cost	\$ 75,476	\$ 68,239	\$ 60,618	\$ 56,752
Interest	276,412	265,440	249,064	237,821
Change of benefit terms	-	-	-	-
Difference between expected and actual experience	(10,749)	(8,093)	2,209	9,347
Changes of assumptions	-	-	171,325	-
Benefit payments, including refund of employee contributions	(196,516)	(185,969)	(172,239)	(162,259)
<b>Net change in total pension liability (asset)</b>	<u>144,623</u>	<u>139,617</u>	<u>310,977</u>	<u>141,661</u>
<b>Total pension liability (asset) - beginning</b>	<u>3,589,394</u>	<u>3,449,777</u>	<u>3,138,800</u>	<u>2,997,139</u>
<b>Total pension liability (asset) - ending (a)</b>	<u>\$ 3,734,017</u>	<u>\$ 3,589,394</u>	<u>\$ 3,449,777</u>	<u>\$ 3,138,800</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 86,059	\$ 82,840	\$ 78,422	\$ 62,355
Contributions - employee	79,309	76,343	72,268	56,555
Contributions - service credit repurchase	2,553	2,768	1,601	2,034
Contributions - other	236	45	172	48
Net investment income	266,688	8,239	73,205	294,246
Benefit payments, including refund of employee contributions	(196,516)	(185,969)	(172,239)	(162,259)
Administrative expense	(2,173)	(1,852)	(1,923)	(1,586)
<b>Net change in plan fiduciary net position</b>	<u>236,156</u>	<u>(17,586)</u>	<u>51,506</u>	<u>251,393</u>
Plan fiduciary net position - beginning**	<u>2,124,335</u>	<u>2,141,921</u>	<u>2,090,415</u>	<u>1,839,584</u>
Plan fiduciary net position - ending (b)	<u>\$ 2,360,491</u>	<u>\$ 2,124,335</u>	<u>\$ 2,141,921</u>	<u>\$ 2,090,977</u>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<u>\$ 1,373,526</u>	<u>\$ 1,465,059</u>	<u>\$ 1,307,856</u>	<u>\$ 1,047,823</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	63.20%	59.20%	62.10%	66.60%
Covered employee payroll	\$ 674,971	\$ 649,725	\$ 615,105	\$ 580,053
Plan net pension liability (asset) as a percentage of covered employee payroll	203.50%	225.50%	212.60%	180.60%

Notes to Schedule:

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

\*\*Restated in 2015 due to GASB 68 implementation.

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

# STATE OF NORTH DAKOTA

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

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

Notes to Schedule:

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

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

Changes of Assumptions: The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2017 actuarial valuation:

- The investment return assumption was lowered from 8.00 to 7.5 percent.
- The price inflation assumption was lowered from 3.5 percent to 2.5 percent.
- The Cost of Living Adjustment assumption was lowered from 4.5 percent to 3.75 percent.
- The asset valuation method was updated to smooth total investment gains or losses compared to the investment return assumption over a five-year period. Net deferred asset gains attributable to fiscal years 2016 and prior were fully recognized as of July 1, 2017.

All other actuarial assumptions used in the July 1, 2017 valuation were based on the results of an experience study for the period July 1, 2009 to June 30, 2014.

# STATE OF NORTH DAKOTA

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

### ND Public Employees Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 116,564	\$ 124,336	\$ 107,514	\$ 107,864	\$ 97,985	\$ 91,458	\$ 82,910	\$ 54,158	\$ 40,327	\$ 35,875
Contributions in relation to the actuarially determined contribution	<u>78,934</u>	<u>77,081</u>	<u>70,843</u>	<u>61,661</u>	<u>48,847</u>	<u>38,006</u>	<u>32,278</u>	<u>30,253</u>	<u>27,705</u>	<u>25,254</u>
Contribution deficiency (excess)	<u>\$ 37,630</u>	<u>\$ 47,255</u>	<u>\$ 36,671</u>	<u>\$ 46,203</u>	<u>\$ 49,138</u>	<u>\$ 53,452</u>	<u>\$ 50,632</u>	<u>\$ 23,905</u>	<u>\$ 12,622</u>	<u>\$ 10,621</u>
Covered-employee payroll	1,063,372	1,048,548	973,536	888,452	800,878	804,169	769,710	697,737	640,685	582,287
Contributions as a percentage of covered-employee payroll	7.42%	7.35%	7.28%	6.94%	6.10%	4.73%	4.19%	4.34%	4.32%	4.34%

### Highway Patrolmen's Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 3,060	\$ 2,307	\$ 2,201	\$ 2,348	\$ 2,191	\$ 2,171	\$ 1,744	\$ 1,313	\$ 1,026	\$ 924
Contributions in relation to the actuarially determined contribution	<u>2,156</u>	<u>2,127</u>	<u>2,002</u>	<u>1,865</u>	<u>1,586</u>	<u>1,423</u>	<u>1,286</u>	<u>1,197</u>	<u>1,123</u>	<u>1,059</u>
Contribution deficiency (excess)	<u>\$ 904</u>	<u>\$ 180</u>	<u>\$ 199</u>	<u>\$ 483</u>	<u>\$ 605</u>	<u>\$ 748</u>	<u>\$ 458</u>	<u>\$ 116</u>	<u>\$ (97)</u>	<u>\$ (135)</u>
Covered-employee payroll	10,629	10,527	10,146	9,348	8,167	8,002	7,738	7,009	6,509	6,129
Contributions as a percentage of covered-employee payroll	20.28%	20.21%	19.73%	19.95%	19.42%	17.78%	16.62%	17.08%	17.25%	17.28%

### Job Service North Dakota

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	<u>-</u>									
Contribution deficiency (excess)	<u>\$ -</u>									
Covered-employee payroll	499	565	791	843	1,011	1,163	1,266	1,487	1,613	1,843
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

# STATE OF NORTH DAKOTA

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

### ND Teachers' Fund for Retirement

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 89,231	\$ 84,724	\$ 71,168	\$ 59,513	\$ 52,396	\$ 69,374	\$ 65,113	\$ 52,053	\$ 41,986	\$ 44,115
Contributions in relation to the actuarially determined contribution	<u>86,059</u>	<u>82,840</u>	<u>78,422</u>	<u>62,355</u>	<u>59,301</u>	<u>46,126</u>	<u>44,545</u>	<u>39,837</u>	<u>37,488</u>	<u>33,684</u>
Contribution deficiency (excess)	<u>\$ 3,172</u>	<u>\$ 1,884</u>	<u>\$ (7,254)</u>	<u>\$ (2,842)</u>	<u>\$ (6,905)</u>	<u>\$ 23,248</u>	<u>\$ 20,568</u>	<u>\$ 12,216</u>	<u>\$ 4,498</u>	<u>\$ 10,431</u>
Covered-employee payroll	674,971	649,725	615,105	580,053	551,656	527,156	509,091	482,868	454,396	434,626
Contributions as a percentage of covered-employee payroll	12.75%	12.75%	12.75%	10.75%	10.75%	8.75%	8.75%	8.25%	8.25%	7.75%

### Retiree Health Insurance Credit Plan

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 11,696	\$ 7,544	\$ 6,439	\$ 7,014	\$ 7,411	\$ 7,263	\$ 7,053	\$ 7,199	\$ 5,805	\$ 5,708
Contributions in relation to the actuarially determined contribution	<u>12,575</u>	<u>12,350</u>	<u>11,479</u>	<u>10,710</u>	<u>9,960</u>	<u>9,388</u>	<u>8,930</u>	<u>8,393</u>	<u>6,772</u>	<u>6,175</u>
Contribution deficiency (excess)	<u>\$ (879)</u>	<u>\$ (4,806)</u>	<u>\$ (5,040)</u>	<u>\$ (3,696)</u>	<u>\$ (2,549)</u>	<u>\$ (2,125)</u>	<u>\$ (1,877)</u>	<u>\$ (1,194)</u>	<u>\$ (967)</u>	<u>\$ (467)</u>
Covered-employee payroll	1,081,841	1,142,375	1,052,657	1,001,204	914,368	824,855	828,978	793,634	719,812	660,875
Contributions as a percentage of covered-employee payroll	1.16%	1.08%	1.09%	1.07%	1.09%	1.14%	1.08%	1.06%	0.94%	0.93%

# STATE OF NORTH DAKOTA

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## Required Supplementary Information Information About the State's Pension Benefit Plans For the Fiscal Year Ended June 30, 2017

### Schedule of Employer Contributions

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

*Methods and assumptions used to determine contributions rates:*

#### **PERS, HPRS and RHIC:**

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

#### **JSND:**

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

#### **TFFR:**

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

# STATE OF NORTH DAKOTA

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## Required Supplementary Information Information About the State's Pension Benefit Plans For the Fiscal Year Ended June 30, 2017

assumptions were based on percentages of GRS post termination non-disabled tables and RP-2000 disabled-life tables.

### Schedule of Investment Returns

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

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



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# Combining Financial Statements

# STATE OF NORTH DAKOTA

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## Permanent Fund

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

### 956-Coal Development Permanent Fund

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

## 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, 2017

	Perm Fund	Debt Service Funds			Total Nonmajor Governmental Funds
	Coal Development Trust Fund	Building Authority	Dept. of Trans.	Total	
<b>ASSETS</b>					
Cash Deposits at the Bank of ND	\$ 402,060	\$ 96,000	\$ 84,793	\$ 180,793	\$ 582,853
Investments at the Bank of ND	-	5,975,000	-	5,975,000	5,975,000
Investments	9,260,739	-	-	-	9,260,739
Taxes Receivable - Net	252,477	-	-	-	252,477
Interest Receivable - Net	74,880	-	-	-	74,880
Due from Other Funds	-	5,000	-	5,000	5,000
Loans and Notes Receivable - Net	60,907,374	-	-	-	60,907,374
<b>Total Assets</b>	<b>70,897,530</b>	<b>6,076,000</b>	<b>84,793</b>	<b>6,160,793</b>	<b>77,058,323</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Total Deferred Outflows of Resources	-	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 70,897,530</b>	<b>\$ 6,076,000</b>	<b>\$ 84,793</b>	<b>\$ 6,160,793</b>	<b>\$ 77,058,323</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	2,279	5,000	-	5,000	7,279
Securities Lending Collateral	1,457,495	-	-	-	1,457,495
Due to Other Funds	356,809	-	-	-	356,809
<b>Total Liabilities</b>	<b>1,816,583</b>	<b>5,000</b>	<b>-</b>	<b>5,000</b>	<b>1,821,583</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Total Deferred Inflows of Resources	-	-	-	-	-
Fund Balances:					
Nonspendable	68,887,821	-	-	-	68,887,821
Restricted	-	6,071,000	84,793	6,155,793	6,155,793
Committed	193,126	-	-	-	193,126
<b>Total Fund Balances</b>	<b>69,080,947</b>	<b>6,071,000</b>	<b>84,793</b>	<b>6,155,793</b>	<b>75,236,740</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 70,897,530</b>	<b>\$ 6,076,000</b>	<b>\$ 84,793</b>	<b>\$ 6,160,793</b>	<b>\$ 77,058,323</b>

# STATE OF NORTH DAKOTA

## Combining Statement of Revenues, Expenditures and Changes in Fund Balance Nonmajor Governmental Funds For the Fiscal Year Ended June 30, 2017

	Perm Fund	Debt Service Funds			Total Nonmajor Governmental Funds
	Coal Development Trust Fund	Building Authority	Dept. of Trans.	Total	
<b>REVENUES</b>					
Oil, Gas, and Coal Taxes	\$ 3,142,267	\$ -	\$ -	\$ -	\$ 3,142,267
Intergovernmental	-	-	4,303,251	4,303,251	4,303,251
Interest and Investment Income	836,093	59,000	260	59,260	895,353
Total Revenues	<u>3,978,360</u>	<u>59,000</u>	<u>4,303,511</u>	<u>4,362,511</u>	<u>8,340,871</u>
<b>EXPENDITURES</b>					
Current:					
General Government	19,943	-	-	-	19,943
Debt Service:					
Principal	-	5,315,000	4,375,000	9,690,000	9,690,000
Interest and Other Charges	-	1,660,000	945,034	2,605,034	2,605,034
Total Expenditures	<u>19,943</u>	<u>6,975,000</u>	<u>5,320,034</u>	<u>12,295,034</u>	<u>12,314,977</u>
Revenues over (under) Expenditures	<u>3,958,417</u>	<u>(6,916,000)</u>	<u>(1,016,523)</u>	<u>(7,932,523)</u>	<u>(3,974,106)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	5,227,000	1,016,342	6,243,342	6,243,342
Transfers Out	(3,081,651)	-	-	-	(3,081,651)
Total Other Financing Sources (Uses)	<u>(3,081,651)</u>	<u>5,227,000</u>	<u>1,016,342</u>	<u>6,243,342</u>	<u>3,161,691</u>
Net Change in Fund Balances	876,766	(1,689,000)	(181)	(1,689,181)	(812,415)
Fund Balances - Beginning of Year	68,204,181	7,760,000	84,974	7,844,974	76,049,155
Fund Balances - End of Year	<u>\$ 69,080,947</u>	<u>\$ 6,071,000</u>	<u>\$ 84,793</u>	<u>\$ 6,155,793</u>	<u>\$ 75,236,740</u>



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# STATE OF NORTH DAKOTA

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## ***Nonmajor Enterprise Funds***

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

### **BANK OF NORTH DAKOTA**

#### 907 – School Construction Assistance Revolving Loan Fund

Fund used to provide low-interest school construction loans.

#### 934 – Infrastructure Revolving Loan Fund

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

#### 954 - Addiction Counselor Internship Loan Program

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

#### 984 – Medical Facility Infrastructure Loan Program

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

#### 985 – Rebuilders Loan Program

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

### **BEGINNING FARMER REVOLVING LOAN**

#### 973 - Beginning Farmer Revolving Loan Fund

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

### **BONDING**

#### 210 (924) - State Bonding Fund

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

### **COMMUNITY WATER FACILITY LOAN**

#### 974 - Community Water Facility Loan Fund

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

### **FIRE AND TORNADO**

#### 211 (923) - State Fire and Tornado Fund

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

### **GUARANTEED STUDENT LOAN**

#### 969 - North Dakota Guaranteed Student Loan

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

### **HIT PLANNING LOAN FUND**

#### 987 – HIT Planning Loan Fund

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

### **INFORMATION TECHNOLOGY DEPARTMENT**

#### 408 (903) - Edutech Fund

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

**MILL AND ELEVATOR**

970 – Mill and Elevator

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

**PERS UNIFORM GROUP INSURANCE**

980 - Public Employees Retirement System

Group Insurance

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

**ROUGH RIDER INDUSTRIES**

926 - Roughrider Industries

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

**STATE FAIR**

601 (977) - State Fair

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

**STATE LOTTERY FUND**

966 (292) - State Lottery Fund

Accounts for operations of the North Dakota lottery.

**STUDENT LOAN**

975 - North Dakota Student Loan Trust

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

**UNEMPLOYMENT COMPENSATION FUND**

967 - Job Service-Expendable Trust Fund

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

**STATE OF NORTH DAKOTA**

**Combining Statement of Net Position  
Nonmajor Enterprise Funds  
June 30, 2017**

	Addition Counselor Internship Loan	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Edutech	Fire and Tornado	Guaranteed Student Loan	HIT Planning Loan Fund	Infrastructure Revolving Loan Fund
<b>ASSETS</b>									
Current Assets:									
Cash Deposits at the Bank of ND	\$ 109,353	\$ 4,553,000	\$ 157,470	\$ 12,691,000	\$ 1,143,620	\$ 41,782	\$ 33,724,107	\$ -	\$ 33,299,000
Cash and Cash Equivalents	-	-	1,516,571	-	-	2,180,276	-	-	-
Investments at the Bank of ND	-	-	-	-	-	-	3,000,000	-	-
Investments	-	-	1,846,363	-	-	19,883,469	-	-	-
Accounts Receivable - Net	-	-	189,588	-	3,091	80,529	91,198	-	-
Interest Receivable - Net	872	-	25,252	269,000	-	133,404	-	5,173	190,000
Intergovernmental Receivable - Net	-	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	539,578	-	887,892	-	-
Due from Fiduciary Funds	-	-	-	-	-	-	-	-	-
Prepaid Items	-	2,150,000	-	-	-	200,655	-	-	-
Inventory	-	-	-	-	-	-	-	-	-
Loans and Notes Receivable - Net	7,435	-	-	746,000	-	-	-	1,211,214	534,000
Other Assets	-	-	-	-	-	-	-	-	-
Restricted Cash at the Bank of ND	-	-	-	-	-	-	167,900	2,727,944	-
Restricted Investments at the Bank of ND	-	-	-	-	-	-	-	-	-
<b>Total Current Assets</b>	<b>117,660</b>	<b>6,703,000</b>	<b>3,735,244</b>	<b>13,706,000</b>	<b>1,686,289</b>	<b>22,520,115</b>	<b>37,871,097</b>	<b>3,944,331</b>	<b>34,023,000</b>
Noncurrent Assets:									
Loans and Notes Receivable - Net	76,350	-	-	20,523,000	-	-	-	5,302,213	15,916,000
Restricted Loans Receivable - Net	-	-	-	-	-	-	-	-	-
Other Noncurrent Assets	-	3,936,000	-	-	-	-	-	-	-
Capital Assets:									
Nondepreciable	-	-	-	-	-	-	-	-	-
Depreciable, Net	-	-	-	-	135,273	-	-	-	-
<b>Total Noncurrent Assets</b>	<b>76,350</b>	<b>3,936,000</b>	<b>-</b>	<b>20,523,000</b>	<b>135,273</b>	<b>-</b>	<b>-</b>	<b>5,302,213</b>	<b>15,916,000</b>
<b>Total Assets</b>	<b>194,010</b>	<b>10,639,000</b>	<b>3,735,244</b>	<b>34,229,000</b>	<b>1,821,562</b>	<b>22,520,115</b>	<b>37,871,097</b>	<b>9,246,544</b>	<b>49,939,000</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>									
Derived from Pensions	-	-	5,567	-	-	135,305	-	-	-
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>-</b>	<b>5,567</b>	<b>-</b>	<b>-</b>	<b>135,305</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>									
Current Liabilities:									
Accounts Payable	-	-	101	-	279,683	5,382	-	8,825	-
Accrued Payroll	-	-	1,791	-	2,530	47,071	-	-	-
Securities Lending Collateral	-	-	13,788	-	-	188,823	-	-	-
Interest Payable	-	-	951	-	-	12,767	-	-	-
Intergovernmental Payable	-	-	-	-	-	-	3,380,000	-	-
Due to Other Funds	-	-	65	26,000	3,571	11,310	520,592	-	-
Due to Fiduciary Funds	-	-	-	-	-	-	-	-	-
Amounts Held in Custody for Others	-	-	-	-	-	-	-	-	-
Claims/Judgments Payable	-	-	65,674	-	-	1,138,560	-	-	-
Compensated Absences Payable	-	-	134	-	-	2,599	-	-	-
Bonds Payable	-	-	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-	-	-	-
Other Current Liabilities	-	-	-	-	-	20,589	-	-	19,000
<b>Total Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>82,504</b>	<b>26,000</b>	<b>285,784</b>	<b>1,427,101</b>	<b>3,900,592</b>	<b>8,825</b>	<b>19,000</b>
Noncurrent Liabilities:									
Intergovernmental Payable	-	-	-	-	-	-	167,900	-	-
Compensated Absences Payable	-	-	2,544	-	-	49,386	-	-	-
Bonds Payable	-	-	-	-	-	-	-	-	-
Net Pension Liability	-	-	14,482	-	-	353,586	-	-	-
Other Noncurrent Liabilities	-	-	-	-	-	-	18,421,081	-	-
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>-</b>	<b>17,026</b>	<b>-</b>	<b>-</b>	<b>402,972</b>	<b>18,588,981</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>99,530</b>	<b>26,000</b>	<b>285,784</b>	<b>1,830,073</b>	<b>22,489,573</b>	<b>8,825</b>	<b>19,000</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Increase in Fair Value of Hedging Derivatives	-	-	-	-	-	-	-	-	-
Derived from Pensions	-	-	869	-	-	20,957	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>869</b>	<b>-</b>	<b>-</b>	<b>20,957</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position</b>									
Net Investment in Capital Assets	-	-	-	-	-	-	-	-	-
Restricted for:									
Debt Service	-	-	-	-	-	-	-	-	-
Unemployment Compensation	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Unrestricted	194,010	10,639,000	3,640,412	34,203,000	1,535,778	20,804,390	15,381,524	9,237,719	49,920,000
<b>Total Net Position</b>	<b>\$ 194,010</b>	<b>\$ 10,639,000</b>	<b>\$ 3,640,412</b>	<b>\$ 34,203,000</b>	<b>\$ 1,535,778</b>	<b>\$ 20,804,390</b>	<b>\$ 15,381,524</b>	<b>\$ 9,237,719</b>	<b>\$ 49,920,000</b>

