

# College **SAVE**<sup>™</sup>

Bank of North Dakota's 529 Plan

(A Private Purpose Trust Fund of the State of North Dakota)

**BASIC FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**and**

**SUPPLEMENTARY INFORMATION**

**December 31, 2018**

**(With Independent Auditor's Report Thereon)**



# College SAVE™

Bank of North Dakota's 529 Plan  
(A Private Purpose Trust Fund of the State of North Dakota)

## TABLE OF CONTENTS

	<u>Pages</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 – 3
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)</b>	7 – 14
<b>BASIC FINANCIAL STATEMENTS</b>	
Statements of Fiduciary Net Position	17
Statements of Changes in Fiduciary Net Position	17
Notes to Basic Financial Statements	19 – 34
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Fiduciary Net Position by Portfolio as of December 31, 2018	37 – 38
Schedule of Changes in Fiduciary Net Position by Portfolio for the Year Ended December 31, 2018	39 – 40
<b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	41 – 42



## INDEPENDENT AUDITOR'S REPORT

Bank of North Dakota  
Ascensus Broker Dealer Services, LLC, Program Manager  
College SAVE

### **Report on the Basic Financial Statements**

We have audited the accompanying statements of fiduciary net position and statements of changes in fiduciary net position of **College SAVE** (the Plan), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements.

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

Management is responsible for the preparation and fair presentation of these basic 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 basic financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these basic financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic 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 basic 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 basic financial statements.

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

***Opinion***

In our opinion, the basic financial statements referred to on the preceding page present fairly, in all material respects, the fiduciary net position of the Plan as of December 31, 2018 and 2017, and the changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As disclosed in Note 1, the Plan is a private purpose trust fund of the state of North Dakota. These basic financial statements present only the activities and balances attributable to the Plan and do not purport to, and do not, present fairly the fiduciary net position or changes in fiduciary net position of any other fiduciary funds of the state of North Dakota as of and for the years ended December 31, 2018 and 2017. 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 management's discussion and analysis on pages 7 through 14 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, as it is considered 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information in management's discussion and analysis because the limited procedures we performed do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the Plan's basic financial statements. The schedules of fiduciary net position and changes in fiduciary net position by portfolio on pages 37 through 40 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relate 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 information in these schedules is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Bank of North Dakota  
Ascensus Broker Dealer Services, LLC, Program Manager  
College SAVE  
Page Three

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2019, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

*Landmark PLC*  
Certified Public Accountants

March 29, 2019  
Little Rock, Arkansas

*(This page intentionally left blank)*

**Management's Discussion and Analysis**  
**(Unaudited)**

*(This page intentionally left blank)*



# College SAVE™

Bank of North Dakota's 529 Plan

(A Private Purpose Trust Fund of the State of North Dakota)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

December 31, 2018 and 2017

This management's discussion and analysis is intended to provide readers an objective discussion of the financial statements of College SAVE (the Plan) as of and for the years ended December 31, 2018, 2017 and 2016. This discussion and analysis, which is supplementary information required by the Governmental Accounting Standards Board (GASB), is intended to provide a highly summarized overview of the Plan's assets, liabilities, fiduciary net position and changes in fiduciary net position and should be read in conjunction with the Plan's financial statements and notes thereto, which are included on pages 17 through 34. In addition, readers may find useful the supplementary information on pages 37 through 40, which include information about the Plan's investment portfolios.

\* \* \* \* \*

College SAVE was established in September of 2000, to encourage the investment of funds to be used for qualified higher education expenses at eligible institutions, as authorized under North Dakota Century Code Title 6, Chapter 9, Section 38. Plan assets are held for the benefit of account owners and their designated beneficiaries in the College SAVE Trust (the Trust), for which the Bank of North Dakota (the Bank) serves as Trustee. The Plan is administered as a "qualified tuition program" in compliance with Section 529 of the Internal Revenue Code of 1986, as amended, and both the Plan and the Trust are exempt from federal taxation.

The Bank has established rules to administer, manage, promote and market the Plan, which are set forth in North Dakota Administrative Code Title 12.5, Article 2, Chapter 1. As allowed under these rules, the Bank may contract with third-party service providers to perform administrative duties related to the Plan and to manage the Plan's investments.

Pursuant to the College SAVE Plan Management Agreement, as amended, Ascensus Broker Dealer Services, LLC (ABD) serves as the Program Manager and Ascensus College Savings Recordkeeping Services, LLC (ACSR) serves as the recordkeeping and servicing agent. Collectively, ABD and ACSR are referred to as "Ascensus Government Savings (AGS)." The Vanguard Group, Inc. (Vanguard) provides investment advisory, fund accounting and related administrative services.

### Financial Highlights

The following highlight some of the Plan's key financial results:

- At December 31, 2018, 2017 and 2016, the Plan's fiduciary net position totaled \$455.7 million, \$469.3 million and \$415.6 million, respectively. Fiduciary net position decreased \$13.6 million, or 2.9%, from December 31, 2017, to December 31, 2018, after increasing \$53.7 million, or 12.9%, from December 31, 2016, to December 31, 2017.

# College SAVE™

Bank of North Dakota's 529 Plan

(A Private Purpose Trust Fund of the State of North Dakota)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

December 31, 2018 and 2017

### Financial Highlights (Continued)

- Contributions exceeded withdrawals by approximately \$8.0 million, \$6.2 million and \$6.5 million during 2018, 2017 and 2016, respectively.
- Contributions during the years ended December 31, 2018, 2017 and 2016, totaled \$47.9 million, \$45.7 million and \$42.4 million, respectively. Contributions increased \$2.2 million, or 4.8%, from December 31, 2017, to December 31, 2018, and increased \$3.3 million, or 7.8%, from December 31, 2016, to December 31, 2017.
- Withdrawals during the years ended December 31, 2018, 2017 and 2016, totaled \$39.8 million, \$39.5 million and \$35.9 million, respectively. Withdrawals increased \$340.2 thousand, or 0.9%, from December 31, 2017, to December 31, 2018, and increased \$3.6 million, or 10.1%, from December 31, 2016, to December 31, 2017.
- Administrative fees totaled \$3.4 million, \$3.3 million and \$3.2 million for the years ended December 31, 2018, 2017 and 2016, respectively. These fees, which are based on the Plan's fiduciary net position, are paid to the Bank, AGS and Vanguard for performing oversight, administrative and investment duties.
- For the year ended December 31, 2018, the Plan experienced a net investment loss of \$18.3 million, resulting from net depreciation in the value of its investments totaling \$30.0 million, somewhat offset by dividends and interest totaling \$11.7 million. For the year ended December 31, 2017, the Plan experienced net investment income of \$50.8 million, resulting from net appreciation in the value of its investments of \$40.8 million and dividend and interest totaling \$10.0 million. For the year ended December 31, 2016, the Plan experienced net investment income of \$23.7 million, resulting from net appreciation in the value of its investments totaling \$14.8 million and dividend and interest totaling \$8.9 million.
- The number of active accounts has increased from 31,609 at December 31, 2016, to 34,109 at December 31, 2017, to 36,792 at December 31, 2018. The average active account balance increased from \$13,100 at December 31, 2016, to \$13,800 at December 31, 2017, and then decreased to \$12,400 at December 31, 2018.
- The BND Match awarded \$314,841, \$296,636 and \$293,444 in matching grants in 2018, 2017 and 2016, respectively, to qualifying account owners.
- The New Baby Match Program awarded \$227,040, \$208,645 and \$179,700 in matching grants in 2018, 2017 and 2016, respectively, to qualifying account owners.

# College SAVE™

Bank of North Dakota's 529 Plan

(A Private Purpose Trust Fund of the State of North Dakota)

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

December 31, 2018 and 2017

### Overview of the Basic Financial Statements

The Plan's basic financial statements comprise the statement of fiduciary net position, the statement of changes in fiduciary net position and the related notes to the financial statements. The statement of fiduciary net position presents information on the Plan's assets and liabilities, with the difference between them representing net position held in trust for account owners and their beneficiaries. The statement of changes in fiduciary net position shows how the Plan's fiduciary net position changed during the year. The notes to the financial statements provide additional explanatory information about the amounts presented in the financial statements. It is essential that readers of this report consider the information in the notes to obtain a full understanding of the Plan's financial statements.

The Plan is included in the state of North Dakota's financial statements as a "private purpose trust fund." A private purpose trust fund is a type of fiduciary fund that is used to report assets held by a government in a trust or agency capacity for others and cannot be used to support the government's own programs.