Medical Facility Infrastructure Loan Fund	Mill and Elevator	PERS Uniform Group Insurance	Rebuilders Loan Program	Roughrider Industries	School Construction Assistance Loan Fund	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 10,920,000	\$ 225	\$ 4,612,140	\$ 681,524	\$ 9,620,327	\$ 17,900,000	\$ 5,767,795	\$ 7,097,335	\$ 13,000	\$ 171,529	\$ 142,503,207
-	-	6,235,128	-	500	-	-	265,192	-	84,288,592	94,486,259
-	-	35,938,094	-	-	-	-	-	2,846,000	-	5,846,000
-	39,081,444	6,117,866	-	550,748	-	97,173	290,266	-	59,395,846	105,897,749
20,000	-	-	28,851	-	215,000	-	-	137,000	398,200	1,422,752
-	-	-	-	94,896	-	-	-	25,000	1,950,804	1,975,804
-	-	27,612	-	-	-	-	-	1,000	-	1,523,366
-	1,210,801	-	-	15,969	-	52,416	21,323	-	-	27,612
-	21,381,991	-	-	1,822,502	-	-	-	-	-	3,651,164
1,762,000	-	-	1,904,969	-	7,350,000	-	-	3,704,000	-	23,204,493
-	1,470,050	-	-	51	-	-	-	-	-	17,219,618
-	-	-	-	-	-	-	-	-	-	1,470,101
-	-	-	-	-	-	-	-	-	-	2,895,844
-	-	-	-	-	-	-	-	500,000	-	500,000
12,702,000	63,144,511	52,930,840	2,615,344	12,104,993	25,465,000	5,917,384	7,674,116	7,226,000	146,204,971	460,291,895
36,937,000	-	-	28,167,626	-	127,039,000	-	-	10,248,000	-	244,209,189
-	-	-	-	-	-	-	-	1,000,000	-	1,000,000
-	420,899	-	-	-	-	-	1,116,172	-	-	5,473,071
-	11,124,519	-	-	-	-	390,816	-	-	-	11,515,335
-	78,969,819	982,693	-	1,342,289	-	27,439,336	6,497	-	-	108,875,907
36,937,000	90,515,237	982,693	28,167,626	1,342,289	127,039,000	27,830,152	1,122,669	11,248,000	-	371,073,502
49,639,000	153,659,748	53,913,533	30,782,970	13,447,282	152,504,000	33,747,536	8,796,785	18,474,000	146,204,971	831,365,397
-	2,885,560	-	-	434,866	-	239,028	200,017	-	-	3,900,343
-	2,885,560	-	-	434,866	-	239,028	200,017	-	-	3,900,343
-	17,720,396	4,299,636	8,922	101,317	-	34,731	693,638	6,000	3,687,700	26,846,331
-	494,783	85,583	-	112,788	-	-	74,633	-	-	819,179
-	-	-	-	-	-	-	-	-	-	202,611
-	-	-	-	-	-	-	-	1,000	-	14,718
48,000	34,102,561	6,668	30,627,216	66,360	175,000	-	6,220,060	68,000	2,760,101	6,140,101
-	-	49,490	-	-	-	-	-	-	50,562	71,925,965
-	-	5,532,355	-	-	-	-	-	-	-	49,490
-	-	-	-	-	-	-	-	-	-	5,532,355
-	90,576	7,395	-	-	-	-	-	-	-	1,204,234
-	-	-	-	-	-	65,000	-	-	-	165,704
-	-	-	-	-	-	110,000	-	-	-	110,000
-	-	-	-	47,821	-	-	275,369	-	-	323,190
-	-	-	-	-	-	-	-	-	-	39,589
48,000	52,408,316	9,981,127	30,636,138	328,286	175,000	209,731	7,263,700	75,000	6,498,363	113,373,467
-	-	-	-	-	-	-	-	-	-	167,900
-	983,877	92,938	-	-	-	29,118	53,485	-	-	1,211,348
-	-	-	-	-	-	1,846,314	-	1,000,000	-	2,846,314
-	8,150,549	-	-	1,359,622	-	704,238	574,007	-	-	11,156,484
-	-	-	-	-	-	-	-	-	-	18,421,081
-	9,134,426	92,938	-	1,359,622	-	2,579,670	627,492	1,000,000	-	33,803,127
48,000	61,542,742	10,074,065	30,636,138	1,687,908	175,000	2,789,401	7,891,192	1,075,000	6,498,363	147,176,594
-	1,470,050	-	-	-	-	-	-	-	-	1,470,050
-	678,491	-	-	220,902	-	199,384	36,111	-	-	1,156,714
-	2,148,541	-	-	220,902	-	199,384	36,111	-	-	2,626,764
-	90,094,338	982,693	-	1,342,290	-	25,873,838	6,497	-	-	118,299,656
-	-	-	-	-	-	-	-	452,000	-	452,000
-	-	-	-	-	-	-	-	-	139,706,608	139,706,608
-	-	6,000,000	-	-	-	-	1,116,172	-	-	7,116,172
49,591,000	2,759,687	36,856,775	146,832	10,631,048	152,329,000	5,123,941	(53,170)	16,947,000	-	419,887,946
\$ 49,591,000	\$ 92,854,025	\$ 43,839,468	\$ 146,832	\$ 11,973,338	\$ 152,329,000	\$ 30,997,779	\$ 1,069,499	\$ 17,399,000	\$ 139,706,608	\$ 685,462,382

**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, 2017**

	Addition Counselor Internship Loan	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Edutech	Fire and Tornado	Guaranteed Student Loan	HIT Planning Loan Fund	Infrastructure Revolving Loan Fund
<b>OPERATING REVENUES</b>									
Sales and Services	\$ -	\$ -	\$ 19,049	\$ -	\$ 1,699,805	\$ 2,677,235	\$ 8,280,795	\$ -	\$ -
Royalties and Rents	-	-	-	-	-	-	-	-	-
Interest and Investment Income	2,837	-	-	581,000	-	-	-	79,231	193,000
Miscellaneous	-	-	75,504	-	-	-	-	-	-
<b>Total Operating Revenues</b>	<b>2,837</b>	<b>-</b>	<b>94,553</b>	<b>581,000</b>	<b>1,699,805</b>	<b>2,677,235</b>	<b>8,280,795</b>	<b>79,231</b>	<b>193,000</b>
<b>OPERATING EXPENSES</b>									
Cost of Sales and Services	-	-	-	-	-	-	-	-	-
Salaries and Benefits	-	-	24,993	-	17,538	539,709	-	-	-
Operating	7,264	2,119,000	295	102,000	767,753	813,311	7,091,790	38,130	302,000
Claims	-	-	-	-	-	4,688,338	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	17,495	-	-	-	-
Miscellaneous	-	5,000	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>7,264</b>	<b>2,124,000</b>	<b>25,288</b>	<b>102,000</b>	<b>802,786</b>	<b>6,041,358</b>	<b>7,091,790</b>	<b>38,130</b>	<b>302,000</b>
Operating Income (Loss)	(4,427)	(2,124,000)	69,265	479,000	897,019	(3,364,123)	1,189,005	41,101	(109,000)
<b>NONOPERATING REVENUES (EXPENSES)</b>									
Grants and Contracts	-	-	-	-	-	-	-	-	-
Interest and Investment Income	61	2,000	81,666	7,000	-	2,087,998	40,115	-	20,000
Interest Expense	-	-	(3,615)	-	-	(40,087)	-	-	-
Gain on Sale of Capital Assets	-	-	-	-	-	-	-	-	-
Other	-	18,000	-	-	-	-	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>61</b>	<b>20,000</b>	<b>78,051</b>	<b>7,000</b>	<b>-</b>	<b>2,047,911</b>	<b>40,115</b>	<b>-</b>	<b>20,000</b>
Income (Loss) Before Contributions and Transfers	(4,366)	(2,104,000)	147,316	486,000	897,019	(1,316,212)	1,229,120	41,101	(89,000)
Transfers In	-	2,500,000	-	-	-	-	-	-	-
Transfer Out	-	-	-	-	-	-	-	-	-
<b>Change in Net Position</b>	<b>(4,366)</b>	<b>396,000</b>	<b>147,316</b>	<b>486,000</b>	<b>897,019</b>	<b>(1,316,212)</b>	<b>1,229,120</b>	<b>41,101</b>	<b>(89,000)</b>
<b>Total Net Position - Beginning of Year</b>	<b>198,376</b>	<b>10,243,000</b>	<b>3,493,096</b>	<b>33,717,000</b>	<b>638,759</b>	<b>22,120,602</b>	<b>14,152,404</b>	<b>9,196,618</b>	<b>50,009,000</b>
<b>Total Net Position - End of Year</b>	<b>\$ 194,010</b>	<b>\$ 10,639,000</b>	<b>\$ 3,640,412</b>	<b>\$ 34,203,000</b>	<b>\$ 1,535,778</b>	<b>\$ 20,804,390</b>	<b>\$ 15,381,524</b>	<b>\$ 9,237,719</b>	<b>\$ 49,920,000</b>

Medical Facility Infrastructure Loan Fund	Mill and Elevator	PERS Uniform Group Insurance	Rebuilders Loan Program	Roughrider Industries	School Construction Assistance Loan Fund	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ -	\$ 223,554,442	\$ 333,580,921	\$ -	\$ 8,417,655	\$ -	\$ 6,949,904	\$ 27,744,572	\$ -	\$ 193,118,386	\$ 806,042,764
-	-	-	-	168,893	-	-	-	-	-	168,893
283,000	-	-	334,820	-	1,024,000	-	-	532,000	-	3,029,888
-	-	4,814,219	221,053	103,617	-	-	-	-	-	5,214,393
283,000	223,554,442	338,395,140	555,873	8,690,165	1,024,000	6,949,904	27,744,572	532,000	193,118,386	814,455,938
-	185,018,511	-	-	4,057,854	-	-	-	-	-	189,076,365
-	16,572,058	951,768	-	2,132,099	-	1,841,097	865,407	-	-	22,944,669
643,000	7,689,979	333,184,513	571,364	751,467	1,918,000	4,955,809	19,769,235	361,000	-	381,085,910
-	-	-	-	-	-	-	-	-	156,930,938	161,619,276
-	-	-	-	-	-	-	-	14,000	-	14,000
-	3,963,829	294,577	-	239,807	-	1,635,102	2,953	-	-	6,153,763
-	-	-	-	-	-	-	-	-	-	5,000
643,000	213,244,377	334,430,858	571,364	7,181,227	1,918,000	8,432,008	20,637,595	375,000	156,930,938	760,898,983
(360,000)	10,310,065	3,964,282	(15,491)	1,508,938	(894,000)	(1,482,104)	7,106,977	157,000	36,187,448	53,556,955
-	-	-	-	-	-	839,496	-	-	-	839,496
51,000	2,079	99,229	183	55	3,000	4,643	2,910	11,000	1,636,458	4,049,397
-	(598,209)	-	-	-	-	(64,050)	-	-	-	(705,961)
-	-	-	-	2,139	-	-	-	-	-	2,139
-	5,229	(137,500)	-	-	-	(4,445)	-	-	-	(118,716)
51,000	(590,901)	(38,271)	183	2,194	3,000	775,644	2,910	11,000	1,636,458	4,066,355
(309,000)	9,719,164	3,926,011	(15,308)	1,511,132	(891,000)	(706,460)	7,109,887	168,000	37,823,906	57,623,310
-	-	-	-	-	153,220,000	681,126	-	-	-	156,401,126
-	(5,145,492)	-	-	-	-	-	(6,942,500)	(10,000,000)	-	(22,087,992)
(309,000)	4,573,672	3,926,011	(15,308)	1,511,132	152,329,000	(25,334)	167,387	(9,832,000)	37,823,906	191,936,444
49,900,000	88,280,353	39,913,457	162,140	10,462,206	-	31,023,113	902,112	27,231,000	101,882,702	493,525,938
\$ 49,591,000	\$ 92,854,025	\$ 43,839,468	\$ 146,832	\$ 11,973,338	\$ 152,329,000	\$ 30,997,779	\$ 1,069,499	\$ 17,399,000	\$ 139,706,608	\$ 685,462,382

# STATE OF NORTH DAKOTA

## Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Fiscal Year Ended June 30, 2017

	Addition Counselor Internship Loan Program	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Edutech	Fire and Tornado	Guaranteed Student Loan	HIT Planning Loan Fund
<b>Cash Flows from Operating Activities:</b>								
Receipts from Customers and Users	\$ -	\$ -	\$ 78,824	\$ -	\$ 1,167,476	\$ 2,689,859	\$ 7,051,251	\$ -
Interest Income on Loans	-	-	-	-	-	-	-	79,734
Receipts from Loan Principal Repayments	-	-	-	-	-	-	14,186,603	1,535,934
Receipts from Federal and Local Agencies	-	-	-	-	-	-	-	-
Receipts from Other Funds	-	-	-	-	-	-	-	-
Receipts from Others	-	-	45	-	-	-	-	-
Payments to Other Funds	-	-	-	-	-	(30,939)	-	-
Payments for Loan Funds	-	-	-	-	-	-	(13,388,754)	-
Payments to Suppliers	-	(2,408,000)	(6,436)	(100,000)	(487,444)	(733,000)	(2,655,967)	(39,609)
Payments to Employees	-	-	(21,196)	-	(15,007)	(556,214)	-	-
Claim Payments	-	-	(17,630)	-	-	(5,776,201)	-	-
Payments to Others	(5,464)	(5,000)	-	-	-	-	(7,613,588)	-
Other	-	-	-	-	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	(5,464)	(2,413,000)	33,607	(100,000)	665,025	(4,406,495)	(2,420,455)	1,576,059
<b>Cash Flows from Noncapital Financing Activities:</b>								
Proceeds from Sale of Notes and Other Borrowings	-	-	-	-	-	-	-	-
Principal Payments - Notes and Other Borrowings	-	-	-	-	-	-	-	-
Interest Payments - Bonds	-	-	-	-	-	-	-	-
Interest Payments - Notes and Other Borrowings	-	-	-	-	-	-	-	-
Transfers In	-	2,500,000	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Principal Payments on Due To Other Funds	-	-	-	-	-	-	-	-
Grants Received	-	-	-	-	-	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	-	2,500,000	-	-	-	-	-	-
<b>Cash Flows from Capital and Related Financing Activities:</b>								
Acquisition and Construction of Capital Assets	-	-	-	-	-	-	-	-
Proceeds (Loss) on Sale of Capital Assets	-	-	-	-	(152,768)	-	-	-
Principal Payments - Bonds	-	-	-	-	-	-	-	-
Interest Payments - Bonds	-	-	-	-	-	-	-	-
Payment of Bond Issue Costs	-	-	-	-	-	-	-	-
Capital Appropriations	-	-	-	-	-	-	-	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	-	-	-	-	(152,768)	-	-	-
<b>Cash Flows from Investing Activities:</b>								
Proceeds from Sale and Maturities of Investment Securities	-	-	-	-	-	2,738,676	5,500,000	-
Purchase of Investment Securities	-	-	(27,238)	-	-	-	-	-
Net Increase In Investments	-	-	-	-	-	-	-	-
Interest and Dividends on Investments	61	2,000	61,788	7,000	-	1,153,813	51,380	-
Disbursements for Loans and Loan Purchases	(52,500)	-	-	(3,132,000)	-	-	-	-
Receipt of Loan Principal Repayments	-	-	-	781,000	-	-	-	-
Proceeds from Collection of Loans and Notes Receivable	17,636	-	-	-	-	-	-	-
Loan Income Received	1,546	18,000	-	586,000	-	-	-	-
Net Cash Provided by (Used for) Investing Activities	(33,257)	20,000	34,550	(1,758,000)	-	3,892,489	5,551,380	-
<b>Net Change in Cash:</b>								
Net Increase (Decrease) in Cash and Cash Equivalents	(38,721)	107,000	68,157	(1,858,000)	512,257	(514,006)	3,130,925	1,576,059
Cash and Cash Equivalents at June 30, 2016	148,074	4,446,000	1,605,884	14,549,000	631,363	2,736,064	30,761,082	1,151,885
Cash and Cash Equivalents at June 30, 2017	\$ 109,353	\$ 4,553,000	\$ 1,674,041	\$ 12,691,000	\$ 1,143,620	\$ 2,222,058	\$ 33,892,007	\$ 2,727,944
<b>Reconciliation:</b>								
Current:								
Cash Deposits at the Bank of North Dakota	109,353	4,553,000	157,470	12,691,000	1,143,620	41,782	33,724,107	-
Cash and Cash Equivalents	-	-	1,516,571	-	-	2,180,276	-	-
Restricted Cash Deposits at the Bank of North Dakota	-	-	-	-	-	-	167,900	2,727,944
Cash and Cash Equivalents	\$ 109,353	\$ 4,553,000	\$ 1,674,041	\$ 12,691,000	\$ 1,143,620	\$ 2,222,058	\$ 33,892,007	\$ 2,727,944