The Plan's basic financial statements are prepared in accordance with accounting and financial reporting standards for governmental entities set forth by the GASB. As required under generally accepted accounting principles applicable to fiduciary fund types, the Plan's basic financial statements are prepared using the accrual basis of accounting. Mutual funds are reported at fair value, and investment contracts are reported at contract value. All investment transactions are recorded on a trade-date basis. Changes in investment value, along with realized gains (losses), are reported as net appreciation (depreciation) on the statements of changes in fiduciary net position. Dividends and capital gain distributions are recorded on the ex-dividend date rather than when they are received. Contributions to the Plan are recognized when they are received, provided enrollment in the Plan has been successfully completed, and withdrawals are recognized when the withdrawal request has been received and approved for payment. Administrative fees are recognized in the period when the related services are provided, regardless of when cash is paid.

### Financial Analysis

#### Fiduciary Net Position

The following condensed statements of fiduciary net position provide a "snapshot" of the overall financial position of the Plan:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Total assets	\$ 456,998,365	\$ 470,426,747	\$ 416,352,919
Total liabilities	<u>1,338,351</u>	<u>1,139,624</u>	<u>779,123</u>
Net position held in trust for account owners and beneficiaries	<u>\$ 455,660,014</u>	<u>\$ 469,287,123</u>	<u>\$ 415,573,796</u>

# College SAVE™

Bank of North Dakota's 529 Plan

(A Private Purpose Trust Fund of the State of North Dakota)

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

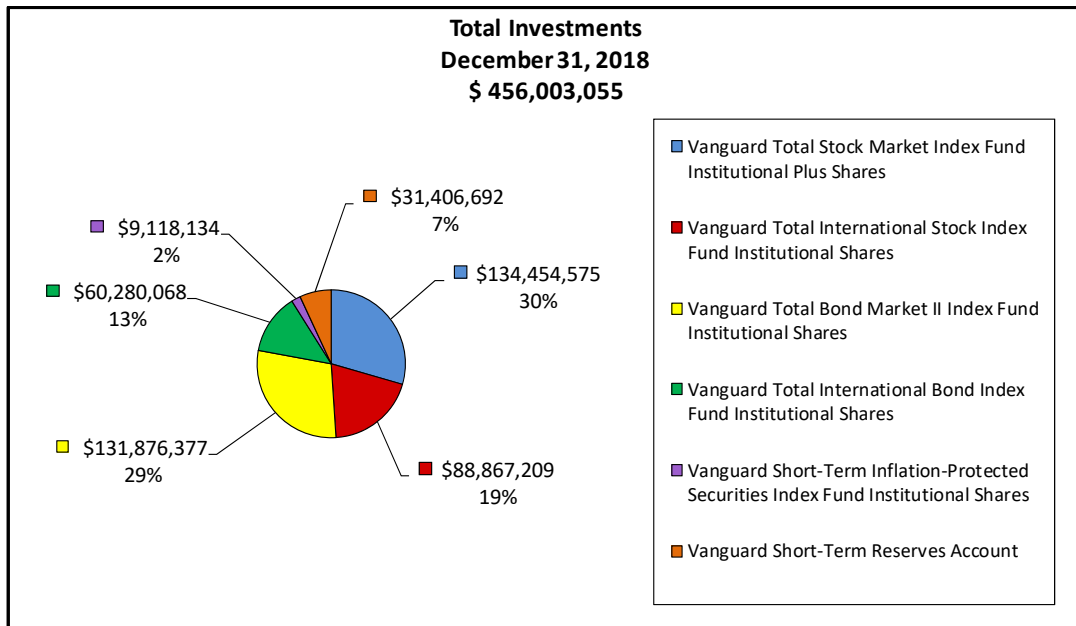
December 31, 2018 and 2017

### Financial Analysis (Continued)

#### Fiduciary Net Position (Continued)

The reported balance of net position held in trust for account owners and their beneficiaries represents the cumulative total of contributions from account owners since the Plan's inception, increased (decreased) by net investment income (loss), and decreased by withdrawals and administrative fees.

Investments, which totaled \$456.0 million, \$469.5 million, and \$415.5 million at December 31, 2018, 2017 and 2016, respectively, represent over 99% of the Plan's total assets. Account owners are able to direct investment of their contributions into one or more portfolio options and share classes (subject to eligibility), each of which is invested in one or more Vanguard mutual funds or investment contracts (the Underlying Funds) in accordance with a predetermined asset allocation strategy approved by the Bank. At December 31, 2018, 2017 and 2016, the Plan's Underlying Funds are as follows:



**Note:** Percentages are stated as a percent of total investment value.

# College SAVE™

Bank of North Dakota's 529 Plan

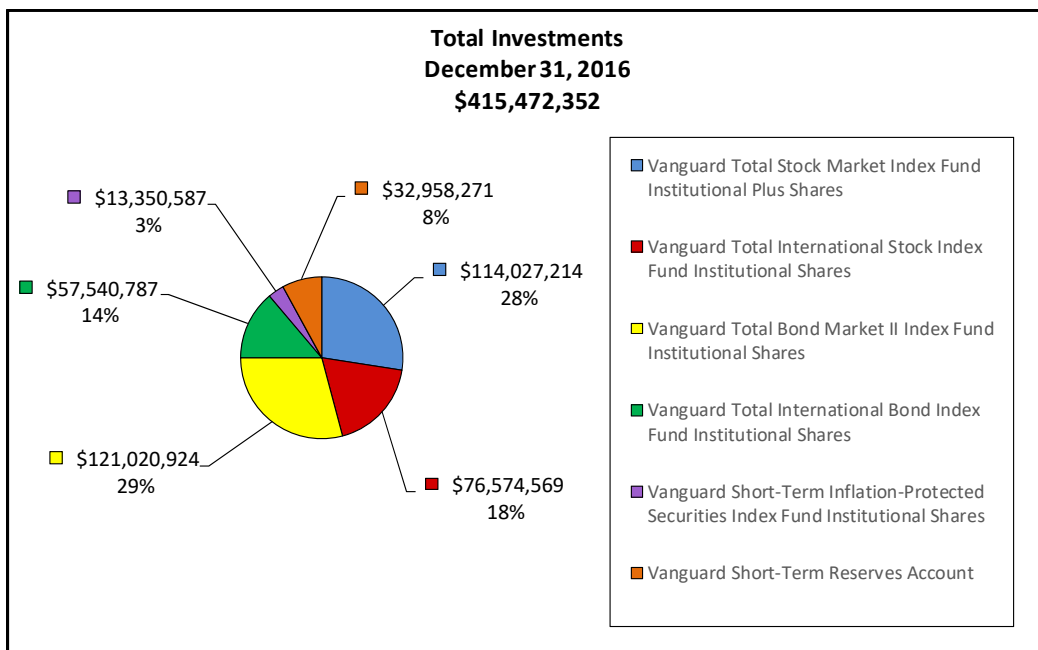
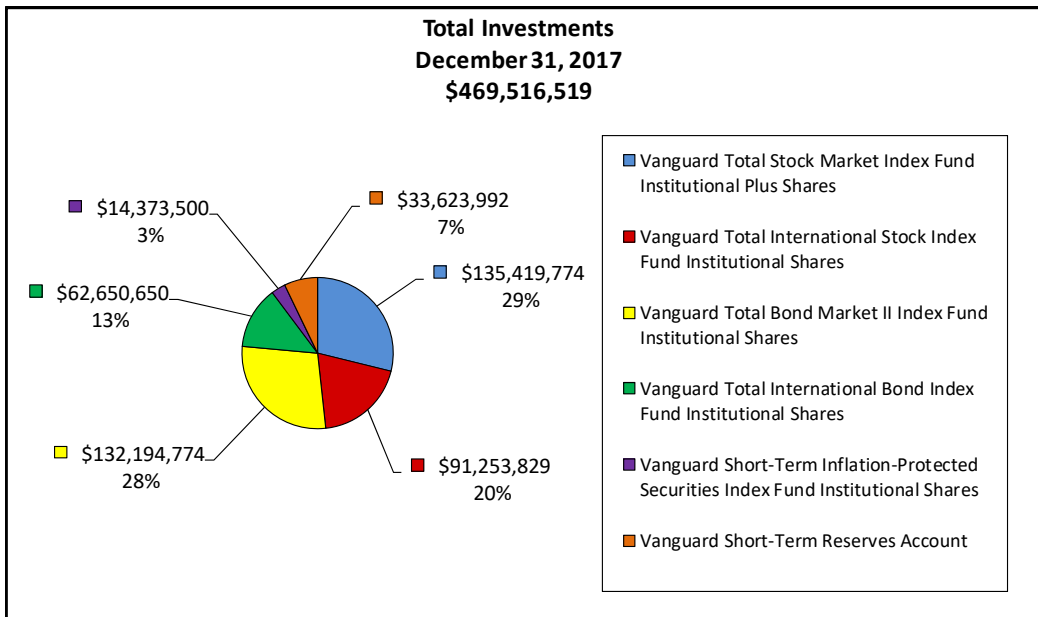
(A Private Purpose Trust Fund of the State of North Dakota)

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

December 31, 2018 and 2017

### Financial Analysis (Continued)

#### Fiduciary Net Position (Continued)



Note: Percentages are stated as a percent of total investment value.