Infrastructure Revolving Loan Fund	Medical Facility Infrastructure Loan Fund	Mill and Elevator	PERS Uniform Group Insurance	Rebuilders Loan Program	Roughrider Industries	School Construction Assistance Revolving Loan	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ -	\$ -	\$ 287,404,128	\$ 333,785,974	\$ -	\$ 8,476,839	\$ -	\$ 6,971,624	\$ 20,429,910	\$ 4,330,000	\$ 180,339,699	\$ 852,725,584
-	-	-	-	-	-	-	-	-	-	-	79,734
-	-	-	-	-	-	-	-	-	-	-	15,722,537
-	-	-	-	-	28,237	-	-	-	-	-	28,237
-	-	-	-	-	7,247	-	-	-	-	-	7,247
-	-	-	-	-	-	-	-	-	-	316,657	316,702
-	-	-	-	(191,598)	-	-	-	-	-	-	(22,537)
-	-	-	-	-	-	-	-	-	-	-	(13,388,754)
-	-	(254,765,608)	(332,867,304)	-	(4,570,146)	(180,000)	(4,965,739)	(12,835,275)	(371,000)	(18,473,780)	(635,459,308)
-	-	(15,709,740)	(940,314)	-	(2,097,735)	-	(1,849,751)	(884,035)	-	(2,543,318)	(24,617,310)
-	-	-	-	-	-	-	-	-	-	(139,738,024)	(145,531,855)
(32,000)	-	-	-	(188,085)	-	-	-	(89,275)	-	(397,920)	(8,331,332)
-	(122,000)	-	(1,187,827)	-	-	-	-	-	-	-	(1,309,827)
(32,000)	(122,000)	16,928,780	(1,209,471)	(379,683)	1,844,442	(180,000)	156,134	6,621,325	3,959,000	19,503,314	40,019,118
-	-	21,000,000	-	-	-	-	-	-	-	-	21,000,000
-	-	(12,000,000)	-	-	-	-	-	-	-	-	(12,000,000)
-	-	-	-	-	-	-	-	-	(14,000)	-	(14,000)
-	-	(634,829)	-	-	-	-	-	-	-	-	(634,829)
-	-	-	-	-	-	9,060,000	247,665	-	-	-	11,807,665
-	-	(4,944,656)	(137,500)	-	-	-	-	(10,322,500)	(12,496,000)	-	(27,900,656)
-	-	-	-	(3,691,286)	-	-	-	-	-	-	(3,691,286)
-	-	-	-	-	-	-	839,496	-	-	-	839,496
-	-	3,420,515	(137,500)	(3,691,286)	-	9,060,000	1,087,161	(10,322,500)	(12,510,000)	-	(10,593,610)
-	-	(20,351,375)	-	-	(86,500)	-	(1,245,272)	-	-	-	(21,683,147)
-	-	-	-	-	-	-	-	-	-	-	(152,768)
-	-	-	-	-	-	-	(110,000)	-	-	-	(110,000)
-	-	-	-	-	-	-	(64,050)	-	-	-	(64,050)
-	-	-	-	-	-	-	(16,705)	-	-	-	(16,705)
-	-	-	-	-	-	-	433,461	-	-	-	433,461
-	-	(20,351,375)	-	-	(86,500)	-	(1,002,566)	-	-	-	(21,593,209)
-	24,800,000	-	-	-	-	-	-	-	12,535,000	-	45,573,676
-	-	-	(2,339,645)	-	-	-	-	-	(4,445,000)	-	(6,811,883)
-	-	-	99,229	-	-	-	-	-	-	-	99,229
20,000	152,000	2,079	-	183	-	3,000	4,643	2,219	18,000	1,642,032	3,120,198
(16,729,000)	(22,753,000)	-	-	-	-	-	-	-	-	-	(42,666,500)
-	-	-	-	-	-	7,060,000	-	-	-	-	7,841,000
28,000	946,000	-	-	3,793,582	-	-	-	-	-	-	4,785,218
3,000	275,000	-	-	352,592	-	1,957,000	-	-	-	-	3,193,138
(16,678,000)	3,420,000	2,079	(2,240,416)	4,146,357	-	9,020,000	4,643	2,219	8,108,000	1,642,032	15,134,076
(16,710,000)	3,298,000	(1)	(3,587,387)	75,388	1,757,942	17,900,000	245,372	(3,698,956)	(443,000)	21,145,346	22,966,375
50,009,000	7,622,000	226	14,434,655	606,136	7,862,885	-	5,522,423	11,061,483	456,000	63,314,775	216,918,935
\$ 33,299,000	\$ 10,920,000	\$ 225	\$ 10,847,268	\$ 681,524	\$ 9,620,827	\$ 17,900,000	\$ 5,767,795	\$ 7,362,527	\$ 13,000	\$ 84,460,121	\$ 239,885,310
33,299,000	10,920,000	225	4,612,140	681,524	9,620,327	17,900,000	5,767,795	7,097,335	13,000	171,529	142,503,207
-	-	-	6,235,128	-	500	-	-	265,192	-	84,288,592	94,486,259
-	-	-	-	-	-	-	-	-	-	-	2,895,844
\$ 33,299,000	\$ 10,920,000	\$ 225	\$ 10,847,268	\$ 681,524	\$ 9,620,827	\$ 17,900,000	\$ 5,767,795	\$ 7,362,527	\$ 13,000	\$ 84,460,121	\$ 239,885,310

# STATE OF NORTH DAKOTA

## Combining Statement of Cash Flows Nonmajor Enterprise Funds (Continued) For the Fiscal Year Ended June 30, 2017

	Addition Counselor Internship Loan Program	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Edutech	Fire and Tornado	Guaranteed Student Loan	HIT Planning Loan Fund
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:</b>								
Operating Income (Loss)	\$ (4,427)	\$ (2,124,000)	\$ 69,265	\$ 479,000	\$ 897,019	\$ (3,364,123)	\$ 1,189,005	\$ 41,101
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:								
Depreciation	-	-	-	-	17,495	-	-	-
Amortization\Accretion	-	-	-	-	-	-	-	-
Reclassification of Interest Revenue\Expense	-	-	-	(581,000)	-	-	-	-
Interest Received on Program Loans	-	-	-	-	-	-	-	-
Receipt of Loan Principal Repayments	-	-	-	-	-	-	-	-
Provision for Losses	1,800	-	-	-	-	-	(1,018,788)	-
Other	-	-	-	-	-	-	(258,183)	-
Deferred Outflows	-	-	(4,074)	-	-	(95,774)	-	-
Deferred Inflows	-	-	69	-	-	(9,444)	-	-
Change in Assets and Liabilities:								
(Increase) Decrease in Accounts Receivable	-	-	4,835	-	7,250	12,624	58,152	-
(Increase) Decrease in Interest Receivable	(2,837)	-	-	-	-	-	-	503
(Increase) Decrease in Due From	-	-	-	-	(539,578)	-	(91,198)	-
(Increase) Decrease in Intergovernmental Receivable	-	-	-	-	-	-	4,450,732	-
(Increase) Decrease in Notes Receivable	-	-	-	-	-	-	-	1,535,933
(Increase) Decrease in Prepaid Items	-	(289,000)	-	-	-	57,317	-	-
(Increase) Decrease in Inventories	-	-	-	-	-	-	-	-
(Increase) Decrease in Other Assets	-	-	-	-	-	-	-	-
Increase (Decrease) in Accounts Payable	-	-	(6,141)	-	276,771	2,187	(2,052,520)	(1,478)
Increase (Decrease) in Claims\Judgments Payable	-	-	(38,194)	-	-	(1,042,768)	-	-
Increase (Decrease) in Intergovernmental Payable	-	-	45	-	-	-	(4,741,494)	-
Increase (Decrease) in Accrued Payrol	-	-	68	-	2,530	1,408	-	-
Increase (Decrease) in Compensated Absences Payable	-	-	297	-	-	5,403	-	-
Increase (Decrease) in Amounts Held for Others	-	-	-	-	-	-	-	-
Increase (Decrease) in Due To	-	-	-	2,000	3,538	(30,939)	43,839	-
Increase (Decrease) in Unavailable Revenue	-	-	-	-	-	-	-	-
Increase (Decrease) in Net Pension Liability	-	-	7,437	-	-	81,902	-	-
Increase (Decrease) in Other Liabilities	-	-	-	-	-	(24,288)	-	-
<b>Total Adjustments</b>	<b>(1,037)</b>	<b>(289,000)</b>	<b>(35,658)</b>	<b>(579,000)</b>	<b>(231,994)</b>	<b>(1,042,372)</b>	<b>(3,609,460)</b>	<b>1,534,958</b>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ (5,464)</b>	<b>\$ (2,413,000)</b>	<b>\$ 33,607</b>	<b>\$ (100,000)</b>	<b>\$ 665,025</b>	<b>\$ (4,406,495)</b>	<b>\$ (2,420,455)</b>	<b>\$ 1,576,059</b>
<b>Noncash Transactions:</b>								
Net Change in Fair Value of Investments	-	-	16,183	-	-	894,937	-	-
Transfer of loans and interest receivable from another fund	-	-	-	-	-	-	-	-
Interest Revenue on Prize Reserves	-	-	-	-	-	-	-	-
Value Received on Trade of Capital Asset	-	-	-	-	-	-	-	-
<b>Total Noncash Transactions</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,183</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 894,937</b>	<b>\$ -</b>	<b>\$ -</b>

Infrastructure Revolving Loan Fund	Medical Facility Infrastructure Loan Fund	Mill and Elevator	PERS Uniform Group Insurance	Rebuilders Loan Program	Roughrider Industries	School Construction Assistance Revolving Loan	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ (109,000)	\$ (360,000)	\$ 10,310,065	\$ 3,964,282	\$ (15,491)	\$ 1,508,938	\$ (894,000)	\$ (1,482,104)	\$ 7,106,977	\$ 157,000	\$ 36,187,448	\$ 53,556,955
-	-	3,963,829	-	-	239,807	-	1,635,102	2,953	-	-	5,859,186
-	-	-	294,577	-	-	-	-	-	-	-	294,577
-	(283,000)	-	-	(555,873)	-	(1,024,000)	-	-	13,000	-	(2,430,873)
(193,000)	-	-	-	-	-	-	-	-	8,000	-	(185,000)
-	-	-	-	-	-	-	-	-	3,791,000	-	3,791,000
251,000	496,000	-	-	221,909	-	1,563,000	2,500	-	8,000	-	1,525,421
-	-	41,849	-	-	-	-	-	-	-	-	(216,334)
-	-	(642,553)	-	-	(302,508)	-	(86,938)	(145,345)	-	-	(1,277,192)
-	-	-	-	-	27,983	-	62,920	(14,211)	-	-	67,317
-	-	(624,564)	(5,799,369)	-	159,994	-	19,220	115,864	-	(14,521,584)	(20,567,578)
-	-	-	-	-	-	-	-	-	-	-	(2,334)
19,000	-	-	(14,287)	-	(193,363)	-	-	-	-	450	(818,976)
-	-	-	-	-	-	-	-	-	-	882,336	5,333,068
-	-	-	-	-	-	-	-	-	-	-	1,535,933
-	-	(468,736)	-	-	(5,127)	-	431	7,569	-	-	(697,546)
-	-	1,250,778	-	-	272,783	-	-	-	-	-	1,523,561
-	-	14,817	-	-	21,918	-	-	(88,510)	-	-	(51,775)
-	-	1,785,381	632,748	(30,228)	(193,705)	-	(10,361)	(362,069)	-	(574,274)	(533,689)
-	-	-	-	-	-	-	-	-	-	-	(1,080,962)
-	-	-	(4,650)	-	-	-	-	-	-	(2,247,530)	(6,993,629)
-	-	311,578	8,673	-	(14,833)	-	-	3,533	-	-	312,957
-	-	67,050	2,781	-	-	-	10,208	(8,774)	-	-	76,965
-	-	-	16,663	-	-	-	-	-	-	-	16,663
-	25,000	-	(310,889)	-	18,453	175,000	-	(110,152)	(18,000)	(223,532)	(425,682)
-	-	-	-	-	(24,618)	-	-	-	-	-	(24,618)
-	-	1,126,243	-	-	323,722	-	5,156	146,169	-	-	1,690,629
-	-	(206,957)	-	-	4,998	-	-	(32,679)	-	-	(258,926)
77,000	238,000	6,618,715	(5,173,753)	(364,192)	335,504	714,000	1,638,238	(485,652)	3,802,000	(16,684,134)	(13,537,837)
\$ (32,000)	\$ (122,000)	\$ 16,928,780	\$ (1,209,471)	\$ (379,683)	\$ 1,844,442	\$ (180,000)	\$ 156,134	\$ 6,621,325	\$ 3,959,000	\$ 19,503,314	\$ 40,019,118
-	-	-	-	-	-	-	-	-	-	-	911,120
-	-	-	-	-	-	144,160,000	-	-	-	-	144,160,000
-	-	-	-	-	-	-	-	765	-	-	765
-	-	-	-	-	-	-	14,125	-	-	-	14,125
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 144,160,000	\$ 14,125	\$ 765	\$ -	\$ -	\$ 145,086,010

## ***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, 2017

	Central Services	Fleet Services	Information Technology Department	Risk Management	Total
<b>ASSETS</b>					
Current Assets:					
Cash Deposits at the Bank of ND	\$ 1,609,193	\$ 1,711,728	\$ 9,172,271	\$ 1,017,372	\$ 13,510,564
Cash and Cash Equivalents	2,702	-	-	2,447	5,149
Investments	-	-	-	10,919,401	10,919,401
Accounts Receivable - Net	20,073	100,560	134,093	1,000	255,726
Interest Receivable - Net	-	-	-	49,702	49,702
Intergovernmental Receivable - Net	79,871	-	442,435	-	522,306
Due from Other Funds	205,327	2,286,349	5,460,946	15,955	7,968,577
Prepaid Items	40,396	43,667	3,439,656	-	3,523,719
Inventory	87,979	-	-	-	87,979
Total Current Assets	2,045,541	4,142,304	18,649,401	12,005,877	36,843,123
Noncurrent Assets:					
Capital Assets:					
Nondepreciable	-	183,194	-	-	183,194
Depreciable, Net	203,141	89,620,068	7,188,989	-	97,012,198
Total Noncurrent Assets	203,141	89,803,262	7,188,989	-	97,195,392
Total Assets	2,248,682	93,945,566	25,838,390	12,005,877	134,038,515
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Derived from Pensions	221,985	486,328	5,940,922	125,445	6,774,680
Total Deferred Outflow of Resources	221,985	486,328	5,940,922	125,445	6,774,680
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable	108,325	914,106	3,729	2,940	1,029,100
Accrued Payroll	91,892	181,561	2,519,826	44,110	2,837,389
Securities Lending Collateral	-	-	-	104,547	104,547
Interest Payable	-	-	-	6,577	6,577
Intergovernmental Payable	440	-	-	-	440
Due to Other Funds	25,047	288,163	631,841	44,805	989,856
Claims/Judgments Payable	-	-	-	1,572,003	1,572,003
Compensated Absences Payable	3,859	5,563	187,902	4,209	201,533
Capital Leases Payable	9,967	-	-	-	9,967
Total Current Liabilities	239,530	1,389,393	3,343,298	1,779,191	6,751,412
Noncurrent Liabilities:					
Claims/Judgments Payable	-	-	-	7,863,766	7,863,766
Compensated Absences Payable	73,316	60,424	2,041,071	45,717	2,220,528
Capital Leases Payable	29,614	-	-	-	29,614
Net Pension Liability	661,462	1,520,088	20,349,262	314,540	22,845,352
Total Noncurrent Liabilities	764,392	1,580,512	22,390,333	8,224,023	32,959,260
Total Liabilities	1,003,922	2,969,905	25,733,631	10,003,214	39,710,672
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Derived from Pensions	62,949	196,032	1,635,077	60,429	1,954,487
Total Deferred Inflow of Resources	62,949	196,032	1,635,077	60,429	1,954,487
<b>NET POSITION</b>					
Net Investment in Capital Assets	163,561	89,803,262	7,188,990	-	97,155,813
Unrestricted	1,240,235	1,462,695	(2,778,386)	2,067,679	1,992,223
Total Net Position	\$ 1,403,796	\$ 91,265,957	\$ 4,410,604	\$ 2,067,679	\$ 99,148,036

# 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, 2017

	Central Services	Fleet Services	Information Technology Department	Risk Management	Total
<b>OPERATING REVENUES</b>					
Sales and Services	\$ 2,473,855	\$ 28,810,868	\$ 58,921,787	\$ 4,357,948	\$ 94,564,458
Interest and Investment Income	-	76,695	-	-	76,695
Miscellaneous	-	64,730	-	-	64,730
Total Operating Revenues	<u>2,473,855</u>	<u>28,952,293</u>	<u>58,921,787</u>	<u>4,357,948</u>	<u>94,705,883</u>
<b>OPERATING EXPENSES</b>					
Cost of Sales and Services	993,298	-	-	-	993,298
Salaries and Benefits	1,127,691	2,430,856	29,815,379	591,409	33,965,335
Operating	436,865	14,285,475	30,892,857	601,082	46,216,279
Claims	-	-	-	4,070,606	4,070,606
Depreciation	54,080	9,377,453	5,259,522	-	14,691,055
Miscellaneous	1,741	-	-	-	1,741
Total Operating Expenses	<u>2,613,675</u>	<u>26,093,784</u>	<u>65,967,758</u>	<u>5,263,097</u>	<u>99,938,314</u>
Operating Income (Loss)	<u>(139,820)</u>	<u>2,858,509</u>	<u>(7,045,971)</u>	<u>(905,149)</u>	<u>(5,232,431)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest and Investment Income	-	-	-	1,038,654	1,038,654
Interest Expense	(4,405)	-	-	(20,120)	(24,525)
Gain (Loss) on Sale of Capital Assets	-	290,085	(34,299)	-	255,786
Total Nonoperating Revenues (Expenses)	<u>(4,405)</u>	<u>290,085</u>	<u>(34,299)</u>	<u>1,018,534</u>	<u>1,269,915</u>
Income (Loss) Before Contributions and Transfers	<u>(144,225)</u>	<u>3,148,594</u>	<u>(7,080,270)</u>	<u>113,385</u>	<u>(3,962,516)</u>
Capital Grants and Contributions	-	165,242	-	-	165,242
Transfer Out	-	(25,000)	-	-	(25,000)
Changes in Net Position	<u>(144,225)</u>	<u>3,288,836</u>	<u>(7,080,270)</u>	<u>113,385</u>	<u>(3,822,274)</u>
Total Net Position - Beginning of Year	<u>1,548,021</u>	<u>87,977,121</u>	<u>11,490,874</u>	<u>1,954,294</u>	<u>102,970,310</u>
Total Net Position - End of Year	<u>\$ 1,403,796</u>	<u>\$ 91,265,957</u>	<u>\$ 4,410,604</u>	<u>\$ 2,067,679</u>	<u>\$ 99,148,036</u>

# STATE OF NORTH DAKOTA

## Combining Statement of Cash Flows Internal Service Funds For the Fiscal Year Ended June 30, 2017

	Central Services	Fleet Services	Information Technology	Risk Management	Total
<b>Cash Flows from Operating Activities:</b>					
Receipts from Customers and Users	\$ 807,872	\$ 223,163	\$ 2,183,369	\$ 1,929,107	\$ 5,143,511
Receipts from Other Funds	1,599,630	28,835,503	56,197,291	2,427,003	89,059,427
Payments to Other Funds	-	(934,984)	-	(3,947,566)	(4,882,550)
Payments to Suppliers	(1,396,292)	(14,450,705)	(28,928,903)	(600,856)	(45,376,756)
Payments to Employees	(1,070,105)	(2,338,240)	(27,665,440)	(551,496)	(31,625,281)
Claim Payments	-	-	-	(1,250,552)	(1,250,552)
Other	(1,740)	-	-	-	(1,740)
Net Cash Provided by (Used for) Operating Activities	(60,635)	11,334,737	1,786,317	(1,994,360)	11,066,059
<b>Cash Flows from Noncapital Financing Activities</b>					
Advances Made to Other Funds	-	(1,525,000)	-	-	(1,525,000)
Net Cash Provided by (Used for) Noncapital Financing Activities	-	(1,525,000)	-	-	(1,525,000)
<b>Cash Flows from Capital and Related Financing Activities</b>					
Acquisition and Construction of Capital Assets	(20,536)	(13,569,108)	(1,592,810)	-	(15,182,454)
Proceeds from Sale of Capital Assets	-	3,902,666	-	-	3,902,666
Payment on Capital Leases	(23,117)	-	-	-	(23,117)
Interest Payments - Capital Leases	(4,406)	-	-	-	(4,406)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(48,059)	(9,666,442)	(1,592,810)	-	(11,307,311)
<b>Cash Flows from Investing Activities:</b>					
Proceeds from Sale and Maturities of Investment Securities	-	-	-	1,262,983	1,262,983
Interest and Dividends on Investments	-	-	-	446,961	446,961
Net Cash Provided by (Used for) Investing Activities	-	-	-	1,709,944	1,709,944
<b>Net Change in Cash:</b>					
Net Increase (Decrease) in Cash and Cash Equivalents	(108,694)	143,295	193,507	(284,416)	(56,308)
Cash and Cash Equivalents at June 30, 2016	1,720,589	1,568,433	8,978,764	1,304,235	13,572,021
Cash and Cash Equivalents at June 30, 2017	\$ 1,611,895	\$ 1,711,728	\$ 9,172,271	\$ 1,019,819	\$ 13,515,713
<b>Reconciliation:</b>					
Cash Deposits at the Bank of North Dakota	1,609,193	1,711,728	9,172,271	1,017,372	13,510,564
Cash and Cash Equivalents	2,702	-	-	2,447	5,149
Cash and Cash Equivalents	\$ 1,611,895	\$ 1,711,728	\$ 9,172,271	\$ 1,019,819	\$ 13,515,713
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>					
Operating Income (Loss)	(139,820)	2,858,509	(7,045,971)	(905,149)	(5,232,431)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	54,080	9,377,453	5,259,522	-	14,691,055
Deferred Outflows	(150,039)	(342,005)	(388,135)	(89,077)	(969,256)
Deferred Inflows	10,777	37,268	(4,193,466)	(2,912)	(4,148,333)
Change in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(1,301)	(72,894)	(4,289)	(1,000)	(79,484)
(Increase) Decrease in Due From	(51,347)	-	(257,111)	(1,830)	(310,288)
(Increase) Decrease in Intergovernmental Receivable	(13,705)	(934,984)	(279,728)	-	(1,228,417)
(Increase) Decrease in Prepaid Items	(5,531)	(20,980)	2,123,292	-	2,096,781
(Increase) Decrease in Inventories	31,850	-	-	-	31,850
Increase (Decrease) in Accounts Payable	6,223	(144,249)	(784,599)	(2,093)	(924,718)
Increase (Decrease) in Claims/Judgments Payable	-	-	-	(1,149,940)	(1,149,940)
Increase (Decrease) in Intergovernmental Payable	338	179,267	-	-	179,605
Increase (Decrease) in Accrued Payroll	1,181	(5,883)	241,450	1,583	238,331
Increase (Decrease) in Compensated Absences Payable	2,274	116	8,999	408	11,797
Increase (Decrease) in Due To	992	-	625,261	25,927	652,180
Increase (Decrease) in Net Pension Liability	193,393	403,119	6,481,092	129,723	7,207,327
Total Adjustments	79,185	8,476,228	8,832,288	(1,089,211)	16,298,490
Net Cash Provided by (Used for) Operating Activities	\$ (60,635)	\$ 11,334,737	\$ 1,786,317	\$ (1,994,360)	\$ 11,066,059
<b>Noncash Transactions:</b>					
Net Change in Fair Value of Investments	-	-	-	568,741	568,741
Decrease in Securities Lending Collateral	-	-	-	(61,361)	(61,361)
Total Noncash Transactions	\$ -	\$ -	\$ -	\$ 507,380	\$ 507,380



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# STATE OF NORTH DAKOTA

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## *Fiduciary Funds*

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

### **Pension and Other Employee-Related Benefit Trust Funds**

#### **DEFERRED COMPENSATION**

##### **981 - Deferred Compensation Fund**

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

#### **PERS FLEXCOMP**

##### **932 - Flex Program**

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

#### **HIGHWAY PATROLMEN'S RETIREMENT**

##### **982 - Highway Patrolmen's Retirement Fund**

A single employer defined benefit pension plan covering officers of the State Highway Patrol.

#### **JOB SERVICE RETIREMENT**

##### **920 - Job Service Retirement Fund**

A single employer defined benefit pension plan for Job Service employees. Participation in this plan is limited to employees participating in the program as of September 30, 1980.

#### **PREFUNDED RETIREE HEALTH PROGRAM**

##### **933 - Prefunded Retiree Health Program**

Members receiving retirement benefits from NDPERS receive a credit toward their monthly health insurance premium under the state health plan.

#### **PUBLIC EMPLOYEES' RETIREMENT**

##### **470 (983) - Public Employees Retirement System**

Accounts for the financial resources associated with the Public Employees Retirement System.

#### **DEFINED CONTRIBUTION RETIREMENT**

##### **930 - Defined Contribution Retirement Plan**

Accounts for the financial resources of the Defined Contribution Retirement Plan. Participation in this plan is limited to state employees who are in positions not classified by the Central Personnel Division and who are not employees of the judicial branch or board of higher education.

#### **TEACHERS' RETIREMENT**

##### **964 - North Dakota Teachers' Fund For Retirement**

Accounts for the financial resources of the Teachers' Retirement Fund.

### **Investment Trust Funds**

##### **911 - ND Association of Counties RIO Investments**

Account for the investment assets held by the State Investment Board in a trustee capacity as an agent for the North Dakota Association of Counties.

##### **913 - City of Bismarck RIO Investments**

Account for the investment assets held by the State Investment Board in a trustee capacity as an agent for the City of Bismarck.

##### **936 - City of Grand Forks RIO Investments**

Account for the investment assets held by the State Investment Board in a trustee capacity as an agent for the City of Grand Forks.

##### **950 - City of Fargo RIO Investments**

Account for the investment assets held by the State Investment Board in a trustee capacity as an agent for the City of Fargo.

**Private Purpose Trust Funds**

**STUDENT AND CULTURAL DONATIONS**

**928 - Indian Cultural Education Trust Fund**

Trust accounts for donations provided for the purpose of generating income to benefit Indian Culture.

**937 - Department of Public Instruction Thordarson Scholarship Trust Fund**

Fund used to provide scholarship grants to students enrolled in courses offered by the independent study division.

**988 - School for the Deaf Scholarship Trust Fund**

Account for funds donated to provide scholarships to deaf students.

**989 - School for the Deaf Student Trust Funds**

Accounts for funds donated to the School for the Deaf for the benefit of the students.

**COLLEGE SAVE**

**940 - College SAVE**

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

**MANDAN REMEDIATION TRUST**

**943 - Mandan Remediation Trust**

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

**Agency Funds**

**BONDING**

**402 - Sales and Use Tax Deposit Fund**

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

**403 - Motor Fuel Cash Bond Deposit Fund**

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

**939 - Public Service Commission Trustee Account**

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

**942 - Agriculture Cash and Investment**

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

**944 - Cash Bonds**

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

**945 - Insurance Company Deposits**

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

**947 - District Court Bond Fund**

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

**PAYROLL**

**461 - OMB Unemployment/Payroll Clearing Fund**

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

**CHILD SUPPORT**

**463 - Child Support Disbursement Unit Fund**

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

**STUDENT AND OTHER**

**406 - Drivers License Trust Fund**

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

**946 - District Court Collection Fund**

Accounts for collections for third parties.

**STUDENT AND OTHER cont.**

986 - Developmental Center Residents' Funds

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

990 - Veteran's Home-Custodial

Accounts for resident's personal funds.

991 - State Hospital Patients

Accounts for patient's personal funds.

992 - Prisoner Accounts

Accounts for prisoner's personal fund.

993 - Youth Correctional Center Student Accounts

Account for the student's personal funds.

994 - School for the Deaf Students

Account for the students personal funds.

**TAX COLLECTION**

434 - City Lodging Tax Suspense

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

435 - City Sales Tax Suspense

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

437 - City Motor Vehicle Rental Tax

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

438 - City Restaurant and Lodge Tax Suspense

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

# STATE OF NORTH DAKOTA

## Combining Statement of Fiduciary Net Position Pension, Investment and Private-Purpose Trust Funds June 30, 2017

	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
<b>ASSETS</b>						
Cash Deposits at the Bank of ND	\$ 198,573	\$ 96,893	\$ -	\$ 4,420	\$ 398,792	\$ 884,044
Cash and Cash Equivalents	-	-	-	-	-	-
Receivables:						
Contributions Receivable	862,936	88,061	2,911	2,909	496,062	920,743
Accounts Receivable - Net	-	-	-	-	-	-
Interest Receivable - Net	-	-	139,681	178	-	21
Intergovernmental Receivable - Net	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	318
Due from Fiduciary Funds	28,308	25,004	-	-	-	76,323
Total Receivables	891,244	113,065	142,592	3,087	496,062	997,405
Investments, at Fair Value:						
Investments at the Bank of ND	-	-	-	-	-	-
Equity Pool	-	-	-	29,008,736	-	70,214,197
Fixed Income Pool	1,666,744	205,457	-	68,323,905	-	45,921,116
Cash and Cash Pool	529,302	60,017	11,136,155	-	-	15,613
Real Estate Pool	-	-	-	-	-	-
Alternative Investments	-	-	62,083,807	-	-	-
Mutual Funds	95,946,792	11,775,773	-	-	-	-
Total Investments	98,142,838	12,041,247	73,219,962	97,332,641	-	116,150,926
Invested Securities Lending Collateral	-	-	420,268	-	-	-
Capital Assets (Net of Depreciation)	655,129	8,889	11,716	7,605	327,564	125,041
Total Assets	99,887,784	12,260,094	73,794,538	97,347,753	1,222,418	118,157,416
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Derived from Pensions	-	-	-	-	-	-
Total deferred outflows of resources	-	-	-	-	-	-
<b>LIABILITIES</b>						
Accounts Payable	46,923	21,603	559	77,180	18,937	376,785
Accrued Payroll	40,417	-	-	-	22,122	-
Securities Lending Collateral	-	-	420,268	-	-	-
Due to Other Funds	3,138	628	-	-	1,668	296
Due to Fiduciary Funds	-	10	37,395	5,162	-	176,134
Amounts Held in Custody for Others	45,933	-	-	-	-	-
Compensated Absences Payable	47,798	-	-	-	28,563	-
Total Liabilities	184,209	22,241	458,222	82,342	71,290	553,215
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Derived from Pensions	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-
<b>NET POSITION</b>						
Net Position Restricted for:						
Pension Benefits	99,703,575	12,237,853	73,336,316	97,265,411	-	117,604,201
Other Employee Benefits	-	-	-	-	1,151,128	-
External Investment Pool Participants	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-
Total Net Position Restricted for Pension Benefits and Other Purposes	\$ 99,703,575	\$ 12,237,853	\$ 73,336,316	\$ 97,265,411	\$ 1,151,128	\$ 117,604,201

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
\$ 9,176,368	\$ 19,073,513	\$ 29,832,603	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
11,982,919	26,333,586	40,690,127	-	-	-	-	-
-	-	-	-	-	-	-	-
5,163,165	8,947,870	14,250,915	175,540	600	54,855	37,035	268,030
-	36	36	-	-	-	-	-
51,810	-	52,128	-	-	-	-	-
190,306	-	319,941	-	-	-	-	-
<u>17,388,200</u>	<u>35,281,492</u>	<u>55,313,147</u>	<u>175,540</u>	<u>600</u>	<u>54,855</u>	<u>37,035</u>	<u>268,030</u>
-	-	-	-	-	-	-	-
1,545,325,416	1,275,571,112	2,920,119,461	57,817,360	1,319,297	38,938,391	20,742,271	118,817,319
631,291,508	521,927,872	1,269,336,602	42,707,694	2,501,005	16,882,102	16,225,823	78,316,624
-	27,243,767	38,984,854	372,420	563,020	845,963	411,619	2,193,022
504,434,723	407,547,460	911,982,183	25,996,216	-	10,228,581	4,218,171	40,442,968
21,778,944	76,976,255	160,839,006	3,719,849	-	2,603,061	-	6,322,910
-	-	107,722,565	-	-	-	-	-
<u>2,702,830,591</u>	<u>2,309,266,466</u>	<u>5,408,984,671</u>	<u>130,613,539</u>	<u>4,383,322</u>	<u>69,498,098</u>	<u>41,597,884</u>	<u>246,092,843</u>
15,515,708	12,839,759	28,775,735	779,550	35,751	408,042	429,706	1,653,049
1,301,494	8,549	2,445,987	-	-	-	-	-
<u>2,746,212,361</u>	<u>2,376,469,779</u>	<u>5,525,352,143</u>	<u>131,568,629</u>	<u>4,419,673</u>	<u>69,960,995</u>	<u>42,064,625</u>	<u>248,013,922</u>
-	384,391	384,391	-	-	-	-	-
-	384,391	384,391	-	-	-	-	-
2,499,120	3,461,381	6,502,488	96,524	2,227	48,144	26,073	172,968
108,984	-	171,523	-	-	-	-	-
15,515,708	12,839,759	28,775,735	779,550	35,751	408,042	429,706	1,653,049
36,843	6,613	49,186	-	-	-	-	-
101,328	-	320,029	-	-	-	-	-
-	-	45,933	-	-	-	-	-
114,789	-	191,150	-	-	-	-	-
<u>18,376,772</u>	<u>16,307,753</u>	<u>36,056,044</u>	<u>876,074</u>	<u>37,978</u>	<u>456,186</u>	<u>455,779</u>	<u>1,826,017</u>
-	55,342	55,342	-	-	-	-	-
-	55,342	55,342	-	-	-	-	-
2,727,835,589	2,360,491,075	5,488,474,020	-	-	-	-	-
-	-	1,151,128	-	-	-	-	-
-	-	-	130,692,555	4,381,695	69,504,809	41,608,846	246,187,905
-	-	-	-	-	-	-	-
<u>\$ 2,727,835,589</u>	<u>\$ 2,360,491,075</u>	<u>\$ 5,489,625,148</u>	<u>\$ 130,692,555</u>	<u>\$ 4,381,695</u>	<u>\$ 69,504,809</u>	<u>\$ 41,608,846</u>	<u>\$ 246,187,905</u>

# STATE OF NORTH DAKOTA

## Combining Statement of Fiduciary Net Position Pension, Investment and Private-Purpose Trust Funds (Continued) June 30, 2017

	Private-Purpose Trust Funds			
	Student and Cultural Donations	Mandan Remediation Trust	College SAVE	Total
<b>ASSETS</b>				
Cash Deposits at the Bank of ND	\$ 128,146	\$ 6,305,401	\$ -	\$ 6,433,547
Cash and Cash Equivalents	12,959	1,582,730	834,076	2,429,765
Receivables:				
Contributions Receivable	-	-	-	-
Accounts Receivable - Net	-	-	46,491	46,491
Interest Receivable - Net	2,864	-	-	2,864
Intergovernmental Receivable - Net	-	-	-	-
Due from Other Funds	13	-	-	13
Due from Fiduciary Funds	-	-	-	-
Total Receivables	2,877	-	46,491	49,368
Investments, at Fair Value:				
Investments at the Bank of ND	21,651	-	-	21,651
Equity Pool	-	-	-	-
Fixed Income Pool	1,252,956	-	-	1,252,956
Cash and Cash Pool	-	-	-	-
Real Estate Pool	-	-	-	-
Alternative Investments	-	-	-	-
Mutual Funds	-	-	415,472,352	415,472,352
Total Investments	1,274,607	-	415,472,352	416,746,959
Invested Securities Lending Collateral	50,248	-	-	50,248
Capital Assets (Net of Depreciation)	-	-	-	-
Total Assets	1,468,837	7,888,131	416,352,919	425,709,887
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Derived from Pensions	-	-	-	-
Total deferred outflows of resources	-	-	-	-
<b>LIABILITIES</b>				
Accounts Payable	463	61,941	779,123	841,527
Accrued Payroll	-	-	-	-
Securities Lending Collateral	50,248	-	-	50,248
Due to Other Funds	-	-	-	-
Due to Fiduciary Funds	-	-	-	-
Amounts Held in Custody for Others	-	-	-	-
Compensated Absences Payable	-	-	-	-
Total Liabilities	50,711	61,941	779,123	891,775
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Derived from Pensions	-	-	-	-
Total deferred inflows of resources	-	-	-	-
<b>NET POSITION</b>				
Net Position Restricted for:				
Pension Benefits	-	-	-	-
Other Employee Benefits	-	-	-	-
External Investment Pool Participants	-	-	-	-
Other Purposes	1,418,126	7,826,190	415,573,796	424,818,112
	\$ 1,418,126	\$ 7,826,190	\$ 415,573,796	\$ 424,818,112



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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, 2017

	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
<b>ADDITIONS</b>						
Contributions:						
Employer	\$ -	\$ 446,771	\$ 2,155,944	\$ -	\$ -	\$ 12,575,627
Employee	10,300,452	433,298	1,455,540	39,417	5,591,603	16,173
From Participants	-	-	-	-	-	-
Transfers from Other Funds	662,500	102,109	-	-	-	-
Transfers from Other Plans	1,733,287	1	-	-	-	-
Donations	-	-	-	-	-	-
Total Contributions	12,696,239	982,179	3,611,484	39,417	5,591,603	12,591,800
Investment Income:						
Net Change in Fair Value of Investments	11,388,136	(615,855)	7,062,272	3,337,293	-	10,061,109
Interest and Dividends	471	2,101,532	1,635,278	2,187,163	447	2,348,733
Less Investment Expense	-	6,822	203,156	285,579	-	335,760
Net Investment Income	11,388,607	1,478,855	8,494,394	5,238,877	447	12,074,082
Securities Lending Activity:						
Securities Lending Income	-	-	5,958	-	-	-
Less Securities Lending Expense	-	-	-	-	-	-
Net Securities Lending Income	-	-	5,958	-	-	-
Repurchase Service Credit	-	-	249,436	-	-	464,323
Miscellaneous Income	140,000	6,822	221	-	749,413	-
Total Additions	24,224,846	2,467,856	12,361,493	5,278,294	6,341,463	25,130,205
<b>DEDUCTIONS</b>						
Benefits Paid to Participants	2,972,177	1,348,222	4,768,596	4,534,153	5,624,239	1,031
Refunds	-	-	37,723	-	-	1,689
Prefunded Credit Applied	-	-	-	-	-	10,012,681
Transfer to Other Plans	-	-	-	-	525,000	-
Payments in Accordance with Trust Agreements	-	-	-	-	-	-
Administrative Expenses	1,017,297	34,491	30,195	12,684	612,371	443,220
Total Deductions	3,989,474	1,382,713	4,836,514	4,546,837	6,761,610	10,458,621
Redemption of Units at Net Asset Value of \$1.00 Per Unit	-	-	-	-	-	-
Change in Net Position Held in Trust for:						
Pension Benefits	20,235,372	1,085,143	7,524,979	731,457	-	14,671,584
Other Employee Benefits	-	-	-	-	(420,147)	-
External Investment Pool Participants	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-
Net Position - Beginning of Year	79,468,203	11,152,710	65,811,337	96,533,954	1,571,275	102,932,617
Net Position - End of Year	\$ 99,703,575	\$ 12,237,853	\$ 73,336,316	\$ 97,265,411	\$ 1,151,128	\$ 117,604,201