# College SAVE™

Bank of North Dakota's 529 Plan

(A Private Purpose Trust Fund of the State of North Dakota)

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

December 31, 2018 and 2017

### Financial Analysis (Continued)

#### Fiduciary Net Position (Continued)

Other assets, which totaled \$995.3 thousand at December 31, 2018, \$910.2 thousand at December 31, 2017 and \$880.6 thousand at December 31, 2016, comprise amounts to be invested or distributed on behalf of account owners and their beneficiaries and receivables for proceeds from Underlying Fund sales transactions. The Plan's liabilities, which totaled \$1.3 million at December 31, 2018, \$1.1 million at December 31, 2017, and \$779.1 thousand at December 31, 2016, comprise accrued administrative fees, payables for withdrawals approved but not yet paid and payables for Underlying Fund purchase transactions.

#### Changes in Fiduciary Net Position

The following condensed statements of changes in fiduciary net position summarize how the Plan's net position held in trust for account owners and their beneficiaries changed during the years presented:

	<u>Year Ended</u> <u>December 31, 2018</u>	<u>Year Ended</u> <u>December 31, 2017</u>	<u>Year Ended</u> <u>December 31, 2016</u>
Contributions	\$ 47,864,276	\$ 45,675,151	\$ 42,379,208
Net investment income (loss)	(18,303,035)	50,831,088	23,717,629
Withdrawals	(39,828,488)	(39,488,298)	(35,880,486)
Administrative fees	<u>(3,359,862)</u>	<u>(3,304,614)</u>	<u>(3,198,427)</u>
Net Increase (Decrease)	(13,627,109)	53,713,327	27,017,924
Net position held in trust for account owners and beneficiaries, beginning of year	<u>469,287,123</u>	<u>415,573,796</u>	<u>388,555,872</u>
Net position held in trust for account owners and beneficiaries, end of year	<u>\$ 455,660,014</u>	<u>\$ 469,287,123</u>	<u>\$ 415,573,796</u>

### Investment Commentary

The following section provides brief descriptions of each of the Plan's investments. More complete information can be found in the College SAVE Plan Disclosure Statement and Participation Agreement document or in each mutual fund's prospectus and annual report.

# College SAVE™

Bank of North Dakota's 529 Plan

(A Private Purpose Trust Fund of the State of North Dakota)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

December 31, 2018 and 2017

### Investment Commentary (Continued)

The Vanguard Total Stock Market Index Fund Institutional Plus Share Class is passively managed, using index sampling. The fund invests in large-, mid- and small-capitalization stocks diversified across growth and value investment styles and seeks to track the performance of the CRSP US Total Market Index. The fund experienced returns of (5.15%), 21.19% and 12.69% for the years ended December 31, 2018, 2017 and 2016, respectively. The share price of this fund increased from \$105.18 at December 31, 2016, to \$125.14 at December 31, 2017, but decreased to \$116.47 at December 31, 2018.

The Vanguard Total International Stock Index Fund Institutional Share Class employs an indexing investment approach and seeks to track the performance of the FTSE Global All Cap ex US Index, which is designed to measure equity market performance in developed and emerging markets, excluding the United States. The fund experienced returns of (14.39%), 27.55% and 4.70% for the years ended December 31, 2018, 2017 and 2016, respectively. The share price of this fund increased from \$98.50 at December 31, 2016, to \$122.03 at December 31, 2017, but decreased to \$101.46 at December 31, 2018.

The Vanguard Total Bond Market II Index Fund Institutional Share Class is passively managed, using index sampling and seeks to track the performance of the Bloomberg Barclays Capital US Aggregate Float Adjusted Index. This fund provides broadly diversified exposure to the entire US investment grade bond market and is intermediate in duration. The fund experienced returns of (0.03%), 3.60% and 2.62% during the years ended December 31, 2018, 2017 and 2016, respectively. The share price of this fund increased from \$10.61 at December 31, 2016, to \$10.72 at December 31, 2017, but decreased to \$10.42 at December 31, 2018.

The Vanguard Total International Bond Index Fund Institutional Share Class fund is passively managed, using index sampling and seeks to track the performance of the Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged). This fund provides broad exposure to non-US investment grade bonds, primarily bonds issued by developed countries, but also some from emerging markets countries. The fund experienced returns of 2.96%, 2.46% and 4.69% for the years ended December 31, 2018, 2017 and 2016, respectively. The share price of this fund increased from \$32.52 at December 31, 2016, to \$32.56 on December 31, 2017, but decreased to \$32.54 on December 31, 2018.

The Short-Term Inflation-Protected Securities Index Fund Institutional Share Class employs an indexing investment approach designed to track the performance of the Bloomberg Barclays US Treasury Inflation-Protected Securities (TIPS) 0-5 Year Index. The index is a market-capitalization-weighted index that includes all inflation-protected public obligations issued by the US Treasury with remaining maturities of less than five years. The fund experienced returns of 0.59%, 0.83% and 2.76% for the years ended December 31, 2018, 2017 and 2016, respectively. The share price of this fund decreased from \$24.65 at December 31, 2016, to \$24.48 at December 31, 2017, and further decreased to \$24.03 at December 31, 2018.

# College SAVE™

Bank of North Dakota's 529 Plan

(A Private Purpose Trust Fund of the State of North Dakota)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

December 31, 2018 and 2017

### Investment Commentary *(Continued)*

The Vanguard Short-Term Reserves Account seeks to provide current and stable income while maintaining a \$1 net asset value. The fund seeks to achieve its objective by diversifying among high-credit-quality investments and investment contracts that are structured to smooth market gains and losses over time. This fund experienced returns of 2.11%, 1.25% and 0.24% for the years ended December 31, 2018, 2017, and for the period June 3, 2016 through December 31, 2016, respectively.

### Recent Developments

#### New Portfolio Options

Effective August 17, 2018, changes were made to the Age-Based Options. The glidepaths for the three Age-Based Options were expanded to include six new portfolios to provide for a smoother transition as the designated beneficiary approaches college age. These six new portfolios, which are only available as part of the Age-Based Options and are not available as Individual Portfolio Options, include the Aggressive Portfolio, the Blended Growth Portfolio, the Blended Moderate Growth Portfolio, the Conservative Portfolio, the Balanced Income Portfolio and the Conservative Income Portfolio.

### Legislative Highlights

On December 22, 2017, President Trump signed the *Tax Cuts and Jobs Act* into law. The legislation included the following provisions related specifically to 529 plan accounts, beginning with the 2018 tax year:

- Account owners can use assets accumulated in their 529 plan accounts to pay for private, public and religious elementary, middle or high school tuition, up to \$10,000 per year, per student. Withdrawals to pay elementary, middle or high school tuition are treated as qualified withdrawals with respect to the federal and North Dakota state income tax benefit.
- Account owners may roll over 529 plan account assets to a 529 ABLÉ plan accounts for the same beneficiary or a member of the family of the beneficiary, up to the ABLÉ annual contribution limit, without incurring federal and North Dakota state income taxes.

### Requests for Information

This financial report is designed to provide a general overview of the Plan's financial status and changes in financial status. Additional information can be found at [www.collegesave4u.com](http://www.collegesave4u.com). If you have any questions about the information provided, please call the Plan's customer service representatives at 1-866-728-3529.



## **Basic Financial Statements**

*(This page intentionally left blank)*

# College SAVE™

Bank of North Dakota's 529 Plan

(A Private Purpose Trust Fund of the State of North Dakota)

## STATEMENTS OF FIDUCIARY NET POSITION December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Investments	\$ 456,003,055	\$ 469,516,519
Cash and cash equivalents	809,772	719,208
Receivables for investments sold	185,538	191,020
<b>Total Assets</b>	<u>456,998,365</u>	<u>470,426,747</u>
<b>LIABILITIES</b>		
Payables for investments purchased	371,280	317,840
Withdrawals payable	691,936	539,429
Accrued administrative fees	275,135	282,355
<b>Total Liabilities</b>	<u>1,338,351</u>	<u>1,139,624</u>
<b>NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES</b>	<u>\$ 455,660,014</u>	<u>\$ 469,287,123</u>

## STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>ADDITIONS</b>		
Contributions	\$ 47,864,276	\$ 45,675,151
Investment income (loss):		
Dividends and interest	11,740,596	10,042,619
Net (depreciation) appreciation in value of investments	(30,043,631)	40,788,469
Net investment (loss) income	<u>(18,303,035)</u>	<u>50,831,088</u>
<b>Total Additions</b>	<u>29,561,241</u>	<u>96,506,239</u>
<b>DEDUCTIONS</b>		
Withdrawals	39,828,488	39,488,298
Administrative fees	3,359,862	3,304,614
<b>Total Deductions</b>	<u>43,188,350</u>	<u>42,792,912</u>
<b>NET (DECREASE) INCREASE</b>	(13,627,109)	53,713,327
<b>NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES, BEGINNING OF YEAR</b>	<u>469,287,123</u>	<u>415,573,796</u>
<b>NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES, END OF YEAR</b>	<u>\$ 455,660,014</u>	<u>\$ 469,287,123</u>

See accompanying notes to basic financial statements.