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
\$ 78,933,571	\$ 86,058,868	\$ 180,170,781	\$ -	\$ -	\$ -	\$ -	\$ -
76,007,456	79,309,153	173,153,092	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	764,609	-	-	-	-	-
-	-	1,733,288	-	-	-	-	-
-	-	-	-	-	-	-	-
154,941,027	165,368,021	355,821,770	-	-	-	-	-
259,040,633	221,797,589	512,071,177	11,094,739	254,411	6,557,501	3,624,439	21,531,090
59,994,114	50,718,890	118,986,628	2,987,309	88,365	1,462,419	814,008	5,352,101
7,492,083	6,011,791	14,335,191	364,047	7,656	174,425	81,422	627,550
311,542,664	266,504,688	616,722,614	13,718,001	335,120	7,845,495	4,357,025	26,255,641
218,199	229,936	454,093	12,768	488	7,003	7,031	27,290
-	45,973	45,973	2,549	98	1,399	1,401	5,447
218,199	183,963	408,120	10,219	390	5,604	5,630	21,843
11,805,070	2,553,200	15,072,029	-	-	-	-	-
32,183	235,890	1,164,529	-	-	-	-	-
478,539,143	434,845,762	989,189,062	13,728,220	335,510	7,851,099	4,362,655	26,277,484
153,811,029	191,104,694	364,164,141	-	-	-	-	-
8,941,330	5,411,850	14,392,592	-	-	-	-	-
-	-	10,012,681	-	-	-	-	-
239,609	-	764,609	-	-	-	-	-
-	-	-	-	-	-	-	-
2,607,243	2,173,431	6,930,932	-	-	-	-	-
165,599,211	198,689,975	396,264,955	-	-	-	-	-
-	-	-	-	-	(1,986,184)	(1,500,000)	(3,486,184)
312,939,932	236,155,787	593,344,254	-	-	-	-	-
-	-	(420,147)	-	-	-	-	-
-	-	-	13,728,220	335,510	5,864,915	2,862,655	22,791,300
-	-	-	-	-	-	-	-
2,414,895,657	2,124,335,288	4,896,701,041	116,964,335	4,046,185	63,639,894	38,746,191	223,396,605
\$ 2,727,835,589	\$ 2,360,491,075	\$ 5,489,625,148	\$ 130,692,555	\$ 4,381,695	\$ 69,504,809	\$ 41,608,846	\$ 246,187,905

# 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, 2017

	Private-Purpose Trust Funds			
	Student and Cultural Donations	Mandan Remediation Trust	College SAVE	Total
<b>ADDITIONS</b>				
Contributions:				
Employer	\$ -	\$ -	\$ -	\$ -
Employee	-	-	-	-
From Participants	-	-	42,379,208	42,379,208
Transfers from Other Funds	-	-	-	-
Transfers from Other Plans	-	-	-	-
Donations	7,665	-	-	7,665
Total Contributions	7,665	-	42,379,208	42,386,873
Investment Income:				
Net Change in Fair Value of Investments	82,356	-	14,843,483	14,925,839
Interest and Dividends	28,608	6,964	8,874,146	8,909,718
Less Investment Expense	3,170	-	-	3,170
Net Investment Income	107,794	6,964	23,717,629	23,832,387
Securities Lending Activity:				
Securities Lending Income	188	-	-	188
Less Securities Lending Expense	-	-	-	-
Net Securities Lending Income	188	-	-	188
Repurchase Service Credit	-	-	-	-
Miscellaneous Income	2,900	-	-	2,900
Total Additions	118,547	6,964	66,096,837	66,222,348
<b>DEDUCTIONS</b>				
Benefits Paid to Participants	-	-	-	-
Refunds	-	-	-	-
Prefunded Credit Applied	-	-	-	-
Transfer to Other Plans	-	-	-	-
Payments in Accordance with Trust Agreements	30,704	347,103	35,880,486	36,258,293
Administrative Expenses	399	16,250	3,198,427	3,215,076
Total Deductions	31,103	363,353	39,078,913	39,473,369
Redemption 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	87,444	(356,389)	27,017,924	26,748,979
Net Position - Beginning of Year	1,330,682	8,182,579	388,555,872	398,069,133
Net Position - End of Year	\$ 1,418,126	\$ 7,826,190	\$ 415,573,796	\$ 424,818,112

**STATE OF NORTH DAKOTA**

**Combining Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2017**

	<b>Bonding</b>	<b>Payroll</b>	<b>Child Support</b>	<b>Student and Other</b>	<b>Tax Collection</b>	<b>Total</b>
<b>ASSETS</b>						
Cash Deposits at the Bank of ND	\$ 6,622,627	\$ 173,101	\$ 1,685,194	\$ 7,402,000	\$ 15,487,682	\$ 31,370,604
Cash and Cash Equivalents	5,931,112	-	247,759	585,395	4,476,565	11,240,831
Investments at the Bank of ND	30,051,887	-	-	50,000	-	30,101,887
Investments	141,400	-	-	-	-	141,400
Accounts Receivable - Net	-	12,308,003	24	-	-	12,308,027
Taxes Receivable - Net	-	-	-	-	32,932,498	32,932,498
Interest Receivable - Net	-	-	-	37	-	37
<b>Total Assets</b>	<b>\$ 42,747,026</b>	<b>\$ 12,481,104</b>	<b>\$ 1,932,977</b>	<b>\$ 8,037,432</b>	<b>\$ 52,896,745</b>	<b>\$ 118,095,284</b>
<b>LIABILITIES</b>						
Intergovernmental Payable	-	12,441,661	-	-	52,890,711	65,332,372
Tax Refunds Payable	10,500	-	-	-	6,034	16,534
Amounts Held in Custody for Others	42,736,526	39,443	1,932,977	8,037,432	-	52,746,378
<b>Total Liabilities</b>	<b>\$ 42,747,026</b>	<b>\$ 12,481,104</b>	<b>\$ 1,932,977</b>	<b>\$ 8,037,432</b>	<b>\$ 52,896,745</b>	<b>\$ 118,095,284</b>

# STATE OF NORTH DAKOTA

## Combining Statement of Changes in Assets and Liabilities

### Agency Funds

For the Fiscal Year Ended June 30, 2017

	June 30 2016	Additions	Deductions	June 30 2017
<b>Bonding</b>				
<b>ASSETS</b>				
Cash Deposits at the Bank of ND	\$ 8,258,779	\$ 694,247	\$ 2,330,399	\$ 6,622,627
Cash and Cash Equivalents	6,828,776	7,192,973	8,090,637	5,931,112
Investments at the Bank of ND	30,492,224	582,578	1,022,915	30,051,887
Investments	141,400	-	-	141,400
Total Assets	<u>\$ 45,721,179</u>	<u>\$ 8,469,798</u>	<u>\$ 11,443,951</u>	<u>\$ 42,747,026</u>
<b>LIABILITIES</b>				
Tax Refunds Payable	117,748	10,500	117,748	10,500
Amounts Held in Custody for Others	45,603,431	8,469,798	11,336,703	42,736,526
Total Liabilities	<u>\$ 45,721,179</u>	<u>\$ 8,480,298</u>	<u>\$ 11,454,451</u>	<u>\$ 42,747,026</u>
<b>Payroll</b>				
<b>ASSETS</b>				
Cash Deposits at the Bank of ND	195,232	136,801,184	136,823,315	173,101
Accounts Receivable - Net	11,103,209	12,308,003	11,103,209	12,308,003
Total Assets	<u>\$ 11,298,441</u>	<u>\$ 149,109,187</u>	<u>\$ 147,926,524</u>	<u>\$ 12,481,104</u>
<b>LIABILITIES</b>				
Intergovernmental Payable	11,251,524	12,441,661	11,251,524	12,441,661
Amounts Held in Custody for Others	46,917	140,156,021	140,163,495	39,443
Total Liabilities	<u>\$ 11,298,441</u>	<u>\$ 152,597,682</u>	<u>\$ 151,415,019</u>	<u>\$ 12,481,104</u>
<b>Child Support</b>				
<b>ASSETS</b>				
Cash Deposits at the Bank of ND	2,954,591	131,109,204	132,378,601	1,685,194
Cash and Cash Equivalents	214,352	33,407	-	247,759
Accounts Receivable - Net	-	24	-	24
Total Assets	<u>\$ 3,168,943</u>	<u>\$ 131,142,635</u>	<u>\$ 132,378,601</u>	<u>\$ 1,932,977</u>
<b>LIABILITIES</b>				
Amounts Held in Custody for Others	3,168,943	132,507,055	133,743,021	1,932,977
Total Liabilities	<u>\$ 3,168,943</u>	<u>\$ 132,507,055</u>	<u>\$ 133,743,021</u>	<u>\$ 1,932,977</u>

	June 30 2016	Additions	Deductions	June 30 2017
<b>Student and Other</b>				
<b>ASSETS</b>				
Cash Deposits at the Bank of ND	\$ 1,056,938	\$ 10,070,662	\$ 3,725,600	\$ 7,402,000
Cash and Cash Equivalents	631,243	2,809,961	2,855,809	585,395
Investments at the Bank of ND	50,000	-	-	50,000
Interest Receivable - Net	25	37	25	37
Total Assets	<u>\$ 1,738,206</u>	<u>\$ 12,880,660</u>	<u>\$ 6,581,434</u>	<u>\$ 8,037,432</u>

<b>LIABILITIES</b>				
Amounts Held in Custody for Others	1,738,206	12,880,660	6,581,434	8,037,432
Total Liabilities	<u>\$ 1,738,206</u>	<u>\$ 12,880,660</u>	<u>\$ 6,581,434</u>	<u>\$ 8,037,432</u>

#### Tax Collection

<b>ASSETS</b>				
Cash Deposits at the Bank of ND	15,001,813	275,483,357	274,997,488	15,487,682
Cash and Cash Equivalents	4,324,775	151,790	-	4,476,565
Taxes Receivable - Net	30,156,385	32,932,498	30,156,385	32,932,498
Total Assets	<u>\$ 49,482,973</u>	<u>\$ 308,567,645</u>	<u>\$ 305,153,873</u>	<u>\$ 52,896,745</u>

<b>LIABILITIES</b>				
Intergovernmental Payable	49,469,961	327,115,512	323,694,762	52,890,711
Tax Refunds Payable	13,012	6,034	13,012	6,034
Total Liabilities	<u>\$ 49,482,973</u>	<u>\$ 327,121,546</u>	<u>\$ 323,707,774</u>	<u>\$ 52,896,745</u>

#### Total -All Agency Funds

<b>ASSETS</b>				
Cash Deposits at the Bank of ND	27,467,353	554,158,654	550,255,403	31,370,604
Cash and Cash Equivalents	11,999,146	10,188,131	10,946,446	11,240,831
Investments at the Bank of ND	30,542,224	582,578	1,022,915	30,101,887
Investments	141,400	-	-	141,400
Accounts Receivable - Net	11,103,209	12,308,027	11,103,209	12,308,027
Taxes Receivable - Net	30,156,385	32,932,498	30,156,385	32,932,498
Interest Receivable - Net	25	37	25	37
Total Assets	<u>\$ 111,409,742</u>	<u>\$ 610,169,925</u>	<u>\$ 603,484,383</u>	<u>\$ 118,095,284</u>

<b>LIABILITIES</b>				
Intergovernmental Payable	60,721,485	339,557,173	334,946,286	65,332,372
Tax Refunds Payable	130,760	16,534	130,760	16,534
Amounts Held in Custody for Others	50,557,497	294,013,534	291,824,653	52,746,378
Total Liabilities	<u>\$ 111,409,742</u>	<u>\$ 633,587,241</u>	<u>\$ 626,901,699</u>	<u>\$ 118,095,284</u>

# Statistical Information

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# STATE OF NORTH DAKOTA

## Schedule 1 -- Net Position by Component Last Ten Fiscal Years

(accrual basis of accounting)

	2008	2009	2010	2011
<b>Governmental Activities</b>				
Net Investment in Capital Assets	\$ 1,400,535,033	\$ 1,323,476,716	\$ 1,450,350,320	\$ 1,640,080,874
Restricted	1,458,565,511	1,502,237,251	1,984,324,201	2,470,400,337
Unrestricted	1,119,875,688	1,562,969,653	1,772,441,595	2,537,062,796
<b>Total Governmental Activities Net Position</b>	<b>\$ 3,978,976,232</b>	<b>\$ 4,388,683,620</b>	<b>\$ 5,207,116,116</b>	<b>\$ 6,647,544,007</b>
<b>Business-Type Activities</b>				
Net Investment in Capital Assets	546,699,435	578,827,822	644,108,459	706,459,639
Restricted	532,954,637	500,433,232	445,609,412	452,312,013
Unrestricted	653,004,847	563,679,410	749,258,206	916,758,798
<b>Total Business-Type Activities Net Position</b>	<b>\$ 1,732,658,919</b>	<b>\$ 1,642,940,464</b>	<b>\$ 1,838,976,077</b>	<b>\$ 2,075,530,450</b>
<b>Primary Government</b>				
Net Investment in Capital Assets	1,947,234,468	1,902,304,538	2,094,458,779	2,346,540,513
Restricted	1,991,520,148	2,011,110,394	2,429,933,613	2,922,712,350
Unrestricted	1,772,880,535	2,118,209,152	2,521,699,801	3,453,821,594
<b>Total Primary Government Net Position</b>	<b>\$ 5,711,635,151</b>	<b>\$ 6,031,624,084</b>	<b>\$ 7,046,092,193</b>	<b>\$ 8,723,074,457</b>

2012	2013	2014	2015	2016	2017
\$ 1,943,226,802	\$ 2,331,214,264	\$ 2,502,234,624	\$ 3,622,722,021	\$ 4,299,696,899	\$ 4,759,286,304
3,094,031,766	3,786,154,729	4,976,564,822	6,254,673,532	6,246,873,312	6,224,908,099
3,635,538,536	5,597,014,917	7,109,867,360	6,812,545,677	5,781,826,861	5,989,501,438
<b>\$ 8,672,797,104</b>	<b>\$ 11,714,383,910</b>	<b>\$ 14,588,666,806</b>	<b>\$ 16,689,941,230</b>	<b>\$ 16,328,397,072</b>	<b>\$ 16,973,695,841</b>
752,357,235	792,067,993	844,395,270	1,023,384,933	1,155,758,401	1,223,438,996
569,991,053	632,431,958	600,269,799	485,012,106	533,664,273	888,080,253
957,796,166	1,019,582,872	1,287,315,405	1,439,859,232	1,528,847,402	1,633,421,219
<b>\$ 2,280,144,454</b>	<b>\$ 2,444,082,823</b>	<b>\$ 2,731,980,474</b>	<b>\$ 2,948,256,271</b>	<b>\$ 3,218,270,076</b>	<b>\$ 3,744,940,468</b>
2,695,584,037	3,123,282,257	3,346,629,894	4,646,106,954	5,455,455,300	5,982,725,300
3,664,022,819	4,418,586,687	5,576,834,621	6,739,685,638	6,780,537,585	7,112,988,352
4,593,334,702	6,616,597,789	8,397,182,765	8,252,404,909	7,310,674,263	7,622,922,657
<b>\$ 10,952,941,558</b>	<b>\$ 14,158,466,733</b>	<b>\$ 17,320,647,280</b>	<b>\$ 19,638,197,501</b>	<b>\$ 19,546,667,148</b>	<b>\$ 20,718,636,309</b>