*(This page intentionally left blank)*

# College SAVE™

Bank of North Dakota's 529 Plan

(A Private Purpose Trust Fund of the State of North Dakota)

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018 and 2017

### **NOTE 1: ORGANIZATION AND NATURE OF OPERATIONS**

The following provides a brief description of College SAVE (the Plan). For more information and disclosures about the Plan, refer to the College SAVE Plan Disclosure Statement and Participation Agreement available on the Plan's website ([www.collegesave4u.com](http://www.collegesave4u.com)) or call 1-866-728-3529.

#### **(a) General**

The Plan was created in September of 2000, pursuant to North Dakota Century Code Title 6, Chapter 9, Section 38 to enable residents of North Dakota (and other states) to save on a tax-favored basis for qualified higher education expenses. The Plan is designed to comply with the requirements for treatment as a "qualified tuition program" under Section 529 of the Internal Revenue Code of 1986, as amended, and any regulations and other guidance issued thereunder.

The College SAVE Trust (the Trust) was created to hold the assets of the Plan. The Bank of North Dakota (the Bank), an enterprise fund of the state of North Dakota, is the designated Trustee. Assets of the Plan can only be used for the benefit of account owners and their designated beneficiaries and cannot be used by the state of North Dakota or the Bank to finance their operations.

The Plan is a fiduciary fund of the state of North Dakota and is included in the state of North Dakota's financial statements as a private purpose trust fund. Fiduciary funds are used to report assets that are held in a trust or agency capacity for others and therefore cannot be used to support a government's own programs. A private purpose trust fund is a type of fiduciary fund used to report certain trust arrangements under which principal and income benefit individuals, private organizations or other governments.

#### **(b) Administration**

As Trustee, the Bank is the authority responsible for oversight and overall administration of the Plan. Rules governing the operation of the Plan, as adopted by the Bank, are set forth in the North Dakota Administrative Code Title 12.5, Article 2, Chapter 1 (the Administrative Code). The Administrative Code allows the Bank to enter into contracts with service providers, agents or third-party contractors to administer the Plan, provide investment advice for the Plan, provide accounting and recordkeeping services for the Plan, enroll participants, process account owner transactions and market the Plan.

Pursuant to the College SAVE Plan Management Agreement, as amended (the Management Agreement), Ascensus Broker Dealer Services, LLC (ABD) serves as the Program Manager and Ascensus College Savings Recordkeeping Services, LLC (ACSR) serves as the recordkeeping and servicing agent. Collectively, ABD and ACSR are referred to as "Ascensus Government Savings (AGS)."

# College SAVE™

Bank of North Dakota's 529 Plan

(A Private Purpose Trust Fund of the State of North Dakota)

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018 and 2017

### **NOTE 1: ORGANIZATION AND NATURE OF OPERATIONS (Continued)**

#### **(b) Administration (Continued)**

Pursuant to the terms of the North Dakota 529 Program Operational Agreement, as amended (the Operational Agreement), The Vanguard Group, Inc. (Vanguard) provides investment advisory, fund accounting and related administrative services.

The Bank of New York Mellon Corporation (BNY Mellon) is the custody agent for the Plan, responsible for maintaining a custody account to provide for the safekeeping and recordkeeping of certain assets invested in the Plan.

### **NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Basis of Accounting**

In accordance with accounting principles generally accepted in the United States of America applicable to fiduciary fund types prescribed by the Governmental Accounting Standards Board (GASB), the Plan's financial statements are prepared using the flow of economic resources measurement focus and accrual basis of accounting.

#### **(b) Income Taxes**

The Plan has been designed to comply with the requirements for treatment as a "qualified tuition program" under Section 529 of the Internal Revenue Code of 1986, as amended, and any regulations or other guidance issued thereunder. As such, the Plan is exempt from federal and state income tax.

#### **(c) Estimates**

The preparation of basic financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

#### **(d) Investments**

The Plan's investments consist of Vanguard mutual funds and investment contracts (collectively, "the Underlying Funds").

The mutual funds are reported at fair value, determined by Vanguard based on the net asset value per share of each mutual fund as of the close of the New York Stock Exchange (NYSE) on the reporting date. Net realized and unrealized gains (losses) are included in "net appreciation (depreciation) in value of investments" on the statements of changes in fiduciary net position. Purchase and sales of shares of mutual funds are recorded on a trade-date basis. Dividends and capital gain distributions are recorded on the ex-dividend date and are automatically reinvested in additional shares of the respective mutual fund.

# College SAVE™

Bank of North Dakota's 529 Plan

(A Private Purpose Trust Fund of the State of North Dakota)

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018 and 2017

### **NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(d) Investments (Continued)**

Accounting standards categorize fair value measurements according to a hierarchy that is based on valuation inputs that are used to measure fair value. Level 1 inputs are quoted prices for identical assets in active markets that can be accessed at the measurement date. Level 2 inputs are inputs other than quoted market prices that are observable for an asset, either directly or indirectly. Level 3 inputs are unobservable. The fair values of the Plan's mutual funds are determined using Level 1 inputs.

The investment contracts, which include contracts issued by financial institutions and insurance companies, are fully benefit-responsive and are reported at contract value, which is equal to contributions, plus interest credited at a guaranteed rate, less withdrawals and any applicable fees and expenses. Interest is accrued as it is earned. The fair value standards are not applicable to the investment contracts, since they are reported at contract value, rather than fair value.

#### **(e) Cash and Cash Equivalents**

Cash and cash equivalents generally include contributions received from account owners that have not yet been invested in Underlying Funds and/or redemption proceeds from Underlying Funds for withdrawals that have not yet been distributed in accordance with account owners' instructions.

Contribution and withdrawal transactions are processed through a demand deposit account maintained at BNY Mellon in the Plan's name. The bank balance of this account at December 31, 2018 and 2017, was \$196,745 and \$43,115, respectively. Balances in this account are insured by the Federal Deposit Insurance Corporation (FDIC), along with any other accounts maintained at BNY Mellon under the same taxpayer identification number, in the aggregate, up to \$250,000. Amounts in excess of FDIC insurance limits are not collateralized or covered by supplementary insurance.

Excess cash balances are swept daily from this BNY Mellon account into an account where they are invested in the Dreyfus Government Cash Management Institutional Fund, which is a money market mutual fund rated Aaa-mf (Moody's)/AAAm (Standard & Poor's) and structured to maintain a net asset value per share equal to \$1. The weighted average maturity of the underlying debt securities in this fund was 19 days at December 31, 2018. The balance of this account as of December 31, 2018 and 2017, is \$1,466,384 and \$1,557,538, respectively, and is also included in cash and cash equivalents.

Cash and cash equivalents also include the Plan's equity position in a pooled account maintained by Vanguard to facilitate the processing of investment buy and sell transactions on behalf of their 529 plan clients. The Plan's equity position in the pooled account at December 31, 2018 and 2017, is \$185,742 and \$126,820, respectively.

# College SAVE™

Bank of North Dakota's 529 Plan

(A Private Purpose Trust Fund of the State of North Dakota)

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018 and 2017

### **NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(f) Contributions**

Individuals or entities meeting eligibility requirements that have properly executed a participation agreement with the Plan may establish an account to which cash contributions may be made, subject to certain minimum contribution requirements and limitations on the aggregate amount of contributions that may be made. Contributions received by AGS prior to the close of the NYSE are recorded as increases in fiduciary net position on the date they are received, provided that all related documentation is found to be in good order and approved by AGS.

Account owners may elect to invest their contributions in one or more portfolio options offered by the Plan, consisting of six Individual Portfolio Options and three Age-Based Options. The Individual Portfolio Options are structured for various time horizons and levels of risk tolerance and are designed to allow account owners flexibility in managing their asset allocations. The Age-Based Options allow account owners to choose a predetermined investment strategy based on their risk tolerance and the age of the beneficiary. Over time, as the beneficiary approaches college age, the asset allocation becomes more conservative.

In addition to the various portfolio options, effective May 5, 2017, the Plan began to offer two classes of units, the Direct Class (available to account owners who do not utilize a financial advisor to invest in the Plan) and Advisor Class (available to account owners who utilize a financial advisor to invest in the Plan). As more fully disclosed in Note 4, each unit class is subject to a different fee structure.

In exchange for contributions to the Plan, account owners receive full and/or fractional interests, or units, issued by the Trust. These units are municipal securities. Although money contributed to the Plan is invested in portfolio options that hold mutual funds or investment contracts, the units themselves are not direct investments in the mutual funds or the investment contracts. These units are not insured by the FDIC, the Bank of North Dakota or the state of North Dakota, nor have they been registered with the Securities and Exchange Commission or any state commission.