**STATE OF NORTH DAKOTA**

**Schedule 2 -- Changes in Net Position**  
**Last Ten Fiscal Years**  
*(accrual basis of accounting)*

	2008	2009	2010	2011
<b>Expenses</b>				
Governmental Activities:				
General Governmental	\$ 313,329,720	\$ 418,220,944	\$ 393,432,224	\$ 507,512,750
Education	537,756,698	564,818,600	849,337,255	830,649,191
Health and Human Services	960,439,610	1,005,299,226	1,149,201,916	1,244,163,316
Regulatory	28,265,610	26,581,606	26,187,266	28,419,774
Public Safety and Corrections	135,067,907	194,263,845	284,846,465	242,521,440
Agriculture and Commerce	67,941,955	68,057,495	85,327,633	98,038,471
Natural Resources	64,090,113	64,816,773	81,304,271	117,862,905
Transportation	318,241,207	382,619,328	463,845,880	468,695,689
Interest on Long Term Debt	13,293,248	12,683,901	11,773,684	10,461,658
<b>Total Governmental Activities Expenses</b>	<b>2,438,426,068</b>	<b>2,737,361,718</b>	<b>3,345,256,594</b>	<b>3,548,325,193</b>
Business-Type Activities:				
Bank of North Dakota	108,077,704	99,089,692	80,132,606	77,556,546
Housing Finance	58,815,920	59,769,233	62,931,910	69,824,036
Loan Programs	9,657,603	6,776,733	6,315,852	6,898,226
State Lottery	16,205,287	16,122,996	18,177,724	17,068,826
Unemployment Compensation	46,911,958	106,475,262	137,473,630	108,482,422
University System	835,873,088	894,733,624	963,820,452	1,008,539,618
Workers Compensation	246,581,569	168,527,183	218,185,899	300,297,471
Other	266,193,540	249,602,025	188,406,517	237,373,095
<b>Total Business-Type Activities Expenses</b>	<b>1,588,316,669</b>	<b>1,601,096,748</b>	<b>1,675,444,590</b>	<b>1,826,040,260</b>
<b>Total Primary Government Expenses</b>	<b>\$ 4,026,742,737</b>	<b>\$ 4,338,458,466</b>	<b>\$ 5,020,701,184</b>	<b>\$ 5,374,365,453</b>
<b>Program Revenues</b>				
Governmental Activities:				
Charges for Services:				
General Governmental	18,874,082	24,085,311	20,683,111	26,863,061
Education	3,994,400	4,325,036	5,440,633	6,985,958
Health and Human Services	31,576,197	34,200,110	31,858,461	36,563,927
Regulatory	21,266,588	19,418,470	23,963,949	22,122,244
Public Safety and Corrections	9,451,217	10,572,514	12,310,270	14,456,950
Agriculture and Commerce	28,180,590	22,749,832	29,530,575	29,861,552
Natural Resources	26,030,413	26,553,195	30,854,355	24,772,981
Transportation	71,469,872	87,100,993	90,768,728	96,023,474
Operating Grants and Contributions	1,041,410,981	1,131,838,131	2,025,395,367	2,015,949,905
Capital Grants and Contributions	68,471,590	57,064,724	63,034,991	12,768,330
<b>Total Governmental Activities Program Revenues</b>	<b>1,320,725,930</b>	<b>1,417,908,316</b>	<b>2,333,840,440</b>	<b>2,286,368,382</b>
Business-Type Activities:				
Charges for Services:				
Bank of North Dakota	158,993,000	155,951,000	138,081,000	140,043,000
Housing Finance	53,106,863	53,438,021	48,814,007	54,190,469
Loan Programs	10,522,025	6,941,602	6,013,058	5,989,229
State Lottery	22,219,058	21,815,381	24,498,988	23,085,242
Unemployment Compensation	51,993,327	75,137,232	115,951,800	119,074,810
University System	369,469,634	400,638,083	418,085,075	438,741,616
Workers Compensation	145,487,917	163,857,781	157,710,330	193,150,136
Other	261,985,312	238,431,304	201,085,424	246,210,771
Operating Grants and Contributions	258,218,249	114,158,181	412,398,322	449,392,800
Capital Grants and Contributions	9,244,575	10,820,227	19,762,204	14,258,281
<b>Total Business-Type Activities Program Revenues</b>	<b>1,341,239,960</b>	<b>1,241,188,812</b>	<b>1,542,400,208</b>	<b>1,684,136,334</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 2,661,965,890</b>	<b>\$ 2,659,097,128</b>	<b>\$ 3,876,240,648</b>	<b>\$ 3,970,504,716</b>
<b>Net (Expense)/Revenue</b>				
Governmental Activities	(1,117,700,138)	(1,319,453,402)	(1,011,416,154)	(1,261,956,811)
Business-Type Activities	(247,076,709)	(359,907,936)	(133,044,382)	(141,903,926)
<b>Total Primary Government Net Expense</b>	<b>\$ (1,364,776,847)</b>	<b>\$ (1,679,361,338)</b>	<b>\$ (1,144,460,536)</b>	<b>\$ (1,403,860,737)</b>
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental Activities:				
Taxes:				
Individual and Corporate Income Taxes	473,235,378	503,975,529	379,938,009	605,526,736
Sales and Use Taxes	797,614,476	857,770,891	885,445,674	1,121,730,307
Oil, Gas and Coal Taxes	469,244,783	428,669,882	633,445,059	1,059,467,528
Business and Other Taxes	65,487,361	60,813,632	62,075,915	69,733,806
Unrestricted Investment Earnings	25,149,527	12,830,321	33,925,667	21,330,843
Tobacco Settlement	20,062,331	30,990,193	23,559,384	30,453,643
Miscellaneous	42,051,636	54,636,981	150,818,789	158,447,124
Contributions to Permanent Fund Principal	19,181,247	11,573,541	11,203,425	999,110
Special Items	-	(3,314,057)	-	-
Extraordinary Item	-	-	-	-
Transfers	(254,648,266)	(229,267,859)	(350,496,669)	(365,304,396)
<b>Total Governmental Activities</b>	<b>1,657,378,473</b>	<b>1,728,679,054</b>	<b>1,829,915,253</b>	<b>2,702,384,702</b>
Business-Type Activities:				
Miscellaneous	-	-	-	-
Special Items	-	-	-	-
Transfers	228,140,706	270,189,481	324,785,928	376,538,823
<b>Total Business-Type Activities</b>	<b>228,140,706</b>	<b>270,189,481</b>	<b>324,785,928</b>	<b>376,538,823</b>
<b>Total Primary Government</b>	<b>\$ 1,885,519,179</b>	<b>\$ 1,998,868,535</b>	<b>\$ 2,154,701,181</b>	<b>\$ 3,078,923,525</b>
<b>Change in Net Position</b>				
Governmental Activities	539,678,335	409,225,652	818,499,099	1,440,427,891
Business-Type Activities	(18,936,003)	(89,718,455)	191,741,546	234,634,897
<b>Total Primary Government</b>	<b>\$ 520,742,332</b>	<b>\$ 319,507,197</b>	<b>\$ 1,010,240,645</b>	<b>\$ 1,675,062,788</b>

2012	2013	2014	2015	2016	2017
\$ 617,152,026	\$ 889,332,121	\$ 1,283,916,089	\$ 1,171,207,640	\$ 1,055,377,601	\$ 955,118,609
843,780,168	875,991,527	1,075,062,067	1,415,255,393	1,175,550,087	1,214,358,440
1,271,569,970	1,318,899,711	1,433,598,932	1,706,333,172	1,776,822,167	1,851,801,955
33,988,310	44,813,739	54,727,821	66,743,817	69,084,070	76,261,665
303,602,543	209,732,547	243,149,474	249,290,966	227,617,802	238,515,283
91,653,406	93,212,834	96,055,152	106,455,113	106,845,611	100,774,792
132,679,303	114,752,488	119,395,831	236,079,321	321,992,458	286,546,075
796,123,086	595,646,719	1,066,103,806	603,812,692	679,070,102	529,532,248
9,063,514	8,454,110	7,601,561	7,154,580	1,334,285	2,677,665
<u>4,099,612,325</u>	<u>4,150,835,796</u>	<u>5,379,610,733</u>	<u>5,562,332,694</u>	<u>5,413,694,183</u>	<u>5,255,586,732</u>
71,996,932	68,887,617	76,366,749	71,053,171	85,822,027	88,791,813
56,046,981	48,368,304	40,901,946	37,510,475	40,245,934	40,997,193
8,092,864	8,756,357	12,759,106	11,366,158	17,322,830	13,172,549
18,877,249	19,713,987	19,264,562	20,359,788	26,038,434	20,637,595
89,236,878	118,377,072	113,988,509	144,920,974	225,358,209	156,930,938
1,047,949,521	1,080,816,602	1,129,869,106	1,170,159,474	1,211,438,892	1,204,936,394
359,216,200	448,535,174	418,500,961	377,926,363	366,662,703	254,467,332
523,164,269	279,389,712	269,600,028	549,799,020	569,432,422	571,077,157
2,174,580,894	2,072,844,825	2,081,250,967	2,383,095,423	2,542,321,451	2,351,010,971
<u>\$ 6,274,193,219</u>	<u>\$ 6,223,680,621</u>	<u>\$ 7,460,861,700</u>	<u>\$ 7,945,428,117</u>	<u>\$ 7,956,015,634</u>	<u>\$ 7,606,597,773</u>
30,255,507	32,815,967	38,080,695	37,107,914	36,278,126	33,728,302
7,515,580	6,086,567	6,064,710	6,806,001	7,071,212	7,530,807
36,100,539	38,381,590	39,915,016	64,507,593	42,982,802	43,283,756
30,312,566	32,359,807	45,384,490	25,862,700	52,583,727	29,390,590
26,263,919	26,614,392	28,552,402	30,428,332	24,446,658	23,272,409
31,026,427	35,652,945	36,600,243	31,198,196	38,222,183	35,559,194
31,017,855	26,356,862	29,681,837	33,895,342	35,142,635	35,392,128
111,125,056	120,821,133	120,058,651	132,160,558	122,699,922	124,378,227
2,012,322,201	1,867,800,810	2,083,789,612	1,888,797,868	1,755,539,596	2,221,211,526
18,099,423	5,353,007	11,045,879	1,388,033	3,416,338	1,205,837
<u>2,334,039,074</u>	<u>2,192,243,080</u>	<u>2,439,173,535</u>	<u>2,252,152,537</u>	<u>2,118,383,199</u>	<u>2,554,952,776</u>
145,038,000	161,080,000	155,548,000	175,117,000	207,836,000	223,476,000
49,583,855	42,649,030	36,150,366	34,386,013	36,286,659	37,984,271
6,185,948	7,538,124	7,548,651	10,365,115	12,212,352	11,530,798
26,587,851	27,999,486	27,051,014	27,212,010	35,736,460	27,744,572
126,040,929	127,174,321	133,701,408	127,328,232	147,802,377	193,118,386
468,992,991	486,262,379	507,302,753	517,570,660	537,645,053	546,737,253
253,677,520	320,237,794	318,779,835	339,806,696	308,682,776	244,720,318
278,124,295	289,981,947	276,895,777	554,752,747	573,829,155	577,288,875
601,695,091	370,855,633	439,950,824	312,136,231	298,603,154	380,842,641
20,975,446	19,865,857	18,703,628	36,923,275	29,609,083	32,025,992
1,976,901,926	1,853,644,571	1,921,632,256	2,135,597,979	2,188,243,069	2,275,469,106
<u>\$ 4,310,941,000</u>	<u>\$ 4,045,887,651</u>	<u>\$ 4,360,805,791</u>	<u>\$ 4,387,750,516</u>	<u>\$ 4,306,626,268</u>	<u>\$ 4,830,421,882</u>
(1,765,573,251)	(1,958,592,716)	(2,940,437,198)	(3,310,180,157)	(3,295,310,984)	(2,700,633,956)
(197,678,968)	(219,200,254)	(159,618,711)	(247,497,444)	(354,078,382)	(75,541,865)
<u>\$ (1,963,252,219)</u>	<u>\$ (2,177,792,970)</u>	<u>\$ (3,100,055,909)</u>	<u>\$ (3,557,677,601)</u>	<u>\$ (3,649,389,366)</u>	<u>\$ (2,776,175,821)</u>
658,905,496	863,018,492	700,867,920	732,975,064	414,964,865	418,040,178
1,543,140,897	1,654,186,763	1,756,777,615	1,804,380,378	1,348,342,960	1,236,701,340
1,670,059,257	2,518,921,322	3,335,934,782	2,734,507,198	1,457,361,212	1,490,398,754
71,974,295	83,470,020	82,437,250	92,936,834	99,295,506	98,374,118
15,500,793	17,967,764	130,011,232	117,643,232	64,347,477	489,070,430
22,265,336	22,332,577	23,652,803	21,789,723	22,776,760	21,599,800
170,544,538	206,709,383	198,533,139	161,725,312	119,545,563	119,134,899
12,469,733	13,722,930	14,251,211	16,382,336	15,637,987	11,895,026
-	-	-	-	(4,948,596)	-
-	-	-	-	-	(38,379,966)
(368,204,484)	(409,585,575)	(424,008,500)	(542,713,254)	(603,556,908)	(503,278,766)
<u>3,796,655,862</u>	<u>4,970,743,676</u>	<u>5,818,457,452</u>	<u>5,139,626,823</u>	<u>2,933,766,826</u>	<u>3,343,555,813</u>
1,940,000	39,166,106	1,857,975	9,562,071	93,003	4,846,618
-	(14,728,630)	-	-	-	-
390,214,559	358,701,147	455,888,029	535,979,992	611,332,622	598,094,515
392,154,559	383,138,623	457,746,004	545,542,063	611,425,625	602,941,133
<u>\$ 4,188,810,421</u>	<u>\$ 5,353,882,299</u>	<u>\$ 6,276,203,456</u>	<u>\$ 5,685,168,886</u>	<u>\$ 3,545,192,451</u>	<u>\$ 3,946,496,946</u>
2,031,082,611	3,012,150,960	2,878,020,254	1,829,446,666	(361,544,158)	642,921,857
194,475,591	163,938,369	298,127,293	298,044,619	257,347,243	527,399,268
<u>\$ 2,225,558,202</u>	<u>\$ 3,176,089,329</u>	<u>\$ 3,176,147,547</u>	<u>\$ 2,127,491,285</u>	<u>\$ (104,196,915)</u>	<u>\$ 1,170,321,125</u>

# STATE OF NORTH DAKOTA

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

(modified accrual basis of accounting)

	2008	2009	2010
<b>General Fund</b>			
Reserved	\$ 2,479,613	\$ 4,123,554	\$ 4,990,240
Unreserved	785,459,751	863,093,388	834,021,114
<b>Total General Fund</b>	<b>787,939,364</b>	<b>867,216,942</b>	<b>839,011,354</b>
<b>All Other Governmental Funds</b>			
Reserved	1,102,476,731	1,021,911,207	2,201,584,878
Unreserved, Reported in:			
Special Revenue Funds	870,164,282	1,195,606,640	1,525,108,012
<b>Total All Other Governmental Funds</b>	<b>1,972,641,013</b>	<b>2,217,517,847</b>	<b>3,726,692,890</b>
<b>Total Fund Balances, Governmental Funds</b>	<b>\$ 2,760,580,377</b>	<b>\$ 3,084,734,789</b>	<b>\$ 4,565,704,244</b>

Note: Due to GASB Statement 54, a new table is included below for 2011 going forward.

	2011	2012	2013
<b>General Fund</b>			
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
<b>Total General Fund</b>	<b>1,399,371,422</b>	<b>2,906,871,519</b>	<b>4,337,518,136</b>
<b>All Other Governmental Funds</b>			
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)
<b>Total All Other Governmental Funds</b>	<b>3,629,433,677</b>	<b>3,831,166,411</b>	<b>5,024,465,090</b>
<b>Total Fund Balances, Governmental Funds</b>	<b>\$ 5,028,805,099</b>	<b>\$ 6,738,037,930</b>	<b>\$ 9,361,983,226</b>

## Statistical Section

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2014	2015	2016	2017
\$ 2,447,681,621 1,365,420,166 1,421,552,566 <hr style="border: 0.5px solid black;"/> <b>5,234,654,353</b>	\$ 3,465,933,483 1,332,805,458 1,061,519,282 <hr style="border: 0.5px solid black;"/> <b>5,860,258,223</b>	\$ 3,908,797,255 997,494,805 421,702,619 <hr style="border: 0.5px solid black;"/> <b>5,327,994,679</b>	\$ 4,761,588,134 364,544,853 353,772,107 <hr style="border: 0.5px solid black;"/> <b>5,479,905,094</b>
88,250,884 4,913,528,772 1,628,346,627 224,403,093 - <hr style="border: 0.5px solid black;"/> <b>6,854,529,376</b> <hr style="border: 0.5px solid black;"/> <b>\$ 12,089,183,729</b>	179,976,824 6,037,108,398 1,230,446,562 - (8,477,525) <hr style="border: 0.5px solid black;"/> <b>7,439,054,259</b> <hr style="border: 0.5px solid black;"/> <b>\$ 13,299,312,482</b>	197,452,648 6,000,049,002 617,111,539 79,512,397 (3,376,686) <hr style="border: 0.5px solid black;"/> <b>6,890,748,900</b> <hr style="border: 0.5px solid black;"/> <b>\$ 12,218,743,579</b>	208,038,662 5,996,248,585 480,910,925 228,964,056 (3,146,889) <hr style="border: 0.5px solid black;"/> <b>6,911,015,339</b> <hr style="border: 0.5px solid black;"/> <b>\$ 12,390,920,433</b>

# STATE OF NORTH DAKOTA

## Schedule 4 -- Changes in Fund Balances, Governmental Funds

### Last Ten Fiscal Years

(modified accrual basis of accounting)

	2008	2009	2010	2011
<b>Revenues</b>				
Individual and Corporate Income Taxes	\$ 469,177,140	\$ 505,011,491	\$ 380,068,970	\$ 602,185,856
Sales and Use Taxes	795,575,768	857,400,779	883,265,443	1,120,803,578
Oil, Gas, and Coal Taxes	469,231,373	428,629,782	633,497,612	1,058,519,977
Business and Other Taxes	63,575,524	61,017,632	62,344,622	70,417,133
Licenses, Permits and Fees	123,469,151	133,219,868	143,516,524	154,090,944
Intergovernmental	1,088,706,508	1,252,165,449	1,692,074,692	1,610,019,463
Sales and Services	49,459,036	48,871,700	47,993,528	53,599,656
Royalties and Rents	96,037,810	125,251,686	407,051,277	328,289,031
Fines and Forfeits	10,903,234	15,774,414	13,282,502	16,213,841
Interest and Investment Income	(1,522,383)	(110,353,157)	181,825,499	270,760,984
Tobacco Settlement	36,478,816	39,327,032	32,839,602	30,453,643
Commodity Assessments	18,152,847	16,502,864	19,558,592	23,111,279
Miscellaneous	10,178,935	5,863,644	11,870,275	7,622,389
<b>Total Revenues</b>	<b>3,229,423,759</b>	<b>3,378,683,184</b>	<b>4,509,189,138</b>	<b>5,346,087,774</b>
<b>Expenditures</b>				
Current:				
General Government	93,444,373	165,062,399	118,135,852	174,560,163
Education	536,359,840	564,579,714	849,104,680	830,379,618
Health and Human Services	956,031,462	1,002,699,816	1,147,503,138	1,240,584,657
Regulatory	19,696,747	22,284,389	22,114,812	25,371,933
Public Safety and Corrections	127,347,181	187,059,227	276,719,107	233,108,649
Agriculture and Commerce	67,675,838	67,987,832	85,141,016	97,880,158
Natural Resources	58,128,187	58,433,165	73,359,931	110,413,413
Transportation	283,717,240	353,240,413	425,930,371	430,542,156
Intergovernmental - Revenue Sharing	224,406,911	253,363,580	273,118,311	326,572,267
Capital Outlay	139,215,060	113,879,585	155,148,376	233,071,350
Debt Service:				
Principal	16,215,727	20,207,193	30,513,501	16,869,266
Interest and Other Charges	13,264,977	12,280,656	12,318,072	10,659,235
<b>Total Expenditures</b>	<b>2,535,503,543</b>	<b>2,821,077,969</b>	<b>3,469,107,167</b>	<b>3,730,012,865</b>
Revenue over (under) Expenditures	693,920,216	557,605,215	1,040,081,971	1,616,074,909
<b>Other Financing Sources (Uses)</b>				
Bonds and Notes Issued	1,426,000	3,005,000	-	2,575,000
Refunding Bonds Issued	-	-	-	5,337,000
Payment to Refund Bond Escrow Agent	-	-	-	-
Payment of Refunded Bonds	-	-	-	(4,940,000)
Capital Lease Acquisitions	370,888	88,245	166,951	1,402,326
Sale of Capital Assets	1,052,750	86,625	471,890	539,837
Other	-	-	-	-
Transfers In	302,221,706	278,233,887	474,985,111	566,165,036
Transfers Out	(556,869,970)	(507,501,746)	(825,481,779)	(931,469,432)
<b>Total Other Financing Sources (Uses)</b>	<b>(251,798,626)</b>	<b>(226,087,989)</b>	<b>(349,857,827)</b>	<b>(360,390,233)</b>
Extraordinary Item	-	-	-	-
<b>Net Changes in Fund Balances</b>	<b>\$ 442,121,590</b>	<b>\$ 331,517,226</b>	<b>\$ 690,224,144</b>	<b>\$ 1,255,684,676</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>1.2%</b>	<b>1.2%</b>	<b>1.3%</b>	<b>&lt;1%</b>