In addition, although account owners can select the portfolio options in which their contributions are invested, they cannot direct the selection or allocation of the Underlying Funds composing each portfolio option.

The Trustee allows North Dakota resident account owners who meet certain eligibility requirements to be considered for a BND Match award. Upon award, a separate BND Match account is opened by the Bank on behalf of the account owner and designated beneficiary. The Bank retains ownership of the assets in the BND Match account until the account owner submits a request in good order for a qualified withdrawal to an eligible educational institution. BND Match awards totaled \$314,841 and \$296,636 for the years ended December 31, 2018 and 2017, respectively, and are included in contributions on the statements of changes in fiduciary net position.



# College SAVE™

Bank of North Dakota's 529 Plan

(A Private Purpose Trust Fund of the State of North Dakota)

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018 and 2017

### **NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(f) Contributions (Continued)**

The New Baby Match Program allows North Dakota newborns to be considered for a one-time award. To be eligible to receive this award, interested persons must complete and return an enrollment form during the time the beneficiary, who must be a North Dakota resident, is 12 months old or younger. In addition, the account owner has up to 12 months from the enrollment date to contribute to the account in order to be eligible to receive a dollar for dollar match in an amount up to \$200. Once these requirements are met, the account owner retains the ownership of the match and any earnings thereon. New Baby Match Program awards totaled \$227,040 and \$208,645 for the years ended December 31, 2018 and 2017, respectively, and are included in contributions on the statements of changes in fiduciary net position.

#### **(g) Withdrawals**

Account owners may request withdrawals for qualified or non-qualified expenses. It is the responsibility of the account owner to determine whether or not the withdrawal is for qualified educational expenses and to calculate the applicable amount of federal or state tax or penalties for non-qualified withdrawals, if any. Withdrawals are recorded as deductions from fiduciary net position on the date the withdrawal request is found to be in good order and approved by AGS.

Withdrawals presented on the statements of changes in fiduciary net position include annual account maintenance fees, which are \$20 for each account and are assessed annually during the anniversary month of the account opening. This fee is not charged to BND Match or New Baby Match Program accounts nor to those accounts for which the account owner or the beneficiary is a North Dakota resident. In addition, accounts established prior to February 28, 2002, where either the account owner or the beneficiary was a resident of South Dakota at the time of account opening, are not subject to this fee. Withdrawals also include service fees for other transactions, such as returned checks, overnight delivery charges, outgoing wire transfers and requests for historical statements. Annual account maintenance fees and service fees totaled approximately \$205,000 and \$212,000 for the years ended December 31, 2018 and 2017, respectively, and are paid to AGS.

#### **(h) Exchanges and Transfers**

For each of the Age-Based Options, account balances will automatically be exchanged from one portfolio option to another more conservative portfolio option as the beneficiary approaches college age. In addition, subject to certain limitations and restrictions, account owners may generally direct that their account balance be reinvested in one or more different portfolio options twice per calendar year. Transfers of funds between portfolio options are referred to as "exchanges." Under certain conditions, account assets may be transferred from one beneficiary to another or from one account owner to another. These transactions are referred to as "transfers." The amounts of contributions and withdrawals reported on the statements of changes in fiduciary net position do not include exchanges or transfers, as these have no impact on the overall financial position of the Plan.

# College SAVE™

Bank of North Dakota's 529 Plan  
(A Private Purpose Trust Fund of the State of North Dakota)

## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2018 and 2017

### NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (i) Unit Valuation

Each account owner's full and/or fractional interest in a portfolio option is evidenced by a unit. The net asset value of a unit is calculated daily based on the value of the Underlying Funds, adjusted for the effects of such transactions as accrued administrative fees and investment income that has not been reinvested. The value of any individual account is determined by multiplying the number of units in a portfolio option attributable to that account owner by the net asset value per unit of that portfolio option.

### NOTE 3: INVESTMENTS

#### (a) Investments by Type

At December 31, 2018 and 2017, investments held in the various portfolio options are detailed in the schedules that follow. Percentages are rounded to the nearest tenth of a percent.

2018			
Underlying Fund	Designation	Balance as of December 31, 2018	Percent of Total Balance
<b>Aggressive Growth Portfolio</b>			
Vanguard Total Stock Market Index Fund Institutional Plus Shares	Domestic Large Blend	\$ 47,736,521	60.2%
Vanguard Total International Stock Index Fund Institutional Shares	International Large Blend	31,544,265	39.8%
		<u>79,280,786</u>	<u>100.0%</u>
<b>Aggressive Portfolio <sup>(1)</sup></b>			
Vanguard Total Stock Market Index Fund Institutional Plus Shares	Domestic Large Blend	14,436,817	52.7%
Vanguard Total International Stock Index Fund Institutional Shares	International Large Blend	9,537,874	34.9%
Vanguard Total Bond Market II Index Fund Institutional Shares	Intermediate-Term Bond	2,373,289	8.7%
Vanguard Total International Bond Index Fund Institutional Shares	World Bond	1,014,513	3.7%
		<u>27,362,493</u>	<u>100.0%</u>

<sup>(1)</sup> Age-Based Options glidepath portfolio only. Not available for investment as an Individual Portfolio Option.

**(Continued)**

# College SAVE™

Bank of North Dakota's 529 Plan  
(A Private Purpose Trust Fund of the State of North Dakota)

## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2018 and 2017

### NOTE 3: INVESTMENTS (Continued)

#### (a) Investments by Type (Continued)

2018			
Underlying Fund	Designation	Balance as of December 31, 2018	Percent of Total Balance
<b>Growth Portfolio</b>			
Vanguard Total Stock Market Index Fund Institutional Plus Shares	Domestic Large Blend	\$ 22,585,975	45.4%
Vanguard Total International Stock Index Fund Institutional Shares	International Large Blend	14,865,707	29.9%
Vanguard Total Bond Market II Index Fund Institutional Shares	Intermediate-Term Bond	8,582,020	17.3%
Vanguard Total International Bond Index Fund Institutional Shares	World Bond	3,664,579	7.4%
		<u>49,698,281</u>	<u>100.0%</u>
<b>Blended Growth Portfolio <sup>(1)</sup></b>			
Vanguard Total Stock Market Index Fund Institutional Plus Shares	Domestic Large Blend	10,207,559	37.9%
Vanguard Total International Stock Index Fund Institutional Shares	International Large Blend	6,731,665	25.0%
Vanguard Total Bond Market II Index Fund Institutional Shares	Intermediate-Term Bond	7,021,795	26.0%
Vanguard Total International Bond Index Fund Institutional Shares	World Bond	3,002,330	11.1%
		<u>26,963,349</u>	<u>100.0%</u>
<b>Moderate Growth Portfolio</b>			
Vanguard Total Stock Market Index Fund Institutional Plus Shares	Domestic Large Blend	17,445,653	30.5%
Vanguard Total International Stock Index Fund Institutional Shares	International Large Blend	11,461,990	20.1%
Vanguard Total Bond Market II Index Fund Institutional Shares	Intermediate-Term Bond	19,748,239	34.6%
Vanguard Total International Bond Index Fund Institutional Shares	World Bond	8,443,432	14.8%
		<u>57,099,314</u>	<u>100.0%</u>

<sup>(1)</sup> Age-Based Options glidepath portfolio only. Not available for investment as an Individual Portfolio Option.

**(Continued)**

# College SAVE™

Bank of North Dakota's 529 Plan  
(A Private Purpose Trust Fund of the State of North Dakota)

## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2018 and 2017

### NOTE 3: INVESTMENTS (Continued)

#### (a) Investments by Type (Continued)

2018			
Underlying Fund	Designation	Balance as of December 31, 2018	Percent of Total Balance
<b>Blended Moderate Growth Portfolio <sup>(1)</sup></b>			
Vanguard Total Stock Market Index Fund Institutional Plus Shares	Domestic Large Blend	\$ 10,528,215	22.6%
Vanguard Total International Stock Index Fund Institutional Shares	International Large Blend	7,004,809	15.0%
Vanguard Total Bond Market II Index Fund Institutional Shares	Intermediate-Term Bond	20,341,702	43.7%
Vanguard Total International Bond Index Fund Institutional Shares	World Bond	8,697,123	18.7%
		<u>46,571,849</u>	<u>100.0%</u>
<b>Conservative Growth Portfolio</b>			
Vanguard Total Stock Market Index Fund Institutional Plus Shares	Domestic Large Blend	8,298,729	15.2%
Vanguard Total International Stock Index Fund Institutional Shares	International Large Blend	5,502,072	10.0%
Vanguard Total Bond Market II Index Fund Institutional Shares	Intermediate-Term Bond	28,639,454	52.4%
Vanguard Total International Bond Index Fund Institutional Shares	World Bond	12,248,549	22.4%
		<u>54,688,804</u>	<u>100.0%</u>
<b>Conservative Portfolio <sup>(1)</sup></b>			
Vanguard Total Stock Market Index Fund Institutional Plus Shares	Domestic Large Blend	3,215,106	7.2%
Vanguard Total International Stock Index Fund Institutional Shares	International Large Blend	2,218,827	4.9%
Vanguard Total Bond Market II Index Fund Institutional Shares	Intermediate-Term Bond	27,671,557	61.6%
Vanguard Total International Bond Index Fund Institutional Shares	World Bond	11,821,601	26.3%
		<u>44,927,091</u>	<u>100.0%</u>

<sup>(1)</sup> Age-Based Options glidepath portfolio only. Not available for investment as an Individual Portfolio Option.