2012	2013	2014	2015	2016	2017
\$ 643,107,392	\$ 845,590,604	\$ 736,426,799	\$ 714,657,090	\$ 424,229,756	\$ 397,563,377
1,542,807,423	1,652,264,305	1,747,358,775	1,790,646,715	1,353,955,780	1,227,777,645
1,670,529,100	2,518,629,175	3,336,441,100	2,734,607,036	1,457,086,135	1,489,177,632
72,084,077	80,514,313	85,216,692	93,445,691	99,743,017	99,358,473
183,303,744	191,268,529	205,896,279	215,706,207	207,163,123	201,347,912
1,753,469,275	1,428,170,719	1,433,023,985	1,626,610,762	1,643,431,832	1,718,291,215
51,864,186	51,333,672	54,206,137	81,988,980	57,382,857	56,713,042
392,165,022	389,989,643	474,293,031	398,048,916	237,379,524	256,351,062
18,151,711	23,770,098	23,022,332	26,167,673	22,979,377	25,792,953
74,621,630	250,383,144	515,486,326	149,053,816	63,615,120	863,607,155
31,277,903	31,344,429	33,896,173	30,512,364	31,872,848	25,677,716
19,710,327	28,572,996	24,788,270	23,662,092	25,007,037	27,771,103
25,651,998	56,131,404	37,337,036	17,176,577	43,591,538	19,059,502
6,478,743,788	7,547,963,031	8,707,392,935	7,902,283,919	5,667,437,944	6,408,488,787
193,919,196	316,117,619	391,604,389	690,034,696	363,410,801	375,462,221
842,666,213	874,348,965	1,073,921,730	1,116,260,493	1,174,928,314	1,212,413,715
1,267,415,392	1,316,596,317	1,430,474,509	1,707,702,397	1,774,061,712	1,830,146,819
30,249,484	35,368,070	47,317,516	58,625,606	60,161,098	66,319,143
292,979,177	199,319,379	230,055,951	237,542,738	216,354,458	221,427,867
91,516,274	92,435,869	95,791,431	106,304,742	106,791,473	100,053,823
123,117,235	105,696,650	107,874,535	185,712,117	307,669,526	270,375,075
753,087,144	550,383,353	1,015,136,123	550,382,661	613,815,927	446,115,824
415,775,866	570,905,886	887,469,331	811,392,745	693,793,125	574,300,791
358,083,597	428,030,196	250,938,968	648,582,253	770,056,268	585,432,696
18,282,996	17,421,039	18,094,333	35,744,666	63,766,311	11,576,381
9,736,260	8,744,962	7,999,247	7,915,666	4,544,267	2,809,155
4,396,828,834	4,515,368,305	5,556,678,063	6,156,200,780	6,149,353,280	5,696,433,510
2,081,914,954	3,032,594,726	3,150,714,872	1,746,083,139	(481,915,336)	712,055,277
-	-	-	-	-	-
20,004,000	-	-	-	-	-
-	-	-	-	-	-
(25,041,000)	-	-	-	-	-
147,344	282,145	52,526	244,493	149,891	1,728,159
284,974	641,170	336,557	49,910	5,712,951	27,150
-	-	-	-	-	-
1,162,122,470	398,824,628	104,808,196	1,176,200,047	838,882,833	346,374,625
(1,530,199,911)	(808,397,373)	(528,711,650)	(1,718,913,302)	(1,443,399,242)	(849,628,391)
(372,682,123)	(408,649,430)	(423,514,371)	(542,418,852)	(598,653,567)	(501,498,457)
-	-	-	-	-	(38,379,966)
\$ 1,709,232,831	\$ 2,623,945,296	\$ 2,727,200,501	\$ 1,203,664,287	\$ (1,080,568,903)	\$ 172,176,854
<1%	<1%	<1%	<1%	1.3%	<1%

# STATE OF NORTH DAKOTA

## Schedule 5 Taxable Sales by Industry Last Ten Calendar Years

	Calendar Year			
	2007	2008	2009	2010
Mining and Oil Extraction	\$ 374,201,247	\$ 951,773,654	\$ 704,397,852	\$ 1,491,748,626
Construction	401,485,208	452,093,539	429,559,387	494,291,922
Manufacturing	589,463,741	697,482,110	649,627,740	711,340,542
Transportation, Communications, And Public Utilities	442,079,107	654,070,303	489,144,528	390,215,115
Wholesale	1,844,174,252	2,645,755,217	2,413,689,772	3,367,800,790
Retail	4,128,221,158	4,366,831,911	4,334,670,425	4,686,288,902
Services	1,413,161,243	1,479,230,174	1,542,498,356	1,724,349,874
Accommodation and Food Service	1,058,245,321	1,149,837,849	1,179,623,344	1,271,280,053
Miscellaneous	-	-	-	-
<b>Total</b>	<b>\$ 10,251,031,277</b>	<b>\$ 12,397,074,757</b>	<b>\$ 11,743,211,404</b>	<b>\$ 14,137,315,824</b>
Effective Tax Rate	4.95%	4.97%	4.97%	4.98%

Source: ND State Tax Department

## Schedule 6 Sales Tax Revenue Payers by Industry Calendar Years 2007 and 2016 (Dollars are in Millions)

	Calendar Year 2007			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Retail Trade	8,338	30.5%	\$ 206.41	39.6%
Wholesale Trade	4,089	14.9%	91.29	17.5%
Services	10,302	37.6%	133.46	25.6%
Transportation, Communications, And Public Utilities	484	1.8%	22.10	4.2%
Manufacturing	2,301	8.4%	29.47	5.7%
Construction	1,627	5.9%	20.07	3.8%
Miscellaneous	12	0.0%	0.04	0.0%
Mining and Oil Extraction	227	0.8%	18.71	3.6%
<b>Total</b>	<b>27,380</b>	<b>100.0%</b>	<b>\$ 521.56</b>	<b>100.0%</b>

Source: ND State Tax Department

Calendar Year					
2011	2012	2013	2014	2015	2016
\$ 3,609,963,576	\$ 5,117,138,306	\$ 4,374,052,860	\$ 5,194,104,870	\$ 3,195,799,670	\$ 1,270,571,326
702,237,062	1,073,180,098	985,079,023	965,197,436	893,628,575	788,360,652
995,535,882	1,270,236,581	1,334,723,444	1,527,873,493	1,256,620,179	955,191,364
577,280,642	652,478,635	569,453,738	630,444,105	566,226,446	359,835,574
4,394,667,162	5,987,059,129	6,434,467,781	7,391,400,913	5,339,698,317	3,564,195,615
5,448,304,958	6,348,806,735	6,569,146,675	6,900,590,520	6,634,790,900	6,137,317,234
2,490,644,719	3,135,679,592	3,441,014,994	3,684,213,017	3,176,227,835	2,547,155,903
1,471,737,060	1,706,097,731	1,756,625,375	1,928,607,097	1,839,842,915	1,705,940,154
<u>\$ 19,690,371,061</u>	<u>\$ 25,290,676,807</u>	<u>\$ 25,464,563,890</u>	<u>\$ 28,222,431,451</u>	<u>\$ 22,902,834,837</u>	<u>\$ 17,328,567,822</u>
4.86%	5.08%	5.08%	5.00%	5.35%	5.42%

Calendar Year 2016			
Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
8,624	27.3%	306.87	32.7%
5,113	16.2%	176.43	18.8%
11,697	37.0%	284.96	30.4%
483	1.5%	17.99	1.9%
2,537	8.0%	47.76	5.1%
2,316	7.3%	39.42	4.2%
214	0.7%	1.32	0.1%
593	1.9%	63.53	6.8%
31,577	100.0%	\$ 938.27	100.0%

# STATE OF NORTH DAKOTA

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

	Fiscal Year			
	2008	2009	2010	2011
<b>Governmental Activities</b>				
Revenue bonds	\$ 265,665	\$ 251,526	\$ 232,102	\$ 219,221
Capital leases	5,236	4,056	2,842	2,964
Notes Payable	35,726	26,523	19,493	8,563
<b>Total Governmental Activities</b>	<u>306,627</u>	<u>282,105</u>	<u>254,437</u>	<u>230,748</u>
<b>Business-type Activities</b>				
Revenue bonds	1,197,845	1,051,542	1,301,368	1,193,816
Capital leases	50,046	68,097	72,461	75,649
Notes payable	250,645	318,847	412,095	403,509
<b>Total Business-Type Activities</b>	<u>1,498,536</u>	<u>1,438,486</u>	<u>1,785,924</u>	<u>1,672,974</u>
<b>Total Primary Government</b>	<u>\$ 1,805,163</u>	<u>\$ 1,720,591</u>	<u>\$ 2,040,361</u>	<u>\$ 1,903,722</u>
<b>Debt as a Percentage of Personal Income</b> <sup>1</sup>	7.6%	6.3%	7.6%	6.5%
<b>Amount of Debt per Capita</b> <sup>1</sup>	\$ 2,765	\$ 2,617	\$ 3,068	\$ 2,822

<sup>1</sup> 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.

**Statistical Section**

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 197,021	\$ 180,757	\$ 163,031	\$ 129,345	\$ 64,049	\$ 54,105
1,928	1,068	667	600	467	1,695
7,428	6,211	4,981	4,412	3,891	2,181
<u>206,377</u>	<u>188,036</u>	<u>168,679</u>	<u>134,357</u>	<u>68,407</u>	<u>57,981</u>
1,069,257	919,506	901,527	884,086	1,040,019	1,019,125
73,211	61,796	44,774	41,224	38,533	41,425
481,735	415,856	484,763	665,792	747,186	1,299,549
<u>1,624,203</u>	<u>1,397,158</u>	<u>1,431,064</u>	<u>1,591,102</u>	<u>1,825,738</u>	<u>2,360,099</u>
<u>\$ 1,830,580</u>	<u>\$ 1,585,194</u>	<u>\$ 1,599,743</u>	<u>\$ 1,725,459</u>	<u>\$ 1,894,145</u>	<u>\$ 2,418,080</u>
5.5%	4.0%	4.0%	4.0%	4.5%	5.8%
\$ 2,671	\$ 2,258	\$ 2,210	\$ 2,332	\$ 2,503	\$ 3,190

# STATE OF NORTH DAKOTA

## Schedule 8 Pledged-Revenue Coverage Last Ten Fiscal Years

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Requirements		Coverage
				Principal	Interest	
<b>BUILDING AUTHORITY BONDS</b>						
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
2014	9,176,000	-	9,176,000	6,825,000	2,336,000	1.00
2015	8,163,000	-	8,163,000	6,130,000	2,080,000	0.99
2016	9,868,000	-	9,868,000	6,375,000	1,896,000	1.19
2017	5,300,000	-	5,300,000	5,315,000	1,680,000	0.76
<i>Pledged revenues include interest and lease payments.</i>						
<b>WATER COMMISSION BONDS</b>						
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
2014	16,615,188	-	16,615,188	5,990,528	3,911,439	1.68
2015	8,783,565	-	8,783,565	13,343,592	3,318,972	0.53
2016	45,840,868	-	45,840,868	52,525,000	1,309,125	0.85
<i>Pledged revenues include user fees, interest, and Tobacco Settlement funds.</i>						
<b>INFORMATION TECHNOLOGY BONDS</b>						
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
2014	60,619,327	53,925,234	6,694,093	711,950	14,239	9.22
<i>Pledged revenues include user fees.</i>						
<b>DEPARTMENT OF TRANSPORTATION BONDS</b>						
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
2014	5,320,012	-	5,320,012	3,865,000	1,451,535	1.00
2015	5,318,070	-	5,318,070	4,015,000	1,303,070	1.00
2016	5,317,250	-	5,317,250	4,165,000	1,150,500	1.00
2017	5,315,500	-	5,315,500	4,375,000	942,250	1.00
<i>Pledged revenues include interest and federal (intergovernmental revenues and transfers from fund 002), highway fund appropriations, and transfers from Highway fund (200).</i>						

**Statistical Section**

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Requirements		Coverage
				Principal	Interest	
<b>STUDENT LOAN TRUST</b>						
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
2014	868,000	559,000	309,000	-	9,000	34.33
2015	732,000	487,000	245,000	-	9,000	27.22
2016	639,000	402,000	237,000	-	10,000	23.70
2017	543,000	361,000	182,000	-	14,000	13.00

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

<b>HOUSING FINANCE AGENCY</b>						
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
2014	48,261,366	28,677,687	19,583,679	189,830,000	22,360,000	0.09
2015	46,104,013	25,535,000	20,569,013	136,385,000	18,303,000	0.13
2016	48,479,659	27,986,000	20,493,659	102,480,000	17,801,000	0.17
2017	50,851,271	28,185,000	22,666,271	249,400,000	17,985,000	0.08

*Pledged revenues include income and proceeds from mortgage loan activity.*

<b>UNIVERSITY SYSTEM</b>						
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)
2014	750,780,897	1,051,848,696	(301,067,799)	42,458,545	11,650,094	(5.56)
2015	758,127,326	1,090,845,378	(332,718,052)	45,904,456	13,702,718	(5.58)
2016	838,245,926	1,200,399,795	(362,153,869)	60,435,257	12,328,344	(4.98)
2017	794,108,239	1,186,452,340	(392,344,101)	18,255,594	12,539,581	(12.74)

*Pledged revenues include student fees, auxiliary revenues, sales, tax revenue, investment income and debt service grants.*

NOTE: Gross revenues include nonoperating interest income. Operating expenses do not include bond interest or depreciation expenses.

**Schedule 9  
Legal Debt Limit  
Fiscal Year Ending June 30, 2017**

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>
2007	652,822	23,713,934	36,325	3.1%	341,705
2008	657,569	27,100,616	41,213	3.2%	350,442
2009	664,968	26,687,878	40,134	4.1%	349,561
2010	674,526	29,450,250	43,661	3.8%	358,674
2011	685,476	33,306,563	48,589	3.5%	379,433
2012	702,087	39,449,209	56,188	3.1%	411,710
2013	724,019	40,296,443	55,657	2.9%	427,109
2014	739,904	42,848,356	57,911	2.7%	444,658
2015	756,835	42,349,688	55,956	2.8%	437,078
2016	757,952	41,715,862	55,038	3.2%	417,150

Source:

- (a) Census Bureau
- (b) Bureau of Economic Analysis
- (c) Local Area Unemployment Statistics program
- (d) Quarterly Census of Employment and Wages program

**Schedule 11  
Principal Employers**

North Dakota Century Code 52-01-02 and 52-01-03 prohibits Job Service North Dakota from disclosing information provided to them by employers, including the employer name and number of employees, unless authorized by the employer. Sufficient permission has not been received to allow for presentation of this schedule.

The following schedule is being presented as an alternative to the principal employer schedule:

**Schedule 12  
Employment by Industry  
Current Calendar Year and Ten Years Ago**

<u>Industry</u>	<u>2016</u>			<u>2007</u>		
	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	83,300	1	19.15%	75,700	1	21.12%
Educational and Health Services	62,000	2	14.26%	50,900	2	14.20%
Retail Trade	49,200	3	11.31%	43,100	3	12.02%
Leisure and Hospitality	39,400	4	9.06%	32,900	4	9.18%
Professional and Business Services	34,800	5	8.00%	29,400	5	8.20%
Construction	32,100	6	7.38%	19,300	8	5.38%
Manufacturing	24,600	7	5.66%	26,100	6	7.28%
Wholesale Trade	24,600	8	5.66%	19,300	9	5.38%
Financial Activities	24,100	9	5.54%	19,800	7	5.52%
Transportation, Warehousing and Utilities	22,800	10	5.24%	14,100	11	3.93%
Other Services	16,000	11	3.68%	15,200	10	4.24%
Logging and Mining	15,300	12	3.52%	5,100	13	1.42%
Information	6,700	13	1.54%	7,600	12	2.12%
<b>Total</b>	<u>434,900</u>		<u>100%</u>	<u>358,500</u>		<u>100%</u>

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

**Schedule 13  
Education Enrollment  
Last Ten Academic Years**

**Public School Enrollment**

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Kindergarten	7,197	6,442	7,446	8,236	8,575	8,822	9,033	8,925	8,841	9,271
Grades 1-3	20,030	20,594	21,592	22,229	23,796	24,859	25,960	26,585	26,320	26,316
Grades 4-6	20,847	20,429	20,788	20,932	22,008	22,810	23,751	24,513	25,244	26,076
Grades 7-8	14,573	14,498	14,662	14,740	14,750	14,920	15,299	15,642	16,115	16,511
Grades 9-12	30,727	30,373	30,241	29,641	30,063	30,245	30,235	30,405	30,343	30,771
Total Enrollment	93,374	92,336	94,729	95,778	99,192	101,656	104,278	106,070	106,863	108,945
Special Education Students	13,278	13,261	13,170	13,123	13,268	13,399	13,675	13,988	14,429	NA

Source: Department of Public Instruction

**University System Full-Time Equivalent Student Enrollment**

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Bismarck State College	2,937	3,160	3,208	3,209	2,990	2,955	2,909	2,912	2,860	2,646
Dakota College at Bottineau	440	490	540	524	474	502	518	459	490	527
Dickinson State University	2,294	2,187	2,054	1,959	1,454	1,201	1,176	1,070	1,114	1,128
Lake Region State College	784	868	921	988	973	943	978	981	971	995
Mayville State University	563	662	704	704	759	749	798	796	782	784
Minot State University	2,720	2,832	3,002	2,795	2,731	2,710	2,600	2,570	2,591	2,467
ND State College Of Science	2,041	2,076	2,217	2,366	2,354	2,295	2,272	2,305	2,298	2,253
North Dakota State University	11,794	12,577	12,708	12,606	12,707	12,797	12,934	12,834	12,782	12,784
University of North Dakota	11,137	11,306	12,018	12,319	12,728	12,606	12,420	12,455	12,180	11,964
Valley City State University	823	833	957	1,011	995	975	990	1,031	1,044	1,086
Williston State College	562	573	570	608	537	593	579	738	756	763
Total	36,095	37,564	38,899	39,089	38,702	38,326	38,174	38,151	37,870	37,398

Source: North Dakota University System, Fall Enrollment Reports

**Schedule 14**  
**State Employees by State Agency**  
**Last Ten Fiscal Years**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>EXECUTIVE BRANCH</b>										
Adjutant General	171	174	174	172	174	178	177	170	155	155
Aeronautics Commission	5	5	6	6	6	6	6	6	7	7
Bank of North Dakota	179	179	177	177	177	177	180	180	182	183
Barley Council	6	6	6	5	5	5	5	5	5	5
Beef Commission	2	2	2	2	2	2	2	2	2	3
Career and Technical Education	33	34	34	34	34	34	34	29	27	27
Corn Council	2	3	3	3	4	5	6	6	6	6
Council on the Arts	5	5	5	5	5	5	5	5	5	5
Department of Agriculture	67	68	72	75	75	76	77	77	77	77
Department of Commerce	68	68	68	68	68	68	70	69	69	69
Department of Corrections and Rehabilitation	681	703	704	705	739	812	813	834	838	845
Department of Emergency Services	56	57	60	65	64	68	70	76	79	79
Department of Financial Institutions	26	26	29	29	29	29	29	29	30	31
Department of Human Services	2,297	2,275	2,222	2,232	2,201	2,201	2,203	2,215	2,216	2,218
Department of Public Instruction	95	98	99	101	99	99	99	100	100	92
Department of Transportation	1,061	1,056	1,057	1,066	1,066	1,081	1,084	1,082	1,081	1,081
Department of Trust Lands	21	20	21	23	26	28	31	34	34	33
Game and Fish Department	154	156	20	157	157	158	158	164	163	163
Highway Patrol	193	193	194	194	198	198	213	215	215	204
Historical Society	61	63	63	63	66	73	72	73	80	80
Indian Affairs Commission	4	4	4	4	4	5	5	5	5	5
Industrial Commission	55	58	60	68	73	93	93	114	113	114
Information Technology Department	316	338	339	341	335	326	341	354	350	352
Job Service North Dakota	309	309	309	309	309	252	239	238	182	182
Milk Marketing Board	6	6	6	6	6	6	6	6	6	6
ND Department of Health	335	343	346	341	345	352	354	365	366	368
ND Horse Racing Commission	2	2	2	2	2	2	2	2	2	2
ND Housing Finance Agency	43	42	46	46	46	46	46	40	41	41
ND Mill and Elevator Association	125	126	130	131	130	131	134	135	142	147
ND Vision Services/School for the Blind	30	32	32	33	33	33	33	33	32	32
North Dakota University System	7,171	7,261	7,579	7,775	7,756	7,763	7,904	8,028	8,012	7,532
Office of Administrative Hearings	7	7	7	7	7	7	5	5	5	5
Office of Management and Budget	133	133	133	135	134	134	134	132	124	123