(Continued)

# College SAVE™

Bank of North Dakota's 529 Plan  
(A Private Purpose Trust Fund of the State of North Dakota)

## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2018 and 2017

### NOTE 3: INVESTMENTS (Continued)

#### (a) Investments by Type (Continued)

2018			
Underlying Fund	Designation	Balance as of December 31, 2018	Percent of Total Balance
<b>Income Portfolio</b>			
Vanguard Short-Term Reserves Account	Stable Value	\$ 12,269,494	25.0%
Vanguard Short-Term Inflation-Protected Securities Index Fund Institutional Shares	Inflation Protected Bond	8,842,495	18.0%
Vanguard Total Bond Market II Index Fund Institutional Shares	Intermediate-Term Bond	16,969,077	34.5%
Vanguard Total International Bond Index Fund Institutional Shares	World Bond	11,043,664	22.5%
		<u>49,124,730</u>	<u>100.0%</u>
<b>Balanced Income Portfolio <sup>(1)</sup></b>			
Vanguard Short-Term Reserves Account	Stable Value	589,187	50.0%
Vanguard Short-Term Inflation-Protected Securities Index Fund Institutional Shares	Inflation Protected Bond	141,497	12.0%
Vanguard Total Bond Market II Index Fund Institutional Shares	Intermediate-Term Bond	271,448	23.0%
Vanguard Total International Bond Index Fund Institutional Shares	World Bond	176,717	15.0%
		<u>1,178,849</u>	<u>100.0%</u>
<b>Conservative Income Portfolio <sup>(1)</sup></b>			
Vanguard Short-Term Reserves Account	Stable Value	1,674,542	75.0%
Vanguard Short-Term Inflation-Protected Securities Index Fund Institutional Shares	Inflation Protected Bond	134,142	6.0%
Vanguard Total Bond Market II Index Fund Institutional Shares	Intermediate-Term Bond	257,796	11.5%
Vanguard Total International Bond Index Fund Institutional Shares	World Bond	167,560	7.5%
		<u>2,234,040</u>	<u>100.0%</u>
<b>Interest Accumulation Portfolio</b>			
Vanguard Short-Term Reserves Account	Stable Value	16,873,469	100.0%
		<u>\$ 456,003,055</u>	

<sup>(1)</sup> Age-Based Options glidepath portfolio only. Not available for investment as an Individual Portfolio Option.

# College SAVE™

Bank of North Dakota's 529 Plan  
(A Private Purpose Trust Fund of the State of North Dakota)

## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2018 and 2017

### NOTE 3: INVESTMENTS (Continued)

#### (a) Investments by Type (Continued)

2017			
Underlying Fund	Designation	Balance as of December 31, 2017	Percent of Total Balance
<b>Aggressive Growth Portfolio</b>			
Vanguard Total Stock Market Index Fund Institutional Plus Shares	Domestic Large Blend	\$ 53,133,143	59.8%
Vanguard Total International Stock Index Fund Institutional Shares	International Large Blend	35,708,384	40.2%
		<u>88,841,527</u>	<u>100.0%</u>
<b>Growth Portfolio</b>			
Vanguard Total Stock Market Index Fund Institutional Plus Shares	Domestic Large Blend	32,674,014	44.8%
Vanguard Total International Stock Index Fund Institutional Shares	International Large Blend	22,015,108	30.2%
Vanguard Total Bond Market II Index Fund Institutional Shares	Intermediate-Term Bond	12,785,226	17.5%
Vanguard Total International Bond Index Fund Institutional Shares	World Bond	5,467,871	7.5%
		<u>72,942,219</u>	<u>100.0%</u>
<b>Moderate Growth Portfolio</b>			
Vanguard Total Stock Market Index Fund Institutional Plus Shares	Domestic Large Blend	34,943,250	30.0%
Vanguard Total International Stock Index Fund Institutional Shares	International Large Blend	23,596,175	20.2%
Vanguard Total Bond Market II Index Fund Institutional Shares	Intermediate-Term Bond	40,685,262	34.9%
Vanguard Total International Bond Index Fund Institutional Shares	World Bond	17,373,466	14.9%
		<u>116,598,153</u>	<u>100.0%</u>

*(Continued)*

# College SAVE™

Bank of North Dakota's 529 Plan  
(A Private Purpose Trust Fund of the State of North Dakota)

## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2018 and 2017

### NOTE 3: INVESTMENTS (Continued)

#### (a) Investments by Type (Continued)

2017			
Underlying Fund	Designation	Balance as of December 31, 2017	Percent of Total Balance
<b>Conservative Growth Portfolio</b>			
Vanguard Total Stock Market Index Fund Institutional Plus Shares	Domestic Large Blend	\$ 14,669,367	15.0%
Vanguard Total International Stock Index Fund Institutional Shares	International Large Blend	9,934,162	10.2%
Vanguard Total Bond Market II Index Fund Institutional Shares	Intermediate-Term Bond	51,177,498	52.4%
Vanguard Total International Bond Index Fund Institutional Shares	World Bond	21,864,505	22.4%
		<u>97,645,532</u>	<u>100.0%</u>
<b>Income Portfolio</b>			
Vanguard Short-Term Reserves Account	Stable Value	19,941,361	25.0%
Vanguard Short-Term Inflation-Protected Securities Index Fund Institutional Shares	Inflation Protected Bond	14,373,500	18.0%
Vanguard Total Bond Market II Index Fund Institutional Shares	Intermediate-Term Bond	27,546,788	34.5%
Vanguard Total International Bond Index Fund Institutional Shares	World Bond	17,944,808	22.5%
		<u>79,806,457</u>	<u>100.0%</u>
<b>Interest Accumulation Portfolio</b>			
Vanguard Short-Term Reserves Account	Stable Value	13,682,631	100.0%
<b>Total Investments</b>		<u>\$ 469,516,519</u>	

# College SAVE™

Bank of North Dakota's 529 Plan  
(A Private Purpose Trust Fund of the State of North Dakota)

## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2018 and 2017

### NOTE 3: INVESTMENTS (Continued)

#### (b) Vanguard Short-Term Reserves Account

The Plan maintains a stable value separate account that serves as an underlying asset for certain portfolio options. This account, which is managed by Vanguard, invests in benefit-responsive guaranteed investment contracts issued by insurance companies, bank investment contracts issued by financial institutions and a money market mutual fund. The underlying holdings of this account at December 31, 2018 and 2017, are as follows:

	<u>2018</u>	<u>2017</u>
<b>Investment contracts, at contract value</b>		
American General Life Insurance Company	\$ 5,017,717	\$ 5,101,976
Metropolitan Life	5,982,907	-
Nationwide Life	4,984,105	5,546,129
New York Life	1,531,735	-
Prudential Insurance Company	5,086,862	6,774,586
State Street Bank	5,085,860	6,774,678
Total investment contracts, at contract value	<u>27,689,186</u>	<u>24,197,369</u>
<b>Vanguard Federal Money Market Fund</b>	<u>3,717,506</u>	<u>9,426,623</u>
<b>Total Vanguard Short-Term Reserves Account</b>	<u>\$ 31,406,692</u>	<u>\$ 33,623,992</u>

The crediting rates on these contracts ranged from 2.25% to 3.5% at December 31, 2018, and 1.72% to 1.862% at December 31, 2017. These rates may reset periodically.

The contracts include traditional investment contracts and wrap contracts. The underlying assets held in the wrap accounts are set forth in the related agreements and were the Vanguard Institutional Short Term Bond Fund and the Vanguard Institutional Intermediate Term Bond Fund during the years ended December 31, 2018 and 2017.

Based on the nature of the investment contracts and underlying asset holdings, contract value is a reasonable approximation of fair value.

The bank investment contracts are not insured by the FDIC or otherwise covered by collateral or supplementary insurance.



# College SAVE™

Bank of North Dakota's 529 Plan  
(A Private Purpose Trust Fund of the State of North Dakota)

## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2018 and 2017

### NOTE 3: INVESTMENTS (Continued)

#### (c) Net Appreciation (Depreciation) in Value of Investments

The following table calculates the net change in the value of investments during the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Value of investments, end of year	\$ 456,003,055	\$ 469,516,519
Less cost of investments purchased and investment income reinvested during the year	(260,320,928)	(196,201,533)
Plus proceeds from investments sold during the year	243,790,761	182,945,835
Less value of investments, beginning of year	<u>(469,516,519)</u>	<u>(415,472,352)</u>
Net (depreciation) appreciation in value of investments	<u>\$ (30,043,631)</u>	<u>\$ 40,788,469</u>

#### (d) Investment Risk

The mutual funds in which the Plan invests include various types of investment securities in their asset holdings, such as corporate debt and equity securities, obligations of the United States (U.S.) government and government agencies and international equity securities. These securities are exposed to interest rate, market and credit risk, and it is at least reasonably possible that changes in their fair values could occur in the near term, materially affecting account owner balances and the amounts reported in the Plan's financial statements.

Generally accepted accounting principles require that certain disclosures be made related to the Plan's investment policy and exposure to credit risk, interest rate risk and foreign currency risk, which are included in the paragraphs that follow.

#### Investment Policy

The Underlying Funds in which the Plan's assets are invested and the allocation of the Underlying Funds within each portfolio option are specified in the Management Agreement and the Operational Agreement and may not be changed without approval of the Bank. There is no separate investment policy that specifically addresses credit risk, interest rate risk, concentrations of credit risk or foreign currency risk. However, the Bank, AGS and Vanguard believe that the portfolio options available to account owners are appropriately structured to allow account owners to manage these specific risk types, to the greatest extent possible, given the nature of the Underlying Funds.

# College SAVE™

Bank of North Dakota's 529 Plan  
(A Private Purpose Trust Fund of the State of North Dakota)

## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2018 and 2017

### NOTE 3: INVESTMENTS (Continued)

#### (d) Investment Risk (Continued)

##### Credit Risk

Certain Underlying Funds invest in bonds issued by corporations, foreign governments, the U.S. government, its agencies and instrumentalities. The Plan may be indirectly exposed to credit risk, which is the risk that a bond issuer will fail to pay interest and principal, when due, as a result of adverse market or economic conditions.

The Plan's mutual funds are not subject to classification by custodial credit risk, which is the risk the Plan will not recover the value of investments that are in the possession of an outside party. In addition, the investment contracts are considered a contractual investment, rather than investment securities, and are not exposed to custodial credit risk, except as disclosed in Note 3(b) regarding bank investment contracts.

The mutual funds in which the Plan invests are not rated as to credit quality by a nationally recognized statistical rating organization.

##### Interest Rate Risk

The Plan is indirectly exposed to interest rate risk through its investment in short-and intermediate-term bond funds. Interest rate risk is the risk that changes in interest rates will adversely impact the fair value of an investment. Average maturity is the average length of time until fixed-income securities held by a fund reach maturity and will be repaid, taking into consideration the possibility that the issuer may call a bond before its maturity date. In general, the longer the average maturity, the more a fund's share price will fluctuate in response to changes in interest rates. Average duration is also a measure of how much the value of the bonds held by a fund will fluctuate in response to changes in interest rates. As of December 31, 2018, the average maturity and average duration of these mutual funds are as follows:

	<u>Average Maturity</u>	<u>Average Duration</u>
Vanguard Total Bond Market II Index Fund Institutional Shares	8.2 years	5.9 years
Vanguard Short-Term Inflation-Protected Securities Index Fund Institutional Shares	2.5 years	2.4 years
Vanguard Total International Bond Index Fund Institutional Shares	9.3 years	7.9 years
Vanguard Federal Money Market Fund	40 days	N/A

# College SAVE™

Bank of North Dakota's 529 Plan  
(A Private Purpose Trust Fund of the State of North Dakota)

## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2018 and 2017

### NOTE 3: INVESTMENTS (Continued)

#### (d) Investment Risk (Continued)

##### Foreign Currency Risk

The Vanguard Total International Stock Index Fund Institutional Shares invests in a diversified index of non-U.S. stocks representing the major developed and emerging equity markets, and the Vanguard Total Bond Index Fund Institutional Shares invests in diversified investment grade, fixed-income investments issued in currencies other than the U.S. dollar. There are certain inherent risks involved when investing in international securities that are not present with investments in domestic securities, such as foreign currency exchange rate fluctuations, adverse political and economic developments and the possible prevention or delay of currency exchange due to foreign governmental laws or restrictions.

### NOTE 4: ADMINISTRATIVE FEES AND EXPENSES

#### (a) Administrative Fees

Administrative fees presented on the statements of changes in fiduciary net position include service fees that are paid to the Bank, AGS and Vanguard, as provided in the Management Agreement and the Operational Agreement. These fees include the plan management fee and the state administrative fee, which are both calculated based on the fiduciary net position of each portfolio option, accrued daily and paid monthly.

In addition, Advisor Class units of each portfolio, excluding the Interest Accumulation Portfolio, are subject to an ongoing distribution and service fee, which is calculated based on net position of Advisor Class units in each portfolio option and accrued daily. This fee is paid monthly to AGS, and on a quarterly basis is distributed to financial advisors for certain distribution and account related services. Direct Class units are not subject to the distribution and service fee.

The Bank, AGS and Vanguard agreed to temporarily limit their respective service fees attributable to the Interest Accumulation Portfolio to maintain a zero or positive yield for this portfolio. This limit remains in effect as of the date of this report.

Administrative fees related to the years ended December 31, 2018 and 2017, are as follows:

	<u>2018</u>	<u>2017</u>
AGS	\$ 2,412,958 <sup>(1)</sup>	\$ 2,344,867 <sup>(1)</sup>
Vanguard	474,025	516,260
Bank	<u>472,879</u>	<u>443,487</u>
Total administrative fees	<u>\$ 3,359,862</u>	<u>\$ 3,304,614</u>

<sup>(1)</sup> Includes distribution and service fees ultimately paid to financial advisors.

# College SAVE™

Bank of North Dakota's 529 Plan  
(A Private Purpose Trust Fund of the State of North Dakota)

## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2018 and 2017

### **NOTE 4: ADMINISTRATIVE FEES AND EXPENSES (Continued)**

#### **(b) Underlying Fund Expenses**

Vanguard also receives fees for management of the Underlying Funds. These fees are not included in administrative fees presented on the Plan's statements of changes in fiduciary net position since they reduce the amount of investment income available for distribution to the Plan and are not a direct expense paid from the Plan's assets.

## **Supplementary Information**

*(This page intentionally left blank)*

# College SAVE™

Bank of North Dakota's 529 Plan

(A Private Purpose Trust Fund of the State of North Dakota)

## SCHEDULE OF FIDUCIARY NET POSITION BY PORTFOLIO

December 31, 2018

	Aggressive Growth Portfolio	Aggressive Portfolio	Growth Portfolio	Blended Growth Portfolio	Moderate Growth Portfolio	Blended Moderate Growth Portfolio	Conservative Growth Portfolio
<b>ASSETS</b>							
Investments	\$ 79,280,786	\$ 27,362,493	\$ 49,698,281	\$ 26,963,349	\$ 57,099,314	\$ 46,571,849	\$ 54,688,804
Cash and cash equivalents (cash overdraft)	155,196	125,955	89,476	80,664	72,747	98,754	98,183
Receivables for investments sold	14,509	-	-	-	15,142	-	7,326
<b>Total Assets</b>	<u>79,450,491</u>	<u>27,488,448</u>	<u>49,787,757</u>	<u>27,044,013</u>	<u>57,187,203</u>	<u>46,670,603</u>	<u>54,794,313</u>
<b>LIABILITIES</b>							
Payables for investments purchased	88,551	69,023	21,210	58,340	39,551	89,780	1,964
Withdrawals payable	50,929	1,198	23,474	383	70,153	-	62,353
Accrued administrative fees	46,817	14,878	29,468	15,427	35,227	29,406	34,406
<b>Total Liabilities</b>	<u>186,297</u>	<u>85,099</u>	<u>74,152</u>	<u>74,150</u>	<u>144,931</u>	<u>119,186</u>	<u>98,723</u>
<b>NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES</b>							
	<u>\$ 79,264,194</u>	<u>\$ 27,403,349</u>	<u>\$ 49,713,605</u>	<u>\$ 26,969,863</u>	<u>\$ 57,042,272</u>	<u>\$ 46,551,417</u>	<u>\$ 54,695,590</u>
<b>UNIT INFORMATION<sup>(1) (2)</sup></b>							
<b>Advisor Class</b>							
Units outstanding	2,566,871	1,358,083	1,637,308	1,521,352	2,344,406	3,778,047	2,646,365
Net asset value per unit	\$ 18.29	\$ 8.99	\$ 18.58	\$ 9.29	\$ 17.19	\$ 9.61	\$ 15.67
<b>Direct Class</b>							
Units outstanding	3,168,248	1,686,369	1,887,713	1,377,307	1,636,553	1,064,905	1,292,966
Net asset value per unit	\$ 10.20	\$ 9.01	\$ 10.23	\$ 9.32	\$ 10.23	\$ 9.62	\$ 10.23

<sup>(1)</sup> Rounded to the nearest whole share

<sup>(2)</sup> Rounded to the nearest hundredth

See Independent Auditor's Report.