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>EXECUTIVE BRANCH, Continued</b>										
Office of the Attorney General	185	188	202	202	205	214	217	248	253	253
Office of the Governor	18	18	18	18	18	18	18	18	18	19
Office of the Insurance Commissioner	46	46	46	45	49	49	49	49	49	49
Office of the Labor Commissioner	11	12	12	12	12	13	13	15	15	15
Office of the State Auditor	56	56	56	56	56	55	55	61	62	62
Office of the State Tax Commissioner	133	133	133	133	133	134	134	134	135	135
Office of the State Treasurer	7	7	7	7	8	8	8	8	8	8
Oilseed Council	1	1	1	1	1	1	1	2	1	1
Parks and Recreation Department	49	49	52	53	53	53	55	65	66	65
Protection and Advocacy	27	28	28	29	29	29	28	28	28	28
Public Employees Retirement System	33	33	33	33	33	33	33	33	35	35
Public Service Commission	44	44	45	46	43	44	44	46	46	47
Retirement and Investment Office	17	17	17	18	18	18	19	19	19	19
School for the Deaf	44	44	50	50	50	50	50	51	51	51
Secretary of State	27	28	28	28	31	31	31	34	34	34
Securities Department	9	9	9	9	9	9	9	9	9	9
Seed Department	31	30	30	30	30	30	30	30	30	31
Soybean Council	5	5	5	5	6	7	7	8	8	8
State Fair Association	26	26	28	27	27	27	28	27	27	26
State Library	30	30	30	30	30	30	30	31	30	30
State Radio	0	0	0	0	0	0	0	0	0	0
Veteran's Affairs Department	7	7	7	7	8	8	8	8	9	9
Veterans Home	92	98	98	116	114	117	118	120	116	118
Water Commission	84	84	86	87	87	88	90	95	96	96
Wheat Commission	8	8	8	8	8	8	8	8	8	8
Workforce Safety and Insurance	239	240	241	251	251	254	256	266	265	265
<b>LEGISLATIVE BRANCH</b>										
Legislative Council	33	33	34	34	34	34	36	36	37	36
<b>JUDICIAL BRANCH</b>										
Judiciary Branch	367	368	372	342	344	362	363	364	392	392
<b>Total State Employees</b>	<b>15,348</b>	<b>15,494</b>	<b>15,685</b>	<b>16,052</b>	<b>16,062</b>	<b>16,177</b>	<b>16,368</b>	<b>16,639</b>	<b>16,598</b>	<b>16,118</b>

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**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Government</b>										
<b>Office of the Tax Commissioner</b>										
Number of returns filed electronically <sup>1</sup>	203,279	222,254	242,792	289,387	319,759	352,150	383,906	412,559	428,347	391,234
<b>Education</b>										
<b>Department of Public Instruction</b>										
Public School Enrollment <sup>2</sup>	93,374	92,336	94,729	95,778	99,192	101,656	104,278	106,070	106,863	108,945
<b>North Dakota University System</b>										
Full Time Equivalent Student Enrollment <sup>3</sup>	36,095	37,564	38,899	39,089	38,702	38,326	38,174	38,151	37,870	37,398
<b>Health and Human Services</b>										
<b>North Dakota Department of Health</b>										
Number of Autopsies Performed in ND <sup>4</sup>	274	305	300	323	367	365	261	258	244	NA
Air Quality - Percent of Facilities in Compliance <sup>4</sup>	99	99	99	100	99	99	99	100	100	NA
Public Water Systems - Percent of Facilities in Compliance <sup>4</sup>	95	95	96	95	96	96	95	96	98	NA
<b>Department of Human Services</b>										
Number of TANF Caseloads	4,927	4,733	4,238	3,668	3,329	3,032	2,773	2,515	2,367	2,313
Number of Medicaid Recipients	75,732	77,637	84,529	88,618	90,453	91,382	105,539	114,364	122,374	123,766
<b>Regulatory</b>										
<b>Office of the Insurance Commissioner</b>										
Licensed Insurance Agents <sup>4</sup>	47,399	48,308	49,157	50,392	52,417	55,241	61,142	65,671	74,118	75,769
<b>Public Service Commission</b>										
Weighing and Measuring Devices Inspected	11,476	11,395	10,465	10,673	7,437	9,559	5,892	5,446	6,136	5,172
Weights and Measures Quality Assurance Inspections	0	0	0	0	0	0	166	249	216	207
Gas Pipeline Safety Inspections	61	67	67	61	53	83	127	72	81	82
Gas Pipeline Safety Inspection-Person Days	104	74	88	97	97	138	162	124	134	150
<b>Public Safety and Corrections</b>										
<b>Department of Corrections and Rehabilitation</b>										
Average Daily Adult Prison Population <sup>4</sup>	1,449	1,442	1,497	1,460	1,477	1,553	1,617	1,767	1,794	NA
<b>Office of the Attorney General-Bureau of Investigations</b>										
Criminal Cases Opened <sup>4</sup>	369	389	410	366	422	355	478	449	558	NA
Drug Cases Opened <sup>3</sup>	380	372	447	421	375	403	380	387	544	NA
<b>Office of the Attorney General-Crime Laboratory</b>										
Toxicology Alcohol Blood and Breath Analyses <sup>3</sup>	6,007	6,883	7,576	7,583	7,918	7,421	6,523	6,472	5,472	NA
Methamphetamine/Amphetamine Samples Processed <sup>4</sup>	631	897	964	745	1,381	2,387	2,942	4,527	4,669	NA
<b>Office of the Adjutant General</b>										
Assigned National Guard <sup>5</sup>	4,262	4,299	4,349	4,375	4,363	4,210	4,167	4,006	3,980	4,032
<b>Agriculture and Commerce</b>										
<b>Department of Agriculture</b>										
Pounds of Pesticide Waste Collected	215,521	205,021	215,594	189,996	290,932	248,354	310,754	384,857	137,297	180,692
<b>Department of Commerce</b>										
Net Job Growth from Nonfarm Employment <sup>4</sup>	8,900	-600	9,300	20,600	32,400	15,400	16,800	-7,700	-18,700	NA
New Private Sector Businesses <sup>4</sup>	395	-53	667	1,627	2,301	1,414	984	397	-51	NA
<b>Natural Resources</b>										
<b>Game and Fish Department</b>										
Registered Boats <sup>4</sup>	46,067	51,609	56,128	47,527	62,799	69,381	53,558	61,328	67,026	NA
Hunting and Fishing Licenses Issued	330,524	319,414	326,333	330,833	321,086	359,734	357,488	354,728	356,548	NA
<b>Department of Parks and Recreation</b>										
Park Visitations <sup>4</sup>	889,231	1,055,930	1,057,922	1,099,714	1,191,483	1,067,054	1,187,022	1,211,150	1,182,628	NA
Camping Nights <sup>4</sup>	51,529	58,984	50,749	55,018	67,425	66,533	68,480	71,075	73,316	NA
Snowmobile Registrations <sup>4</sup>	3,845	11,421	5,278	11,872	3,354	11,763	3,743	8,958	2,779	NA
OHV Registrations <sup>4</sup>	18,237	9,118	16,335	10,841	21,862	12,198	26,200	12,753	25,316	NA
<b>Transportation</b>										
<b>Department of Transportation</b>										
Registered Vehicles <sup>4</sup>	934,502	952,616	945,282	1,048,240	1,063,203	1,110,241	1,159,317	1,168,252	1,160,042	NA
Licensed Drivers	473,019	476,561	483,097	490,146	502,807	513,838	527,541	545,027	555,935	561,667
<b>Unemployment Compensation</b>										
<b>Job Service North Dakota</b>										
Number of Covered Workers <sup>4</sup>	350,442	349,561	358,674	379,433	411,710	427,109	444,658	437,078	417,150	NA
<b>Workforce Safety and Insurance</b>										
Number of Claims Filed	21,061	20,543	19,384	21,693	24,643	25,835	26,395	24,798	21,227	20,045
Number of Covered Workers	332,170	340,915	340,117	348,743	369,996	402,771	418,234	435,993	427,899	408,107

NA-Not Available

<sup>1</sup> Calendar Year Received

<sup>2</sup> Academic Year End Enrollment

<sup>3</sup> Academic Year Enrollment

<sup>4</sup> Statistics on a Calendar Year Basis

<sup>5</sup> 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**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Government</b>										
<b>Office of Management and Budget</b>										
Capitol Complex Buildings	7	7	7	7	7	7	7	7	7	7
<b>Education</b>										
<b>Department of Land</b>										
Common Schools Trust										
Land Acreage	632,248	597,426	632,393	631,940	631,921	631,939	631,997	632,039	631,794	631,806
<b>ND University System</b>										
Buildings	516	516	522	522	512	512	528	528	534	534
Buildings Square Footage	14,003,445	14,003,445	14,700,708	14,700,708	15,019,252	15,019,252	15,852,457	15,852,457	16,299,100	16,299,100
<b>Health and Human Services</b>										
<b>Dept. of Human Services</b>										
Buildings	74	74	74	74	74	64	63	63	63	63
<b>Public Safety and Corrections</b>										
<b>Department of Corrections and Rehabilitation</b>										
Buildings	71	72	72	72	72	69	71	71	71	70
<b>Office of the Adjutant General</b>										
Headquarters, Camp and Armory Buildings	475	341	282	282	283	268	280	298	298	302
<b>Natural Resources</b>										
<b>Game and Fish Department</b>										
Wildlife Management Areas	186	189	192	199	201	201	204	201	200	226
Boats, ATV's, Snowmobiles, Tractors, Other	417	425	429	443	446	463	462	460	472	491
<b>Dept. of Parks and Recreation</b>										
Park/Recreational Sites	15	15	15	15	15	15	15	15	15	15
Park Maintenance Vehicles/Equipment	235	255	255	262	291	304	305	305	363	392
<b>Transportation</b>										
<b>Department of Transportation</b>										
Lane Miles Maintained	8,511	8,515	8,517	8,518	8,504	8,509	8,509	8,563	8,614	8,614
Fleet Vehicles	3,307	3,273	3,493	3,564	3,567	3,600	3,652	3,664	3,726	3,740
Heavy Equipment	340	341	463	471	500	434	441	448	441	445
Buildings	80	81	85	94	123	126	142	158	159	162

Sources: The State agencies listed above provided the data for their agency

**Schedule 17  
Claims Development Information  
Last Ten Fiscal Years**

The following tables illustrate how the individual funds' earned revenues and investment income compare to related costs of loss and other expenses assumed by the funds as of the end of each of the last ten years. The rows of the tables are defined as follows: (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues. (2) This line shows each fiscal year's other operation costs of the fund including overhead and claims expense not allocable to individual claims. (3) This line shows the funds' incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year). (4) This section of 10 columns shows the cumulative amounts paid as of the end of successive years for each policy year. (5) This section of 10 columns shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received regarding unknown claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. (6) This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the tables show data for successive policy years (expressed in thousands).

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

Bonding Fund

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
1 Net Earned Required Contribution and Investment Revenues	\$ 22	\$ 157	\$ 214	\$ 202	\$ 195	\$ 140	\$ 133	\$ 70	\$ 173	\$ 101
2 Unallocated Expenses	37	25	34	25	28	22	33	36	67	26
3 Estimated Incurred Claims and Expense, End of Policy Year	(268)	128	49	22	4	(115)	39	94	26	21
4 Paid (Cumulative) as of:										
End of Policy Year	(417)	(61)	(148)	(179)	(202)	(157)	(32)	(35)	(77)	(86)
One Year Later	(417)	(61)	(148)	(179)	(202)	(157)	(32)	(35)	(77)	
Two Years Later	(417)	(61)	(148)	(179)	(202)	(157)	(32)	(35)		
Three Years Later	(417)	(61)	(148)	(179)	(202)	(157)	(32)			
Four Years Later	(417)	(61)	(148)	(179)	(202)	(157)				
Five Years Later	(417)	(61)	(148)	(179)	(202)					
Six Years Later	(417)	(61)	(148)	(179)						
Seven Years Later	(417)	(61)	(148)							
Eight Years Later	(417)	(61)								
Nine Years Later	(417)									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	(268)	128	49	22	4	(115)	39	94	26	(21)
One Year Later	(268)	128	49	22	4	(115)	39	94	26	
Two Years Later	(268)	128	49	22	4	(115)	39	94		
Three Years Later	(268)	128	49	22	4	(115)	39			
Four Years Later	(268)	128	49	22	4	(115)				
Five Years Later	(268)	128	49	22	4					
Six Years Later	(268)	128	49	22						
Seven Years Later	(268)	128	48							
Eight Years Later	(268)	128								
Nine Years Later	(268)									
6 Increase in Estimated Incurred Claims and Expense From End of Policy Year	0	0	0	0	0	0	0	0	0	0

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

Fire and Tornado Fund

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
1 Net Earned Required Contribution and Investment Revenues	\$ 7,849	\$ (492)	\$ 8,099	\$ 4,709	\$ 3,031	\$ 4,103	\$ 5,388	\$ (2,124)	\$ 2,908	\$ 4,765
2 Unallocated Expenses	979	819	1,344	1,340	849	768	915	800	912	1,348
3 Estimated Incurred Claims and Expense, End of Policy Year	10,588	2,363	3,386	4,663	1,162	1,501	998	1,141	3,039	4,750
4 Paid (Cumulative) as of:										
End of Policy Year	9,474	1,586	1,670	2,571	958	1,106	562	9,378	8,890	3,805
One Year Later	9,988	2,398	3,381	4,191	1,225	1,871	1,067	1,553	3,117	
Two Years Later	9,989	2,499	3,569	4,360	1,318	1,905	1,080	1,564		
Three Years Later	9,989	2,516	3,569	4,492	1,691	1,905	1,080			
Four Years Later	9,989	2,516	3,569	4,492	1,691	1,905				
Five Years Later	9,989	2,516	4,944	4,492	1,691					
Six Years Later	9,989	2,516	4,946	4,492						
Seven Years Later	9,989	2,516	4,946							
Eight Years Later	9,989	2,516								
Nine Years Later	9,989									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	10,588	2,363	3,386	4,663	1,162	1,501	998	1,516	3,039	4,750
One Year Later	9,974	2,554	4,323	4,502	1,550	2,009	1,146	1,725	3,292	
Two Years Later	9,974	2,503	4,873	4,528	1,549	2,012	1,122	1,723		
Three Years Later	9,974	2,520	4,865	4,520	1,711	2,012	1,122			
Four Years Later	9,974	2,520	4,864	4,520	1,711	2,015				
Five Years Later	9,974	2,520	4,944	4,516	1,711					
Six Years Later	9,974	2,520	4,946	4,516						
Seven Years Later	9,974	2,516	4,946							
Eight Years Later	9,974	2,516								
Nine Years Later	9,974									
6 Increase in Estimated Incurred Claims and Expense From End of Policy Year	(614)	152	1,559	(147)	549	511	125	582	253	0

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

Workforce Safety & Insurance

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
1 Net Earned Required Contribution and Investment Revenues	\$ 166	\$ 48	\$ 289	\$ 357	\$ 341	\$ 443	\$ 502	\$ 408	\$ 377	\$ 396
2 Unallocated Expenses	41	31	33	30	33	52	41	41	43	47
3 Estimated Incurred Claims and Expense, End Of Policy Year	131	169	160	192	230	300	338	315	229	198
4 Paid (Cumulative) as of:										
End of Policy Year	27	32	31	39	44	53	65	61	41	40
One Year Later	47	55	52	65	87	99	111	102	74	
Two Years Later	54	63	60	76	102	117	128	120		
Three Years Later	58	70	65	85	111	128	140			
Four Years Later	60	75	69	90	116	136				
Five Years Later	63	79	73	94	120					
Six Years Later	66	83	76	96						
Seven Years Later	68	84	77							
Eight Years Later	69	87								
Nine Years Later	71									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	131	169	160	192	230	300	338	315	229	198
One Year Later	140	157	151	192	258	293	321	283	204	
Two Years Later	133	153	195	193	344	288	299	271		
Three Years Later	129	150	193	187	241	272	291			
Four Years Later	126	148	142	174	228	266				
Five Years Later	123	148	139	181	221					
Six Years Later	120	150	137	174						
Seven Years Later	120	147	134							
Eight Years Later	119	145								
Nine Years Later	118									
6 Increase in Estimated Incurred Claims and Expense From End of Policy Year	(13)	(24)	(26)	(18)	(10)	(34)	(47)	(44)	(25)	0

**Schedule 18  
Agricultural Production**

**Value of Export Shares of Agricultural Commodities - 2015-2016**

	2015 <u>Dollars</u> (Mil.)	2015 <u>% of U.S.</u>	2016 <u>Dollars</u> (Mil.)	2016 <u>% of U.S.</u>
Wheat	988.4	17.57	968.4	18.10
Soybeans and Products	1,081.8	4.57	1,347.8	5.01
Vegetables Fresh and Processed	213.6	3.05	279.9	3.88
Grain Products	167.6	4.34	171.6	4.55
Vegetable Oils	187.2	5.98	196.1	6.48
Feeds and Fodders	238.5	2.25	225.6	2.56
Corn	163.9	1.98	229.4	2.32
Beef, Veal and Pork	105.9	0.89	104.7	0.85
Dairy Products	8.2	0.16	7.5	0.16
Other Livestock Products	41.9	1.46	40.2	1.40
Hides and Skins	28.6	1.17	21.9	1.14
Fruits Fresh and Processed	0.00	0.00	0.00	0.00
Poultry Products	3.2	0.17	2.4	0.13
<b>Total</b>	<b>\$ 4,066.1</b>	<b>3.06%</b>	<b>\$ 4,569.1</b>	<b>3.39%</b>

1/ Includes other nonpoultry meats, animal fat, live farm animals, and other animal parts.

2/ Includes turkey meat, eggs, and other fowl products.

3/ Includes processed feeds, fodder, barley, oats, rye, and sorghum.

4/ Includes peanuts (oilstock), other oil crops, corn meal, other oilcake and meal, protein substances, bran and residues.

5/ Includes sweeteners and products, other horticulture products, planting seeds, cocoa, coffee, and other processed foods.

Data sources: USDA Economic Research Service; USDA Foreign Agricultural Service (Global Agricultural Trade System).

Totals may not add due to rounding.

**2017 Crop Rank Among States**

North Dakota <u>Ranks</u>	<u>Crop Description</u>	North Dakota <u>Produces</u>
1st	Flaxseed	91%
	Canola	87%
	Pinto Beans	60%
	Durum Wheat	56%
	Spring Wheat	50%
	Sunflower Oil	46%
	Dry Edible Peas	44%
	Sunflower All	43%
	Navy Beans	38%
	All Dry Edible Beans	31%
	Honey Production	23%

Source: North Dakota Agricultural Statistics August 2017