# College SAVE™

Bank of North Dakota's 529 Plan

(A Private Purpose Trust Fund of the State of North Dakota)

## SCHEDULE OF FIDUCIARY NET POSITION BY PORTFOLIO

December 31, 2018

	Conservative Portfolio	Income Portfolio	Balanced Income Portfolio	Conservative Income Portfolio	Interest Accumulation Portfolio	Plan Total
<b>ASSETS</b>						
Investments	\$ 44,927,091	\$ 49,124,730	\$ 1,178,849	\$ 2,234,040	\$ 16,873,469	\$ 456,003,055
Cash and cash equivalents (cash overdraft)	61,703	77,824	(58,456)	425	7,301	809,772
Receivables for investments sold	22,822	55,890	60,969	-	8,880	185,538
<b>Total Assets</b>	<b>45,011,616</b>	<b>49,258,444</b>	<b>1,181,362</b>	<b>2,234,465</b>	<b>16,889,650</b>	<b>456,998,365</b>
<b>LIABILITIES</b>						
Payables for investments purchased	-	-	1,837	593	431	371,280
Withdrawals payable	165,708	256,679	-	1,609	59,450	691,936
Accrued administrative fees	28,979	31,239	667	1,285	7,336	275,135
<b>Total Liabilities</b>	<b>194,687</b>	<b>287,918</b>	<b>2,504</b>	<b>3,487</b>	<b>67,217</b>	<b>1,338,351</b>
<b>NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES</b>						
	<b>\$ 44,816,929</b>	<b>\$ 48,970,526</b>	<b>\$ 1,178,858</b>	<b>\$ 2,230,978</b>	<b>\$ 16,822,433</b>	<b>\$ 455,660,014</b>
<b>UNIT INFORMATION<sup>(1) (2)</sup></b>						
<b>Advisor Class</b>						
Units outstanding	3,679,694	2,805,633	47,370	115,709	1,023,401	
Net asset value per unit	\$ 9.94	\$ 13.50	\$ 10.07	\$ 10.06	\$ 10.23	
<b>Direct Class</b>						
Units outstanding	829,051	1,087,695	69,697	105,953	621,628	
Net asset value per unit	\$ 9.94	\$ 10.20	\$ 10.07	\$ 10.07	\$ 10.22	

<sup>(1)</sup> Rounded to the nearest whole share

<sup>(2)</sup> Rounded to the nearest hundredth

See Independent Auditor's Report.



# College SAVE™

Bank of North Dakota's 529 Plan

(A Private Purpose Trust Fund of the State of North Dakota)

## SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION BY PORTFOLIO Year Ended December 31, 2018

	Aggressive Growth Portfolio	Aggressive Portfolio	Growth Portfolio	Blended Growth Portfolio	Moderate Growth Portfolio	Blended Moderate Growth Portfolio	Conservative Growth Portfolio
<b>ADDITIONS</b>							
Contributions	\$ 13,744,220	\$ 2,812,935	\$ 8,725,701	\$ 1,492,584	\$ 7,559,639	\$ 1,505,365	\$ 5,438,916
Investment income (loss):							
Dividends and interest	1,982,951	358,711	1,506,988	368,968	2,160,910	648,702	2,051,603
Net appreciation (depreciation) in fair value of investments	(9,522,411)	(3,249,175)	(4,410,427)	(2,336,822)	(3,848,180)	(2,367,445)	(2,637,300)
Net investment income (loss)	(7,539,460)	(2,890,464)	(2,903,439)	(1,967,854)	(1,687,270)	(1,718,743)	(585,697)
Exchanges in	3,571,488	1,568,151	9,269,455	3,564,313	15,339,083	6,591,586	27,589,642
<b>Total Additions</b>	<u>9,776,248</u>	<u>1,490,622</u>	<u>15,091,717</u>	<u>3,089,043</u>	<u>21,211,452</u>	<u>6,378,208</u>	<u>32,442,861</u>
<b>DEDUCTIONS</b>							
Withdrawals	4,321,959	83,575	2,917,960	46,395	4,110,587	252,298	5,934,820
Administrative fees	613,374	67,653	454,536	70,825	677,283	129,530	611,729
Exchanges out	9,197,370	3,368,467	14,314,684	4,762,690	27,345,309	7,149,121	26,522,013
<b>Total Deductions</b>	<u>14,132,703</u>	<u>3,519,695</u>	<u>17,687,180</u>	<u>4,879,910</u>	<u>32,133,179</u>	<u>7,530,949</u>	<u>33,068,562</u>
<b>PORTFOLIO CONVERSION IN (OUT)</b>	<u>(5,189,861)</u>	<u>29,432,422</u>	<u>(20,702,979)</u>	<u>28,760,730</u>	<u>(48,607,499)</u>	<u>47,704,158</u>	<u>(42,289,929)</u>
<b>NET INCREASE (DECREASE)</b>	<u>(9,546,316)</u>	<u>27,403,349</u>	<u>(23,298,442)</u>	<u>26,969,863</u>	<u>(59,529,226)</u>	<u>46,551,417</u>	<u>(42,915,630)</u>
<b>NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES, BEGINNING OF YEAR</b>	<u>88,810,510</u>	<u>-</u>	<u>73,012,047</u>	<u>-</u>	<u>116,571,498</u>	<u>-</u>	<u>97,611,220</u>
<b>NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES, END OF YEAR</b>	<u>\$ 79,264,194</u>	<u>\$ 27,403,349</u>	<u>\$ 49,713,605</u>	<u>\$ 26,969,863</u>	<u>\$ 57,042,272</u>	<u>\$ 46,551,417</u>	<u>\$ 54,695,590</u>

See Independent Auditor's Report.

# College SAVE™

Bank of North Dakota's 529 Plan

(A Private Purpose Trust Fund of the State of North Dakota)

## SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION BY PORTFOLIO Year Ended December 31, 2018

	Conservative Portfolio	Income Portfolio	Balanced Income Portfolio	Conservative Income Portfolio	Interest Accumulation Portfolio	Plan Total
<b>ADDITIONS</b>						
Contributions	\$ 1,106,418	\$ 4,053,887	\$ 46,104	\$ 89,619	\$ 1,288,888	\$ 47,864,276
Investment income (loss):						
Dividends and interest	643,191	1,669,407	15,433	25,389	308,343	11,740,596
Net appreciation (depreciation) in fair value of investments	(806,642)	(854,930)	(4,759)	(5,540)	-	(30,043,631)
Net investment income (loss)	(163,451)	814,477	10,674	19,849	308,343	(18,303,035)
Exchanges in	6,436,437	23,007,824	147,044	438,259	5,933,184	103,456,466
<b>Total Additions</b>	<u>7,379,404</u>	<u>27,876,188</u>	<u>203,822</u>	<u>547,727</u>	<u>7,530,415</u>	<u>133,017,707</u>
<b>DEDUCTIONS</b>						
Withdrawals	2,945,635	15,682,121	11,569	173,492	3,348,077	39,828,488
Administrative fees	124,230	526,263	2,984	6,038	75,417	3,359,862
Exchanges out	3,846,700	5,004,870	319,866	664,045	961,331	103,456,466
<b>Total Deductions</b>	<u>6,916,565</u>	<u>21,213,254</u>	<u>334,419</u>	<u>843,575</u>	<u>4,384,825</u>	<u>146,644,816</u>
<b>PORTFOLIO CONVERSION IN (OUT)</b>	<u>44,354,090</u>	<u>(37,334,917)</u>	<u>1,309,455</u>	<u>2,526,826</u>	<u>37,504</u>	<u>-</u>
<b>NET INCREASE (DECREASE)</b>	44,816,929	(30,671,983)	1,178,858	2,230,978	3,183,094	(13,627,109)
<b>NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES, BEGINNING OF YEAR</b>	<u>-</u>	<u>79,642,509</u>	<u>-</u>	<u>-</u>	<u>13,639,339</u>	<u>469,287,123</u>
<b>NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES, END OF YEAR</b>	<u>\$ 44,816,929</u>	<u>\$ 48,970,526</u>	<u>\$ 1,178,858</u>	<u>\$ 2,230,978</u>	<u>\$ 16,822,433</u>	<u>\$ 455,660,014</u>

See Independent Auditor's Report.



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Bank of North Dakota  
Ascensus Broker Dealer Services, LLC, Program Manager  
College SAVE

We have audited, in accordance with the 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, the financial statements of **College SAVE** (the Plan), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Plan’s basic financial statements, and have issued our report thereon dated March 29, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the basic financial statements, we considered the Plan’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Plan's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Landmark PLC*  
Certified Public Accountants

March 29, 2019  
Little Rock, Arkansas